

## An Outsider's Comment — a Soviet Viewpoint

### "What Aims Does the IMF Serve"

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The International Monetary Fund was established by decision of the U.N. Monetary Conference held at Bretton Woods, in 1944, as an inter-governmental organization with a view to stabilizing monetary relations among its members. This stability was to be guaranteed by fixed exchange rates based on a fixed price of gold in U.S. dollars. Thus, along with gold, the U.S. dollar became an international reserve currency.

Stability was also to be guaranteed by the system of crediting members in the event of payment difficulties. The possibility to draw money from the IMF in case of need is very tempting for many governments. Membership of the Fund enables the states in acute need of external sources for financing their economies to obtain long-term credits and loans in the organizations closely linked with

the IMF — the International Bank for Reconstruction and Development (World Bank), the International Development Association, and regional banks, such as the Asian Development Bank, the African Development Bank and the Inter-American Development Bank.

#### THE DOLLAR HEGEMONY

The pegging of the IMF currency system to the U.S. dollar has made the former dependent on Washington's economic and financial policies. The United States took advantage of its monetary hegemony to squander dollars on the militarization of the economy, the building of bases, the maintenance of troops on foreign territories, and on aggressive wars, as in Indo-China. The dollar was a sort of master-key with which the Wall Street barons unlocked the doors to the economies of other countries — by exporting capital and granting high-interest credits and loans.

By the late 1960s dollar injections into the capitalist monetary system assumed such proportions that the U.S. currency virtually lost its gold and commodity backing and the value of the dollar began rapidly to decline. The dollars deposited with foreign banks today exceed the U.S. gold reserves roughly ten times over and the U.S. annual exports, five times.

In an effort to preserve the position of the dollar as the chief reserve currency and the leading currency in international business transactions, Washington adopted in the early 1970's the policy of demonetizing gold, of ousting the universal world money from the system of settlements between states. The IMF introduced so-called Special Drawing Rights (SDRs) as a substitute for gold in international payments.

At Washington's bidding the IMF agreed post factum to the introduction of floating exchange rates of currencies which fluctuate on the money markets depending on supply and demand. The attempts of other leading IMF members, above all the Common Market Countries, to restore the fixed exchange rates are being resisted by Washington. The United States "concluded that its interests would be adversely affected by the

restoration of a par-value system in which it was obliged to maintain a fixed value for the U.S. dollar", writes Joseph Gold, Director of the IMF Legal Department. At present, the United States can pay its trade partners not only with the sagging dollar. It can also make use of the declining rate of the dollar to provide competitive advantages for American exporters.

Monetary instability, unbridled speculation, imbalances in the financial settlements between states, disarray in international trade and the glutting of money markets with depreciated dollars which make for inflation, such are today the features of the IMF currency system.

#### QUOTAS AND VOTING POWER

The principles underlying IMF activity rule out the adoption of decisions in the interest of all members. The votes in the Fund are distributable according to the amount of capital subscribed and the political weight of the members. Each of the 133 members has a voting power proportional to its contribution (quota) to the Fund's assets. For instance, the United States with its 20.7 per cent of the votes can virtually control the entire activity of the IMF, as a majority of 85 per cent is needed for adopting decisions on the more important questions.

Special Drawing Rights which are considered the IMF unit of account, are also allocated in proportion to the quotas. In 1970, when the SDRs were issued for the first time, the United States received 24 per cent of the total sum, while 39 African countries received a mere 4.7 per cent.

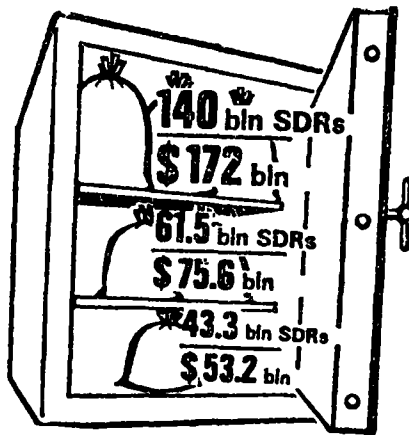
In the first place, tough rules for granting credits have been devised. Under these rules, each member must submit to the IMF detailed information about the state of its economy, foreign trade and currency, budget expenditures, and domestic economic and social policies. The Fund agrees to grant a credit only after this information has been analyzed and the country concerned has accepted its recommendations.

Many examples can be given to illustrate the political and class character of the approach to recipients, not only developing but also leading industrial states. For instance, having agreed to grant Britain a credit in 1976, the IMF demanded that the Labour gov-

ernment slash budget expenditure for social needs, reduce public consumption, and refrain from nationalizing a number of factories.

The Liberian press reported some time ago that the IMF had recommended to Liberia and Sierra Leone to revise their laws on capital investment with a view to their complete "liberalization". George Lent, a representative of the Fund, insisted on privileges being extended to foreign investors in those countries.

IMF experts often become arbiters of the economic and social



measures planned by a government and brazenly meddle in the internal affairs of one or another country. Small wonder, therefore, that the IMF diktat leads now and then to the aggravation of the political situation in recipient countries. The devising by IMF experts of an austerity plan for Egypt, which envisaged higher prices of consumer goods, can be cited as an example of such interference. These austerity measures, it will be recalled, caused mass disturbances in Cairo and other cities and were brutally put down by the Sadat government.

The political interests of imperialism, U.S. imperialism in the first place, are also evident in cases when the IMF suddenly displays generosity towards some country. In the past two years, for instance, South Africa has received more credits from the Fund than the other African countries. Israel, Zaire and the Pinochet clique in Chile are given preferential treatment by the Fund and the organizations linked with it. These countries are granted aid even when IMF experts consider this to be economically inexpedient, as in the case of Zaire. The attitude chan-

ges when a Left government comes to power in a developing country. In this case (as in Chile under the Popular Unity government) the IMF denies credits.

#### WHOM THE IMF AIDS

The IMF's subordination to Washington's foreign-policy aims and the selfish interests of the Wall Street bankers becomes increasingly evident. The U.S. Administration regards the Fund not only as an instrument of financial pressure on the governments whose policy is unpalatable to the American mono-

This is how Moscow's 'New Times' illustrates how the IMF's main currency reserves (in SDRs and U.S. dollars) are distributed among its members. On top it shows reserves of the capitalist "North" with the reserves of the OPEC in the middle and of the other developing countries at the bottom. It maintains that the data released by the IMF show that last year alone the "North" accounted for two-thirds of the overall increase in the official currency reserves. At the same time, it says, that a deaf year is being turned to the insistent demand of the developing countries for additional IMF credits in SDRs to help promote their economic programmes.

polies. The Fund is now a sort of guarantor of capital investments and loans granted by American banks to foreign governments, mainly to Third World nations. According to the data of the U.N. Conference on Trade and Development (UNCTAD), the debts of Third World nations to private Western banks, the IMF and the World Bank amount to \$250,000 million and continue to increase. The indebtedness of these countries is increasing at the rate of 22 per cent annually, and their expenditures on repayment of debts, by 25 per cent. In a number of countries new foreign credits have been less than what they spend to repay debts.

Concern about its profits from the high interest credits and loans issued to developing countries. Wall Street urged Washington and the IMF early last year to take prompt measures to guarantee debt repayment. To help the debtors overcome their difficulties in paying the interest rate, former IMF executive director Witteveen has proposed establishing a fund (named after him) and \$10,000 million have al-

ready been raised for this purpose. With regard to Portugal, the IMF merely guarantees the loans to be extended to that country. The Fund is providing only \$50 million of the \$800 million requested by Portugal, the remaining \$750 million to be granted by banks in the United States, West Germany and other Western countries.

The IMF can no longer play the role of a rich uncle for its members also because its reserves in "strong" currencies — West German marks, Japanese yen and Swiss francs — are limited as a result of monetary instability and, above all, the weakness of the U.S. dollar. "Do we need an IMF", the Conservative London weekly, the *Economist* asks.

It is not surprising that the activity of the IMF as a frank champion of the U.S. interests is a source of increasing annoyance to the trade and monetary rivals of the United States — the Common Market countries and Japan — who are demanding that the IMF chiefs prevent Washington from using the monetary hegemony in its own interests. Bonn is reported to have been hastily devising a monetary stabilization plan for the EEC, to protect the community against the dollar sway in the IMF currency system.

The more than 30-year activity of the Fund shows that it cannot boast of a positive record in the light of the goals it has proclaimed. The monetary situation remains unstable. There is a chronic imbalance in international settlements. The debts of Third World nations continue to mount at an alarming rate, with very little progress being made in their economic development.

This explains why the activity of the IMF and associated organisations is criticised more and more often in the West and in developing countries. In 1971 a large group of newly-independent states came out in the United Nations for the establishment of a worldwide and truly democratic monetary system that would be free from the influence of individual countries or groups of countries. The same idea was advanced at the Fifth Conference of Non-Aligned Nations, held in Colombo in the summer of 1976.

International Monetary and credit relations should be placed on a democratic basis if world trade is to be expanded and the progress of Third World Nations accelerated. They should rest on the principles of universality, mutual advantage and the sovereign right of each member of the international community to determine its economic and social policies.