

Policies, Not Scandal, Destroyed Wolfowitz

by EIR Staff

The ongoing battle, both within the World Bank and by European nations, to oust former Deputy Defense Secretary Paul Wolfowitz from his position as head of the World Bank, cannot be explained by his stupid and corrupt payoffs to his girlfriend. Behind the drive to oust the man known as the architect of the disastrous Iraq War is not the fondling of his girlfriend's paychecks, but his policy of *genocide* against the developing sector, both through economic policies and through war.

Wolfowitz was unpopular at the World Bank from the time he took over in 2005; but over the course of the last weeks, the breaking scandal about his personal corruption—providing a huge pay raise for his girlfriend at a State Department position, while still on the World Bank payroll, without consulting the ethics committee at the Bank—has galvanized his opponents to demand his ouster. As of this writing, even the World Bank's Managing Director has joined the Bank's Staff Association and others in calling for Wolfowitz's resignation. The Bank's board—24 representatives from all over the world—is still debating its recommendation on Wolfowitz's fate.

Wolfowitz's Real Crimes

Wolfowitz's personal corruption—in providing for a transfer and a significant pay increase for a Bank employee, Shaha Riza, with whom he was romantically involved, particularly rankled the World Bank staff, who were commanded by Wolfowitz to implement a genocidal “anti-corruption” campaign.

Wolfowitz claimed from the beginning of his tenure that he had a special concern for the poorest nations, but he regularly accused countries which did not follow Bank (or U.S.) orders, of being corrupt and unworthy of Bank lending. Taking a page from his mode of operation at Rumsfeld's Pentagon, Wolfowitz cut off aid to targeted nations, without consulting the Board. Despite his pledge to increase lending to Africa through the Bank's International Development Association (which provides the lowest interest rates), Africa lending plummeted in fiscal 2007, from fiscal 2006.

According to the April 13 *New York Times*, leading examples of countries victimized by Wolfowitz's cuts, were Uzbekistan (just after it demanded the removal of U.S. troops),

India, Chad, Kenya, and other nations which had not toed the U.S. line. Cuts in aid to these poor nations de facto result in an increase in deaths by the stroke of the World Bank's pen. This is particularly clear in the case of Cambodia.

Cambodia, a nation which had sustained the greatest concentration of bombing per land area than any nation in history, under the direction of Henry Kissinger in the 1970s, and subsequent mass genocide under the Khmer Rouge for four years before Vietnam helped Cambodian patriots to recover the nation in 1979, has slowly returned to stability, and steady, if slow, development under the leadership of Prime Minister Hun Sen.

Wolfowitz, like many of his neo-conservative compatriots, is still harboring rage over losing the Vietnam War. According to John Cassidy in a *New Yorker* article of April 9, Wolfowitz remarked, in one of his first Board meetings, "Why are we lending to Cambodia? It's such a corrupt country." By the Summer of 2006, Wolfowitz had cut off critical funds for the struggling nation despite efforts by the staff and the executives responsible for the region, both at the Bank and at the IMF, who knew the importance of the cancelled projects.

At that point, some of the executives took action, contacting the Board members from around the world, calling for united action against the destructive and potentially deadly policies which Wolfowitz was imposing unilaterally. With several other nations being subjected to the same treatment, these executives found considerable support for their demand.

On Sept. 13, 2006, six days before the annual meeting of the World Bank in Singapore, British Minister of State for International Development Hilary Benn declared that Britain was withholding a £50 million payment to the Bank, to protest the conditionalities the Bank was putting on its aid—a reference to Wolfowitz's arbitrary cutoffs of funds under the guise of fighting corruption. By March 2007, the Bank's Board had become so incensed that it forced a change in the rules to make it impossible for Wolfowitz to cut aid without the Board's approval.

The Surging Opposition

Benn's actions point to the fact that the major impetus behind the campaign to dump Wolfowitz is coming from the British. Lyndon LaRouche has suggested that this is part of a general move by some in the United Kingdom over recent weeks, who have decided that they cannot accept the war on Iran being planned by President Bush and Vice President Cheney, which is driving the world towards a new world war. It was certainly not lost on the British and others that the job Wolfowitz arranged for his girlfriend was under the direction of Liz Cheney, the Vice President's daughter, who is herself deeply involved in the drive to provoke a new war in Southwest Asia (see http://www.larouchepac.com/pages/breaking_news/2007/0412_liz_prt.html, "All in the Family: Liz Cheney Demands Regime Change in Damascus").

The London *Financial Times* began the recent campaign

against Wolfowitz by leaking reports about the "girlfriend" scandal. On April 13, the *Times*, the voice for a City of London faction, ran a lead editorial titled, "Wolfowitz must be told to resign now." Along with it, the paper published a letter to the editor from Gautam Kaji, an Indian who had served as managing director of operations under former Bank president James Wolfensohn, entitled "Quit or be fired: that should be Wolfowitz's choice."

Benn again spoke out, at the April 14-16 meeting of the World Bank/IMF, saying that, "This whole business has damaged the Bank and should not have happened. . . . I am sure these views will be shared by other governors [of the Bank] who will also be considering their responses."

Indeed, Reuters reported that French Finance Minister Thierry Breton said April 13 that the World Bank is "an institution whose governance and ethics must obviously be impeccable." Germany's Development Minister Heidemarie Wiczorek-Zeul told Reuters that Wolfowitz "himself has to decide whether he still has the credibility to represent the position of the World Bank." Brazilian Finance Minister Guido Mantega added, "We'll have to see if Wolfowitz will be able to retain the moral authority necessary to fulfill his duties."

Nor did the attacks end there. On April 16, the lead *New York Times* editorial, entitled, "Time for Mr. Wolfowitz To Go," concluded that, "there is no way Mr. Wolfowitz can recover his credibility and continue to be effective at the bank." The Development Committee at the Bank issued a sharp rebuke to Wolfowitz, which, although it stopped short of calling for his resignation and firing, conveyed an unmistakable message to that effect.

Meanwhile, over the weekend of April 21-22, Wolfowitz was still refusing to resign, leaving it to the Bank's board to take action, if they wish to remove him. He is determined to stay, despite the mounting clamor for his resignation from within the Bank itself. According to the *Financial Times* of April 19, the bank managers from Latin America have threatened to resign en masse if Wolfowitz stays. Asian managers also generally agree that Wolfowitz should resign, although at least some of the African and Middle Eastern managers, mostly hired by Wolfowitz, are supporting him.

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