

# Scandal, political tensions spur demands for Wolfowitz's ouster at World Bank

**Bill Van Auken**  
16 April 2007

Pressure for the resignation of Paul Wolfowitz as president of the World Bank escalated over the weekend in the wake of a Group of Seven (G7) finance ministers meeting in Washington, where several participants suggested his position was untenable.

French Finance Minister Thierry Breton, for example, declined to say whether he believed Wolfowitz should be ousted but declared that the World Bank should be “ethically irreproachable,” an obvious reference to the seedy scandal involving a hefty pay raise and promotion for Wolfowitz’s girlfriend, Shaha Riza, a Libyan-born British citizen who was a career bureaucrat at the World Bank before US President George W. Bush appointed him to head the agency a little over two years ago.

“I fully trust the governing board to draw the consequences it must draw,” added Breton.

Germany’s development minister, Heidemarie Wiecek-Zeul, stated that Wolfowitz must decide “whether he still has the credibility to represent the position of the World Bank.”

Swiss Economics Minister Doris Leuthard declared, “It is not the World Bank’s credibility, but Mr. Wolfowitz’s credibility that is on the line.”

Brazil’s minister, Guido Mantega, echoed these sentiments, adding, “We’ll have to see if Wolfowitz will be able to retain the moral authority necessary to fulfill his duties.”

Meanwhile, the World Bank’s Development Committee, made up of 24 finance or development ministers representing the member countries on the bank’s board, issued a statement declaring, “We have to ensure that the bank can effectively carry out its mandate and maintain its credibility and reputation as well as motivation of staff. The current situation is of great concern to all of us.”

A day earlier, Wolfowitz was booed at a meeting with staff of the international lending agency, who overwhelmingly support his removal. The World Bank Group Staff Association issued a statement Thursday declaring that it “seems impossible for the institution to move forward with any sense of purpose under the present leadership, especially in our endeavor to assist governments and their people in improving their own governance.”

The association added, “The President must acknowledge that his conduct has compromised the integrity and effectiveness of the World Bank Group and has destroyed the staff’s trust in his leadership. He must act honorably and resign.”

It is widely believed that the board, which in practice votes according to the dictates of the world governments that its members represent, will stall in making any decision on Wolfowitz’s fate, in hopes that he will resign.

For its part, the Bush administration issued statements of strong support and confidence in its former second in command at the Pentagon continuing at the helm of the World Bank, an institution that employs some 13,000 people worldwide and lends approximately \$25 billion annually.

It is becoming increasingly apparent that underlying this sharp difference over the personal and professional fate of Wolfowitz are

profound and deepening tensions between US and European capitalism, not only over the role of the World Bank but a host of economic and political issues.

The appointment of the former US assistant defense secretary and key architect of the US war of aggression against Iraq had been opposed from the outset by the majority of the World Bank’s professional staff—an April 2005 poll showed 90 percent of staffers against it—as well as the bulk of the world’s governments that participate in its deliberations.

Wolfowitz was and remains irrevocably identified with the lies about “weapons of mass destruction” and terrorist ties employed by the Bush administration to justify launching the 2003 US invasion of Iraq—a war that Wolfowitz had supported well before the September 11, 2001 attacks and before the election of Bush himself.

The appointment was widely perceived as another gesture of the right-wing US administration’s contempt toward the rest of the world, as well as its determination to subordinate every international institution to its own militarist campaign to assert US global hegemony.

In two years, Wolfowitz has managed to fully live up to these expectations.

The scandal involving preferential treatment for someone with whom he was romantically involved is only the latest—and most personally embarrassing—of a series of controversies that have surrounded Wolfowitz’s tenure at the World Bank.

Nonetheless, this affair has its own unmistakable significance, both in what it says about the personal mores of those who make up the top echelons of capitalist politics in America and about the broader cynicism and hypocrisy that pervades US foreign policy.

Wolfowitz disclosed his relationship with Riza in the spring of 2005, during his negotiation of a lucrative five-year contract to serve as the board’s president. The bank’s ethics committee determined that maintaining her on staff in a position over which Wolfowitz would effectively exercise managerial control would violate the bank’s conflict-of-interest rules.

As the *Washington Post* revealed in an article by Karen DeYoung Sunday, the deal that Wolfowitz cut for his girlfriend was part of an aggressive and avaricious campaign to reap unprecedented compensation and perks for himself and his cronies. In his own case, this involved the negotiation of clauses allowing him to earn a substantial second income through lecture and book deals.

In the case of Riza, Wolfowitz issued a personal order to the bank’s director of personnel to increase her annual salary to \$193,590—a \$60,000 hike—while she was reassigned from the World Bank’s Middle East press office to the US State Department. She worked—making more than Secretary of State Condoleezza Rice herself—under the supervision of Vice President Dick Cheney’s daughter Elizabeth, who had been given her own nepotistic appointment to the number two position in the State Department’s Bureau of Near Eastern Affairs only two months earlier. There Cheney’s daughter—who left the post last year—was reportedly a

leading proponent of US aggression against Syria and Iran.

No doubt, the awarding of a salary increase that amounts to more than the total annual income earned by 75 percent of American households seemed like no big deal to Wolfowitz at the time. At the Pentagon, he had presided over multi-million-dollar corruption involving his Iraqi ally Ahmed Chalabi and the principal military contractor in Iraq—formerly headed by Dick Cheney—Halliburton.

With the release of the details of his girlfriend's pay deal—described by the staff association as “grossly out of line” with personnel policy—his office circulated a false claim that the arrangement had been approved by the World Bank's relevant boards. In fact, as is now documented, Wolfowitz—together with Riza's lawyer—dictated the terms, overriding the recommendations of the institution's ethics committee and barring relevant personnel from any negotiations on the contract.

Riza, incredibly, has issued a statement claiming that she was “victimized” by this lucrative arrangement, and has demanded “an end the unwarranted and malicious public and private attacks.”

Similarly, Wolfowitz brought with him to the World Bank two right-wing Republican White House operatives—Robin Cleveland and Kevin Kellems—whom, the *Post* reports, he “installed in senior positions and rewarded with open-ended contracts and quarter-million-dollar, tax-free salaries, despite their lack of development experience.”

Significantly, just months after his installation at the World Bank, Wolfowitz named Suzanne Rich Folsom—an attorney and Republican activist—to head the agency's Department of Institutional Integrity, which conducts internal corruption investigations. The appointment was made in the wake of the bank's own search committee's selection of nine suitable candidates, all of whom were rejected in favor of the Bush administration loyalist.

Wolfowitz's arrogance and apparent personal corruption were all the more striking given his attempt to make a campaign against government corruption internationally the signature issue of his tenure at the World Bank. Like the “war on terror” and the crusade for “democracy,” this campaign became more and more obviously a cover for the pursuit of US global interests.

Corruption was invoked as a pretext for cutting off loans to countries under conditions in which it served Washington's foreign policy purposes, while ignoring corruption whenever it would have cut across American interests.

Thus, Uzbekistan, which had received half a billion dollars in loans from the World Bank since 1992, had an aid package suddenly revoked on Wolfowitz's orders in September 2005, just two months after the country's dictator, Islam A. Karimov, terminated a US basing agreement, ordering American troops and warplanes out of the country.

When it came to Iraq, Afghanistan, Pakistan and other regimes of strategic importance to US military operations, however, the concern for corruption went out the window.

According to the *Washington Post*, “Both [World Bank] staff and management also have raised concerns over what several described as Wolfowitz's insistence that the bank accelerate its lending to Iraq and open an office there.” The Iraqi government is universally acknowledged to be among the most corrupt on earth, and in the end, the World Bank proved unable to recruit qualified personnel to staff any such office, because of justified concern over the civil war conditions prevailing in the country.

Wolfowitz's international critics have ample cause to press for his removal from the World Bank. However, underlying the firestorm over the unethical and reactionary policies pursued by a man who is by the strictest definition a war criminal are powerful international economic and political tensions that are increasingly coming to the surface.

The crisis confronting Wolfowitz at the World Bank is inseparable from the debacle created by the criminal enterprise with which his name will

always be associated: the US war in Iraq. The turn against him by the ministers of one government after another is a further indication of the political isolation of the Bush administration both at home and abroad.

More fundamentally, the ex-Pentagon official's predicament is a manifestation of the changed position of US capitalism in global economic and political affairs.

The World Bank—together with the International Monetary Fund—was one of the key institutions set up under US hegemony in the aftermath of the Second World War for the purpose of reconstructing European capitalism and creating the conditions for the further expansion of American capitalism itself.

Given Washington's preeminent role in the institution's creation, as well as the predominance of US finance capital in world economic affairs during the postwar period, the US government was given the right to appoint the president of the World Bank, as well as a share of the votes on its board of directors that amounted to effective veto power.

This share, however, has been reduced because of the relative decline of US economic preeminence and the rise of powerful capitalist rivals in Europe and Asia. While Washington held just over 37 percent of the voting rights at the foundation of the World Bank, today its share has been reduced to a little more than 16 percent. The four next most powerful shareholders in the bank—Japan, Germany, France and the United Kingdom—can now outvote the US. China, which still is allocated less than 3 percent of the votes, is making a strong case for strengthening its position at American expense.

Nonetheless, the bank remains headquartered in Washington, and the US government continues to exert decisive influence over its decisions.

But to the extent that American imperialism remains the dominant global power today, it is not on the basis of its economic might or productive capacity. Rather, it is attempting to compensate for its relative economic decline by military means. This inevitably generates immense inter-imperialist conflicts and tensions.

While for the most part, Washington's rivals in Europe and Asia have bowed to US militarism, they have not done so without bitter resentment of Washington's dominance and a determination to pursue their own interests as capitalist powers. In the ugly scandal surrounding Paul Wolfowitz, they have found a means of furthering these aims.



To contact the WSWP and the  
Socialist Equality Party visit:

**[wswp.org/contact](http://wswp.org/contact)**