



THE ECONOMIC GAME OF POLITICAL COERCION

Saddam Hussein

On the global horizon of state to state affairs, economics and politics have entangled more than ever. The biggest and most influential of the players are International Financial Institutions (IFIs). IFIs portray a complex history – a smoke-screen, one must say. The swift transition from development partners to become partners in exerting influence for vested interests of a few, was inherent in their making.

Not to forget, the general notion is that these IFIs play a significant role in the functioning of the global economy and in some cases, have a huge impact on the development of countries. It may have some truth. Though, understanding how these international institutions operate, has imperative academic and public policy ramifications.

The World Bank (WB) and the International Monetary Fund (IMF) are more than 75 years old now. These IFIs were established in 1944, during Bretton Woods Conference, where delegates from 44 nations gathered to agree upon a series of new rules for the post-WWII international monetary system.

It is pertinent to note that, among other matters that divided the participants at the Bretton Woods, back then, was the choice of location for the Bank and IMF headquarters. The United States (US) Treasury wanted it to be established in Washington, within the reach of its influence, while several foreign delegations preferred New York. The reason being; on one hand to put it at a distance from the US government, and on the other hand to move it closer to

the future headquarters of the United Nations (UN).

John Maynard Keynes -- a British economist, whose ideas fundamentally changed the theory and practice of macroeconomics and the economic policies of governments – openly held that the duo should be kept at a distance from the US Congress as well as from the influence of the embassies. Thus, New York was thought to be the best choice for the purpose.

However, from the very beginning, both WB and IMF, were under the influence of the US and a few allied major powers, who work to generate policies that run counter to the interests of the other nations' systems. The two have systematically made loans to countries as a means of influencing their policies. Foreign indebtedness has been and continues to be used as an instrument for subordinating the borrowers. Since their creation, the IMF and the WB have often violated international pacts on human rights and have no guilt about supporting dictatorships.

The question arises; is IMF conditionality exclusively designed to be in line with observable economic indicators or whether it is partly driven by the IMF's major shareholder, the United States? Evidence shows that closer allies of the US received IMF loans with fewer conditions, especially prior to elections. These results are relevant to current public policy debates on the role and process of setting IMF loan conditions and provide broader insight into the influence of the US and other G7 countries on international institutions.

For countries that are not strongly allied with the United States, the IMF would restrain fiscal and monetary policy, by setting tight conditions on loans. For countries that are allied with the US, the IMF would be more lenient, rewarding incumbent politicians with loose conditions and providing them the opportunity to manipulate the economy for electoral gain, as well.

In contrast to the IMF, which is the result of robust negotiations between the US and Britain, the WB is largely an American manufacture. The outcome was a solid and lasting American imprint on all facets of the Bank, including its structure, general policy direction, and the manner of granting loans. During last 2,3 decades, the West in general and US in particular is ever more weaponizing IMF, WB and United Nations (UN) to subdue smaller countries like Iran, Greece, Argentina, Venezuela etc.

Moreover, if Russia, China and Pakistan behave the way the US wants them to, they are good boys, but if they resist and defy the US-led West, they are bad boys. Being in the category of bad boys, all these mentioned institutions also turn their guns to the target countries and conspire with major power to weaken them financially. In that case, US also use 'human rights' as a political instrument for coercion.

One can counter-check the US Department of State's reports on human rights; how they target Pakistan and China – and stay mum on Israeli violence on helpless Palestinians. Additionally, Washington also stay silent or suffice with customary statements only when it comes to Indian brutalities in Kashmir valley, along with its harsh discriminatory practices against minorities. For instance, India's lockdown over 8 million Kashmiris, including the entire political leadership, to prevent them from protesting the abrogation of Article 370 and violation of UN resolutions, but no major power condemns the act of abrogation, but only talking of restoration of liberties.

Hence, it all boils down to considerations of geo-politics and nothing is moral in this game. There is only selective application of moral values and international law for vested interests. However, developing countries, staggering around to survive in the global financial order, cannot stand up to the US influence over IFIs and UN

The notion thus calls for a new form of decolonization, urgently required, to get out of the predicament in which the IFIs and their main shareholders have entrapped the developing countries. New rules of the game ought to be established for the multipolar world ahead, where no single nation or region should be dominant enough to undermine others.