

Republican Rule and the IFIs

By Carol Welch, Friends of the Earth

For the first time in eight years the Republican Party will represent the U.S. at the international financial institutions (IFIs). The way a Bush-Cheney administration approaches recommendations made by the Meltzer Commission on the IFIs and the way it views foreign assistance and economic development will shape the positions the U.S. takes regarding the IFIs. So will the identities of the next treasury secretary, IFI executive directors, and chairs of relevant congressional committees. And though all these factors remain uncertain, one thing is clear: the new political climate will present both challenges and opportunities for advocacy groups.

Impacts of a Republican Agenda *Status Quo*

When it comes to promoting transparency and accountability at the IFIs, a Bush-Cheney administration is unlikely to differ from the Clinton-Gore years. The U.S. has a long history, spanning both Republican and Democratic administrations, of advocating openness and accountability at the IFIs. In fact, the U.S. representatives on the IFIs' boards of directors are historically among the most progressive when it comes to these issues. Despite the record budget surplus, Republicans and Democrats alike continue to emphasize fiscal responsibility and wise use of U.S. taxpayer dollars. As a result, lawmakers from both parties have a vested interest in continuing to promote transparency and accountability at the IFIs.

Challenges

It is unlikely that a Bush-Cheney administration will address the Meltzer Commission's biggest problem: its failure to consider the environmental impacts of the IFIs or to suggest ways that the IFIs could promote environmen-

tal stewardship. Both President-elect Bush and Vice President-elect Cheney have strong ties to the oil industry and sport anti-environmental track records. Their administration is unlikely to support environmentalists' calls for the IFIs to shift their support of oil, gas, and mining toward environmentally sustainable development projects. Whomever Bush selects to represent the U.S. on the World Bank's board of directors will probably not oppose anti-environmental projects, either. However, in a closely divided Congress, environmentalists may have new opportunities to make their voices heard. When formulating positions to present to Congress, the administration may listen to dissenting opinions rather than risking a strong backlash on other issues.

In general, a pro-free market reliance on the development of extractive industries will likely characterize the Bush-Cheney administration's development philosophy. The Meltzer Commission and the conservative think tanks that advise Bush boast a free market liberalization and deregulation agenda that will guide his policies regarding the IFIs. The new administration will probably advocate financial deregulation and liberalization, even though these policies foster boom and bust cycles of development that create grave instability, increased poverty, and environmental destruction in crisis-struck countries. At a time when the IFIs are pledging to allow greater flexibility and greater ownership of country programs, a Bush-Cheney administration is probably even less likely than the current Treasury Department to allow developing countries to implement homegrown programs if they deviate from a regimen of full liberalization.

Perhaps the biggest challenge the incoming administration poses for civil society groups is its seeming disinterest in poor countries, espe-

cially those in Africa. Bush has stated that Africa isn't strategically important to the U.S., and this attitude may hamper both the quality and quantity of assistance that the U.S. provides for many of the world's poorest countries—several of which are in Africa. The Meltzer Commission failed to see the need for much greater grant assistance to the poorest countries, and it advocated a reduced role for assistance in emerging-market countries, despite their substantial poverty. The commission also advocated a greater role for the regional development banks. Although this would decentralize economic decisionmaking away from Washington, many of the regional banks have terrible standards of accountability and transparency. The commission failed to tackle this problem, and the Bush-Cheney administration will have to address it, should Bush decide to follow the Meltzer recommendations.

Opportunities

A Bush-Cheney administration won't be all bad news for IFI reform, however. A nascent campaign to abolish the Multilateral Investment Guarantee Agency (MIGA) may hold promise. MIGA is a World Bank

program providing political risk insurance and investment guarantees to corporations and banks. Fiscal conservatives have deemed it corporate welfare, environmentalists have pointed to its record of underwriting destructive projects, and both have criticized the agency for failing to promote the World Bank's poverty alleviation mission. The Meltzer Commission recommended abolishing MIGA, and a broad coalition of groups from across the political spectrum could potentially work with a Bush-Cheney administration to halt U.S. funding for the agency.

A Bush-Cheney administration may also bring a new anti-corporate welfare approach to the International Monetary Fund (IMF). Bush was highly critical of the Clinton-Gore administration's support for increased financial assistance and IMF bailout money for Russia, since there were strong indications that the money was being used to pay off the bad loans of foreign banks. The U.S. and many European governments are at odds over whether or not the private sector should cover its losses in times of financial crisis. Both progressive and conservative groups agree on private sector culpability, and the new

administration's Treasury Department may be more disposed to forcing Wall Street to pay up for bad loans.

Finally, the new administration's stance on debt cancellation for the world's poorest countries may not change U.S. policy significantly. Bush voiced his support for debt relief during the presidential debates, and the outreach by faith-based groups to members of Congress has framed the issue as nonpartisan. Bush also spoke in support of the Tropical Forest Conservation Act, a 1997 bill that authorizes the U.S. to cancel debt in return for countries' commitments to protect valuable forests. The bill's lead sponsor, Ohio Republican Rob Portman, is one of Bush's closest congressional advisers. This presents environmentalists with the opportunity to advocate for additional debt relief as a means of increasing environmental spending and stewardship in developing countries.

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The Republican Rule

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