

EDITORIAL

Dirty Boys Playing Dirty Games !

By: Piyush Pant

"I really look forward to the opportunity to try and lead this institution (World Bank) and build on the legacy that Jim Wolfensohn has left, which is a great legacy, and try to take the Bank to an even higher level and really do something about reducing poverty in the world and helping countries that are not yet on the path of sustainable development to get there."

- Paul Wolfowitz after taking over the Presidency of World Bank.

Nice words from a man who is known as the protege of George W Bush and harbinger of US war on Iraq on the false pretext of the threat of weapons of mass destruction. He sounds even better when, underlying his concern for the poor, he roared that he understood the Bank Chieftain to be a civil servant responsible to all nations, not just his friends in the Bush administration. Now look at what the same man said in the past. According to the New York Times (March 17, 2005) Paul Wolfowitz once wrote that a major lesson of the cold war for the American foreign policy was "the importance of leadership and what it consists of : not lecturing and posturing and demanding, but demonstrating that your friends will be protected and taken care of, that your enemies will be punished, and that those who refuse to support you will regret having done so." Thus it is clear that the man placed by the US at the helm of World Bank affairs is a big liar and out and out cheater who, as US Deputy Secretary of Defense, sold Iraq war to the American people on false pretense, who fabricated a web of fables to entrap an imperialistic bent of mind President to venture into the most stupid, destructive and expensive armed action since the Vietnam War, and under whose supervision - the reconstruction of Iraq was beset by corruption, cronyism and incompetence leading to miserable failure in delivering water, health, security and other basic services promised to the Iraqi people. In his early years in government, he collaborated with Dick Cheney and Donald Rumsfeld to promote fantastic stories of Soviet military power that fuelled the cold war. Those stories has long been discredited. He was a founder of the Project for a New American Century (PNAC), the doctrine that the US is fated to lead the world. Hence, the noble words spoken by Wolfowitz on assuming Presidency on June 1, 2005 can not be trusted. Otherwise also the Bank has a lengthy history of supporting the friends of US and punishing its enemies. This US tendency, though, was in wane for a short period of time particularly since the end of cold war but has surfaced again since September 11. And this can be seen in debt-relief packages for Pakistan and Tajikistan which went well beyond the level they would have ordinarily qualified for at the time.

As for the sudden surge of sympathy and love in the heart of Paul Wolfowitz for the poors of the thirld world, particularly of South Africa, it is suffice to note the history of the man himself. Apart from being instrumental in thrusting a devastative war on Iraqi people, Paul Wolfowitz, during his tenure as US Ambassador in Indonesia, actively supported the deregulation and privatisation of the bank system which led to the problems that laide the ground for Indonesian economy to succumb to the East Asain financial crisis in the year 1997. Moreover, the World Bank has been unleashing its privatisation agenda in a number of client countries, despite facing mass public opposition particularly on the privatisation of water sector in South Africa, Tanzania, Ghana, Kenya, Phillippines and Bolivia. Paul Wolfowitz is supposed to further accelerate the multinational corporates - led privatisation process on behalf of the World Bank rather than stop it, since he has been peiked up by Bush for this purpose only. And the reason why only he was chosen from among other contenders lies in the fact that only he symbolizes US unilateralism and contempt of the rule of law. As Robert Hunter Wade of 'Gaurdian' says - 'In fact Bush had wanted someone in the post who could enthusiastically embrace US foreign policy objectives'. It is now an admitted fact that despite its postures of showing support for multilateralism, the US has been showing the tendency of crude unilateralism by taking hostage the multilateral institutions like World Bank, IMF, WTO and UN by forcing its choicest men on these institutions. The appointment of Paul Wolfowitz to World Bank, and John Bolton as Ambassador to the United Nations amply prove this. As Soren Ambrose and Njoki Njehu say - Paul Wolfowitz is neither a military strategist nor an economist. He is a smart guy who is trusted by Bush and Cheney to advance the interests they want advanced on the international stage. Whether that means bombing a country or imposing a new set of economic conditions, he is the man to get the job done.

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President George W. Bush nominatd former US Deputy Defense Secretary Paul Wolfowitz took over as the president of the World Bank on June 1, 2005.

Wolfowitz, who was second in command to Defense Secretary Donald Rumsfeld, is widely regarded as a leading figure in the neo-conservative cult. He is an architect of the Iraq war. His arrogance, ignorance, and incompetence are unbounded. Wolfowitz & Co. predicted that the Anglo-American occupation armies would be greeted with flowers and sweets in the streets of Baghdad and Basra.

Wolfowitz's succession to the World Bank presidency is likely to move the institution from bad to worse. In his years as the organization's chief Jim Wolfensohn has paid a lot of lip service to "comprehensive development framework" and civil society but the bank remains a huge international bureaucracy that follows, by and large, the neo-liberal program. In recent years it has embraced dialogue with non-government organizations, the hype about knowledge-sharing, and empowerment.

The respected liberal economist Joseph Stiglitz did bring a fresh air of dissidence to the Bank, but he was quickly shown the door out. That became a typical play during Jim Wolfensohn's regime at the bank. Other independent-minded people were kicked out or told to tone down their analysis. With Wolfowitz at the helm, the bank's climate is likely to get worse, not better. It would stifle the scope of independent research, analysis, dialogue and dissidence in the institution.

The Bush administration's decision to nominate Mr. Wolfowitz as the president of the World Bank is a clear display of its imperial arrogance as well as a show of contempt for international law, diplomacy and peaceful methods of resolving conflicts. This follows its earlier decision to appoint John R. Bolton as the new U.S. ambassador to the United Nations. The administration is dedicated to imposing its neoconservative program on foreign aid program and multilateral institutions with as much zeal as it is to dismantling Social Security domestically in the guise of reform. The U.S. and other advanced countries generally get what they want from international aid programs and multilateral agencies, but the appointment of Wolfowitz is an attempt to make the World Bank even more subservient instrument of the U.S. Treasury and State Departments than it is already.

The nomination of Wolfowitz as president of the World Bank will prove to be controversial, particularly among developing countries as well as America's European allies. The staff of the bank, many of whom are competent professionals and functionaries and specialists, will be demoralized and insulted by this choice. It is no accident that the administration has picked Wolfowitz rather than an establishment figure or competent manager from the internationalist wing of the Republican Party. Even from the vantage point of narrow interests or conservative

principles, it is a bad choice.

The United States is the World Bank's largest "shareholder." Unlike the UN General Assembly, where each country has one vote, voting power in the Bretton Woods institutions is allocated on the basis of economic power. The president of the World Bank has always been an American, whereas the managing director of the International Monetary Fund, has traditionally been an European.

President Bush described Wolfowitz at a press conference as a man of "good experience." He certainly has a record of service to interests of the powerful and the rich. Wolfowtiz was the U.S. ambassador to Indonesia. The U.S. backed the Suharto regime right until its fall. Wolfowitz served as U.S. Assistant Secretary of State for East Asia. Note how the New York Times and other mainstream media mention how he served in that capacity "during the Philippines transition to democracy" without recalling that President Daddy Bush praised and supported dictator Marcos.

Talks about "Wolfowitz's drive to spread democracy" should not go unchallenged. The U.S. has been a consistent supporter of tyrants and assorted dictators and monarchs, particularly in the Middle East and West Asia with greater zeal than any where in the planet, in countries like Morocco, Algeria, Egypt, Saudi Arabia, Jordan, and Pakistan. Wolfowitz berated Turkish military generals for the Turkish parliament's firm rejection of endorsing U.S. invasion of the Iraq war and thus denying U.S. military access to invading Iraq from Turkish soil.

If the principles of law and justice are applicable for the masters of the universe then Wolfowitz, his boss, and his boss's boss, are certainly international war criminals. They have used massive force against the territorial integrity and political independence of Iraq. They invaded the country and are responsible for killing thousands of civilians. They have endangered international peace and security and have conducted acts of aggressions. They have squashed peaceful Iraqi non-violent opposition to the occupation. They are indirectly responsible for torture and violations of the Fourth Geneva Convention relative to the protection of civilians in Iraq and elsewhere. Such persons should be surely subject to indictment, not election to high offices in international agencies and praise.

Paul Wolfowitz would not, however, be the first war criminal to have served as the president of the World Bank. That distinction belongs to Robert McNamara, U.S. Defense Secretary who went to head the Bank, after directing the slaughter of Vietnamese peasants, napalming that country, and bringing the world to brink of nuclear war during the Cuban crisis. Years later, McNamara apologized—but not to the Vietnamese, only to the Americans for causing them so much pain and suffering. With such distinguished pedigree, Wolfowitz cannot complain about the lack of outstanding role models.

Wolfowitz: A 'Saintly Patron' or 'War Criminal'?

By Iqbal Jassat; June 19 2005)

Soundbites from the mouth of the World Bank's new chief suggesting that the architect of America's notorious policies has suddenly transformed into an angel, are misleading.

Paul Wolfowitz, the un-elected president of the World Bank, recently descended in Africa mouthing prescribed moral injunctions. And to the chagrin of the continent's poor, destitute, homeless and disease-ridden majority, the new representative of the cause of much of Africa's poverty and misery was given a red-carpet treat.

It is inconceivable that having crafted and implemented right-wing policies consistently for more than three decades, Wolfowitz would pursue any different course of action as head of the World Bank. Indeed his controversial past and the fact that his equally murky appointment is in line with strategic objectives of his neo-conservative clan embedded within the Bush administration portends more disaster.

The debate on global apartheid cannot be complete without identifying Wolfowitz as one of its main players. Neither can the disastrous fall-out from the United States' 'war on terror' be investigated without interrogating his pre-eminent role therein.

It is public knowledge that the war-hawk cut his teeth in the Nixon administration. He has since served under every U.S. President except Clinton. He has also been credited as having shaped the hard-line ultra-conservative policies of the Reagan-era.

This era was characterized by what became known as the 'Reagan Doctrine' and its particularly pernicious effect in Africa has remained a painful legacy.

His deployment in the Reagan administration and the havoc caused by the destabilization of Southern Africa as a consequence of the 'Reagan Doctrine' makes it all the more repulsive for the continent's marginalized to bear the idea of him being entertained by her leaders.

Analysts Sean Gervasi and Sybil Wong attest to that era as follows:

"History will record that in the 1980's South Africa and the United States jointly waged a terrible but almost invisible war against the innocent people of Southern Africa. That war, it will be remembered, engulfed much of the subcontinent and was of almost unprecedented barbarity."

Also necessary to remember that in addition to having expressed no regret for the terrible scars left by that war; Wolfowitz is shamelessly paraded as the new 'saint' ready to deliver Africa from 'ruined economies' and 'starvation'.

His passionate support for Indonesia's worst mass murderer Suharto, as well as overseeing support for the dictators Chun Doo Hwan of South Korea and Ferdinand Marcos of the Philippines is well documented. Noam Chomsky is therefore unsurprisingly scathing of Wolfowitz's 'democratic credentials'. He reminds us of the fury caused in Washington when the Turkish Parliament, heeding its population's near-unanimous opposition to the war in Iraq, refused to let US forces deploy fully from its territory.

Wolfowitz denounced the Turkish military for failing to intervene to "overturn the decision". The saint of neocon's aggressive mode of tyranny was outraged that Turkey would display sound democratic principles by listening to its people instead of taking orders from Washington!

America's most menacing hawk in control of the World Bank is not inclined to depart from his neocon ideology - especially given that he remains highly indebted to the powerful patronage of Donald Rumsfeld and Dick Cheney. This is attested to by his corrupt role in securing lavish reconstruction contracts and oil/energy deals for himself and his pals in Halliburton and other conglomerates.

What it means too is that with Wolfowitz at the helm of the World Bank while the other Bank [West] is under illegal occupation by the Sharon regime at a time when many courageous voices view Israel as the most dangerous threat to global peace and security, no meaningful advance to secure legitimate Palestinian rights will be made.

His undemocratic appointment in an undemocratic institution that yields enormous power over the lives of millions portends huge danger.

A New War? On Wolfowitz's World Bank

By Patrick Bond (11 April 2005)

The 1200 anti-war/profit demonstrators who wound their way through central Johannesburg last Saturday heard fiery speeches, music and poetry. At the start and finish, protesters were inspired by 80-year old Dennis Brutus, the great anti-apartheid poet who has worked within the global justice movement since Seattle and indeed long before. He calls now for a "war" on the World Bank, in the wake of George Bush's appointment of Paul Wolfowitz as its president last week.

The activists marched down from the city hall past banks and corporations to the Workers' Library in a semi-liberated zone of the Newtown arts district. They presented memoranda of protest along the way to the government's Department of Home Affairs, attacking South Africa's notorious xenophobia policies, and the US Trade Mission. The demonstrators were of all ages, colours and left ideologies (excellent pics are at southafrica.indymedia.org/). They combined the global call for an end to occupations of Iraq and Palestine with local demands for human rights.

Monday, March 21 was a South African holiday - Human Rights Day - commemorating the 1960 protest against pass books in Sharpeville township 60 km south of Johannesburg, where 69 people were killed by apartheid cops, most shot in the back as they ran. For Brutus, the timing is memorable. Because of Sharpeville, the African National Congress declared a guerrilla war on apartheid.

"Times are different now," says Brutus. "But the urgency is just as great. It is crucial for us to up the ante against the system we might term global apartheid. The World Bank is at the nerve center of that system, and will now become a 'War Bank'."

Brutus' new book, *Leafdrift*, was published a few weeks ago by Whirlwind Press of Camden, New Jersey. After three decades in exile, he now spends most of his time in South Africa with the Jubilee debt cancellation and reparations movement.

Brutus has long warned against the divide-and-conquer tactics of outgoing World Bank president James Wolfensohn ("Wolfy 1"), who was perfectly willing to fund Bush's illegitimate neocolonial rule in Afghanistan, Iraq and Haiti. But the man now labeled "Wolfy2" has none of his predecessor's talents in softening up NGOs in meaningless "multistakeholder forums" on issues ranging from dams to mining/petroleum to structural adjustment.

George Bush phoned South African president Thabo Mbeki early last week to alert him to Wolfowitz's

promotion. According to Brutus, "It is revealing that there is this link between Bush and Mbeki on the nomination of Wolfy2. We do not know at this stage what Mbeki's response was. We know that the people of South Africa in our millions would yell No! to a warmonger running the most powerful financial institution in the world."

The crowd in Johannesburg needed little reminder. Explains Brutus, "The neoliberal policies of the South African government are a direct consequence of the World Bank's advice, ranging from macroeconomic structural adjustment to even privatisation of water and air. Our finance minister, Trevor Manuel, used to chair the board of the Bank and IMF, and is in charge of the Development Committee, the institutions' second most powerful policy committee. And there is another South African who is a managing director, Mamphela Ramphele. She was Steve Biko's partner in the 1970s but her job today is ameliorating the Bank's bad public image."

Ramphele's vice president for public relations is Ian Goldin, another South African hated by trade unionists and communities here for promoting privatisation when he ran the Development Bank of Southern Africa - refusing to lend to the municipality of Nelspruit to supply water to poor people, and instead advancing a large loan to the British privatiser Biwater for the same purpose.

Brutus continues: "So when we march, we also protest the local manifestations of global apartheid, especially the failure of government to deliver services. We oppose privatisation and the ongoing disconnection of water and electricity to more than a million people a year. Jobs are still not being created. Our government is deceiving us when it claims it is delivering."

This is an especially poignant critique, given that 40% of South Africans still cannot read or write. Indeed, the depths of Pretoria's strategy were unveiled last week when the Mail and Guardian newspaper reported that two University of KwaZulu-Natal education academics accused the state of "deliberate misinformation. Misleading claims about adult education provision have indeed become endemic." As the newspaper editorialized on Friday, "No one with first-hand knowledge has believed for one moment the ridiculous figures the department has flourished to back its claim."

A year ago, the then education minister, Kader Asmal, claimed that "literacy projects have reached nearly two million learners". Similar claims about millions

receiving water were made five years earlier by Asmal when he was water minister, because he did not count vast numbers of taps and water systems delivered in rural areas that subsequently broke down. Last week another state agency - Statistics South Africa - claimed that the government is now supplying more than 70% of residents with free water and electricity: "The best-performing municipalities on average were in the Free State [province], where 91.5% of households had free water and 90.3% had free electricity."

In reality, the Free State has seen ongoing violent protest by township residents over the past year, precisely because vast areas of the province have no water and power. Even the 19th century "bucket system" (where excrement is picked up by municipal workers from outhouses each morning) has broken down in many townships. Last September, 17-year old Teboho Mkhonza was killed when police opened fire on fleeing demonstrators, chillingly similar to 1960, but now Mkhonzo's neighbours brandish not passbooks but empty wallets.

Stats SA has an awful reputation in business circles for a spate of serious errors, and so these new claims by its director, Pali Lehohla, were greeted with disbelief. Lehohla justified why he could not provide details to verify which riot-torn towns are actually delivering water: "Municipalities do need to be protected by the Act because they may want to apply to certain organisations for grants, and poor performance figures could harm them, or there may arise situations where they face punitive measures from the ruling party in their areas."

What is the link between these statistical horror stories about class apartheid, and the World Bank? At the macroeconomic level, the Bank designed the fiscal/financial model behind South Africa's 1996 structural adjustment program. That program pushed state spending lower, and also pushed the proportion of the budget devoted to education down 2% over the subsequent six years.

At the microeconomic level, the Bank authored South Africa's 1995 Municipal Infrastructure Investment Framework which severely limited supply of services, and in 1995 a staffperson convinced Asmal that Pretoria should limit cross-subsidies from hedonistic to low-income consumers, and should establish "a credible threat of cutting service"; in 2003, approximately 1.5 million people were disconnected because of inability to pay.

Pretoria is left to fib about the record, ranging from adult education to water to AIDS to crime to job creation. So a deep resentment against the Bank's

neoliberal "Washington Consensus" has been brewing for a decade, shared even by pro-government trade unions.

Now add more explicit White House geopolitics to the Bank's noxious recipe. As Cambridge political economist Noreena Hertz put it in the *The Guardian* on Saturday, "Of course, the US hijacking the World Bank to serve its foreign policy interests is not a new phenomenon." But especially at a time of rhetorical flourishes for Africa - given that the G8 will meet in Scotland in July to discuss Tony Blair's new Africa Commission report - the danger posed by Wolfy2 is severe.

But so too is the danger that well-meaning Europeans will disguise the war zone, luring more people to their deaths. For example, the head of the EU parliament's Development Committee, Luisa Morgantini, announced last week that there should be more Bushite candidates to choose from.

Her case was three-fold: "that the European Union in 2004 has presented two candidates for the post of the Managing Director of the IMF, with distinguished political profiles facilitating an informed choice regarding indications of future directions for the IMF; that the process of the selection of the final candidate has been done in a more transparent manner and in an appropriate timeframe, facilitating the input of the other shareholders; that the European candidate for the Managing Director of the IMF stood against a candidate nominated by another IMF member state, resulting in hearings of both candidates at the Board of the IMF and an indicative vote producing a majority for the European candidate."

Morgantini simply ignores that the worst candidate conceivable - Rodrigo Rato - was chosen as a result of this process. Recall Vicente Navarro's critique of Rato at counterpunch.org (19 June 2004): he was "responsible for the dismantling of the Spanish welfare state. Mr. Rato is of the ultra-right. While in Aznar's cabinet, he supported such policies as making religion a compulsory subject in secondary schools, requiring more hours of schooling in religion than in mathematics, undoing the progressivity in the internal revenue code, funding the Foundation dedicated to the promotion of francoism (i.e., Spanish fascism), never condemning the fascist dictatorship, and so on. In the economic arena, he dramatically reduced public social expenditures as a way of eliminating the public deficit of the Spanish government, and was the person responsible for developing the most austere social budget of all the governments of the European Community."

Morgantini also confirms her desire to see "other shareholders" play a more important role - i.e.,

confirming the domination of the Bank by a united front of Northern countries, rather than even concede the possibility that democratisation of multilateral agency voting power is worthy of mention.

And who, then, would be Bush's second choice, if that's what Morgantini desires? No doubt, someone with identical politics but less baggage than Wolfowitz. Is that what we in the global justice movement want? If not, why aren't European NGOs condemning the inane yet dangerous line of argument associated with Morgantini's opportunistic statement?

Actually, I've been surprised how many otherwise reasonable friends of mine signed an anti-Wolfy2 statement last week sponsored by Brussels-based Eurodad, with this clause: "We fear his appointment risks the Bank becoming seen as a tool of the current controversial US foreign policy, with aid flows becoming more dependent on strict adherence to US Administration priorities." Well, I'm sorry, it's the job of robust NGOs to speak truth to power, and to not "fear" describing the Bank - under Wolfy1 or Wolfy2 - as a tool of imperialism.

As a colleague of mine, Raj Patel, put it on his blog last week, it's now "much easier to see how war and

the Bank are linked if the man who's good at one can move to the other without skipping a beat. This helps movement-building, and makes it harder for the media to ignore the links, though in this, I imagine ignorance will prevail. In short, the World Bank has a president that everyone knows and loathes, and this is going to make change easier. Welcome on board, Slick."

Brutus concluded: "This is a wider war, now. We must engage in much more education and activism to counter the Bank's destructive role." He chuckled when I told him a quote in The Guardian by Sebastian Mallaby (a genuinely hackish Washington Post columnist): "World Bank critics - who had been diverted to protesting [about] the Iraq war - can now do both at once. It's like Christmas for them."

So if Wolfy2 is confirmed at the end of March, not only will the World Bank Bonds Boycott become an even more crucial grassroots protest tool against imperialism. Counterpunchers can also celebrate Christmas early, at an all-in mid-April March Against the Bank/IMF spring meetings in Washington, sponsored by excellent comrades including 50 Years is Enough, the Movement for Global Justice (DC) and Jubilee USA.

(Courtesy: Counterpunch)



Top 10 Reasons Why Paul Wolfowitz Would Make a Good World Bank President

By John Cavanagh

1. He would follow in the great tradition of World Bank president Robert McNamara, who also helped kill tens of thousands of people in a poor country most Americans couldn't find on a map before getting the job.
2. It helps to be a good liar when you run an institution with employees who earn over \$100,000 a year to pretend to help billions of people who live on less than \$1 a day.
3. With all his experience helping U.S. companies grab Iraq's oil profits, he's got just the right experience for doling out lucrative World Bank contracts to U.S. businesses.
4. After predecessor James Wolfensohn blew millions of dollars on "consultations" with citizen groups to give the appearance of openness, Wolfowitz's tough-guy style is just what's needed to rid the World Bank of those irritating activists.
5. Unlike former Hewlett-Packard CEO Carly Fiorina, another one of the four leading candidates, at least Wolfowitz hasn't failed at running a Fortune 500 company.
6. Unlike the Treasury Department's John Taylor, another leading candidate, at least Wolfowitz doesn't want to get rid of the institution he would head.
7. While earning a University of Chicago Ph.D. , he was exposed to the tenets of market fundamentalism that have reigned at the World Bank for decades.
8. He has experience in constructing echo chambers where only the advice he wants to hear is spoken.
9. He knows some efficient private contractors who build echo chambers for only a few hundred billion dollars (cost plus, of course).
10. He can develop a pre-emptive poverty doctrine where the World Bank could invade countries that fail to make themselves safe for U.S. business, modeled on the U.S. pre-emptive war doctrine he helped craft.

(Courtesy: the Institute for Policy Studies)

The Limits of Reform: The Wolfensohn Era at the World Bank

By Walden Bello and Shalmali Guttal

Wolfensohn's was an ambitious presidency. Chosen by President Bill Clinton to head the world's largest multilateral lender in 1995, Australian-turned-American Wolfensohn promised to make the Bank more sensitive to the needs of developing countries. The institution was then identified with structural adjustment programs that had wrenched developing country economies without bringing about growth, and with controversial projects such as environmentally and socially destabilizing land resettlement schemes in the Amazons and Indonesia, and large dams, notable among which were the Arun III in Nepal and the Sardar Sarover in India.

The PR Offensive

At first, things appeared to go Wolfensohn's way. Assisted by a well-oiled public relations machine headed by ex-Economist writer Mark Malloch-Brown. Wolfensohn tried to recast the Bank's image as an institution that was not only moving away from structural adjustment, but also making elimination of poverty its central mission, along with promoting "good governance" and environmentally sensitive lending. Channels to civil society were opened up, especially with the formation of the NGO Committee on the World Bank. However, many civil society organizations, such as the 50 Years is Enough network, complained that World Bank consultations with civil society were part of a divide-and-rule strategy that sought to separate "reasonable" NGOs from "unreasonable" ones. Indeed, not a few influential NGO's were seduced by Wolfensohn's promise to overhaul the Bank's approach and programs.

During the Asian financial crisis in 1997-98, Wolfensohn and his chief economist Joseph Stiglitz successfully managed to steer popular opprobrium away from the Bank to the IMF when Stiglitz and other Bank economists publicly questioned the wisdom of the capital account liberalization policies promoted by the Fund that had played such a key role in the crisis. The Bank also attempted to deflect criticisms about its own role in crisis management by attributing the foundation of the Asian crisis to "crony capitalism" in crisis struck countries, thus gathering steam in its calls for "good governance."

The Meltzer Report

Then in February 2000, like lightning out of the blue, came the report of the Commission on International Financial Institutions Advisory Commission appointed by the US Congress report. Headed up by conservative US academic Alan Meltzer, the

Commission came up with a number of devastating findings based on the Bank's own data: 70 per cent of the Bank's non-grant lending was concentrated in eleven member countries, with 145 other members left to scramble for the remaining 30 per cent; 80 per cent of the Bank's resources were devoted not to the poorest countries but to the better-off ones that enjoyed positive credit ratings and could therefore raise their funds in international capital markets; the failure rate of Bank projects was 65-70 per cent in the poorest societies and 55-60 per cent in all developing countries. In short, the World Bank was irrelevant to the achievement of its avowed mission of alleviating global poverty.

Deprived of the public relations skills of Malloch-Brown who left the Bank to head up the United Nations Development Program, the Bank fumbled badly in its response. Much to the chagrin of Wolfensohn, few people came to the Bank's defense. Indeed, more interesting was that many critics from across the political spectrum-left, right, and center-agreed with the report's findings though not necessarily with its key recommendation of slimming down the Bank into a World Development Authority managing grant aid and devolving its loan programs to regional development banks. Among them was Wolfensohn's occasional ally, financial guru George Soros, who agreed with the conservative Meltzer that the Bank's "lending business is inefficient, no longer appropriate, and in some ways counterproductive... and need [ed] to be reformed to eliminate unintended adverse consequences."

The World Bank and Good Governance

Meanwhile, the political aftermath of the Asian financial crisis wrought havoc with the World Bank's stated aim of promoting "good governance." This loudly proclaimed goal was contradicted by sensational revelations regarding the Bank's relationship with the Suharto regime in Indonesia -an involvement that continued well into the Wolfensohn era. A "country of concentration" for the Bank, some \$30 billion had been funneled to the dictatorship over 30 years. According to Jeffrey Winters and other Indonesia specialists, the Bank accepted false statistics, knew about and tolerated the fact that 30 cents of every dollar in aid it dispensed to the regime was siphoned off to corrupt uses, legitimized the dictatorship by passing it off as a model for other countries, and was complacent about the state of human rights and the Suharto clique's monopolistic control of the economy. Suharto's loss of power in

the tumultuous events of 1998 and 1999 was paralleled by the erosion of the credibility of the World Bank's rhetoric about good governance.

The Bank took more hits as news of corruption and malpractice came to light in Bank supported infrastructure projects. Prominent among these were the Lesotho Highlands Water Project (LHWP) and the Bujagali Falls dam in Uganda . In 2001, the Lesotho High Court started investigating charges of bribery against several major international dam-building companies and public officials in connection with the LHWP. Instead of supporting a nationally accountable legal process, the Bank quietly conducted its own internal investigation of three of the companies charged with paying bribes and concluded that there was insufficient evidence to punish them for corruption. In 2002, the Lesotho High Court eventually succeeded in convicting four companies for paying bribes, among them Acres International, a long term ally and pet contractor of the World Bank and who the Bank had cleared in its internal investigation. It took the Bank well over a year to eventually announce that it would disbar Acres International from World Bank contracts for a period of three years.

The HIPC Fiasco

A major World Bank-led initiative launched under Wolfensohn's watch-the plan to reduce Third World debt-also ran into trouble. The Bank initiative was designed to offset increasing demands for total debt cancellation for developing countries that had been mired in massive debt since the debt crisis in the early 1980s. Calling debt cancellation unrealistic, the Bank called for debt reduction. Then it sharply reduced the number eligible for debt reduction to 42 out of 165 developing countries-thus the name "HIPC" or the Highly Indebted Poor Countries" initiative. Further, it stipulated that debt reduction of eligible countries would be granted by the big country creditors in exchange for "economic reforms" undertaken by the debtors.

Trumpeted at the G7 meeting in Cologne in July 1999, the HIPC initiative was in trouble a few years later. As it turned out, it covered only 6.4 per cent of the total debt of the world's poorest countries, according to the calculations of the British charity Christian Aid. Moreover, as of 2002, only 20 of the eligible 42 countries were able to comply with the conditions policies imposed by the Bank and the IMF. Of these 20, it was revealed that, despite reductions in their debt stock under the program, four would actually have debt service payments in 2003-2005 that would be higher than their annual debt service paid in 1998-2000; five countries would be paying as much in debt service as before HIPC; and six countries would have

their annual debt service reduced by a modest \$15 million. Responding to criticism that that actual debt reduction from HIPC would be meager, the World Bank blamed lower prices for developing country exports but admitted that half the countries covered by HIPC would still have unsustainable debt loads at the end of the program.

The September 3, 2002 Bank report on the Status of Implementation of HIPC showed that the Bank's strategy for countries in the HIPC programme "exporting themselves out of debt" through exports of primary commodities did not work. Debt indicators particularly worsened for those countries dependant on the exports of cotton, cashew, fish and copper. However, with the exception of fiddling here and there on numbers, "sunset clauses" and "completion points," the HIPC strategy remained intact and the Bank made no effort to revise it based on evidence provided in its own internal reports.

Structural Adjustment by Another Name

Poverty Reduction Strategy Programs (PRSPs) were promoted by Wolfensohn as a replacement for the much-discredited structural adjustment programs that had been the Bank's and IMF's main approach to development since the 1980s. The rhetoric of change did not, however, match the reality of continuity, according to several studies conducted by civil society groups. As one exhaustive study conducted by the European Network on Debt and Development found, while PRSPs stress the importance of social safety nets and poverty reduction, the prescribed macroeconomic reforms to achieve them are "undiscussed" and are indistinguishable from the previous macroeconomic frameworks that focused on achieving rapid growth via liberalization and privatization. Moreover, the much-vaunted "participatory approach" of the PRSP amounted to "little more than consultations with a few prominent and liberal CSOs [civil society organizations] rather than substantive public dialogue about the causes of incidence of poverty."

Even more searing in its conclusion was a detailed investigation of PRSPs in Vietnam , the Lao PDR, and Cambodia by Focus on the Global South, which found the same one-size-fits-all formula of deregulation, liberalization, and commercialization of land and resource rights: "The PRSP is a comprehensive program for structural adjustment, in the name of the poor".

The World Bank and the Environment

Wolfensohn's effort to convince the world that the World Bank was becoming an environmentally

sensitive agency was still born. In 1990, many environmentalists were dismayed that the Bank became the lead agency of the Global Environmental Facility, a multilateral channel for environment-related lending, since it was one of the biggest lenders for environmentally destabilizing infrastructure projects. Wolfensohn's actions, as opposed to his rhetoric, merely confirmed their fears. Under Wolfensohn, the Bank was a staunch backer of the controversial Chad-Cameroon pipeline, which would seriously damage ecologically fragile areas such as Cameroon's Atlantic Littoral Forest. Furthermore, Bank management was caught violating its own rules on environment and resettlement when it tried to push through the China Western Poverty Reduction Project, which would have transformed an arid ecosystem supporting minority Tibetan and Mongolian shepherders into agricultural land for people from other parts of China. Global pressure from civil society groups forced cancellation of some of the worst aspects of this program, but other environmentally threatening components were approved.

A look at the Bank's loan portfolio by the international environmental organization Friends of the Earth revealed the reality behind the rhetoric: loans for the environment as a percentage of total loans declined from 3.6 per cent in fiscal year 1994 to 1.02 per cent in 1998; funds allocated to environmental projects declined by 32.7 per cent between 1998 and 1999; and in 1998, more than half of all lending by the World Bank's private sector divisions went to environmentally destabilizing projects such as large dams, roads, and power plants. Not surprisingly, at the Global Environmental Facility Assembly in New Delhi in 1998, the Bank came in for harsh criticism for derailing GEF objectives from an international experts' panel. So marginalized was the Bank's environmental staff within the bureaucracy that Herman Daly, the distinguished ecological economist, left the Bank because he felt that he and other in-house environmentalists were having minimal impact on agency policy.

Managing Civil Society

Opposition to projects with negative economic, social and environmental impacts triggered Wolfensohn's efforts to manage his critics from civil society via "constructive engagements" and "multi-stakeholder dialogues." Most prominent among these were the Structural Adjustment Participatory Review (SAPRI), the World Commission on Dams (WCD) and the Extractive Industries Review (EIR). Although focused on different areas of Bank operations, all three initiatives sought to bring Bank critics around a

negotiating table in a bid to prove that the Bank was willing to change, listen to its detractors and become more responsive to criticisms about its operations and policies. But the reality proved to be quite the opposite and in all three cases, the Bank showed itself to be unwilling to accept, let alone act, on the outcomes of these initiatives. A quick look at all three might be instructive for those who hold illusions that dialogue with the Bank will result in substantive change in its policies and operations.

Structural Adjustment Participatory Review Initiative

Wolfensohn's "feel good" approach was put to a test—and by all accounts failed—in the very first "constructive engagement" exercise he committed the Bank to through the SAPRI. Wolfensohn had arrived at the World Bank in 1995, just as the '50 Years is Enough' campaign was gathering steam. A merger of economic justice and environmental groups that targeted the Bank's disastrous record in SAPs and infrastructure and energy projects, the 50 Years Campaign and the media coverage it generated threatened Wolfensohn with a failed presidency before he had even begun his term. In an attempt to diffuse the attacks of external critics on the Bank and possibly to signal the dawn of a "new" World Bank, Wolfensohn accepted a civil-society challenge to conduct a joint Bank-civil society-government assessment of structural adjustment programs (SAPs) and agreed to enter into the SAPRI initiative, which was finally launched in 1997.

SAPRI was designed as a tripartite field-based exercise, and a civil society team worked with a Bank team appointed by Wolfensohn to develop a transparent and participatory global methodology for gathering and documenting evidence of the impacts of World Bank-IMF SAPs at local-national levels in seven countries. This included local workshops, national fora and field investigations. The process was also undertaken by civil society organizations in two additional countries where the Bank and governments refused to participate.

Despite agreement on the common rules of the exercise and the review methodology, the World Bank team played an obstructionist role throughout the SAPRI process. For example, at public fora, instead of trying to listen to and learn from the evidence presented by civil society representatives about the impacts of SAPs, Bank staff almost always argued points and in the end, claimed that the fora presentations (which were part of the agreed-upon qualitative input) constituted "anecdotal evidence." Similarly, while civil society at the national level tended to accept joint research findings despite reservations,

the Bank almost always found extensive faults in the draft reports. In Bangladesh, the Bank had over 50 pages of objections to the joint report covering four or five topics. Civil society groups, however, remained firm that the Bank adhere to the commitments it had made to the methodology and process, and pushed ahead with field investigations where an increasing amount of data started to emerge about the impacts of SAPs from farmers, workers, women's and indigenous peoples' organizations, and even governments. Many government departments participated in good faith in these investigations, although they remained nervous about the Bank's willingness to accept the findings.

As the Bank's ability to control country processes decreased, so also did its ability to control the output of the Review. Even before the final and concluding national fora were reached, field investigations already indicated major problems in all aspects of adjustment programs - from trade and financial-sector liberalization to the privatization of utilities and labor-market reforms. Reluctant to go public with these findings, the Bank team backed off from an earlier (written) agreement to present all SAPRI findings in a large public forum in Washington DC, with Wolfensohn present. Instead, the Bank team insisted on a closed technical meeting and a small session in Washington DC scheduled when Wolfensohn was not in town. Most important, the Bank now insisted that it and civil society each write separate reports. The Bank report used the Bank's own commissioned research as the basis for its conclusions and barely referred to the five-year SAPRI process. In August 2001, the Bank pulled out of SAPRI and buried the entire exercise, and except to say that it had learned a lot from SAPRI, the Bank did not commit itself to reshaping its lending policies based on the SAPRI findings.

On 15 April 2002, the full SAPRI report (under the name of SAPRIN, to include findings from the two countries where civil society conducted investigations without Bank involvement) was released to the public and received immense media coverage. The Bank entered the fray again and Wolfensohn requested a meeting with SAPRIN members. He expressed regrets that he and his staff had not been in touch with SAPRI and promised to read the report and discuss it seriously in the near future. To date, however, neither the Bank, nor Wolfensohn have shown any commitment to review and make changes to their adjustment lending. On the contrary, structural adjustment policies continue to be the mainstay of Bank-Fund lending through PRSPs and the Poverty Reduction and Growth Facility (PRGF).

The World Commission on Dams

Like the SAPRI, the World Commission on Dams also proved to be a thorn in the Bank's side. Established in 1997 following a meeting convened in Gland, Switzerland by the World Bank and the World Conservation Union (IUCN), the WCD was the first body to conduct a comprehensive and independent global review of the development effectiveness of large dams and to propose internationally acceptable standards to improve the assessment, planning, building, operating and financing of large dam projects. Although co-sponsored by the World Bank, the origins of the WCD lie in the numerous anti-dam struggles waged by dam affected communities and NGOs around the world, in particular those targeting World Bank-funded projects from the mid-1980s onwards. Chaired by then South African Minister of Water Resources Kader Asmal, the WCD was comprised of twelve commissioners from eminent backgrounds, and included representatives from the dam building industry, anti-dam struggles, indigenous people's movements, civil society organizations, the public sector and academia. Over a period of two and half years, the WCD commissioned a massive volume of research and received nearly 1000 submissions from around the world on the environmental, social, economic, technical, institutional and performance dimensions of large dams. The work of the Commission was monitored by the WCD Forum, which consisted of representatives from research institutions, NGOs, donor governments, the private sector and multilateral institutions including the World Bank.

The WCD's final report "Dams and Development: A New Framework for Decision-Making", was launched by Nelson Mandela in London in November 2000. Despite deep differences in the backgrounds and political perspectives among all those involved in the WCD process, the WCD report was widely acclaimed as a non-partisan and progressive framework for decision making for future water and energy planning.

Although the WCD worked independently from the World Bank, the Bank played a more active role in the development of the WCD Report than any other institution. Bank representatives were active members of the WCD Forum, and the Bank was consulted at every stage of the WCD's work program. Bank President Wolfensohn even applauded the WCD process as a model for future multi-stakeholder dialogues. However, this rhetoric did not translate into commitments to learn from the evidence gathered by the WCD, or to apply the new guidelines proposed in the Commission's Report.

While the WCD Report was welcomed by bilateral donors, other multilateral banks (such as the Asian Development Bank and the African Development Bank) and even some industry associations (such as International Commission on Large Dams - ICOLD), the World Bank's response displayed a stunning lack of commitment to effectively learn from past mistakes, and it even misrepresented the findings of the Report. At the Report's launch in November 2000, Wolfensohn said that the Bank would consult its shareholders on their opinions. The Bank's subsequent position on the WCD Report was based primarily on the responses of dam-building government agencies in the major dam-building countries, which rejected the Report's findings and guidelines, and deemed them inapplicable and even anti-development. In a March 27, 2001 statement, the Bank said that, "Consistent with the clarification provided by the WCD Chair, the World Bank will not 'comprehensively adopt the 26 WCD guidelines', but will use them as a reference point when considering investments in dams." And further that, "This was an unprecedented and highly productive dialogue between all parties. The World Bank believes that such dialogues are very important for the many controversial development issues, and will continue to engage in them in the future."

In 2001, the World Bank embarked on a review of its resettlement policy and a new Water Resources Sector Strategy (WRSS), but did not incorporate the recommendations of the WCD Report in any meaningful way in either document. On the contrary, both policies reflect a lowering of Bank standards for social, environmental and economic dimensions of Bank supported projects. In a letter to President Wolfensohn on 12 JULY 2002, the twelve commissioners of the WCD said, "Given that a major thrust of the WRSS is to recommend that the Bank actively re-engage in financing large-scale dams (referred to in the WRSS as high-reward/high-risk hydraulic infrastructure), we think that it is unwise to dismiss without justification or explanation the recommendations of the first-ever global review of dams reached through consensus and developed through an extensive participatory process with support from the World Bank."

The Extractive Industry Review

The experience of the WCD was relived in yet another "dialogue between all parties" in the Extractive Industries Review (EIR). The EIR was announced in September 2000 during the World Bank-IMF annual meeting in Prague. Challenged in a public meeting by Friends of the Earth International Director Ricardo Navarro on the impacts of World Bank financed oil, mining and gas projects, Wolfensohn

responded -to the surprise of his staff - that the Bank would undertake a global review to examine whether Bank involvement in extractive industries was consistent with its stated aim of poverty reduction. Led by Indonesia's former environment minister Emil Salim-himself a controversial figure in the eyes of peoples' environmental movements- the EIR process was less thorough, less independent and less participatory than the WCD process. Perhaps reflecting some learning from the WCD process, the World Bank attempted to keep a much tighter hold on the EIR research and consultations and, despite protests from peoples' movements and NGOs involved in the EIR, Bank staff remained active in scrutinizing inputs into the process. Peoples' movements and NGOs fought hard to ensure that factual information about the impacts of extractive industries on different constituencies were fed into the EIR.

The EIR Report was published in Lisbon on 11 December 2003 and, despite Bank interference, turned out to be a surprisingly strong document. Although the Report did not respond to all the concerns and demands of peoples' movements and NGOs, it contained strong language and recommended that the Bank and its private sector arm, the International Finance Corporation (IFC), phase out their involvement in oil, mining and natural gas within five years and shift their financing to renewable energy. The Report caused an outcry among private financiers (such as Citibank, ABN Amro, WestLB and Barclays) for whom Bank involvement in the oil, mining and gas industries is essential before they are able to extend financing to such projects.

As with the WCD Report, the World Bank ignored many of the EIR Report's important recommendations. Following the release of the EIR Report, a leaked copy of the World Bank management's response (prepared on behalf of President Wolfensohn) flatly rejected the ambitious proposal that the Bank phase out of extractive industry by 2008. The management report stated that, "Adopting this policy would not be consistent with the World Bank Group mission of helping to fight poverty and improve the living standards of people in the developing world" and that ending the financing of oil projects "would unfairly penalise small and poor countries that need the revenues from their oil resources to stimulate economic growth and alleviate poverty." As an example, the report cited Chad and Cameroon, where the Bank has financed an oil pipeline despite vociferous opposition by local communities and environmental groups, and which has been plagued by controversies about violations of human rights and environmental standards.

Strangely enough, the Bank argued that it should remain directly involved in extractive industries because it can ensure compliance with social and environmental standards, notwithstanding all evidence to the contrary.

Quizzed about the Bank management response to the EIR Report at an awards ceremony in Georgetown University in Washington DC on 25 February 2004, Wolfensohn responded that he had not seen the management response before it was leaked. He also claimed that he had learned that the Report was not a consensual report and that the Bank had an obligation to respond to those in the process who were not part of the represented consensus as well. Here, too, was a repeat of the post WCD scenario as Wolfensohn hid behind the "Southern countries" rhetoric, the argument being that because Southern governments did not accept the EIR recommendations, the World Bank could not make firm commitments to implement many of these recommendations such as respecting human rights and ensuring that oil, gas or mining projects do not go ahead without the free, prior and informed consent from local indigenous peoples.

On 9 February 2004 in Melbourne, Wolfensohn was presented with a letter from five Nobel laureates-Archbishop Desmond Tutu, Jody Williams, Sir Joseph Rotblat, Betty Williams and Mairead Maguire-urging him to adopt the recommendations of the EIR. In the letter the five laureates said "We urge you in the strongest possible terms to embrace the spirit of the report and accept the recommendations in their entirety when devising a strategy for moving forward." And further, "War, poverty, climate change, greed, corruption, and ongoing violations of human rights - all of these scourges are all too often linked to the oil and mining industries. Your efforts to create a world without poverty need not exacerbate these problems. The Review provides you an extraordinary opportunity to direct the resources of the World Bank Group in a way that is truly oriented towards a better future for all humanity."

Though the Bank was an initiator and sponsor of both the WCD and EIR, it refused to adopt their findings even in principle, hiding behind the opposition of its larger developing country clients such as China and India. In late 2004, the World Bank announced that it would pursue a new framework for addressing the social and environmental impacts of the projects it finances. Its "country systems" approach would rely mainly on borrower governments' social and environmental standards and systems (for example, a country's relevant national, sub-national, or sectoral implementing institutions, and applicable laws,

regulations, rules, procedures, and track records) rather than the Bank's own safeguard policies for project implementation. Although the Bank is in any case expected to comply with national policies, its existing safeguard policies (although rarely complied with even by Bank staff themselves) provides at least a minimum set of standards by which the Bank's commitment to environmental and social sustainability can be assessed. The new "country systems" approach will likely let the Bank off the hook from such assessments since it can now conveniently claim that it is driven by the wishes and needs of its borrowers rather than its own centralized policies.

The Limits of Reform

Questions have been raised by the press and many NGOs about the amount of autonomy that Wolfensohn had in reshaping Bank policies based on the results of the SAPRI, WCD and the EIR. Was Wolfensohn truly well intentioned in these efforts, but thwarted from meeting his commitments by intense political pressures from the IMF, US Treasury and other G7 countries? Or was Wolfensohn all talk and no action, more concerned with his own image than the outcomes of these initiatives, and unwilling to use his political capital if it compromised his position with the higher powers that control the global economy?

Reflecting on the SAPRI experience, Doug Hellinger from the Washington DC-based NGO Development Gap, said that Wolfensohn "would go no further in following up on the damning findings that emerged than his staff and Board would allow. While he had told his management team that he had left his investment banking days behind him to launch a direct assault on world poverty, throughout his presidency he would repeatedly refuse to risk the loss of his political capital, much less his job or future standing, on this venture whenever he ran up against the powerful interests behind adjustment programs. Let civil society or perhaps his chief economist, do the heavy lifting, but, in the end, Wolfensohn, like his less flamboyant predecessors, has faithfully performed his job of protecting these special economic and financial interests."

The increasingly conflictive relationship between civil society and Wolfensohn came to the boil during the tumultuous World Bank-IMF annual meeting held in Prague in September 2000, which had to be cut short owing to massive demonstrations. Confronted with a list of thoroughly documented charges at the famous Prague Castle debate, Wolfensohn lost his cool, exclaiming, "I and my colleagues feel good about going to work everyday." It was an answer that was matched only by IMF Managing Director Horst Koehler's equally famous line at the same debate: "I

also have a heart, but I have to use my head in making decisions."

The Years in the Wilderness

By 2001, with the advent of a right-wing administration at the White House, the liberal Wolfensohn's future turned uncertain. Partisans of his nemesis Meltzer had become his bosses.

He spent his last four years in office steadily acquiescing to the Bush administration's "bilateralization" of the World Bank program to support its wars of aggression in Afghanistan and Iraq . In Afghanistan , aside from pledging \$570 million and fronting the US effort to raise billions of dollars for reconstruction, Wolfensohn expressed interest in the Bank's participation in financing a fuel pipeline to channel massive gas reserves through Afghanistan from landlocked Turkmenistan to India or Pakistan , a project greatly desired by US energy corporations backed by US Vice President Richard Cheney.

In Iraq, Wolfensohn, prodded by Washington, committed \$3-5 billion for reconstruction and agreed to manage the Iraq Trust Fund to channel money to development projects undertaken by the occupying regime, especially those aimed at "capacity building" in the private sector, a priority aim of the Bush administration.

But Wolfensohn could not prevent the erosion of his authority and prestige. Distrusted by the White House as a Clinton holdover, he was also regarded by developing country governments as a lame duck whose reformist rhetoric no longer conformed to the unilateralist thrust of US government policy.

Then came a kind of redemption in the form of Paul Wolfowitz and his scandalous appointment as Wolfensohn's successor. In a very real sense, James Wolfensohn's reputation was salvaged by George Bush: so rampant is the fear of Wolfowitz that the departing Wolfensohn, now being viewed through rose tinted glasses, is being canonized as a patron of development.

What can we learn from the Wolfensohn era in the World Bank? At several moments

during his presidency, Wolfensohn had in his hands opportunities to at least slow down the Bank's destructive trajectory, even if not turn it around. He had the (albeit cautious) commitment of the Bank's fiercest critics to objectively review Bank policies, programmes and projects in a bid to halt its worst excesses. But Wolfensohn converted what could have been a potential victory for the Bank into unmitigated defeat. The Bank now stands discredited not only for not meeting its own stated goal of "creating a world free of poverty," but also for its inability and unwillingness to keep its word and meet the commitments it made publicly through its various "multi-stakeholder dialogues." Now, more than ever, the World Bank is associated with double-speak, dithering and duplicity.

Arguably, the most important lesson to be learned from the Wolfensohn decade is that the World Bank is too large, too political, and too central to the structure of US-led global capitalism to be changed by a single individual, even one as charismatic and shrewd as James Wolfensohn. In the last instance, the Bank serves as an extension of US corporate and strategic interests. Wolfensohn could only modify its performance at the margins. Now even that slight room for maneuver to initiate cosmetic reform is being eliminated as Paul Wolfowitz, whose name is synonymous with unilateralism, steps in as Bank president.

Walden Bello and Shalmali Guttal are members of the staff of the Bangkok-based research, analysis, and advocacy organization Focus on the Global South. Much of this report is drawn from Bello 's latest book Dilemmas of Domination: the Unmaking of the American Empire (New York : Henry Holt and Company, 2005).

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Multilateral Institutions Taken Hostage

By Damien Millet and Eric Toussaint

The conservative offensive within the multinational institutions has scored a few points in recent months. People like us who are trying to put across a different logic cannot afford to rest yet awhile. On the other hand, such frustrations nourish the fighting spirit.

Scene 1: on 18 January 2005, Kofi Annan, the Secretary General of the United Nations (UN), decided to appoint Ann Veneman, Minister of Agriculture in the Bush Administration, as Executive Director of UNICEF. The USA and Somalia are the only two countries who refused to ratify the United Nations Convention on the Rights of the Child (189 countries did ratify it). One can well imagine the pressure Washington put on Kofi Annan to get him to make such a decision.

Scene 2: on 28 February 2005, Kofi Annan decided to appoint Supachai Panitchpakdi (Thailand) as General Secretary to the United Nations Conference on Trade and Development (UNCTAD), for four years as of 1st September. This appointment is somewhat surprising, considering that the man they call "Dr. Sup" is at present the head of the World Trade Organisation (WTO), the favourite instrument of those who wish to forcibly impose the deregulation of the global economy, to the greater profit of international finance and trans-national corporations. UNCTAD, which defends the point of view of the countries of the South, has nothing to gain by having at its head a man who has consistently demanded particularly unfavourable economic measures for the poorest countries. Third World countries, under the G77 banner, have protested at not having been consulted, as they usually are, before this appointment was made. However rumour has it that Kofi Annan, his position weakened by the "food for oil" revelations about Iraq involving his son, gave in easily to the United States.

Scene 3: on 7 March 2005, George W. Bush chose John Bolton as the US Ambassador to the United Nations. This man tried to have Mohamed El Baradei sacked when El Baradei was the director of the UN institution in charge of the Iraq disarmament programme, just before the war in 2003. It was Bolton who was responsible for the fact that the United States did not ratify the International Criminal Court; and he it was who withdrew from the United Nations Conference on Racism in Durban in August 2001. Bolton considers that the UN should on no account impede US foreign policy. He even went so far as to declare: "Now more than ever the United Nations needs American leadership". At least his positions are perfectly clear, if not particularly endearing. His hostility to the UN is so well-known that a significant number of American Congressmen (including some Republicans)

tried to oppose the appointment.

Scene 4: on 10 March, George W. Bush announced his decision to propose Paul Wolfowitz, Number 2 in the Pentagon and a fervent advocate of the invasion of Iraq 2003, as candidate for the presidency of the World Bank. There is no doubt that this is the finishing touch to the events of recent months.

To begin with, the procedure for designating the president of the World Bank is particularly anti-democratic. It is emblematic of an imperialist conception of diplomatic relations. **Whereas good governance is at the heart of the World Bank's recommendations to countries of the South, the Bank itself proves unwilling to respect even the most basic rules of democracy.** Do as I say, not as I do! Things have become so dire that the incumbent president, James Wolfensohn, a New York banker of Australian origin, had to take US citizenship before being appointed in 1995.

To listen to the officials of the World Bank, you would think that the sinister structural adjustment programmes of the 1980s were a thing of the past, and that combating poverty has become the only worthwhile cause. Yet the World Bank's policies over the last few decades have faithfully and unfailingly obeyed a perfect logic. And that logic always and exclusively benefits the major powers who founded the Bank at Bretton Woods in 1944 (before most African and Asian countries had achieved independence) and who have never taken their hands off the wheel. This explains why the presidency always falls into the hands of big bankers or former US Defence Secretaries. The tradition was already established in 1968 with the appointment of Robert MacNamara, who conducted the Vietnam War and used the World Bank as a geo-political tool to help the United States' strategic allies. During the first five years of MacNamara's presidency, the World Bank granted more loans to developing countries than in the previous 23 years of its existence. The aim was to acquire the right to oversee policies conducted by its clients. This was how he supported the USA's strategic allies (such as Mobutu of then Zaire, the Brazilian and Argentine dictatorships, Pinochet in Chile, Suharto in Indonesia, Marcos in the Philippines, etc.). There is no doubt that Wolfowitz will follow the line of this kind of president, using the World Bank for geo-political ends.

Officially, all the World Bank administrators could block the proposed appointment. This has already happened at the International Monetary Fund (IMF), where the Managing Director is always a European. In 2000, when the Frenchman Michel Camdessus left office, the German Finance Secretary of the time, Caio Koch-

Weser, who was the European candidate, was vetoed by the USA, and the Europeans finally agreed on Horst Köhler. Yet at the World Bank, the appointment of Paul Wolfowitz won unanimous approval, proving that the 24 groups of countries represented are perfectly happy with it. It is worth noting that most European countries are hoping that the United States will return the favour. The French government is manoeuvring to get Pascal Lamy elected Managing Director of the WTO and Bernard Kouchner to take over the High Commission for Refugees (UNHCR); the Belgian government is pushing forward Marc Verwilghen's candidature for the same post; the British are angling for the United Nations Programme for Development. Not to mention the countries that want the US support in getting a permanent seat on the Security Council: Germany, Japan, Brazil, India, South Africa, Nigeria... However unethical, the intense bargaining never ceases.

How is it that the presidency of the World Bank has never been entrusted to a Third World citizen, in the front line against the challenges of human development? Indeed, Joseph Stiglitz, a former Number Two of the World Bank and Nobel prize-winner for Economics in 2001, declared: « Choosing the right general in the war on poverty cannot guarantee victory, but choosing the wrong one increases the risk of defeat ». The only explanation for this choice is that the real war is not on poverty, despite the official discourse of those who, even as they speak, continue to impose policies which spread destitution.

The legitimacy of multilateral institutions such as the World Bank and the IMF is called into question. The events of the last few months demonstrate beyond any shadow of a doubt the crying need for a different international architecture!

Larger Anti-Globalisation Protests Expected For Hong Kong WTO Meet

Agence France Presse; May 18, 2005

More than 10,000 activists from across the globe are expected to demonstrate during a key World Trade Organisation (WTO) meeting in Hong Kong in December, protest organisers said Wednesday.

The Hong Kong People's Alliance on the World Trade Organisation previously estimated 5,000 protestors. Elizabeth Tang, chairwoman of the Alliance, said it has planned various activities during what they called 'Action Week' between December 11-18. The sixth WTO ministerial conference will be held on December 13-18.

The protest events will include cultural gatherings, mass demonstrations and marches, training sessions and workshops on December 11, 13 and 18.

Tang called for support from the local government and hoped to have ample space for planned activists.

"Our Action Week shall ensure space for the involvement and outpour of viewpoints from the Hong Kong people and this we will do in the spirit of solidarity, freedom of expression and the aim of building a multi-cultural society," Tang said in a statement.

She said Hong Kong people were still in the dark on the issues to be discussed at the WTO meeting and the impact the decisions made there will have. She said the meeting would be critical to social services provisions and the environment, not just business.

"Once the people of Hong Kong know the essence (of what's at stake), there is no reason not to get involved," Tang added.

Apart from 30 Hong Kong organisations, the Alliance expects activists from other groups, including US-based Global Exchange, Brussels-based International Federation of Free Trade Unions, Bangkok-based Focus on Global South as well as Alliance of Progressive Labour in the Philippines.

Activists earlier warned police against heavy-handed treatment of protesters following reports officers were stocking up on rubber bullets and other riot equipment to prevent violent protests similar to those seen at WTO and other meetings in other parts of the world.

In 1999 the WTO ministerial conference in Seattle was disrupted by activists who smashed windows, sprayed graffiti and set rubbish skips alight.

Some 15,000 people are expected to attend the meeting, including 8,000 government representatives and 1,000 journalists.

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Poverty Inducing Not Poverty Reducing!

Deeper Debts and Greater Private Profits Under the Shadow of the ADB

(Statement on the occasion of the ADB's 38th annual Board of Governors Meeting, 4-6 May 2005, Istanbul, Turkey)

The world's poverty is increasing, and its face is predominantly Asian. The 38th Annual Meeting of the Board of Governors of the Asian Development Bank (ADB) in Istanbul, Turkey takes place against a dismal backdrop of deepening poverty and mounting debt burdens in the region, for which this institution must share in the responsibility and the blame.

The UN's Economic and Social Commission for Asia and the Pacific describes the region as home to two-thirds of the world's poor or 800 million people of 1.2 billion globally. Of this figure, around 522 million are in South Asia, barely surviving on less than a dollar a day. An estimated 374 million rural women are living in absolute poverty. Two out of three of the world's children working fulltime are Asians, with half a million already drawn into the sex trade. Poverty tightly grips 30 per cent of Asia's rural population, foreshadowing the worsening of urban poverty in the coming years.

Many other well-documented indicators of appalling human conditions in Asia are instructive of how ADB has, for almost four decades past, been doing "development" and "poverty reduction" work. Partnering with two other leading institutions - the International Monetary Fund (IMF) and the World Bank - the ADB aggressively pushes the drive for the privatization of basic social services in the region. Together they wield the debt of South countries as leverage to put in place policies like water and power privatization, as part of requisites for loan approvals and good credit ratings.

Over \$15 billion, or about 19 per cent of ADB's total lending has been invested in water sector projects; annual lending for water from 1968 has also been increasing from \$74 million during 1968-1975 to \$875 million during 1992-1999. Loans like these also create the enabling environments for transnational corporations in the water and power sectors to takeover services that governments are mandated to provide. But the experiences of countries like Indonesia and the Philippines -- constantly rising tariffs, poor quality water, the lack of transparency and accountability on the part of private water firms and their failure to implement promised infrastructure improvements - only testify to the failure of water privatization. Access to water, a basic right that should be guaranteed all human beings, is increasingly pinned on one's ability to pay.

The ADB plays just a major a role in supporting "power sector restructuring programmes", in line with the directions of the World Bank, the IMF and other institutions that believe in providing favourable business climates to attract supposedly more efficient and incorruptible private firms to invest in the power sectors of Asian nations. But for countries in the region, so-called "power sector reform" or simply power privatization has not led to public benefits but has created more problems especially for poor households and communities. Prices are skyrocketing and corruption is increasing. More financial problems have been spawned from the sovereign loan guarantees and other perks extended by host governments to independent power producers, in accordance with the international financial institutions' directives to draw in private investors into the power industry. Debt stocks have also ballooned due to the huge costs needed to reform the sector and make it more appealing investment sites for giant power firms.

In response to the killer tsunami that hit various Asian countries, the ADB, together with the IMF and the World Bank, have taken key roles in evaluating the impacts of the disaster for purposes of macroeconomic policy adjustment and longer-term financial assistance. In truth, a large part of their pledges would be made not through new grants, but by reallocating existing aid packages. Just what these purposes really are can be gleaned in part from an ADB study released three months after the disaster, which underscores heavy investments needed by 21 countries for various sectors ranging from power and transport to water and sanitation systems; in turn, countries especially those in Asia must "keep up with the demands of companies which need energy, ...and other services as part of investment climates". Consequently, the post-tsunami scenario is turning into a grabfest among private companies, eager for a piece of the tsunami relief funds.

The current concerns of the Annual Meeting of Governors for regional integration in Asia and the Pacific, capitalizing on high growth to achieve sustained poverty reduction accelerating financial cooperation and bond market development underscores only one thing - that the ADB will remain in its market-locked, private sector oriented state of mind and continue to act as the frontrunner of the IMF and the World Bank's neoliberal designs on the region. That the ADB can blatantly do so in the name of poverty reduction makes it even more contemptible, and the insult heaped upon Asia's poor and marginalized millions, even greater.

Stop ADB's meddling in the economies of Asian countries and the imposition of neoliberal policies!

Stop the privatization of water and power services!

Immediate and unconditional debt cancellation for south countries, beginning with countries in crisis and tsunami-affected peoples! No new debts from tsunami aid!

Jubilee South

World Social Forum: The Risks Posed by Success

By Mario Osava

Portuguese Nobel literature laureate José Saramago expressed that tension when he called for turning the World Social Forum (WSF) into "an instrument for action" based on concrete proposals and ideas with broad support, rather than a "Mecca" for an annual pilgrimage by the Left to engage in discussions and debates on "utopias".

Saramago, who for the first time took part in the global gathering (fifth edition), joined 18 personalities with close ties to the WSF to release the "Porto Alegre Manifesto", which takes its name from the southern Brazilian city where four editions of the WSF have been held, including this year's.

The 19 intellectuals who produced the Manifesto, made up of 12 proposals "that as a whole give sense to the building of another possible world", clarify that they are not speaking in the name of the WSF, but "in a strictly personal capacity".

However, they say they have made a synthesis of 12 recommendations, out of the "innumerable proposals" presented during the global gathering, that, "if they were applied, would permit citizens to at last seize control again of their future."

But the fact that most of the authors of the Manifesto have been prominent participants in the WSF since the very start, and that many of them are members of the international organising committee, could give the impression that the document represents a common position assumed by the Forum. It could even appear that the WSF, contrary to its very nature, has acquired a "politburo".

Among the signatories are Argentine writer and Nobel Peace Prize-winner Adolfo Pérez Esquivel, Portuguese sociologist Boaventura de Souza Santos, French editor of *Le Monde Diplomatique* Bernard Cassen, Egyptian economist Samir Amin, U.S. sociologist Immanuel Wallerstein and Pakistani writer Tariq Ali.

Seven of the recommendations concern the economy: the cancellation of the public debt owed by countries of the developing South; the taxation of financial transactions and weapons sales; full employment and social protection; the dismantling of tax havens; fair trade; food sovereignty and security through small-scale agriculture; and the prohibition of patents on knowledge and living organisms and the privatisation of water.

The remaining five are an in-depth democratisation of international organisations; guaranteeing the right to information and the right to inform; the dismantling of foreign military bases; fighting for public policies against all forms of discrimination; and putting an end to destruction of the environment, especially in the area of climate change.

Another of the signatories, Walden Bello, the head of

the Thailand-based non-governmental organisation Focus on the Global South, had already argued that the WSF should be allowed to assume political positions, because it is not enough for the Forum to merely be an open space for debate.

Many activists and participating intellectuals would like to see the WSF choose three or four main themes at the most, in order to concentrate the global meet's efforts. They argue that such a broad range of ideas and proposals stands in the way of making the WSF more effective.

The WSF, however, is merely a forum, an "open meeting place for reflective thinking, democratic debate of ideas, formulation of proposals, free exchange of experiences and interlinking for effective action" against the neo-liberal, free-market economic model, that does not intend to be "a body representing world civil society", says the Charter of Principles adopted by the WSF international council in June 2001.

Point six of the Charter clearly states that "The meetings of the World Social Forum do not deliberate on behalf of the World Social Forum as a body. No-one, therefore, will be authorised, on behalf of any of the editions of the Forum, to express positions claiming to be those of all its participants."

Nor will the participants in the Forum "be called on to take decisions as a body", it adds.

The WSF "thus does not constitute a locus of power to be disputed by the participants in its meetings," concludes point six.

These principles clearly outline the nature of the WSF and protect it, serving as an instrument that has frequently been used by the organisers to withstand pressure.

It is the participating social movements, NGOs and activists who should join together in umbrella groups or networks to adopt decisions, rather than the Forum, the organisers argue.

The impact of the annual gathering that has brought together thousands of civil society groups since its first edition in January 2001 has grown enormously, although its significance is sometimes overestimated as a platform for catapulting social issues onto the global agenda, while overlooking the influence of the international United Nations conferences of the 1990s.

It is an increasingly irresistible temptation to use the WSF's symbolic and mobilising strength in the struggle to make another world possible (the Forum's slogan).

Success is becoming a poison that could deprive the Forum of the source of its innovative strength - its horizontal nature, lack of hierarchies and broad diversity of participants and experiences.

The failure to comprehend the nature of the WSF appeared in the proposal by Brazilian President Luiz Inácio Lula da Silva to promote a dialogue between the Porto Alegre gathering and the World Economic Forum held simultaneously in the Swiss ski resort of Davos.

That suggestion caused irritation in the WSF, which has neither leaders nor spokespersons who could take part in such a debate, since it is not an "organisation" per se.

Although some members of the international council said it was possible to discuss the idea of participating in such a dialogue as the leaders of their own organisations, they added that it would be impossible to avoid appearing as representatives of the WSF.

It will also be difficult to maintain the unity of the Forum. A split recently occurred at the European Social

Forum, which took place in London in October 2004 as a regional WSF meet. Disgruntled groups met separately, accusing local authorities and political parties of imposing rules by controlling the budget for the gathering.

Organisational decisions are not neutral. Although these social forums reject hierarchies and internal power disputes, the WSF international council and organising committees are, in fact, scenarios of struggle.

It will not be easy, for instance, to decide whether or not next year's social forum of the Americas will be held in Venezuela, as President Hugo Chávez and his supporters would like, due to worries that the regional civil society meeting could be distorted by the appearance that it would be expressing political support for the Venezuelan government.



World Military Spending Nears Cold War Peak

By Peter Starck

Massive U.S. spending on the war on terrorism pushed global military expenditure above \$1 trillion in 2004, the sixth successive year the total has risen, said a leading research institute.

World military expenditure rose 5 percent to \$1.04 trillion, still 6 percent below a Cold War peak in 1987-88, but up sharply since 1998, the Stockholm International Peace Research Institute (SIPRI) said in its latest yearbook.

"World military spending...is again approaching its level at the height of the Cold War," the think-tank said. "

"The major determinant of the world trend in military expenditure is the change in the United States."

U.S. military spending accounted for nearly half the global figure, rising 12 percent last year to \$455 billion, the Swedish government-funded institute said.

That was more than the combined total of the 32 next most powerful nations, SIPRI said. The figure was set to rise still further to \$502 billion in 2010.

U.S. spending "has increased rapidly during the period 2002-2004 as a result of massive budgetary allocations for the 'global war on terrorism', primarily for military operations in Afghanistan and Iraq," SIPRI said.

By February 2005 the total amount of extra spending requested for the 'global war on terrorism' since Sept. 11 2001 had reached \$346 billion, the institute said.

"While U.S. military spending is still lower than during the Cold War in terms of its share of GDP, the sustainability of the current levels is being increasingly questioned," SIPRI said.

U.S. military spending increased to 3.9 percent of gross domestic product (GDP) last year from 3.0 percent in 1999, but remained well below its Cold War peak of more than 6 percent.

The top five countries by military spending -- the United States, Britain, France, Japan and China -- spent nearly two-thirds of the world total last year, according to the institute whose database contains officially reported military spending for 159 countries.

Growth in China's military spending slowed to 7 percent -- \$35 billion -- while Russia's 2004 national defense budget increased almost 5 percent to \$19 billion, SIPRI said.

Based on data for the past five years, Russia has overtaken the United States as the world's leading supplier of conventional weapons. Russia, the United States, Britain, France and Germany accounted for 81 percent of all conventional weapons delivered in 2000-2004.

China and India were the two main recipients of conventional arms in 2004, the institute said.

The Rejection of the European Constitution and What Does It Mean

By John C. Hulsmann

It has already begun. The authors behind the European Union's latest effort at centralization, the EU Constitution, are attempting to ignore the cataclysm of its rejection by voters in the Netherlands and France. In both countries, voters turned out in large numbers, with roughly 70 percent of the French and around 63 percent of the Dutch going to the polls. The results were as overwhelming as they were stunning, with 62 percent of the Dutch and 55 percent of the French voting no.

This decisive rejection of the next step on the road to an ever closer European Union by two of its founding members signals the end of an epoch. Coupled with an almost certain British no vote if the referendum had not been abruptly cancelled, two of the three most important states in Europe oppose the document. As *The Economist* stated, “[R]ejection of the constitution signals that the dream of deeper political integration and, in the 1957 Treaty of Rome’s famous phrase, ‘ever closer union’ is over.” This is to be welcomed by freedom-loving citizens on both sides of the Atlantic.

French and Dutch citizens chose to vote no for many disparate reasons. In addition, a number of overarching pan-European issues and forces contributed decisively to the vote: flaws in the actual document; the economic crisis, which is discrediting the entire European elite; political sclerosis at both the national and European levels, which has left European citizens feeling far removed from democratic control of their lives; and the one-size-fits-all philosophy underlying the European project, which has less and less to do with a very diverse continent. All of these factors were clearly evident before the vote.

One of the advantages of a conservative view is that it is fundamentally concerned, as Edmund Burke put it, with the world as it is and not as one would have it be. Conservatives saw this result coming and properly faced these facts and proposed alternative and better policies for the peoples of Europe and the United States. Given a result made understandable by conservative analysis, the time has come for the United States to urge conservative recommendations upon a confused European elite:

* Economically, the United States should establish a Global Free Trade Alliance (GFTA), setting up an attractive alternative for free-trading European states that are tired of being held back by the economically sclerotic, protectionist euro-core.

* Politically, unlike the European elites, the United

States should make it clear both that it respects the right of Europeans to decide the ultimate form of political association that the various states wish to have with one another and that the U.S. will not penalize any state for working individually with America on an issue-by-issue and case-by-case basis, as so often happens in practice.

* Militarily, the U.S. should urge a renewed commitment to NATO reform, reminding European allies that NATO remains the only politically secure possibility for a common defense.

What Is Going on in Europe?

The European people have shocked their elites and much of the left in the United States by opting for freedom, sovereignty, and a looser, more nation-based EU than the continent’s tired elite could have imagined possible. This—not some false mythical unity promised by centralized Europe’s backers—is the true future of the continent. The United States should move quickly to support Europeans everywhere who wish to retake control of their political, military, and economic destiny.

A Seriously Flawed Document. When asked by former Italian Prime Minister Giuliano Amato, deputy president of the convention that drew up the European Constitution, what was wrong with it, the author said succinctly, “It has 448 articles to America’s 7.” There is little doubt that such an immense document failed in its original purpose of making the EU more transparent and explicable to the average citizen.

Beyond the length is its wording, which only a lawyer could comprehend. The constitution was purposely vague so as to hide significant differences of political opinion. For example, the constitution commits EU members to a progressive framing of a common defense policy without explaining how it would interact with NATO, which many EU members see as the pre-eminent European security organization. It is also unclear as to how neutral EU member states—such as Ireland, Austria, and Finland—would recalibrate their defense policies to mesh with their more martial EU allies.

Many such discrepancies were to be worked out over time by the unelected European Court of Justice, which would interpret the law with the goal of “ever closer union” as its mandate. This was certainly a ploy for further centralization by the back door. With its opaque language obscuring real political differences and a hidden agenda for elite-driven centralization,

this was not exactly a document that met the Jeffersonian ideal.

This ideal was further ignored in that, in violation of earlier promises, the document would return no powers to the countries and peoples of Europe. It provides for a new European foreign minister, a new president of the European Council, and new voting weights that would make it easier for the large states to get things done over the objections of smaller states, but it is a one-way process, with power continuing to flow toward Brussels without any being returned. With the document's cheerleaders now attempting to rewrite history, it is vital that Americans see that the constitution's significant flaws were a major reason for its unpopularity.

An Economic Crisis Rightly Discrediting Europe's Elite. The numbers have been there for all to read. Only with the constitution's rejection have many on the left begun to see how the continent's overly statist economic system has undermined respect for its leaders. In France, the unemployment rate for workers under 25 years old is over 20 percent. It is little wonder that they were the largest group voting against this elite-driven project. Overall French unemployment hovers around 10.2 percent, with no concerted plan in place to limit government expenditures that account for over 50 percent of French gross domestic product (GDP).

Likewise, German Chancellor Gerhard Schroeder has been forced to call national elections following his party's decisive defeat in regional elections in North Rhine-Westphalia, a traditional stronghold of his Social Democratic Party (SPD). The reason for his unpopularity is simple. Earlier in his chancellorship, Schroeder rashly said that he should be voted from office if German unemployment reached 3.5 million. It is now near 5 million, the highest figure since the 1930s. Although millions of euros have been thrown at eastern Germany since unification, it is falling ever further behind the economic standards of western Germany.

In Italy, the chairman of the Italian Central Bank recently announced that he expects Italy, already in recession, to experience no growth for the whole of 2005. Italian debt, amounting to 106 percent of GDP, is also a cause for great economic concern. It is not surprising that these economic realities caused Prime Minister Silvio Berlusconi's government to be routed in spring 2005 elections, losing 12 of the 14 contested provinces. Berlusconi was forced to reconstitute his government, agreeing to de-emphasize corporate tax cuts as a price for staying in power. Italy, Germany, and France are the core states of the euro zone, and their collective economic malaise does much to explain

the European public's strong dislike of the elites that are driving the EU constitution.

An Arrogant and Out-of-Touch Political Class. Still clinging to statist doctrines once fashionable in the pre-Margaret Thatcher era, the continental elite has also increasingly lost political touch with its people on both the national and pan-European levels. For example, of the 10 states that have ratified the constitution, only Spain put the vote to a referendum. Regarding EU enlargement—the dramatic accession of 10 new members, primarily from Central and Eastern Europe—not one existing member called for a referendum on such a transformational question.

Even after the no votes, members of the European elite are clearly finding it hard to shed their elitist proclivities. Immediately following the Dutch vote, Jean-Claude Juncker, prime minister of Luxembourg and current head of the rotating EU presidency, urged that France and the Netherlands would have to keep voting until they came up with the right response. Others, such as external affairs commissioner Javier Solana, have suggested that parts of the discredited treaty could be implemented without further voting, such as establishing an EU diplomatic corps—a step toward further integration. Like the old Bourbon kings of France after the French Revolution, the EU elites seem to have learned nothing.

This arrogance, coupled with economic incompetence, extends to the national level. France is a case in point. In the past quarter-century, there have been only two presidents of France, Jacques Chirac and Francois Mitterand. Since Charles De Gaulle, the French Fifth Republic has tended to anoint presidents and prime ministers from only one university—L'Ecole Nationale d'Administration. In the aftermath of the vote in France, Chirac appointed a new prime minister, Dominique de Villepin, who has never before held elected office. His rival Nicolas Sarkozy wryly observed, "Villepin talks about the people, but he has never traveled second class."^[4]

One Size Does Not Fit All. The very disparity between the Dutch and French political cultures provides another telling reason for the constitution's demise. The Dutch favor NATO and think the European Security and Defense Identity (ESDI) should complement it. The French favor ESDI as a counterbalance to NATO. The Dutch are generally pro-American, feeling that engagement with the sole superpower (as in Iraq) is the best way to promote their national interests. The French yearn to establish themselves as the leaders of a countervailing pole to challenge American power. The Dutch, for all their European-style regulation, have a relatively open, free-trading economy. The French favor high levels

of government expenditure, socialism, and a large dollop of protectionism.

Thus, the two renegades in Europe stand for fundamentally different foreign, defense, and economic policies but still view the EU as a step in the wrong direction—a compromise that satisfies neither. Maybe two such different cultures do not belong in the same political construct after all. In a Europe of diversity, it would seem that the one-size-fits-all mantra of ever closer integration amounts to just another in a series of utopian efforts to defy gravity. It has hit the ground with a well-deserved thud.

The common denominator in all these instances of systemic failure is that Europeans feel powerless, whether the questions are political or economic. The European elites' challenge in the new era is to reconnect with their citizens in order to remain a relative bastion of stability. While it is primarily up to the peoples of Europe to do this, the United States can make this transition both more assured and more appealing.

Thinking Again About Europe

For American liberals and European federalists, the events of the past weeks have been a shock. This is

their own fault, as they violated the first rule of foreign policy analysis, laid down by the conservative commentator Edmund Burke: To make the world better, one must see it as it is.

By ignoring the primacy of the nation-state system and the huge cultural, economic, sociological, military, and political diversity in Europe, the notion of ever closer union is a utopian idea whose time will never come. All Americans and Europeans who believe in the transatlantic relationship should be glad for this rude awakening, as it allows things to proceed in a more realistic manner. For the disappointed utopians, a period of genuine self-reflection is imperative.

But that does not let conservatives who saw this coming off the hook. European countries remain America's most important strategic allies, and preserving this vital relationship will require creative thinking. By working with a truly multi-speed Europe politically, economically, and militarily, and by fashioning new institutions and ways to work together—such as NATO's CJTF mechanism—that reflect the new geostrategic reality, the U.S. can develop closer ties with our essential friends, even in a more complicated world. It is the task of our age.

(Courtesy: The Heritage Foundation)



In Rejection of the EU, Voices of Pride

By James P. Pinkerton

This is a great place to observe the workings - and unworkings - of the European Union, because the Swiss were never dumb enough to get caught up in the politico-bureaucratic trap of the EU.

The failure of the European Union to become a "United States of Europe" provides a cautionary lesson to all those - on the right as well as the left - who think national borders and cultural traditions are just so many scraps of paper to be trampled upon in the name of some abstract global Good.

The Swiss are nobody's enemy. They haven't fought a foreign war since 1815. Indeed, they are eager to trade with anyone, as well as offer foreigners those famously secretive Swiss bank accounts.

But precisely because Switzerland became a rich country by doing its own thing, the Swiss never wanted to join the EU, the 25-member-state conglomeration that stretches from Portugal to Finland to Greece.

The EU has been in the news lately because voters in two linchpin countries, France and Holland, voted down the proposed EU constitution that would have

cemented the Union. That constitution was a 474-page brick of a document, written by pan-European elites who wanted to flatten the continent, politically, so that decisions about the fate of 450 million people would be made in Brussels, far beyond the reach of any mere individual nation.

Americans, who prize state and local control of their government, would immediately reject any similar attempt to move political authority to Washington, let alone move it to a coalition of foreigners headquartered in a foreign country. But most observers thought that the Europeans were different and that people there would vote for the new EU constitution, thus forever mixing the Irish and the Spanish and the Maltese into the same Brussels blender for the benefit of multicultural business, as well as multicultural politics. But of course, because true democracy is impossible when the voters speak 100 different languages, the EU constitution would have ushered in a perpetual Eurocratic reign.

Well, now we know the stubborn truth about Europe. In voting down the constitution, Europeans demonstrated that they, too, have a pride of place

and reverence for their unique traditions. They don't want to see their flags, anthems and everything else buried by red tape from a centralized Eurocracy.

Indeed, not only has ratification of the constitution been put on hold, but efforts to enact a new EU budget are deadlocked as well. And now the euro currency is under siege. "People will tell you Europe is not in a crisis - it is in a profound crisis," Luxembourg Prime Minister Jean-Claude Juncker told Reuters after he chaired the latest failed summit of EU chieftains.

Of course, what Juncker, a prototypical Euro-litist, regards as a "crisis" would be regarded by others as a somewhat belated outbreak of common sense. That's because the EU elites weren't eager to create just a hulking European superstate. They wanted to create an even bigger Eurasian superstate, by including Turkey and possibly other Muslim and Arab countries.

Turkey, population 70 million, is a relatively modern and democratic Muslim country, even if it has yet to properly account for, or apologize for, its massacre of more than a million Armenians during World War I. But Turkey has only the barest toehold in Europe, physically, ethnically and religiously. Its capital and most of its population are in what the Romans were the first to call Asia Minor, and most of its people bow down to pray toward Mecca. And so for the EU elites to seek to bring Turkey into their union was proof those elites were dismissive of "Europe" all along. What the EU-ers really wanted was an intercontinental empire, as big as possible, reaching everywhere possible.

Most people want peaceful trade and travel. The Swiss had it right all along. And so, like an earlier polyglot project dreamed up by the powerful, the Tower of Babel, the EU is now falling.

(Courtesy: Newsday.com)



The EU constitutional treaty, as things stand, cannot be put into effect.

Anti constitution demonstration in London

The issue now is how to give it a decent burial.

But already there is talk of resurrecting the treaty in another form.

Experts have been examining which bits might be implemented even without a new treaty.

And others talk of a second, if different, constitutional agreement.

It is a case for them of: "The treaty is dead, long live the treaty!"

John Palmer, Political Director of the European Policy Centre in Brussels, said: "There will have to be another treaty. This will be needed in two or three years. The present voting arrangements agreed in the Treaty of Nice will not be able to bear the weight of further enlargement."

Of course, such a course would be fiercely resisted by those who see the French and Dutch votes as a decisive moment in European history when citizens turned against the concept of a closely integrated continent.

The British Conservative Party's Dr Liam Fox said that the French and Dutch voters had "liberated"

The Treaty is Dead, Long Live the Treaty

By Paul Reynolds

Europe. They had delivered "not a crisis but an opportunity".

All states need to ratify

The present treaty cannot be implemented for the simple reason that it requires all 25 member states to ratify it and two states, France and The Netherlands, are not going to do so (unless voters there change their minds).

Voters in others, especially the UK, might well reject it if asked. And that assumes there will be a British referendum which seems highly unlikely given the Foreign Secretary's announcement to parliament that it is being shelved.

Public opinion polls in Denmark, which is due to hold a referendum on 27 September, have also swung against the treaty since the French and Dutch votes.

Those wanting to pull the plug now are led by Britain, but even London has to be careful. The British decision not to ask parliament to authorise a referendum is widely seen as a diplomatic way of acknowledging the demise of the treaty without wishing to go out on a limb.

It is also seen as an acknowledgment that it would not win such a referendum. The situation might be very different if public opinion in the UK was different.

Anger Erupts as EU Summit Fails

A bitter war of words has erupted among EU states after the failure to reach an agreement on the union's future budget.

German Chancellor Gerhard Schroeder blamed UK and Dutch obduracy for one of the EU's "gravest" crises. UK Foreign Secretary Jack Straw expressed sadness, but said the failure could prove a turning point.

The EU's current president Jean Claude Juncker said he was ashamed poorer countries had offered to cut their EU income to reach a deal.

The summit collapsed after Britain refused to accept a demand by France and some other countries to accept a reduction in its EU rebate.

The BBC's correspondent in Brussels, William Horsley, says the recriminations mark perhaps the deepest and most spectacular bust-up ever in the EU.

It comes just weeks after voters plunged the union into uncertainty by rejecting its proposed new constitutional treaty.

UK 'pathetic'

The failure of the talks gave way to verbal sparring, as France, Germany and Luxembourg rounded on fellow member states.

French President Jacques Chirac said he deplored Britain's behaviour, adding he was shocked by the "arrogance of several rich countries" in the talks.

The UK rejected proposals to limit its annual rebate without a wider reform of the EU's agricultural subsidies.

Chancellor Schroeder said the summit failed because of the "totally unaccepting attitude" of Britain and the

Netherlands, while Luxembourg Prime Minister and EU President Jean-Claude Juncker spoke of a "profound crisis" in Europe.

Britain, however, defended itself against the criticism, saying it was not alone in rejecting the proposed deal. Speaking to the BBC on Saturday, Jack Straw said he was dismayed but optimistic.

"It is in many ways a sad day for Europe. But out of this sad day there is an opportunity to reconnect."

He said Britain would take the responsibility of leading the debate on the EU's future when it assumes the body's rotating presidency next month, although he conceded the task would be difficult.

"This will be seen as something of a turning point for the European Union. Sometimes to secure a turn in democracies, there has to be a shock," he said.

'Cause for shame'

As the talks disintegrated, 10 EU newcomers from Eastern Europe offered to cut their funding to salvage a deal, although their call went unheeded.

Mr Juncker said that only made matters worse.

"When I heard one after the other, all the new member countries, each poorer than the other, say that in the interest of reaching an agreement they would be ready to renounce some of their financial demands, I was ashamed."

But Britain said it has the backing of four or five other EU states in its rejection of the budget.

UK Prime Minister Tony Blair said the rebate was needed to compensate for the distortions caused by agricultural subsidies, the biggest beneficiary of which is France.



The Hierarchy of International Law : A Hierarchy of Values?

By Kristin Dawkins

In 1994, the world's governments created the World Trade Organization and a body of new trade laws backed by a powerful enforcement mechanism. Since then, the United Nations Office of the High Commissioner for Human Rights has identified "apparent conflicts" between the WTO's agriculture and intellectual property rights agreements and the human rights to food, health and self-determination, as well as potential conflicts between a future agreement on trade in services and the human rights to health and water. These trade agreements and human rights treaties coexist in the multilateral system alongside other legal regimes promoting labour rights, industrial development, foreign investment, environmental protection, disarmament and other values embraced by the international community.

However, the WTO's powerful enforcement mechanism has made trade and investment the de facto priority in practice. **Its dispute settlement body can require national governments to change national and local laws that interfere with a foreign company's "right" to trade or face sanctions. When the WTO appellate body agrees with one country that another country's law hinders trade, the losing country must reform that law or forfeit millions of dollars of export revenues. If the legislature chooses not to change this law, the WTO can authorize countries where the complaining companies are located to charge additional duties on all kinds of imports from the loser, making these products more expensive. The potential loss of foreign**

sales resulting from such a price increase creates pressure on the legislature of the exporting country to change the law instead.

Laws that are vulnerable to challenge as “barriers to trade” include those that subsidize generic medicines, finance public services, encourage the employment of women, assist local entrepreneurs, favor locally produced foods, promote indigenous languages, support local artists, invest in community-based economic development and regulate environmental practices.

Similarly, national and local authorities find their jurisdiction over planning and development has been overwhelmed by the financial policies of the World Bank and International Monetary Fund. These institutions provide loans and promote private investment in less-developed countries, but often attach “conditionalities” that violate the fundamental democratic principles of national sovereignty and the rights of citizens to self-determination. Essentially, indebted governments are obligated to prioritize debt repayment over national priorities like education and health—with particularly severe impacts for women and children. Furthermore, the development of dams, ports and other infrastructure financed by these institutions to promote trade often displaces indigenous peoples, destroys rural livelihoods and devastates the environment. Many conflicts between the rights of people and the economic interests of traders and investors await resolution in various jurisdictions. For example:

- ◆ The global pharmaceutical lobby accused Egypt of violating the WTO intellectual property rights agreement and Egyptian national law when the Egyptian minister of health approved for market 850 generic versions of patented drugs. Patent-holding companies claim producers of generic drugs must do independent testing instead of relying on the patent-holders’ clinical trial data to replicate drugs quickly and affordably. Similar claims against South Africa and Brazil were filed a few years ago but dropped when public support for affordable drug programs grew. The complaint against Egypt could lead to a WTO dispute panel, but in the meantime the companies have asked the United States to retaliate by halting negotiations for a bilateral Egypt-U.S. free trade agreement.
- ◆ The world’s largest transnational water company is demanding compensation from Argentina for business losses resulting from the government’s emergency decree freezing all utility rates and suspending the charge for new connections. The company had not met its contracted goals for expanding services in Buenos Aires and the cost

of water service had nearly doubled since 1997. Argentine citizens have filed an amicus curiae petition in the arbitration proceedings administered by the World Bank’s International Centre for the Settlement of Investment Disputes (ICSID) requesting the right to health and other international human rights law be taken into account. The petition also requests public access to documents and all other matters before the ICSID, consistent with Argentina’s constitutional guarantees to the right to information and participation in all matters of public concern.

- ◆ UPS, the United Parcel Service, is seeking at least \$160 million in compensation for Canada’s “anti-competitive” national postal system under Chapter 11 of the North American Free Trade Agreement (NAFTA). In response to UPS, the Canadian Union of Postal Workers and other citizens groups have asked the provincial courts of Ontario for a ruling on the constitutionality of NAFTA Chapter 11. This is the first international agreement giving investors the right to directly enforce an international treaty to which they are not a party nor have any obligations, stating that none of the participating governments may “directly or indirectly nationalise or expropriate an investment ... or take a measure tantamount to nationalisation or expropriation.” There are currently 15 other cases pending under NAFTA’s Chapter 11.
- ◆ In the environmental arena, two associations representing most of the world’s automobile manufacturers have challenged a California state law requiring a 30 percent reduction in greenhouse gas emissions for all vehicles sold there within 10 years, arguing California exceeded its authority and uniform emission standards are the purview of the federal government. Meanwhile, the Inter-American Commission on Human Rights will consider a petition filed by the Inuit people alleging that the U.S. government’s failure to sign and ratify the Kyoto Protocol on Climate Change violates their human rights and threatens their existence.

Another case to be settled soon may create a legal precedent of historic proportions. The United States has asked the WTO’s dispute settlement body to determine whether or not European Union regulations of genetically engineered food and seed imports are an illegal barrier to trade because they are not “scientifically justified.” U.S.-based public interest groups submitted an amicus curiae brief pointing out that the purpose of the dispute settlement body is to amicus curiae clarify trade rules “in accordance with customary rules of interpretation of public international law” and, therefore, in the context

of the broader body of international law and principles. The brief also points out that the WTO appellate body had previously emphasized the importance of interpreting the law in the context of “the contemporary concerns of the community of nations”—reflected in this case by the recent entry into force of the Cartagena Protocol on Biosafety. Ratified by 116 national governments throughout the world (but not the United States), this multilateral environmental agreement affirms the rights of nations to regulate imports of genetically engineered organisms based on the “precautionary principle” when there is insufficient scientific evidence to determine risks.

If the WTO agrees with the U.S., however, ignoring the Cartagena Protocol on Biosafety, the precedent would be set for the WTO to evaluate trade disputes in isolation from other international laws and principles. Many other multilateral environmental agreements would be subject to a strict test of their impacts on commercial trade, effectively ending their use as a tool for environmental protection. The WTO could also apply this precedent to many other treaties achieved through the United Nations system, subordinating this entire body of international law to the rules promoting commercial trade. From human rights and labor law to disarmament and the agreements for sharing the oceans and outer space, no international treaty affecting the volume and profitability of trade would prevail in this new hierarchy of international law.

On the other hand, numerous provisions of international law affirm the leading role of the UN and the non-violability of its web of treaties. These include the Universal Declaration of Human Rights, the Covenant on Civil and Political Rights, the Covenant on Economic, Social and Political Rights and significant jurisprudence developed in regards to these fundamental human rights international agreements; the Vienna Convention on the Law of Treaties; statements by presidents of the International Court of Justice; the work of the International Law Commission; and innumerable articles by prominent jurists and lawyers. Most clearly, Article 103 of the UN Charter simply states, “In the event of a conflict between the obligations of the Members of the United Nations under the present Charter and their obligations under any other international agreement, their obligations under the present Charter shall prevail.”

In 1993, UN members issued the Vienna Declaration and Program of Action reaffirming that “human rights and fundamental freedoms are the birthright of all human beings; their protection and promotion is the first responsibility of governments” (emphasis added). However, the United Nations is a troubled institution lacking popular support and political authority, and hundreds of multilateral treaties negotiated under its auspices lack an effective mechanism for enforcement. U.S. refusal to participate in fewer than two of three of these treaties undermined the UN well before the U.S. decision to invade Iraq without the support of the UN Security Council.

As worldwide concern for the future of the multilateral system grows, the opportunity to reinforce UN authority relative to international economic institutions is upon us. In the near term, for example, effective campaigning could result in:

- ◆ A formal review by the UN Office of the High Commissioner or the UN Committee on Economic, Social and Cultural Rights of the impacts of the WTO, World Bank and IMF on human rights in specific countries.
- ◆ An advisory opinion rendered by the International Court of Justice concerning the legal authority of the rules of the WTO relative to the rules of the UN’s human rights instruments, conventions of the International Labour Organization, disarmament treaties and multilateral environmental agreements.
- ◆ A decision by the UN Economic and Social Council to prepare a report or convene a special session to address international economic institutions’ negative impacts and apparent conflicts between their laws and policies and those of the UN system.
- ◆ A policy recommendation from the UN Economic and Social Council to convene a conference and initiate negotiations to rectify the apparent conflicts between some of the activities of the UN-chartered international economic institutions and the UN Charter itself.

With sufficient political will, the United Nations could take upon itself the responsibility to comprehensively evaluate the impacts of international economic institutions, identify actual conflicts with the objectives of UN-sponsored treaties and effectively enforce compliance with the UN body of law. It will require the determined efforts of civil society internationally to achieve this goal



Whither the UN ?

(Remarks by Marrack Goulding at the launching of the SIPRI Yearbook, Stockholm, 7 June 2005)

Alyson has given me 15 minutes to answer the question “Whither the UN?” She might as well have asked me to push an elephant into a dog kennel, but I’ll do my best.

The UN has lost its way. It does need reform. This has been high on the international agenda for several decades. It is a complicated and difficult task and not much reform has been achieved. Now, after two very bad years for the United Nations, there may at last be a consensus that radical reform is necessary.

So there are three questions we have to ask ourselves:

- Why are reforms necessary?
- What should the reforms be?
- Will the Member States agree to accept those reforms?

The answer to the first question is easy. Today’s world is very different from the world of 1945 when the Charter was adopted. World War II is sixty years behind us; the Cold War is sixteen years behind us; the European empires, including the Russian one, have been dissolved; the number of states that are members of the UN has more than tripled; a technological revolution has led to globalization of almost everything; States’ ability to assert their sovereignty is much diminished; and new values have been established, especially in the fields of human rights and governance.

But those are not the only reasons why reform is necessary. In the last two decades the UN has lost much of the credibility and respect that it once had. This is primarily due to two factors: first, errors that the UN (meaning the Member States as well as the SG and his staff) – errors that the UN made in the hectic expansion of its peace operations following the end of the Cold War, especially in Yugoslavia, Somalia and Central Africa; and secondly, incompetence and – I am sad to have to say - dishonesty in the Secretariat which are coming to light as a result of Paul Volcker’s investigation of the Oil-for-Food programme in Iraq.

Reform is thus necessary not only to adjust the Organization to the realities of the 21st century. They are also necessary to restore respect for the UN; otherwise Member States will not use it.

The second question is what reforms are required?

Many commissions have been appointed to address that question; many reports have been written; many debates have taken place. But the structures and procedures of the Organization remain essentially what they were in 1945 and its weaknesses persist.

Two years ago the United Nations failed to prevent the illegal invasion of a Member State by a group of other Member States, including my own, who were acting in defiance of some of the most important principles on which the Charter is based – the peaceful settlement of disputes, respect for the sovereignty of States, no use of force without the consent of the Security Council

etc.

This did enormous damage to the standing of the UN and led many, especially in the media, to announce its demise. But the failure of the invasion to produce the expected results and the disgraceful conduct of US and other troops (including those of my own country), not to mention the out-sourcing of torture which is Mr Bush’s latest contribution to his world of values, freedom and democracy – all this has had the perverse effect of causing many to say that it would have been better to go down the UN road. And this has created hopes that a new, reformed and efficient UN could arise like a phoenix from the ashes of Baghdad.

These considerations led Kofi Annan to appoint in December 2003 a High Level Panel on Threats, Challenges and Change. The Panel’s report was published early this year. It is both clearer and less cautious in its analysis and recommendations than its many predecessors. Annan has endorsed its recommendations in a report of his own and has expressed the hope that decisions to accept the recommendations can be taken by the Member States at the summit which is to take place in New York in September.

The most important result of these efforts is the recognition that the security of human beings (“human security”) is not just a political and military matter; human security depends also on legal, economic and social factors which must therefore receive from the UN and its Member States as much attention and resources as the more familiar political and military factors.

The High-Level Panel addressed head-on a fundamental weakness in the UN’s existing Charter. The weakness is that the authors of the Charter thought only of States; for them it was only the behaviour of States that gave rise to security issues; they did not mention insurgency within States or terrorism or international crime or poverty or uncontrolled migration as threats to the security of States and their peoples. This observation does not imply criticism of the founders of the United Nations. Economics and society were very different sixty years ago and the Charter was written for a very different world that was emerging from an appalling war. It did not occur to the founding fathers that the sovereignty of States might be eroded and that their power might decline during the coming decades.

But that is what has happened. The policies of States no longer constitute the primary threats to citizens’ safety, well-being and prosperity in the way that they did in the first half of the 20th century. This is the dominant theme of the High-level Panel’s Report. The first paragraph on its first page says:

“Sixty years [since 1945], we know all too well that the biggest security threats we face now, and in the

decades ahead, go far beyond States waging aggressive war. They extend to poverty, infectious disease and environmental degradation; war and violence within States; the spread and possible use of nuclear, radiological, chemical and biological weapons; terrorism; and transnational organized crime. The threats are from non-State actors as well as States, and to human security as well as State security.”

It is on this basis that the Panel is urging Member States to take urgent action to remedy seven institutional weaknesses:

- The General Assembly’s loss of vitality and failure to focus on the most compelling issues;
- The need for the Security Council to be more proactive and acquire greater credibility, legitimacy and representation;
- The lack of attention, policy guidance and resources for countries emerging from the stress of conflict;
- The failure of the Security Council to recognize the advantages of working with regional and sub-regional organizations;
- The lack of institutional structures to address the economic and social threats to international security;
- The Commission on Human Rights’ lack of legitimacy which damages the overall reputation of the United Nations;
- The need for a more professional and better organized Secretariat.

I believe that these are recommendations which the Member States are capable of adopting and should adopt. They address conspicuous inadequacies in the present mandate and performance of the United Nations. And in this context, when I say “United Nations” I mean not only the United Nations Organization, founded in 1945 and based in New York, but also the wider United Nations system, by which is meant the dozens of specialized agencies, programmes, funds and offices which have accreted to the original United Nations in the last 60 years.

The critical question is whether the present Administration in Washington can be persuaded to accept the Panel’s recommendations. For the neo-cons the United Nations is anathema; their doctrine that the overwhelming military power of the United States should be used to establish US-style democracy and freedom in the rest of the world is wholly inconsistent with the doctrine of the UN Charter, whose preamble proclaims “the equal rights of ... nations large and small”.

But despair not; the people of the United States have twice elected George W Bush to be their president. But for several decades polls of popular opinion have shown that the American people take a different view than his on the role and efficacy of the United Nations. When asked if they think the United Nations is a good thing, the majority have consistently said yes, usually in the range of 55–65 per cent of those polled. Every so often

the Pew Charitable Trust undertakes research into why that majority favours the UN. The consistent answer is that they do not need the UN to defend the USA from attack; they have confidence in the US Armed Forces’ capacity to do that. But they do think that the UN is a useful forum in which States can work together to identify non-military threats to their health and wealth, devise strategies for dealing with those threats and monitor the strategies.

If that truly is their opinion (and I believe it is) their thinking is very close to the concept of human security as defined in the High Level Panel’s report and that report’s recommendations on how the threats should be dealt with by the States of the world.

That all sounds rather encouraging – at least it encourages me. But there is a dark cloud on the horizon. It is the revision of the composition of the Security Council. The present composition is clearly out-dated. China, France, the Soviet Union, the UK and the US were the victors of the Second World War sixty years ago. They insisted on the veto as a means of ensuring that their own interests were protected. Clearly the composition of the Council must be updated. But it is not easy to see how this can be done. I am told that the High-Level Panel decided at the outset that they would not allow this contentious issue to complicate their work and would probably not make any specific recommendations on it. But at the last minute Kofi Annan asked them to include a recommendation. This they did, offering the Member States two alternatives, neither of which they themselves specifically recommended.

This is, frankly, a disaster. Redesign of the Security Council is an important issue and has a lot of sex appeal; in the media, it is just about the only one of the Panel’s recommendations that has received attention; all the others have been driven off the road. It has also generated a great deal of diplomatic energy in the States which aspire to permanent membership. But it is a secondary issue – important, yes, but not as important as the Panel’s major recommendations. My own view is that it should be driven into the long grass until those recommendations have been debated and, hopefully, their implementation approved.

The ball is now in the court of the Member States. Only they have the capacity to implement the Panel’s recommendations. The capacity required is not only a financial one. What matters is the Member States’ political capacity to abandon positions which they have held for decades, understand the new threats described by the Panel, recognize their vulnerability to those threats and revise their perceptions of what the UN is for and what it can do. We no longer need to ask ourselves what is meant by “the United Nations”. The United Nations is for the next few months the Member States and the Member States alone. Will they accept and implement reform? Or will they let their UN stumble on until it finally loses credibility and sinks beneath the waters of the East River?

(Forget the UN. The US Occupation Regime Helped Itself to \$8.8b of Mostly Iraqi Money in Just 14 Months)

The Republican senators who have devoted their careers to mauling the United Nations are seldom accused of shyness. But they went strangely quiet on Thursday. Henry Hyde became Henry Jekyll. Norm Coleman's mustard turned to honey. Convinced that the UN is a conspiracy against the sovereignty of the United States, they had been ready to launch the attack which would have toppled the hated Kofi Annan and destroyed his organization. A report by Paul Volcker, the former chairman of the US federal reserve, was meant to have proved that, as a result of corruption within the UN's oil-for-food program, Saddam Hussein was able to sustain his regime by diverting oil revenues into his own hands. But Volcker came up with something else.

"The major source of external financial resources to the Iraqi regime," he reported, "resulted from sanctions violations outside the [oil-for-food] program's framework." These violations consisted of "illicit sales" of oil by the Iraqi regime to Turkey and Jordan. The members of the UN security council, including the United States, knew about them but did nothing. "United States law requires that assistance programs to countries in violation of UN sanctions be ended unless continuation is determined to be in the national interest. Such determinations were provided by successive United States administrations."

The government of the US, in other words, though it had been informed about a smuggling operation which brought Saddam Hussein's regime some \$4.6bn, decided to let it continue. It did so because it deemed the smuggling to be in its national interest, as it helped friendly countries (Turkey and Jordan) evade the sanctions on Iraq. The biggest source of illegal funds to Saddam Hussein was approved not by officials of the UN but by officials in the US. Strange to relate, neither Mr. Hyde nor Mr. Coleman have yet been bellyaching about it. But this isn't the half of it.

It is true that the UN's auditing should have been better. Some of the oil-for-food money found its way into Saddam Hussein's hands. One of its officials, with the help of a British diplomat, helped to ensure that a contract went to a British firm, rather than a French one. The most serious case involves an official called Benon Sevan, who is alleged to have channeled Iraqi oil into a company he favored, and who might have received \$160,000 in return. Kofi Annan, the UN secretary general, has taken disciplinary action against both men, and promised to strip them of diplomatic immunity if they are charged. There could scarcely be a starker contrast to the way the US has handled the far graver allegations against its own officials.

Four days before Volcker reported his findings about Saddam Hussein, the US inspector general for Iraq reconstruction published a report about the Coalition Provisional Authority (CPA) - the US agency which governed Iraq between April 2003 and June 2004. The inspector general's job is to make sure that the money the authority spent was properly accounted for. It wasn't. **In just 14 months, \$8.8bn went absent without leave. This is**

more than Mobutu Sese Seko managed to steal in 32 years of looting Zaire. It is 55,000 times as much as Mr Sevan is alleged to have been paid.

The authority, the inspector general found, was "burdened by severe inefficiencies and poor management". This is kind. Other investigations suggest that it was also burdened by false accounting, fraud and corruption.

A British adviser to the Iraqi Governing Council told the BBC's File on Four program that officials in the CPA were demanding bribes of up to \$300,000 in return for awarding contracts. Iraqi money seized by US forces simply disappeared. Some \$800m was handed out to US commanders without being counted or even weighed. A further \$1.4bn was flown from Baghdad to the Kurdish regional government in the town of Irbil, and has not been seen since.

Contracts to US companies were awarded by the CPA without any financial safeguards. They were issued without competition, in the form of "cost-plus" deals. This means that the companies were paid for the expenses they incurred, plus a percentage of those expenses in the form of profit. They had a powerful incentive, in other words, to spend as much money as possible. As a result, the authority appears to have obtained appalling value for money. Auditors at the Pentagon, for example, allege that, in the course of just one contract, a subsidiary of Halliburton overcharged it for imported fuel by \$61m. This appears to have been officially sanctioned. In November, the New York Times obtained a letter from an officer in the US Army Corps of Engineers insisting that she would not "succumb to the political pressures from the ... US embassy to go against my integrity and pay a higher price for fuel than necessary". She was overruled by her superiors, who issued a memo insisting that the prices the company was charging were "fair and reasonable", and that it wouldn't be asked to provide the figures required to justify them.

Other companies appear to have charged the authority for work they never did, or to have paid subcontractors to do it for them for a fraction of what they were paid by the CPA. Yet, even when confronted by cast-iron evidence of malfeasance, the authority kept employing them. When the inspector general recommended that the US army withhold payments from companies which appear to have overcharged it, it ignored him. No one has been charged or punished. The US department of justice refuses to assist the whistle-blowers who are taking these companies to court.

What makes all this so serious is that more than half the money the CPA was giving away did not belong to the US government but to the people of Iraq. Most of it was generated by the coalition's sales of oil. If you think the UN's oil-for-food program was leaky, take a look at the CPA's oil-for-reconstruction scheme. Throughout the entire period of CPA rule, there was no metering of the oil passing through Iraq's pipelines, which means that there was no way of telling how much of the country's wealth

the authority was extracting, or whether it was paying a fair price for it. The CPA, according to the international monitoring body charged with auditing it, was also "unable to estimate the amount of petroleum ... that was smuggled". The authority was plainly breaching UN resolutions. As Christian Aid points out, the CPA's distribution of Iraq's money was supposed to have been subject to international oversight from the beginning. But no auditors were appointed until April 2004 - just two months before the

CPA's mandate ran out. Even then, they had no power to hold it to account or even to ask it to cooperate. But enough information leaked out to suggest that \$500m of Iraqi oil money might have been "diverted" (a polite word for nicked) to help pay for the military occupation.

I hope that Messrs Hyde and Coleman won't stop asking whether Iraqi oil money has been properly spent. But perhaps we shouldn't be surprised if their agreeable silence persists.

(Courtesy: The Guardian, U K)



Decentralised Structure to be Provided Under Bill to Replace FCRA

New Delhi: June 25, 2005

1. Ministry of Home Affairs & the Institute of Chartered Accountants of India jointly organized a seminar on FCRA at Vigyan Bhavan on 24-25th June, 2005. The basic purpose of the seminar was to create awareness amongst various stakeholders viz. NGOs, bankers, chartered accountants, donors etc. regarding various provisions of FCRA and to invite suggestions for improvement in the functioning of FCRA wing of MHA as well as for proposed new Act which will replace the existing Act.
2. The seminar, first of its kind, was inaugurated by Hon'ble Union Home Minister Shri Shivraj Patil on 24th June, 2005. Hon'ble Sri Prakash Jaiswal, Minister of State in Home Affairs was also present in the inaugural session. Six technical sessions were conducted during the seminar for the benefit of participants. The valedictory address was delivered by Hon'ble Union Finance Minister Shri P. Chidambaram on 25th June, 2005. Over 500 delegates from all over the country from different cross sections like NGOs, banks, chartered accountants, major donors, lawyers, academicians, representatives of Embassies/High Commissions and officers from Central and State Governments participated in the Seminar.
3. During his inaugural address, Hon'ble Union Home Minister emphasized the need for bringing in a new legislation to replace the existing FC(R) Act, 1976 with a view to facilitate inflow of foreign contribution for genuine activities without compromising the national security concerns. He informed that the draft Bill in this regard has been prepared and the same has been referred to a Group of Ministers for deliberations and giving a final shape. The draft Bill recommended by GoM will be placed before the Parliament after obtaining approval of the Cabinet. He called upon all the stakeholders to give their views/suggestions in this regard and said that the draft Bill will be uploaded on MHA's website for seeking free and frank views. Further, the Bill may be referred to the Standing Committee of the Parliament and will thereafter be discussed in both the Houses. Therefore, the Bill will be finalized after detailed consultation. He emphasized that the Bill should be formulated by ensuring a proper balance between twin competing objectives of facilitating NGOs for flow of foreign funds and at the same time addressing the security concerns.
4. During the seminar several issues pertaining to receipt and utilization of foreign contribution were deliberated upon by the delegates and eminent speakers. Items like allowing multiple bank accounts for utilization of foreign contribution, need to reduce delay in disposal of applications for grant of registration/prior permission under the Act, need to simplify the existing forms, on-line submission of application forms and returns as e-application and e-returns, communicating the reasons for rejection of application etc. came up during the seminar, for which MHA will initiate necessary action within the existing legal framework.
5. Many suggestions regarding the proposed Act like provision for appeal, giving management outlook to the new Act etc. and specific ideas for improvement in the functioning of FCRA wing of MHA were received. Hon'ble Home Minister and Home Secretary assured that all these suggestions/views will be documented and duly considered by the Ministry for inclusion in the proposed Bill. During the seminar, it emerged that many associations were committing various lapses due to lack of adequate knowledge and familiarity with the provisions of the Act. The delegates expressed their happiness for the initiative taken by MHA and ICAI for conducting this seminar which provided them an opportunity to learn various aspects of the legislation.
6. The valedictory address was delivered by Hon'ble Shri P. Chidambaram, Union Finance Minister who while commending the initiative taken by MHA & ICAI dwelled upon various aspects of important financial legislation like, FCRA, PMLA, FEMA etc. and emphasized the need for greater awareness & compliance of the law. He said that these three enactments are designed to achieve different objectives. However, all these are concerned with regulation of capital flow. In the present worldwide scenario flow of capital in private accounts has grown over few hundred billions of dollars. Therefore, the law like FCRA becomes very important to ensure that such flow does not lead to disturbing the security of a country. He emphasized that accounting and reporting are essential ingredients of FCRA compliance and should not be construed as invasion or intrusion on the NGOs rights. He said that we value civil societies' contribution in national development and would like them to cooperate with the government in ensuring that foreign receipts are not diverted or misutilised.

(Courtesy: PIB)

Europe

French rail workers strike

French rail workers struck on June 2 to protest job losses on the state network and the economic policies of the new government of Prime Minister Dominique de Villepin. The stoppage was held just days after the majority of the French population had voted to reject the proposed European Union constitution.

The strike resulted in widespread disruption to rail travel throughout the country. In the Paris area, more than 50 percent of train services were cancelled. Power and gas workers organised in the CGT trade union are set to strike to demand pay increases and protest against planned privatisations.

Public sector workers in Belgium march to demand pay increases

Some 4,000 public sector workers marched in the Belgian capital of Brussels on June 2 to demand increased pay. The demonstration was led by the united union front for public workers in French-speaking Wallonia and Brussels.

The demonstration was held following a breakdown in talks between trade union representatives and local authorities on June 1.

Construction workers in Finland strike in support of paper workers

Construction workers in Finland walked out in sympathy with the Union of Paper Workers, whose members are involved in a lengthy dispute and have been locked out by the Forest Industries Federation.

The June 6 strike was sanctioned by the SAK trade union federation. Other affiliated unions that may take action include the Electrical Workers' Union, the Wood and Allied Workers' Union, the Service Union United and the Chemical Workers' Union. The Metalworkers' Union said that it would not sanction any sympathy action by its members who work in plants alongside the paper workers.

The industrial action follows the paper workers' rejection of a proposal by the state labour mediator, Juhani Salonius. According to press reports, the employers were prepared to accept the deal.

Train guards and conductors at British train company strike

Train guards and conductors employed by the UK train operating company One struck on June 6. The members of the Rail, Maritime and Transport Union are involved in an ongoing dispute with One over the use of new mobile ticketing machines.

One provides train services to London's Liverpool Street station and the east of England, and the strike resulted in a restricted service affecting branch lines out of Norwich. Some routes out of Ipswich were closed altogether.

Further industrial action is planned for July 15 pending the resolution of the dispute.

Postal workers in Northern Ireland strike in overtime dispute

On June 7, postal workers in Belfast, Northern Ireland, took unofficial strike action in an overtime dispute. A total of 250 workers participated in the action, according to Royal Mail management. The strike disrupted mail services throughout Belfast.

BBC dispute could continue, further strikes threatened

The National Union of Journalists, the technical union BECTU and Amicus are again threatening a strike over 4,000 planned job cuts.

The unions called off a planned strike on May 31 and June 1 last week, after the BBC agreed there would be a one-year moratorium on compulsory redundancies, that the sale of BBC Resources would be postponed for two years, and that pension and benefits would be guaranteed for staff at BBC Broadcast if it is sold off.

The unions are demanding a meeting with BBC Director-General Mark Thompson, stating that while they welcome the commitment to postpone privatisation of BBC resources, management has not gone far enough to avoid compulsory redundancies. Thompson sent out an e-mail to BBC staff last week stating that there was no room for further negotiations.

National Union of Journalists General Secretary Jeremy Dear said, "There is too much at stake for us to compromise the future of the BBC. We are determined to ensure that the BBC is not dismantled in this reckless fashion."

BECTU Assistant General Secretary Gerry Morrissey said, "There is still a significant gap between the unions and the BBC, which we hope will be bridged by divisional-level talks on the details of the cuts. If not, there will be renewed industrial action."

The BBC has short-listed four bidders for the sale of its BBC Broadcast business, including Apax Partners, where former BBC Director-General Greg Dyke is an advisor, and French manufacturing company Thomson/Technicolor.

British journalists threaten strike over pay and redundancies

Journalists voted in favour of strike action at two of Britain's biggest newspaper groups.

Staff at Trinity Mirror's Coventry Evening Telegraph and its associated weeklies rejected a 2.75 percent pay offer plus £200 a year on minimum pay bands.

The National Union of Journalists is seeking a minimum wage rate of £14,500 for reporters on the weekly papers and £19,000 on the daily. Management has offered £14,000 and £18,800.

Staff at Newsquest's Southern Daily Echo have threatened to strike over plans to cut eight editorial jobs. However, they agreed to a new pay-banding scheme that brings the rate for senior feature writers and journalists to £20,036.

Strikes are also possible at Newsquest titles, the Oxford Mail and the South London Guardian, after journalists rejected pay offers of 3 percent. Demanding a London-weighting, David Tilley, father of the chapel (shop steward) at the Guardian, said, "We've got trainee reporters who tell me they can't afford some days to even get the train into work in the morning. Try living on £14,000 in London; it's bad enough in somewhere like Darlington."

Ireland: Polish workers at Dublin Port tunnel take unofficial action

Around 40 Polish nationals working on the Dublin Port Tunnel struck in protest at alleged underpayment and an ultimatum to quit their trade union or be sacked.

The general union SIPTU said it had been trying to get the men's employer to conform to Irish labour laws and construction industry rates of pay for four months, but without success. The Polish workers were being underpaid by around 25 percent and had been asked to sign an agreement to quit the union. When they refused, they were sacked. They responded by mounting an unofficial picket.

Middle East

Israeli armament workers protest over non-payment of wages

Hundreds of workers at Israel Military Industries (TAAS) blocked the entrance to the TAAS Magen plant near Tel Aviv on June 6, after being told they would not be paid this month. The protesting workers used tanks, armoured cars, and missile launchers to seal the entrance, creating a gridlock along a nearby highway.

Africa

Kenyan civil servants face mass sackings after strike ends

The Union of Kenya Civil Servants (UKCS) ordered its members to end their national strike on June 7. The strike was called in order to win a 600 percent pay claim.

The government responded by sacking 9,000 strikers and advertising for replacements. Labour Minister Newton Kulundu gave orders to civil service managers to lock out anyone not reporting for work on June 9 and 10, according to the Nation. The Health Ministry has already recruited 400 nurses and other professional staff to replace the striking health workers.

Riot police moved in to break up demonstrations by the strikers and their supporters in several Kenyan towns.

The government planned to cut 21,000 civil servant jobs before the strike began in order to reduce the

country's public sector salary bill in accordance with International Monetary Fund demands. The IMF began allowing credit and aid to Kenya last year, but only if the civil service was slashed in size.

Rail workers, tyre manufacturing workers strike in South Africa

Rail workers went on strike in Cape Town on June 6 to back a 6.5 percent pay claim. Metrorail is offering 4.5 percent. Daily life in Cape Town was affected by the walkout as staff failed to arrive at the departments of sewerage treatment, water and cleansing.

Also in South Africa, more than 300 workers launched a wildcat strike against Continental Tyres in Sidwell, Port Elizabeth, on June 7. The protest was in opposition to the ending of the weekend shift and rescheduling the hours into the weekday shifts. The strikers burnt tyres outside the company's premises.

Asia

Unpaid Filipino furniture workers strike

About 96 employees of Rattan Pacific, a furniture manufacturer in the Philippines city of Mandau, struck on June 2 because the company refused to comply with some of the conditions in their Collective Bargaining Agreement. Rattan Pacific Employees Union president Willy Avila said workers had not been paid for the past three weeks. Workers' contributions to the Social Security System were also not being remitted, he said.

Indian steel workers walk out

Thousands of contract workers for the Visakhapatnam Steel Plant (VSP) in the southern Indian state of Andhra Pradesh began an indefinite strike on June 2 to demand higher wages. According to striking workers, their pay is lower than employees in other steel plants. Other demands include increased allowances, bonuses and medical facilities.

Seven thousand strikers held a mass meeting on June 2. Leaders of the Steel Employees Union, the Contract Labour Union and the All India Trade Union Congress addressed the rally.

Indian chemical workers continue strike

Mangalore Chemicals and Fertilizers (MCF) employees in Karnataka have been on strike since May 31 to demand the reinstatement of 152 loading section workers. Striking employees have held a relay hunger strike outside the Deputy Commissioners Office in Mangalore. Seventeen have already been hospitalised.

According to strikers, 154 workers have been laid-off since last August on the grounds that they were only "contract" staff. In reality, the company had employed them for between 5 and 25 years and they had received full-time workers' conditions, such as bonuses, loan entitlements, uniforms and pensions. Two workers have died since being retrenched.

Punjab electronic workers protest retrenchment

