The Annual Meetings of the Bretton Woods Institutions: A Stalemate

Ziad Abdel-Samad[1] and Reem Abdel-Halim[2]

The Bretton Woods institutions held their annual meetings this year in Lima, Peru's capital, between October 6 and 9 in the presence of government representatives (finance and economy ministers and governors of central banks) alongside experts, researchers and CSO representatives from around the globe. That atmosphere was filled by boasting the successful experiences of some Latin American states in limiting the unjust distribution of income and pushing growth forward during periods before the recent financial crisis hitting the world.

Official meetings this year focused on five topics: the mechanisms for limiting injustice in income distribution, the problems of ballooning indebtedness (not only in the developing world but also in most developed states such as Ireland), financial crises in states of high importance for the world economy (the Chinese crisis was brought up), financing issues and the role of the private sector in fueling development, and economic austerity measures and their impacts (this topic drew the attention of all participants).

The annual meeting of these two major financial institutions was the first high-ranking international event after the Action Plan 2030 Summit (held at the UN headquarters in New York on September 25). Hence, it was an important international landmark to reaffirm some mainstream approaches without proposing fundamental amendments to the current world order's operation mechanisms. The 2030 Agenda, including sustainable development goals, were the main topic of the discussions, especially since the two institutions are eligible to large financial resources in order to achieve the goals through partnership with the private sector, mainly international corporations.

The two financial institutions are the (almost only) international authority tasked with executing the goals, which have economic dimensions, including the promotion of sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; the promotion of inclusive and sustainable industrialization and foster innovation; ensuring sustainable consumption and production patterns; doubling the agricultural productivity and incomes of small-scale food producers; and adopting policies, especially fiscal, wage and social protection policies, and progressively achieving greater equality. (These are some of the sustainable development goals adopted in New York in September; they include 17 goals and 169 target).

In light of their impact on economic growth, which was established by many studies conducted by the International Monetary Fund (IMF), the problems of social justice were discussed but only timidly because the IMF and the World Bank did not agree on the need to develop indica-

[1] Executive director of the Arab NGO Network for Development (ANND).
[2] An Egyptian expert and researcher who is contracted with the Egyptian Initiative for Personal Rights (EIPR), ANND and Oxfam.

tors for measuring inequality and including these indicators in official reports on each state's financing conditions and credit rating. Another reason was the subjugation of the two institutions to neoliberal ideas whose advocates still sometimes consider social justice in terms of distributing resources a cause of economic incompetence and call for quick fiscal consolidation in various states to guarantee a sustainable level of public debts vis-à-vis the international financial crisis. Just taxation systems and social protection policies were only the subject of limited talks because insisting on mechanisms to execute such policies was absent.

Structural reforms and austerity measures, applied at the time in most European states, were the subject of most discussions in the annual meetings of the two institutions. The approaches are considered a practical prescription for treating the financial and economic crisis and the credit crunch, which originated in the United States before quickly spreading to Europe and most world states.

Classical economists still insist on structural reforms according to the Washington Consensus principles, although many experts and researchers argue that austerity measures applied in Europe in recent years were the reason why social conditions have deteriorated, threatening political and economic stability and hence risking the reproduction of the crisis. These experts and researchers also believe in expanding the economy, investing in productive sectors and regulating capital flow as means for creating jobs, hence boosting people's consumption to get the economy moving and attain required development rates. Changing the growth model in China to rely more on consumption was brought up as a way to restore the country's growth rate and help the world economy overcome setback.

Another matter raised during the annual meetings was the domination of the financial and banking sector and capital flow, which allows for a flow of illicit cash, tax evasion, tax havens and free zones attractive to capitals and cash. Clearly, such approaches help exacerbate injustice and deepen the gap between the rich and other social brackets. Practical and stable steps must be taken to reform the world financial system and make it part of the real economy to work on development instead of hindering it.

In this context, another matter was raised, dealing with ballooning indebtedness and the dangers of making societies pay for financial mismanagement and poor governance in banking corporations and institutions. This is what the world saw with the eruption of crises in Greece, Ireland, Cyprus, Portugal and others, where indebtedness reached the most developed world. However, discussions about solutions were short of realization because world powers refuse the just approach to restructuring debts.

Hence, international institutions raised various matters related to justice and the development model in an approach curbed by the ideas and the domination and interests of world capital flows. This underscores the fact that the dialogue about development matters is, in essence, still at the starting point. Pending matters are the same matters that hindered the Millennium Development Goals and will undermine development efforts in the new stage.

A new development model is due. This was expressed by all viewpoints. However, each viewpoint sees the model's background and essence differently. To us, the CSOs that took part in the meetings, the new model means a reconsideration of the state's development role and an improvement of the public sector's ability to take part in development processes. Hence, the new model should clearly define the role of the business sector.

In addition, the new development model should include advanced approaches to macroeconomics, which help activate productivities, diversify production sources, rely on domestic and regional markets, curb capital flows, and apply just distribution mechanisms to achieve justice. There are no differences in form; differences are about understanding and application. The new model relies on a bigger role for CSOs in terms of monitoring and questionability.