

# Behind the World Bank's ouster of Paul Wolfowitz

**Patrick Martin**  
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In the end, World Bank President Paul Wolfowitz went out with a whimper, accepting a mildly worded resolution of the bank's board of governors thanking him for his two years at the helm of the international lending institution while declaring that "mistakes were made."

The details of the scandal that triggered his departure are both sordid and relatively small potatoes. He arranged for his girlfriend, Shaha Ali Riza, a mid-level official at the bank, to receive a \$60,000 raise, and then claimed, apparently falsely, that ethics and human resources officials at the bank had approved the deal.

When the circumstances became known, through documents uncovered by a watchdog group, the bank's staff association began to organize protests demanding his ouster and the board of governors set up a subcommittee to conduct an investigation. The panel's report, delivered Monday, found emphatically that Wolfowitz had broken the rules and seemed to regard himself as being above them.

Wolfowitz's most rabid defender, the editorial page of the *Wall Street Journal*, has argued that the financial scandal involving Shaha Ali Riza is a deliberate set-up, orchestrated by European and Third World officials at the bank and backed by the European powers, who opposed Wolfowitz's supposed "reform" agenda.

Whatever the truth of this charge, there is an undoubted irony in the sudden and touching concern of the *Journal* and much of the Republican right over the manufacture of petty scandals involving private matters for use in political warfare. They had no such compunctions when they were howling for the impeachment of Bill Clinton.

It is, however, true that the Wolfowitz affair is an expression of more fundamental political issues. It stems above all from the conflict between American imperialism and its major rivals in Europe and Asia. In the end, there was a clear international lineup of the US, Canada and Japan, the relatively isolated defenders of Wolfowitz, against all the European powers including Britain, France and Germany, as well as China, India, Brazil and the bulk of the poorer countries.

These tensions were expressed throughout the two years-plus that Wolfowitz headed the bank, which has been identified with a somewhat softer approach to imposing the demands of imperialist finance capital on the most oppressed countries. Where the International Monetary Fund (IMF) represents the stick—loans only on onerous and stringent conditions, including virtual dictation of domestic economic policy—the World Bank supplies the carrot—low-interest lending, and in many cases outright grants, with much of the funding going to the most impoverished countries in sub-Saharan Africa.

Wolfowitz sought to shift the bank to a policy tied more directly to US foreign policy, although this was concealed by rhetoric condemning corruption and pledging a greater concern for Africa and other areas of the worst poverty and social misery. Loans were cut off to countries that clashed with Washington, as in the case of Uzbekistan after it terminated US basing rights for warplanes in the fighting in Afghanistan. Loans were directed to governments like the US stooge regimes in Iraq and Afghanistan and to other US client states on friendly terms with the Bush administration.

To carry out this policy, Wolfowitz brought in his own leading personnel, including former Pentagon and White House aides who alienated the staff with their high-handed bullying and right-wing prejudices. He also recruited right-wing politicians from governments aligned with US policy in Iraq. Former Spanish Foreign Minister Ana Palacio was installed as general counsel, while a right-wing Roman Catholic politician from El Salvador, Juan Jose Daboub, was named one of two managing directors.

In April it came to light that Daboub had ordered references to "reproductive services" and "climate change" removed from World Bank documents, in line with Bush administration efforts to undermine family planning programs and abortion rights and to deny the reality of global warming.

When the Shaha Riza scandal first erupted in mid-April, at the time of the World Bank's spring meeting in Washington, it was clear that Wolfowitz had lost the support of a majority

of the bank's board of governors. Nearly every European government indicated its opposition, and the European Union parliament passed a resolution calling for his ouster.

Wolfowitz denounced his critics stridently, claiming he was the victim of a smear campaign involving "orchestrated leaks of false, misleading, incomplete and personal information," and vowing never to give in. The White House, seeing the campaigns against Wolfowitz and Attorney General Alberto Gonzales unfolding at the same time, initially adopted a circle-the-wagons approach, with both Vice President Dick Cheney and chief political aide Karl Rove demanding a full-throated defense of both men.

The abandonment of this defend-to-the-last-ditch posture is an indication of the international isolation and political weakening of the Bush administration.

The decisive role in the World Bank affair seems to have been played by the German government, which makes the third-largest contribution to the bank's financing and which holds the European Union presidency during the current half-year.

Eckhardt Deutscher, the German representative on the board of directors and the senior board member, gave a speech April 19 declaring that the bank needed "credibility, credibility, credibility" in its leadership, a clear rebuke to Wolfowitz's record of preaching against corruption worldwide while practicing the opposite in his domestic arrangements.

When German Chancellor Angela Merkel visited Washington later in the month, she reportedly discussed the issue with President Bush. Merkel made no public comment, even while Bush was vociferously defending Wolfowitz at a joint news conference at the White House—a contrast that provided a striking illustration of the underlying tensions between Europe and the United States.

The final blow came on May 16, when German Development Minister Heidemarie Wieczorek-Zeul, a Social Democratic member of Merkel's coalition cabinet, openly called for Wolfowitz to resign and said that he would not be welcome at a forum on aid to Africa that the World Bank is holding in Berlin next week. "He would do the bank and himself a great service if he resigned," she said. "It would be the best thing for all concerned."

There are many ironies in the Wolfowitz affair. The former deputy secretary of defense, one of the principal advocates and architects of the war in Iraq, was not hauled before a Nuremberg-style war crimes tribunal, as he so richly deserved, to face charges of plotting an illegal war and conspiracy to commit mass murder. Instead, his career, at least in public office, has ended in a grubby scandal. Wolfowitz will now likely enter the world of well-paid think tank sinecures and multi-million-dollar book contracts.

Wolfowitz left the Pentagon to become the US nominee to head the World Bank in early 2005. His selection was a calculated slap in the face by the Bush administration to the vast majority of countries and governments which had in one way or another opposed the invasion of Iraq. It expressed the contempt with which the US ruling elite views international institutions—even those set up by Washington in the past and especially those which in any way put restraints or limits on the exercise of American military, political and economic power.

The European countries, which supply twice as much of the World Bank's financial resources, accepted this slap in the face under a 60-year-old arrangement in which Europe selects the managing director of the IMF and the US chooses the head of the World Bank. This division of the spoils dates back to the post-World War II settlement, when most of Africa and much of Asia, nearly half the world's population, still lived under European colonial rule and the US routinely established and overthrew governments in its semi-colonial domain in the Western hemisphere.

The two key leaders in accepting the Wolfowitz provocation were French President Jacques Chirac and German Chancellor Gerhard Schröder, whose representatives had opposed the war in Iraq during the UN Security Council debate leading up to the US invasion, but who had, by 2005, acceded to the US occupation and wanted to pull back from any further confrontation with Washington. They meekly bowed to Bush's nomination of a notorious war criminal to head an institution supposedly devoted to combating world poverty.

In the two years that have passed, the crisis in Iraq has worsened, the Bush administration's political base has crumbled, and the world position of American imperialism has deteriorated in every sphere, from military strength to financial solvency to moral standing. The Wolfowitz affair, in the final analysis, is an expression of this decline of the United States and reflects the greater willingness of rival capitalist powers in Europe and Asia to push back against the supposed "sole superpower."



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