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Enforcement of Worker Rights

No Fast Track for the IMF Bailouts Bipartisan Forum

Statement of Terry Collingsworth, General Counsel

January 15, 1998

As part of ongoing efforts to ensure that the rights of workers are respected in IMF and World Bank funding decisions, the International Labor Rights Fund (ILRF) has requested on several occasions that Treasury Secretary Robert Rubin comply with the express requirements of the 1994 Sanders-Frank Amendment. The law states that the "Secretary of Treasury shall direct the United States Executive Directors of the [IMF and World Bank]...to use the voice and vote of the United States to urge the respective institution to adopt policies to encourage borrowing countries to guarantee internationally recognized worker rights ..." To date, the Clinton Administration has ignored its obligation under this law to advocate for the rights of workers.

In an October 27, 1997 letter (attached), when the IMF bailout plan for Indonesia was still in its development stage, the ILRF specifically reminded Secretary Rubin of his obligation to comply with the Sanders-Frank provision. Secretary Rubin has never responded to the letter, but ultimately provided a written reply on December 9, 1997 (attached) to Representative Bernie Sanders' Congressional inquiry. Indirectly acknowledging that worker rights were not included in the conditions set by the U.S. as part of the IMF bailout, Rubin claimed that Treasury was reacting in response to an emergency and did not have sufficient time to address worker rights issues.

Secretary Rubin's failure to include worker rights issues in the IMF bailouts in Asia shows contempt for the law and for the democratic process. With respect to Indonesia, for example, the ILRF informed Rubin that Nike is only the most famous of the many foreign companies taking advantage of the atmosphere created by the brutal Suharto regime that ensures that workers will not complain if they are denied their basic rights. The foreign companies operating in Indonesia are confident that workers can continue to be paid a mere pittance as long as Mucktar Pakpahan, virtually the only strong voice for workers, languishes in a prison hospital for speaking out against the systematic repression of workers. Certainly it would not have taken an inordinate amount of Secretary Rubin's time to insist upon the release of Mucktar as a condition to the financial rescue of Suharto's empire. Time constraints did not, however, prevent the IMF, with U.S. support, from pressuring Korea to relax its labor laws, giving employers greater "flexibility" to terminate workers. It bears emphasizing that the worker rights issue is the only matter that Rubin was mandated by

law to raise, and it was only raised in an effort to undermine the progress on worker rights made in Korea, the only country to be bailed out that has a strong labor movement.

The one hopeful result of the Clinton Administration's approach to the bailouts is that it has proven that conditionality works. Indonesia, Korea and Thailand all agreed to the IMF demand to make comprehensive changes to their banking regulations. These changes went against the interests of the economic elites, but they were accepted because the IMF, with firm U.S. support, insisted upon them. When Suharto appeared to be backsliding on his commitment to financial reforms at the end of last week, President Clinton personally intervened and called Suharto with a warning. Clinton then dispatched deputy Treasury Secretary Lawrence Summers to Indonesia to reinforce the seriousness of complete compliance with the IMF conditions.

What is needed now is to shift priorities so that the Clinton Administration and the IMF take worker rights and other issues of concern to workers at least as seriously as they take rescuing the investments of international bankers. The power of conditionality could transform the IMF, and sister institutions like the World Bank, into instruments for positive change toward poverty alleviation. A necessary first step is to clarify the requirements of the Sanders-Frank provision. If the Clinton Administration continues to willfully ignore the law's requirements, then it must be strengthened.

To ensure that the priorities set by Congress in passing the Sanders-Frank provision are given appropriate consideration by the Clinton Administration, any future support for the IMF must be conditioned firmly on compliance with the law's requirements. The IMF, and its supporters in the Clinton Administration, will then be forced to take seriously the input from the democratic process on what the IMF should be doing to better address the impact of its programs on working people. The IMF itself may lack democratic accountability, but the working people of the U.S. have a right to insist that their tax dollars are not squandered by the IMF in bailing out some of the largest banks in the world.

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