LOK SAMVAD

JUNE 2001

QUEBEC PROTESTS AGAINST FREE TRADE

The summit of Americas for a Free Trade Area of the Americas (between countries of North America and Latin America except Cuba) was held recently in the last week of April (see Lok Samvad, March 2001). The Americas trade deal, that could be sealed by 2005, would create a free-trade zone linking more than 783 million people who produced $11.4 trillion in goods and services in 1999. But social activists and non-governmental groups say the accord would help line the pockets of corporate giants while exacerbating poverty for millions of Latin Americans.

The summit was held amidst widespread protests by citizen's groups against the FTAA. The graffitis on the "Wall of Shame," a 10-foot high, 2 and a half mile long fence erected to keep protesters away from George Bush and 33 other leaders gathered at the Summit of the Americas, underscored the radically different visions of democracy on either side of the wall: one espoused by Bush and company and one expressed in the streets of Quebec this past weekend.

While the assembled presidents expounded on their commitment to democracy, the city surrounding them became a virtual police state. The Canadian government mounted the largest security operation in its history, with some 6,000 police in hi-tech riot gear deployed to defend the wall, and more than double the usual number of airport security personnel on duty to keep tabs on entering protesters. In the days preceding the summit, there were also reports of police searching activists' hotel rooms without warrants.

The military crackdown was unifying effect it had on anti-free traders. Hector de la Cueva, the Mexican leader of the Hemispheric Social Alliance, the international labor-NGO network that hosted the Peoples Summit, was interrogated for more than an hour and then issued a visa that restricted the length of his stay and his movements. De la Cueva's colleague Silvia Sandoval faced much worse. After arriving alone at the Toronto airport, she was handcuffed and held for six hours without being allowed to make a phone call. Sandoval, who doesn't speak English, was released after a frightening night in detention. Several other participants were sent home, with the reminder that it is a "privilege and not a right to enter Canadian territory."

Meanwhile, the much-reviled security wall provided a vehicle for creative expression, at least during the days before the area became a war zone. Protesters attached balloons, flowers, and children's drawings to the chain link fence, creating an image reminiscent of the Berlin Wall, with its array of colourful graffiti on one side, contrasted by austere gray on the other.

With the city already on edge, paranoia among local business owners intensified after Jose Bové, the French farmer now famous for dismantling a McDonald's, commented to the press that "breaking a few windows should not be considered violence." Within a matter of hours, carpenters were busily nailing plywood to the windows of about two-thirds of businesses within a mile of the wall. Graffito on one panel read: "The only good thing

In This Issue

appeal Action Programme for People's Economics and Allied Literacy

that free trade has done for the Canadian lumber industry." (The United States and Canada have been locked in a trade dispute over Canada's logging subsidies).

On Friday, the day the presidents arrived to begin three days of discussions of the Free Trade Area of the Americas, the Canadian security operation faced its first real test. At about 2:00 pm, some 1,000 trade unionists gathered in front of the Peoples Summit's big tent meeting space. The Canadian Labor Congress (a counterpart to the AFL-CIO) had mobilized to show support for a youth march that was heading towards the town centre from a nearby university. One contingent of students had made it clear that they planned to engage in direct action. Although the CLC did not encourage participation by its own members, "it was critical that we do something to counter the perception that we don't stand with the students," explained International Department chief Steve Benedict. The youth were organized primarily by the Anti-Capitalist Convergence (known by its French acronym as CLAC), which had worked with other activist groups to designate three types of protest zones: green zones for safe, legal activity, yellow for disruptive but defensive action, and red for disruptive and offensive tactics. Maps marking the various zones were widely available.

At about 3:00 p.m., the trade unionists, many of them carrying colourful union flags, began marching up the hill. The plan was to link up with the youth march and stop at a park. However, when the two streams met, the trade unionists instead turned up the street and marched side by side with students who were headed towards the fence. Not long afterwards, a few of the remaining protesters began lobbing rocks and bottles at officers and attempting to break through the fence. Police responded with tear gas. Protesters picked up some of the tear gas canisters and tossed them back at police.

Thus began three days of skirmishes between the security forces and one faction of the protesters. By all accounts, the Canadian police were far more liberal with the tear gas than those at previous anti-globalization protests in Seattle, Washington, DC, and Prague. The tri-colour zone map quickly became meaningless as the entire area within several blocks of the wall filled with what one journalist described as a "Niagara of gas". As the clashes escalated, police fired rubber bullets and water cannons indiscriminately at militant and peaceful protesters alike. They also added a uniquely Canadian tool to their security arsenal: gigantic snow-making machines, used to blow the gas away from the presidents. Despite their ingenuity, the police couldn't prevent at least some of the fumes from seeping into the air conditioning ducts at the official meeting, forcing them to turn off the system twice and delaying the opening ceremony for 90 minutes.

The drama of the clashes once again helped put the free trade issue on front pages around the globe. On the other hand, it re-ignited the difficult, and perhaps irresolvable, debates over whether this type of attention helps or hurts the movement against corporate globalization and how best to handle relations between protesters with diverse tactics. These questions came to the fore on Saturday, because of a legal march organized by the Hemispheric Social Alliance. The local government had refused to grant a permit for a march route anywhere near the wall. Organizers worried that marchers would appear divided from their colleagues on the front lines as snaked away from the battle on the fence towards a rally site in a remote parking lot.

However, it was clear that the march had to proceed as buses from many parts of Canada and also the United States (primarily organized by Jobs With Justice) began arriving, loaded with trade unionists, students, and others expecting to have the opportunity to participate in a safe demonstration. Crowd estimates ranged from 30,000 to 45,000. Although still a small minority, protesters from outside Canada and the United States played a much more prominent role in the march and other events in Quebec City than they had at the anti-globalization protests in either Seattle or Washington, DC. The Peoples Summit brought hundreds of farmers, workers, and other activists from Latin America and the Caribbean to Quebec for a week of educational and strategizing sessions held in four languages. The Alliance released a nearly 100-page alternative proposal that demands substantial debt relief and the elevation of basic human, labor, environmental, and indigenous rights over corporate interests.

In a powerful symbol of this international solidarity, about a dozen Latin American delegates were selected to lead the march, linking arms with a few of the lead Canadian organizers. Directly behind them, other Alliance members proudly carried flags from Brazil, Haiti, Mexico, Jamaica, Peru, Chile, and Cuba (the only country in the hemisphere excluded from the FTAA summit.) Although the

march physically split the marchers from the activists at the wall, many of the speakers at the permitted rally called for unity. When they returned to the city centre, they issued a statement condemning excessive police force. "As participants in the peaceful March of the Peoples of the Americas, we are not indifferent to repression of protesters who chose to express their views in other ways," organizers explained.

On Sunday, the highway leading out of Quebec City was dotted with weary police and even more haggard-looking protesters who were hoping to hitch rides back to Montreal and elsewhere. On the radio, the CBC was reporting that George Bush had called on his fellow leaders to show a commitment to protecting labor and environmental standards. The word "democracy" appeared in the Presidents' Action Plan 12 times. The long week of actions in Quebec forced at least a rhetorical response from the hemisphere's leaders and forged a bit more unity among the wide spectrum of free trade critics. The wall didn't come tumbling down, but it did suffer some serious cracks.

It's not just that the police didn't get the joke, it's that they don't get the new era of political protest, one adapted to our post-modern times. There was no one person or group who could call off "their people," because the tens of thousands who came out to protest the Free Trade Area of the Americas are part of a movement that doesn't have a leader, a centre, or even an agreed-upon name. Yet it exists, undeniably, nonetheless.

There weren't two protests that took place in Quebec City -- one a "peaceful" labor march, the other "violent" anarchist riot. There were hundreds of protests. One was organized by a mother and daughter from Montreal. Another by a van load of graduate students from Edmonton. Another by three friends from Toronto who aren't members of anything but their health clubs. Yet another by a couple of waiters from a local cafe on their lunch break. Sure there were well organized groups in Quebec City: the unions had buses, matching placards and a parade route; the "black bloc" of anarchists had gas masks and radio links. But for days the streets were also filled with people who simply said to a friend, "Let's go to Quebec," and with Quebec City residents who said, "Let's go outside."

They didn't join one big protest, they participated in a moment. How could it be otherwise? The traditional institutions that once organized citizens into neat, structured groups are all in decline: unions, religions, political parties. Yet something propelled tens of thousands of individuals to the streets anyway, an intuition, a gut instinct -- perhaps just the profoundly human desire to be part of something larger than oneself. Did they have their party-line together, a detailed dissection of the ins and out of the FTAA? Not always. But neither can the Quebec protests be dismissed as vacuous political tourism. George W. Bush's message at the summit was that the mere act of buying and selling would do our governing for us. "Trade helps spread freedom," he said.

It was precisely this impoverished and passive vision of democracy that was rejected on the streets outside. Whatever else they were searching for, all were certainly looking for a taste of direct political participation. The result of these hundreds of miniature protests converging was chaotic, sometimes awful, but frequently inspiring. One thing is certain: after at last shaking off the mantle of political spectatorship, the last thing these people are about to do is hand over the reins to a cabal of would-be leaders. Something united the protesters all once they arrived: mass arrests, rubber bullets, but most of all, a thick white blanket of gas.

Despite Canada's Liberal Party line of praising "good" protesters while condemning "bad" ones, treatment of everyone on the streets of Quebec City was crude, cowardly and indiscriminate. The security forces used the actions of a few rock throwers as a camera-friendly justification to do what they have been trying to do from the start: clear the city of thousands of lawful protesters because it was more convenient that way.

Once they got their "provocation," they filled entire neighbourhoods with toxic fumes, forcing families to breathe through masks in their living rooms. People giving the peace sign to the police were gassed. People handling our food were gassed. People protesting their friends' arrests were gassed. The first-aid clinic treating people who had been gassed, was gassed.

Tear gas was supposed to breakdown the protesters but it had the opposite effect. It may be light and atomized enough to ride on air, but according to one observer, coming months will show that gas also has powerful bonding properties!!!

The BALCO struggle has come at a time when the government is moving ahead with second generation economic Reforms. Increases in foreign investment limits in the banking sector, pharmaceuticals, telecom, civil aviation, and real estate have been approved. In a significant move, the defence industries sector took off their list of industries reserved for the private sector. According to the decisions taken in the second week of May, 49 per cent FDI would be allowed in the banking sector. In the drug and pharmaceuticals sector, FDI limit would be 100 per cent. In civil aviation too 100 per cent FDI is allowed. FDI limit in telecommunications has been raised to 74 per cent from the current 49 per cent. 100 per cent FDI has been allowed in the Mass Rapid Transport system in the metros. Moreover, 100 per cent FDI in courier services, hotels, tourism, development of townships, airports and pharmaceuticals have been allowed.

Observers feel that if the second generation economic reforms continue, India's big industries would be wiped off in the next five years. Most of the companies would be foreign owned, and we would be reduced to a bunch of traders. Admittedly, the second generation economic reforms include removal of quantitative and ownership restrictions reflecting the Indian government's commitments to the World Bank. Now that the ill effects of globalization have been brought to fore, the middle class and the intelligentsia which had earlier articulated its support is slowly getting disillusioned.

This has been very well proved by the BALCO struggle. People have realised that privatisation of BALCO or for that matter any Public Sector Undertaking is akin to primitive appropriation of public property and actually a form of neo capitalism. Put simply, it is a by-product of the typical mindset of white anglo-saxons for whom the very thought of a state-run enterprise is inconceivable and therefore remains an anathema. What we are witnessing today is a re-enactment of neo-colonial economy. Whatever bulwark India had put up to save its assets meant to take care of the needs of the masses are being slowly withdrawn. Selling off these assets is actually a plunder, a loot in garb of such policies.

The struggle against privatisation of BALCO is no longer confined to trade unions. It has turned into a people's movement. A brief background of this struggle seems necessary. Since 1998, the year in which the BJP came to power, there were news in the media that BALCO would be privatised. Since then a lot of movements at BALCO took place albeit at a small scale. A token strike was carried out on 2 February 1999, and a call for Korba Bandh was given. People went up to the town hall and opposed the privatisation of BALCO. The inter ministerial group which had gone to Korba to discuss about the privatisation of BALCO was greeted with black flags. The trade unions asked the IMG to reconsider its decision but it did not. TUs were invited to BALCO office for discussion on disinvestment. Even then the government continued with its plans to privatise BALCO. On 2 March 2001, the trade unions decided to strike. 5000 women have jumped into the fray. The tribal people were also upset by the government's decision and therefore joined the struggle. Even the BMS had no option but to support it.

Against this background, one has to appreciate the importance of struggles such as that of BALCO. In fact, this struggle was all about safeguarding our rights and our future. It would not be far-fetched to state that our struggles were in fact being fought by these workers. The BALCO struggle questioned the arbitrary manner in which the public assets are being assessed and thus valued less than what their actual worth is. The track record of Sterlite to which the company has been sold off is also dubious especially its failure to adhere to environmental considerations. Moreover BALCO was sold off bypassing the Parliament. For every PSE there is a special act of parliament, and the government has to seek the permission of the parliament. But this has not been done in the case of BALCO.

The government also failed to consult the workers and the employees when their future was

at stake. Further, the BALCO deal violated the Supreme Court verdict which states that the tribals are owners of their land and therefore tribal land could not be handed over to private hands (Samata judgement). The Madhya Pradesh government had allotted 1650 acres of tribal land in Korba district and captive mines in the tribal areas of Phutkapahar, Amarkantak, Mainpat and Kwardha. So, if the government has given this land to a private concern for mining and manufacturing, that particular activity should stop forthwith on the land which belongs to the tribals. When BALCO was handed over to Sterlite, the Chatisgarh government rightly cut off electricity and water supply. Keeping these facts in mind, if we analyse the BALCO struggle, we would find that the struggle is no longer just confined to protests against the privatisation of BALCO. Rather, the message given out is that people have woken up to reality, they have realised that liberalisation and globalization are not the panacea for all the economic ills that bedevils them, and that new economic policies would adversely affect the quality of their lives in the long run. People from different sectors have already joined hands in the present struggle against the present oppressive economic policies of the government.

The BALCO fight appropriately reflected the growing disillusionment among the country's intelligentsia regarding the economic reforms. People are increasingly questioning the privatisation of banks, health, education, power and other state-run utilities such as water. They have realised that the only way to combat these policies is a people's movement. Earlier the UP power sector unions had shown their wrath and initiated the process of openly coming out and opposing the reforms. Then the bank employees union were vociferous in their protests against the privatisation of banks. Now, in the BALCO struggle all the unions cutting across political affiliations have come out in the forefront. It seems that with every fight, the struggle against the present economic policies has been intensifying. The BALCO struggle has become all encompassing with the tribals of BALCO nagar and other areas of Chattisgarh joining in. In Korba where the plant of BALCO is located, it has turned out to be people's movement .People have been collecting funds, conducting community kitchens and doing all they could to keep the struggle alive. Support has come from various quarters such as Rajasthan rural workers union who have generously contributed funds for the cause.

The struggle drew our attention to the fact that the basic objective of the Constitution to create a welfare state has been severely eroded by the economic reforms espoused by the present government. It has become imperative that the philosophical issue of privatisation be keenly debated and the motives behind such economic policies be put under the microscope. The BALCO struggle forced the people to openly question the rationale of the policies of liberalisation and globalization. The message inherent in this struggle is that if in a democracy, the government does not take into account the interests of the masses, sooner or later there would be an outburst of protests and the government would be swept away in the deluge that follows.

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SELLING OFF PRODUCTIVE ASSETS TO MEET THE DEMANDS OF DAY TODAY EXPENDITURE IS A SIGN OF DOOM

NO GOVERNMENT SHALL BE ALLOWED TO FOOL AROUND WITH NATIONAL ASSETS

The workers of BALCO protested against the sale of 51 per cent of the company's shares to Sterlite Company. The agitation was joined by families of the striking workers and by the local population, making it a people's movement. The case of the BALCO privatisation is a particularly scandalous example of the policy and methods of Public Sector Undertaking (PSU) disinvestment in this country. A profitable enterprise has been sold at a substantially undervalued price without public debate, ignoring the clear opposition of the local stakeholders and against the long-term interest of the public exchequer.

Some of the major issues in BALCO privatisation are:

The complete under- valuation of the assets of BALCO: The plants has been handed over to sterlite at a price of 551.5 crore. The valuation of assets of BALCO--its Bidhangbag and Korba units including captive powers plants, hot and cold rolling mills, aluminium smelter alumina plants, mining leases, a township--was done by a civil engineer licensed only to assess land and buildings, who completed all the valuation in 16 days including travel to both the plants locations of BALCO. The 270 MW captive power plant alone should have been priced at least for Rs.540 crore based on the recent sale of Rs.391 crore for the SAIL power plant of 240 MW to NTPC .

Handing over of control : If Sterlite does an asset stripping of BALCO or mismanaging this currently profitable company, the values of the 49% shares held by the government's will be worth nothing. In any such mergers or acquisitions, transfer of control is therefore done only after an appropriate premium is paid on the shares. It might be mentioned that the free reserves of BALCO as per the annual report of 1999-2000 was Rs 450 crore. Currently it is stated to be of the order of Rs 250 crore after the government took away a part of its cash reserves.

Transfer of tribal land to private hands : No tribal land can be transferred to private hands. By handing over BALCO to sterlite, the government has violated this provision of the law which has been reiterated in the Supreme court Judgement of 1997 (Samata judgement).The MP Government had allotted 1650 acres of tribal land in district and mines in the tribal areas of Phutkapahar, Amarkantak, Mainpat and Kwardh.

Transferring a PUS to a company with a dubious records : Can a well-run public sector undertaking be transferred to a company that has been indicted by SEBI and has a very poor environmental record? SEBI, in its report in 1998-99 had indicated a set of brokers including Harshad Mehta for manipulating its share prices. Sterlite has attracted adverse environmental notice in its existing plants.

Centre State relations in disinvestment: The State Governments have given a number of concessions to PSUs. BALCO has been given mining rights in Chattisgarh and in Orissa, apart from other concession such as land on 99 years lease. Can Central Government hand over such PSUs without consulting State Government ?

Consultation with the workers and other employees: The current disinvestment program completely ignores the legitimate interests of the workers. Not only they are not consulted when their future is at stake, but even their savings are being jeopardised as the PSUs generally also manage the provident fund of the employees .Not only are the cash-rich companies such as BALCO likely to be siphoned off by the new owners, but also the workers saving and other retirement benefits. A one-year moratorium on retrenchment as promised in BALCO as a part of the transfer agreement means very little in this context.

Transferring strategic industries to private hands: BALCO and NALCO are strategic industries as aluminium and its alloy are crucial for defence and space application. BALCO has developed special alloy for the Indian defence and space programs, which are on the list of items

under the Missile Technology Control Regime and the Nuclear Supplier Group sanctions on India and banned by the US and other advanced countries.

Cartelisation in the bids: BALCO struggle is particularly important as it brings out all the contradictions of the privatisation program: transferring profitable public assets and the country strategic industries at throwaway prices. The broad-based unique united struggle of the workers--the local people and the trade union needs the solidarity support from the widest spectra. We express our solidarity and support with the workers of BALCO against this mindless privatization and appeal to all fellow citizens to extend their solidarity and support.

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DISINVESTMENT OF PUBLIC SECTOR UNITS

The public sector was set up in the 1950s and 1960s because private enterprises had neither capital nor technology for infrastructure and heavy industries. In order to nurture the Indian industry which was still in its infancy, it was necessary to supply capital goods at low and stable prices. The public sector without profit motive could do this more easily. This infact fitted very well within the overall strategy of Import Substitution Industrialisation. However, things began to change in the 1980s. In 1991, the government was faced with a huge fiscal deficit and a severe Balance of Payments crisis. The IMF agreed to bail India out of the crisis and in turn imposed certain conditionalities. India was forced to open its economy, and to move towards a market-oriented economy.

Thus state was to withdraw from various social and economic sectors. Implicit in this kind of an approach is an assumption that there is a structural constraint in the form of fiscal deficit. Yet another flawed assumption is that the fiscal deficit could not be controlled from the revenue side but has to be done necessarily from the expenditure side. Such a philosophy forms the basis of the policy of disinvestment.

Since 1991, successive governments have stressed that sale of public sector equity (disinvestment) was a means to ensure financial discipline and improving performance. The year 1992-93 witnessed the first round of disinvestments.

Public sector reform has been carried out in India through voluntary retrenchment, greater public sector autonomy and sale of equity. Infact, sale of public sector equity or disinvestment has been a preferred means of public sector reforms. The target of disinvestment has also been increasing. It was placed at Rs. 2500 crores in 1991-92, Rs. 3500 crore in 1992-93 and 1993-94, Rs. 4000 crore in 1994-95, Rs. 7000 crore in 1995-96, Rs 4800 crore in 1997-98, Rs. 5000 crore in 1998-99 and Rs. 10,000 crore in 1999-2000.

The callous approach of the government is evident in the manner in which disinvestment is being carried out. The government was simply obsessed with tiding over the fiscal deficit. The bundling of shares led to selling blue chip companies at a throwaway price. Moreover, these PSU shares were picked up by government financial institutions (FIs) like UTI and LIC which in turn had put up money for shares on behalf of prominent brokers.

The disinvestments were taken amidst campaigns that the PSUs were badly managed. The campaigns brainwashed the most articulate of the Indians who accepted disinvestment as both necessary and essential to the Indian Economy. Apologists of the process of disinvestment often quote the example of Margaret Thatcher who had privatised the British Public Sector. But they do not bring out the fact regarding the time it took for her to resuscitate the British industry. It took seven long years because a committee first studied and separated the loss and profit making units of the British steel. The profitable enterprises were then sold at fabulous prices.

A Case Study-Disinvestment of VSNL

Videsh Sanchar Nigam Limited is a listed

company under the administrative control of Government of India. The government currently holds 52.97 per cent of the equity capital and the balance is held by financial institutions, foreign institutional investors, general public and a depository for and on behalf of American Depository Receipt Holders (ADRs). The company's primary business is the provision of public international communications services (telephone, telex and telegraphs). It also provides a variety of variety of specialised and value-added services such as international leased lines, Immarsat Satellite mobile telecommunications, Internet dial-up access, Internet leased line access, Electronic Data Interchange, transmission of television signals and E-mail services.

VSNL was incorporated as a limited liability company on March 19, 1986 and was at that time wholly owned by the Government of India. On April 1, 1986, the company assumed control and management of international telecommunication services from the overseas communication service. In 1992 and 1999, as part of the policy of gradually reducing its holdings in public sector enterprises, the government divested a portion of the equity of the company to certain funds, banks and financial institutions. In 1997 and 1999, the government also sold some of its equity holdings through the issue of Global Depository Receipts (GDRs). Currently, 47 per cent of the shares of the shares of the company are held by such institutions and other private shareholders.

The government on 1 February 2001, decided to dilute its stake from 52.97 per cent to a more 26 percent in the highly profitable telecom carrier--the Videsh Sanchar Nigam Limited (VSNL). The government also proposed to fill 25 percent stake to a strategic partner while the remaining 1.97 percent would be offered to its employees. As per SEBI's take over code , the strategic partner would be required to make an open offer for additional 20 percent state in the company. As a result, the strategic partner could have been successful in breaking the previous 49 percent cap on foreign investment in the telecom sector, if it was able to acquire some portion of VSNL's equity already listed on foreign bourses in the form of American Deposity receipts (ADRs). According to the existing guidelines, the strategic partner would be offered 25 percent of the existing equity state of the government. The successful bidders would be asked to make an open offer of another 20 per cent. Thus the strategic partner would have to make total bid for 45 per cent state in VSNL. Foreign companies would also be eligible to participate in the international competitive bidding.

On April 10, 2001, the last day of bidding, Reliance industries, the Tatas, the Birlas and Bharati-Singapore Telecommunication, were among the bidders. The strategic partners have either gone solo or global with a consortium with national and international partners on the last day of the submission of Expression of Interest (EOI). While Reliance and the Tatas have submitted EOI on their own, Bharati joined hands with Singapore telecom.

There have been allegations of a widespread complicity between the sections of government and domestic or international business groups. The longer the government persists with the privatisation agenda, the greater are the concessions it has to make to the private sector buyers of the government equity. This happens in the form of lowering the price of equities. Thus, the first issue of Global Depository receipts (GDRs) by the VSNL in March 1997 was priced at $13.93, the GDR issue in February 1999 was priced at $9.25.

It has also been found that the increasingly put the best assets of the public sector up for sale such as VSNL, Bharat Petroleum, IPCL, Hindustan Petroleum. Moreover, the government, in order to push through its agenda of privatisation, has been willing to provide management control to strategic investors from the private sector, even in instances where the investor concerned does not hold a majority of shares.

VSNL has been guaranteed a Navratna status. The company has also been given an excellent rating for the sixth consecutive year ending in 1999, based on its achievement of certain agreed upon targets for that particular financial year. VSNL posted profits worth Rs. 8502 crores in 2000, Rs. 13,343 crores in 1999 and Rs. 9679 crores in 1998.

Clearly, the national assets are sold without the barest of the research. The present disinvestment policy does not even take into consideration the report by the standing conference of public enterprises (SCOPE) which proves that the basic public sector has performed better than private sector on most counts. The SCOPE report further reveals that between 1996-99, PSUs gave budgetary support equivalent to 138 per cent of invested capital after retaining their profits. The top 50 PSUs earned a net worth of 13 per cent as compared to top 50 private companies which notched less than 12 per cent. And the ratio of net profit after tax to net worth is also higher for the public sector. These facts prove that many PSUs are as good or better than their private competitors. To buttress this argument, experts point out that at one point of time Maruti's productivity was higher than of any other automobile company in the world. There are few companies of global strength and presence like BHEL, SAIL, IPCL, NTPC and oil companies. The need of the hour is to polish and preserve these heirloom jewels and not to sell them.

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Grassroots Globalization

Globalization does not only happen from above. Public opposition to corporate-led globalization is on the rise worldwide. Grassroots movements and communities around the world are increasingly working together to stem the tide of corporate-led globalization.

In 1999 more than 50,000 people took to the streets in Seattle in overwhelmingly non-violent protests against the WTO, effectively shutting it down for a day. These protests, combined with a strong stance by developing nations, caused the WTO talks to collapse.

During 2000 and into 2001, Seattle-inspired protests brought people into the streets to demonstrate against the other institutions that form globalization's infrastructure--the World Bank, the IMF, and the World Economic Forum. These protests took place in such far-flung places as Brazil, the Czech Republic, India, Switzerland, Thailand and Washington DC, and more recently in Quebec City.

These demonstrations represent a coming of age and coming together of a series of broad and diverse social movements that are pressing for balancing power away from corporations toward a new, more democratic and accountable political process. These movements are made up of trade unionists and scientists, peasants and small farmers, community leaders, lawyers and politicians, student activists, parents and teachers, religious leaders, small business owners and environmentalists, among others. And they are organizing locally, nationally, and increasingly, on an international level. This explosion of activism by a plethora of organizations, communities and networks reaching across borders, forms the vibrant web that is grassroots globalization.

People are demanding greater participation in decision making at all levels--including mechanisms to exert more democratic control over the transnational corporations whose activities are at the root of so many problems. Some are even questioning the right of a corporation to operate in their community. Others are beginning to ask whether a company that has repeatedly broken the law, poisoning people and their land, should be severely punished or even dismantled. Many are seeking alternative forms of economic development. Increasingly they are coming together to challenge the institutions of corporate globalization such as the WTO. Although these incipient forces of grassroots globalization are not yet nearly strong enough to check corporate globalization head on, they have raised the public's consciousness on a global scale. They have also triggered many important changes and set forth a series of challenges that contain the seeds of an effort that could reverse the trends of corporate globalization.

Courtsey : CorpWatch

NEW ROUND OF WTO NEGOTIATIONS

Qatar, November 2001, and the Developing Countries

The 4th Ministerial meeting of the World Trade Organization, to be held this November at Doha, Qatar), is all set to address the issue of "TRIPS and Health Care". The claims of WTO that the TRIPS agreement provides the necessary flexibility for developing countries, has recently been challenged at Hosbjor, and the entire TRIPS issue, and affordable medicines, has now come high up on the international public agenda. This article purports to address these issues including the review of article 27.3(b) of TRIPS agreement. The article focuses on the need to take stock of the present situation of developing countries in the WTO. It also addresses the implications for developing countries of the proposals (mainly from developed countries) to introduce investment, competition, government procurement, labour and electronic commerce in the multilateral trading system. Finally, the article argues for a need on the part of developing countries to coordinate effectively in WTO negotiations, in order to correct the present imbalances in the multilateral trading system

The issue of the WTO's Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPS), Health and Affordable Medicines had been raised at the TRIPS Council at its meeting on 4 April, by the Group of African countries and received wide support and endorsement (see lok samvad, March 2001). The TRIPS division of the secretariat, has also been feeling the heat of public agitation on the TRIPS and health care and drugs issues. Its efforts, with that of the WHO (at the recent meetings at Hosbjor in Norway, in trying to steer the discussions towards 'differential pricing' and as a concomitant, segmentation of markets and restrictions on 'parallel' imports), and the claims that the TRIPS agreement provides the necessary flexibility for developing countries, has not been very successful. It was challenged at Hosbjor by some of the NGOs who were allowed to be present, and the entire TRIPS issue and affordable medicines, has now come high up on the international public agenda, with not merely NGOs like Medicines Sans Frontier and Oxfam, but even health care providers in the US, who are challenging both the issue of costs of medicines and their affordability. They are also challenging the view that monopoly patent privileges are the only way to promote research and development.

The UN Human Rights Commission last month adopted a resolution, mooted first by Brazil and which then attracted wide co-sponsorship--with only the US abstaining--asking all states to "ensure that application of international agreements is supportive of public health policies which promote broad access to safe, effective and affordable preventive, curative or palliative pharmaceuticals and medical technologies." This debate has put the WTO and its TRIPS enthusiasts on the defensive vis-a-vis citizen's groups and governments of the developing world--many of whom in fact negotiated under the coercion and threats of the US 'Special 301' trade sanctions, and countries being put on a 'special watch list', with a statement that the US would judge the issue on the basis of the stands taken by their negotiators in the course of negotiations.

The TRIPS and its costs have therefore become one of the elements behind the challenge to the WTO and its legitimacy. In fact, TRIPS is now seen by some trade observers as a 'cancer' implanted into the trading system, producing negative effects. Unless excised out of the system, it may metastasize the system itself.

Increased Demands for a Review of Article 27.3(b) of the Trips Agreement

The US, EU and some other developed countries are still resisting a substantive review of Article 27.3(b) (which requires patents of different life forms), which the majority of developing countries in the WTO have called for. The most comprehensive proposal from the developing countries is articulated in the paper by the African Group, submitted by Kenya on its behalf, dated 6 August 1999 (WT/GC/W/302). The African Group's comprehensive proposals have received much support from other developing countries in the WTO, as well as, civil society groups, farmers' movements and NGOs.

However, within the WTO itself and in the TRIPS Council, no real discussion has taken place on the proposals outlined by the African Group. The concern is that with each TRIPS Council meeting, the attempt has been to sideline the African Group proposal, and to detract from

a meaningful discussion on the merits of the proposal, and to avoid a revision of Article 27.3(b). It is therefore crucial that civil society groups around the world mobilise to pressure WTO member countries to break the stalemate in the TRIPS Council, and to press for a revision of Article 27.3(b) of TRIPS as well as other key issues in TRIPS.

The presenters in the session discussed the political, legal and scientific arguments against patents on biological materials and life forms, and its impact on developing countries. The lack of technology transfer was also stressed as was the point that the TRIPS Agreement hindered access to technology. They also discussed some of the recent decisions of the Panel and Appellate Body of the WTO's dispute settlement system on IPRs and the TRIPS Agreement, and their implications for developing countries. It was felt that the pressure is needed now, because:

1 The mandated review of Article 27.3(b) represents perhaps the only real opportunity to change this provision that allows for patents to be granted on life forms. A mandated review means that proposed changes can be negotiated without the risk of being traded-off against other proposals on other agreements, as has happened in the Uruguay Round negotiations.

2 The transition period for the implementation of Article 27.3(b) expired on January 1, 2000. This means that the majority of the developing countries are now legally obliged to implement Article 27.3(b) within their national laws. Otherwise, they face the imminent threat of being taken to the dispute settlement body of the WTO. Therefore, it is very important that a substantive review of Article 27.3(b) gets under way, during which time countries must be exempt from implementing the provision.

3 Even now, patents on life are being granted almost indiscriminately by patent offices, mostly in the North. These patents distort a patent law system that was originally intended for mechanical inventions, in order to grant corporations and individuals private rights and ownership over biological and genetic resources, traditional knowledge and genetically modified organisms, in order to obtain monopoly profits. The patent system is being used to facilitate the theft of biological resources and traditional knowledge from the South. The monopoly control over such essential resources will also have tremendous impact on food security and the livelihoods of farmers and communities in the developing countries.

It is also important that the developing countries take stock of the present situation in the WTO, especially since the failure of the Seattle Ministerial Conference to come to a conclusive end. It is increasingly felt that the improved understanding and awareness of developing countries on the developments in the WTO will help them prepare for the upcoming negotiations. However, attention should be paid to developments beyond the WTO context, such as bilateral and regional agreements, which also affect the developing countries' obligations and commitments under the WTO. In this regard, he urged developing countries to prepare for new challenges not only in multilateral negotiations, but also in the discussions on the regional and bilateral basis.

Emphasis should also be laid on the mandated negotiations of the Agreement on Agriculture (AOA) and the General Agreement on Trade in Services (GATS). The developing countries should submit proposals for the modalities and guidelines for the agriculture and services negotiations, which should be different from those of the Uruguay Round, in order to effectively address the present imbalances and inequities in those agreements. The agreements allow continued high subsidies and protection in the developed countries, whilst the flexibility of developing countries to promote or defend the interests of small farmers and food production has been seriously eroded, and the market share of developing countries has not improved.

There is therefore the need for the WTO to operationalise special and differential treatment for developing countries; recognising their need to have flexibility of policies in relation to the disciplines on import liberalisation and domestic subsidy on grounds of protecting the livelihood of small farmers and promoting food security.

Moreover, there has been no assessment of the effects of liberalisation of the past five years, and adequate data (and its correct presentation) on services trade to enable an assessment as well as meaningful negotiations. Although many developing countries are facing structural balance of payment deficits and problems, the WTO Agreements only allow safeguard provisions to deal with balance of payments problems as temporary measures. This situation would not allow developing countries to achieve stable growth rates, thus affecting the viability of the trading system. On TRIMS, the discussion emphasised the developing countries' difficulties in fulfilling the TRIMS Agreements' obligations and the need to legitimise the need of developing countries to make use of investment measures for developmental and national objectives. Participants agreed that there should not be any expansion of TRIMS, either through addition to the list of measures or performance requirements, or through rolling forward with investment policy and rules.

Regarding new issues, the implications for developing countries of the proposals (mainly from developed countries) to introduce investment, competition, government procurement, labour and electronic commerce in the multilateral trading system should also be addressed. Hence there is a need on the part of developing countries to coordinate effectively in WTO negotiations, in order to correct the present imbalances in the multilateral trading system and to address the implementation problems of the developing countries. The panelists also expressed concerns regarding the introduction of new issues and the launching of a new round of trade talks at the WTO.

In this context, it is only appropriate that citizen's groups from the South and the North involved in development, poverty, environment and human rights issues, have opposed the proposals put forward by some countries to launch a "comprehensive New Round" in the WTO this year. The powers that be want the introduction of new issues, namely investment rules, competition policy rules and government procurement (even in its initial phase of transparency), in the WTO. The 4th Ministerial Conference to be made use of as an occasion to inject these new areas into the WTO. These issues are not trade issues and are not appropriate for the WTO to handle. These issues, if located in the WTO, would lead to disastrous consequences socially, environmentally, economically and for human rights, for people worldwide. Negotiations in these issues will be particularly disastrous for people in developing countries, as their possibility for development will be closed.

It is by now clear that a majority of developing countries are not in favour of a New Round. Infact, several of them are strongly opposed to it, and especially to the new issues. The proposal for a New Round, especially by the EU, is causing serious divisions and destabilising the multilateral trading system. Worse, the Director-General of the WTO has been actively campaigning for a New Round, including his visits to many countries and regions. Since many WTO members are not in favour of a new round, or are against it. It is unacceptable for a staff member of an international organisation to take sides with some members against other members.

By now it is clear to everybody that existing WTO agreement and rules, especially on agriculture, TRIPS, services and TRIMS, are very harmful to consumers' access to essentials, to livelihood of farmers, to food security, to development interests, to the poor everywhere and to the environment. These agreements must be changed, and some (for example, TRIPS) should even be taken out of the WTO. In fact this should be the focus of the WTO talks in the next years. It is therefore in the interest of all governments in the WTO to reject a New Round and instead focus on solving the serious and disastrous problems, caused by the WTO agreements and their implementation.

El Salvador : Government Report Details Labor Abuses

A long-suppressed report by the Salvadoran government, made public yesterday by an American labor rights group, spelled out serious problems in the country's apparel factories, including unhealthy air and water, large amounts of forced overtime and the frequent dismissal of workers who supported labor unions. The National Labor Committee made the copy available as part of a campaign by labor unions and their Democratic allies to pressure the Bush administration and Congress to include strong worker protections in any new trade agreements.

El Salvador's government originally issued the unusually critical report last August, but withdrew it from circulation the next day, saying it was technically flawed. On the day the report was issued, managers of the country's duty-free, export-oriented factories, known as the maquiladoras, denounced it. Last year, El Salvador exported $1.6 billion worth of apparel to the United States, making it the eighth- largest apparel exporter to this country. The report found that many of the country's 229 apparel factories did not provide basic safety equipment and threatened to fire workers unless they agreed to work long hours of overtime. The report also faulted many factories for setting unrealistic production quotas and for requiring many workers to put in extra hours with no pay when they fell short of those quotas.

The report's harshest conclusion involved what it described as the systematic violation of workers' efforts to form unions. "It was found that there exists an anti-union policy in the maquilas, by which any attempt at organization is repressed," said the report, prepared by the El Salvador Labor Ministry and financed in part by the United States Agency for International Development. "According to union leaders interviewed, it is very common for supervisors and chiefs of personnel to threaten workers with firing if they belong to a union or attempt to form one," it said. The report noted that not one of the 229 maquiladora factories had a union contract. Many workers interviewed told Labor Ministry officials that there was a blacklist that factory managers used to make sure that known union supporters were not given jobs. The report was made available just days after President Bush announced plans to seek expedited negotiating authority in the hope of establishing the Free Trade Area of the Americas, a duty-free trade zone from Canada to Chile. In a speech on Monday, Mr. Bush said such a free trade area was essential to improving living standards throughout the Western Hemisphere.

But union leaders assert that unless the treaty establishing the free trade area includes strong labor protections, it will encourage companies to move operations to countries with the worst wages and working conditions, thus undermining efforts to upgrade living standards. The El Salvador report criticized the country's factory inspectors, saying that many workers interviewed were emphatic in declaring that there was a great deal of corruption among inspectors.

Gorge Nieto Menéndez, El Salvador's minister of labor, said the government was seeking to train inspectors better. "We want investment, but only with respect and fairness," he said. "Only when workers' rights are respected can we generate more contracts with American companies. "The report describes how important the export apparel industry is for El Salvador, growing at a 13 percent annual rate and accounting for 79,000 jobs.

Charles Kernaghan, executive director of the National Labor Commission, and several members of Congress are planning to hold a news conference today in Washington where they will issue a report detailing problems at El Salvador factories that make goods for many well-known companies, including Kohl's, the Gap, Liz Claiborne and Nike. That report found that many apparel workers face mandatory pregnancy tests, work 80 hour weeks and have to work in temperatures of more than 90 degrees. The Labor Ministry report found that many workers complained about inadequate wages. According to the report, many workers said that despite the many hours of overtime they worked, "the wage was insufficient to satisfy their family needs with dignity. "Factory managers told the labor ministry that an important reason that employees have to work so much overtime is that, in their view, the workers deliberately delay production to force the company to continue operations beyond the normal shift, thus allowing the workers to receive overtime pay.

DEBT-FUELLED RECESSION IN US ECONOMY AND SOCIO-POLITICAL INSTABILITY IN MAJOR CAPITALIST COUNTRIES

The recession in US economy has led to a slowdown in the global economy. This year marks the first time in a quarter century that all three of the main centres of world capitalism-the United States, Japan and Western Europe-are simultaneously experiencing an economic slowdown. The onset of a sharp financial crisis in the United States, and a more general global economic slowdown, will inevitably have far-reaching consequences for the social and political stability of the major capitalist nations. The series of announcements of major layoffs in the US has already shaken consumer confidence, demonstrating once again that job security is a thing of the past for even the most skilled and highly paid workers. Equal to the material impact of the financial crisis will be the shattering of illusions so assiduously promoted by the media and ruling class opinion makers over the past 20 years, and especially in the decade since the collapse of the Soviet Union. The American people have been told incessantly that capitalism is the only credible form of economic organization, and that the unrestrained domination of giant corporations and the "market," backed by central bankers like Fed Chairman Alan Greenspan, would guarantee an ever-rising level of prosperity. Quite the opposite, capitalism is now revealing its ugly face.

The driving force of the financial crisis in US has been the collapse of the speculative boom in high technology stocks in US, mainly those related to the Internet, computers and telecommunications. A recent analysis, published in the New York Times March 18, gauged the high-tech collapse by calculating how long it would take selected stocks to regain their peak prices if they enjoyed annual increases of 15 percent--well above traditional rates of return. By this measure, Intel would take seven years to regain its top price, Cisco Systems would require 10 years, Microsoft six years, Oracle and Sun Microsystems nine years and Yahoo! no less than 20 years.

The financial deterioration of Yahoo!-a company with enviable name recognition, a huge Internet audience, and $1.7 billion in cash on hand demonstrates how rapidly the crisis has developed and how deep is its impact. The company's market capitalization has fallen from $150 billion a year ago to under $10 billion, as its stock price has plunged from $250 a share to $17. Three months ago Yahoo! management forecast first quarter revenues of $320 million. Now they are estimated at $170 million to $180 million, of which $117 million was already committed before the quarter began. The Internet portal thus obtained only $63 million in new sales. While Yahoo! took in $459 million in sales from other dot-coms in 2000, this is expected to fall to only $111 million in 2001. In the case of Yahoo! and Cisco, the companies did not report the payroll taxes due for their employees-a huge expense that would have made their balance sheets much worse.

The recession in US economy has led to a slowdown in the global economy. According to a recent IMF report, the effects of the global slowdown have been most visible in countries which have close trade ties with the US, including Canada, Mexico, and East Asia. So far outlook for the rest of the year "will depend on how deep and prolonged the slowdown in the United States proves to be"-an issue which "remains subject to considerable uncertainty." One of those risks, the report states, is that the "virtuous 'new economy' circle of rising productivity, rising stock prices, increased access to funding, and rising technology investment that contributed to the strong growth in the 1990s could go into reverse."

Even this is a somewhat optimistic assessment, given that most observers of the US economy have concluded that, whatever the immediate outcome of the present downturn, overcapacity in all sections of industry-and above all in high-tech investment-means that there is no prospect of the boom of the latter 1990s returning. The report has also indicated that current account deficits of the size presently experienced by the US-more than $430 billion, equivalent to around 4.5 percent of gross domestic product-have not been sustained for long and that "adjustment is generally accompanied by a significant depreciation [of the currency]. "If there were increased economic growth in Europe and Japan, then it would be possible to reduce the US imbalances in a "relatively manageable and

nondisruptive fashion. However, in an environment where US growth slows sharply, the portfolio and investment flows that have been directly financing the US current account deficit could adjust more abruptly. In other words, there could be a rapid movement of capital out of the US and a sharp fall in the value of the dollar. This would heighten the risk of a more rapid and disorderly adjustment, possibly accompanied by financial market turbulence in both mature and emerging markets. Large swings in exchange rates could also limit the room for policy manoeuvre. That is to say, according to the IMF's latest forecasts, there could arise a situation in which the US dollar starts to fall and financial markets are hit by a crisis, under conditions of a deepening slump. The fact that such a possibility is even being canvassed is a measure of how far and how fast the world economic situation has moved in the past six months.

Following a loss of 53,000 jobs in March 2001, US payroll employment fell by 223,000 in April, the biggest loss since a 259,000 drop in February 1991, at the end of the last recession. The unemployment rate jumped to 4.5 percent, the highest level since October 1998, from 4.3 percent in March rate only to 4.4 percent. The harsh figures fly in the face of the bland assurances by certain economists and politicians that the US economy was righting itself after a temporary setback early in the year. The job haemorrhage seems certain to continue, as major corporations and smaller firms alike continue to report layoffs and job cuts of significant proportions.

The job losses were concentrated in manufacturing and "help supply services" (temporary or continuing help on a contract basis). Nation's factories shed 104,000 jobs in April, and bulk of the losses occurred in durable goods manufacturing, where there were declines in nearly all of the component industries. The sharpest declines took place in electrical equipment (a loss of 31,000 jobs), industrial machinery (16,000 jobs) and fabricated metals (13,000). Employment also fell in nondurable goods manufacturing industries, especially textiles, apparel, printing and publishing and rubber products.

The number of jobs in the "help supply services" category increased throughout most of the 1990s, reflecting the trend toward part-time, temporary and contingent employment. The decline in this category since September 2000 by 11 percent (370,000 jobs) is one of the surest signs of overall economic contraction. The unemployment rate, 4.5 percent, is now six-tenths of a percent higher than it was in October 2000, an increase of 15 percent. "All the major worker groups-adult men, adult women, teenagers, whites, blacks, and Hispanics-have experienced an increase in joblessness since October," according to a BLS report.

Also of significance is the fact that the increase of some 870,000 unemployed since last autumn has been concentrated among workers who have lost their jobs and do not expect to be recalled, i.e., these are not primarily temporary or seasonal layoffs. The BLS has also noted an increase in recent months in the number of newly unemployed, the "best measure of the flow of workers into unemployment. "Telecommunications companies reported the greatest number of layoffs in April, 26,464, followed by auto companies. This is the first time since 1998 that the telecommunications sector has been among the top five job-cutting industries. Telecommunications firms have announced more than 91,000 job cuts this year, while automakers have reported laying off some 81,000 workers.

Dow, the largest US chemical producer, has been hit by rising energy and raw materials' costs. Company officials reported that both Dow and Carbide employees would lose their jobs, including about 80 percent of Carbide's administrative jobs, concentrated in the firm's former headquarters in Danbury, Connecticut. Another chemical giant, DuPont, announced plans to slash 4,000 jobs in April. Among firms reporting job cuts recently, a list too long to reproduce in its entirety, are Nextel (850 jobs), Loudcloud (19 percent of its workforce), Liquid Audio (40 percent), Digital Island, PCTEL (20 percent), Vignette (200 jobs), ExciteAtHome (380 jobs), Donnelley, Comverse (400 jobs), Comair (2,000 jobs), ANC Rental (parent of Alamo and National rental car companies, 750

jobs), Vertical Net, Marimba (20 percent) and Unilever (8,000). A number of newspapers and media outlets announced cuts, including the Kansas City Star, the New York Daily News, the New York Times and the Knight Ridder chain.

Just six months ago, the OECD was predicting a growth rate for the US economy of 3.5 percent. Now the forecast has been halved to 1.7 percent. Last November, the OECD was warning that interest rates in both the US and Europe might have to be increased. But in its latest report it endorses the cuts undertaken by the US Federal Reserve Board and calls on the European Central Bank to reduce rates by half a percentage point as a precaution against slower growth in the US.

Such a development, it continues, might seem more of a risk in the US than elsewhere but "it could spill over to other regions through share price declines, or, more generally, through a deterioration in confidence. "The two main risks to the OECD region, and consequently to the world economy as a whole, are centered in the US and Japan. In the US the main danger is that "rising household indebtedness and debt servicing obligations may prompt consumer retrenchment"-that is, the credit-based spending increases of the past five years come to an end-while in Japan, key problems are in the banking sector and its "abundance of bad loans."

Overall, it warns, "business investment could be weaker to the extent that the recent investment boom has created excess capacity or that debt levels have become high. "The OECD says that while the reduction in US economic activity was anticipated, the "pace at which it occurred has exceeded most expectations" and if "downward momentum in the economy persists, larger reduction in interest rates may be required. "Since the report was issued this warning has been underscored by the latest US unemployment figures which showed a sharp increase in the jobless level to 4.5 percent. Such a readjustment could lead them in turn to withdraw funds invested elsewhere in the world. It is estimated, for example, that some 10 percent of all US government securities are held in Japanese hands. If this money were pulled out to repair bank balance sheets at home, it could tip the US from slower growth into outright recession.

Six months ago when the International Monetary Fund issued its half-yearly report, the world, in the words of one its leading officials, appeared to be a much "safer place." Growth was continuing in the United States, the European economy was expanding, East Asia was recovering from the crisis of 1997-98 and there were even signs that a Japanese "recovery" might finally get under way.

The picture presented in the latest World Economic Outlook released on Thursday is very different. Apart from cutting the world growth forecast by 1 percentage point, the main feature of the report is the uncertainty over the future course of the global economy and the warnings that, notwithstanding the hopes that the situation could quickly turn around, it could also worsen quite rapidly. "For the United States, which has been the mainstay of global expansion in the past decade, growth this year is forecast to be only 1.5 percent, down from almost 5 percent last year and from an earlier forecast of over 3 percent for this year. "The projection for the year 2002 has been reduced to 2.5 percent, at least one percentage point below the estimated potential growth rate for the US economy.

Social and Political Instability in Major Capitalist Countries

This year marks the first time in a quarter century that all three of the main centers of world capitalism-the United States, Japan and Western Europe-are simultaneously experiencing an economic slowdown. In the case of Japan, stagnation has been protracted throughout the 1990s, since the collapse of the "bubble economy" in 1989-90. This financial debacle, triggered by the collapse of inflated real estate values, is now being widely compared to the puncturing of inflated stock values in the US. A Washington Post editorial last week pondered whether the US economic decline would be V-shaped, U-shaped, or "a Japanese-style L."

The US and Japanese crises are intertwined, since Japanese banks and corporations are heavily invested in the US securities and bond markets, as well as dependent on the United States as their

leading export market. Japanese concerns own $350 billion in US Treasury bills, and even larger amounts of corporate stocks and bonds, as well as $150 billion in direct investments, more than any other country except Great Britain. There have been reports of Japanese banks unloading billions in US stocks in order to improve their balance sheets before the Japanese fiscal year ends on March 31. A Japanese sell-off of American assets, sparked either by declining US stock prices or financial pressures within Japan itself, would depress stock prices even further. It would also depress the value of the dollar, since Japanese companies would have to convert dollar-denominated assets into yen in order to repatriate them. A falling dollar would undermine the ability of the Federal Reserve to cut US interest rates, or even force it to raise rates to prevent investor flight from the US currency.

Economic growth in the European Union is now estimated at 2.8 percent for 2001, down from previous projections of 3.3 percent, as the slowdown in the US and Japan takes its toll, and Germany, the most powerful component of the European economy, experiences both an acceleration of inflation and a fall in its real growth rate. Auto sales in Germany fell 12 percent. Eight of the nine largest European stock exchanges have seen lower prices since the beginning of the year, with most of them down over 10 percent.

The onset of a sharp financial crisis in the United States, and a more general global economic slowdown, will inevitably have the most profound consequences for the social and political stability of the major capitalist nations. The series of announcements of major layoffs in the US has already shaken consumer confidence, demonstrating once again that job security is a thing of the past for even the most skilled and highly paid workers. Any significant increase in the US unemployment rate will confront millions with the consequences of the policy changes of the past two decades, in which social programs that once cushioned the impact of the capitalist business cycle have been abolished or largely gutted.

Millions of people, especially the masses of low-paid service and contingent workers, will be thrown on the economic scrap heap with no social safety net and no personal resources to fall back on. Equal to the material impact of the financial crisis will be the shattering of illusions so assiduously promoted by the media and ruling class opinion makers over the past 20 years, and especially in the decade since the collapse of the Soviet Union. The American people have been told incessantly that capitalism is the only credible form of economic organization, and that the unrestrained domination of giant corporations and the "market," backed by central bankers like Fed Chairman Alan Greenspan, would guarantee an ever-rising level of prosperity. Now capitalism is revealing its ugly face, in the gross misallocation of resources and the sheer irrationality of a system that piles up trillions for the corporate elite, while wiping out the retirement savings of millions, bankrupting small businesses, and depriving countless workers of their livelihood. As the crisis deepens, working people will inevitably reject the claims that all concern for social justice and equality must be subordinated to the imperatives of the market. Growing numbers will look for an alternative to the profit system and turn to the development of a mass political movement directed against it.

In India, attempts are being made to bring private enterprise and competition into the infrastructure sector. In this context it is very appropriate that the situation in USA and UK who are the protagonists of market economy should be reviewed. Policy makers should learn lessons from the harrowing experience of the privatisation of power and railways in these countries even as India is turning to independent power producers, and the recent Rakesh Mohan Committee has suggested privatisation of Indian Railways. These incidents prove that provision of infrastructural facilities require good organisational structures and coordination which could only be provide by the state.

In both United States and Britain, the privatisation of state-run utilities have come under harsh criticism. In US, in the state of California, the restructuring of state-run California Power has led to a severe energy crisis. Vast areas have plunged in darkness as if the ongoing economic recession is not enough for them. And in UK, the restructuring and subsequent privatisation of British Railways has led to a series of accidents.

Power crisis in California

In California, the power system was restructured in 1998, in which the retail market for electricity was opened to competition. In such a model, the independent power system operator runs the infrastructure and a power exchange, and private retailers buy power from the generators. Such a multiple contract system however collapsed once the demand for power outstripped the supply. Retail prices of power skyrocketed, and the poor in US were unable to purchase power. The crisis was deepened because the supply of power was less.

The message, shorn of all frills, is that the US is teetering on the threshold of a chamber of horrors, looking down the bottomless abyss of darkness, and confronting the threat of being devoured by the demons of dark ages. These scary phrases have not been concocted; they are actually being bandied about in discussions on what the country is, or will be, passing through. These are all triggered by the harrowing experience of California, the most advanced State, commanding the equivalent of the sum of GDPs of at least 60 member-countries of the UN in financial, material and technological resources and an installed capacity (60,000 megawatts) that is more than half that of India.

The cost of electricity there has skyrocketed from $7 billion in 1999 to $32 billion in 2000, and now stands at $70 billion, of which the State foots the bill to the extent of $20 billion. With a State like California in the grip of a gruesome calamity of this nature, can the rest of the US be far behind? All of a sudden, the entire country has woken up to the grim prospect of a similar fate. President Bush gave expression to this realisation by declaring: ``What people need to hear loud and clear is that we're running out of energy in America". There has been an onrush of waves of shortages and outages in State after State.

Privatization of British Railways

In UK, the British Railways was first separated in two components, infrastructure and services, and the system was completely privatised. The infrastructure company, Railtrack, is now a listed company. It owns, maintains and invests in the track and supporting systems and sets up the timetables. Services are provided by 14 different train operating companies which lease their rolling stock and employ the operating crews. All maintenance and supporting services are contracted out to other private companies.

What holds the system together is an intricate system of contracts between all the parties. In such a situation, accidents have increased. A glaring example is the October 2000 accident. It took place because of a defective track that was first detected in previous January. However, the maintenance contractor who reported it could not do anything more, because a separate company under a different contract was responsible for replacement. The replacement order was not placed because Railtrack staff apparently pressed

for time, had not been able to inspect the track.

Recently, London Underground was brought to a virtual standstill on Monday by striking train drivers. The Underground, or "Tube," is a vital component of the capital's public transit system, and carries an average of 2.5 million passenger journeys each day. The 24-hour stoppage was called over the adverse effects on safety and jobs that will result from the proposed privatisation of the Underground rail network by the Labour government.

The strike had been originally called by the two main unions covering Underground drivers-the Associated Society of Locomotive Engineers and Firemen (Aslef) and the Rail Maritime and Transport union (RMT)-after a ballot for industrial action returned an overwhelming majority in favour.. The Underground strike has threatened to widen public opposition to the government's privatisation scheme. This comes only weeks before the announcement was to be made regarding which companies have won the contracts to run the newly privatised infrastructure. Railways or for that matter any public utility company has historically evolved as an integrated organisation because of the need to coordinate a diverse group of activities. It is clear that there are complex organisational and contractual requirements underlying private provision of infrastructure, the absence of which leads to fatal accidents. Moreover such contractual requirements require a lot of coordination which is only possible in a monolithic public sector entity. Needless to say, such a public entity is crucial for the well-being of the entire society.

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FOREIGN OIL COMPANIES AND THE ENERGY CRISIS IN NIGERIA

The energy deregulation bug appears to have spread all the way from California to Nigeria! The World Bank and its financial partner the International Monetary Fund (IMF), are urging the government to deregulate the fuel prices in Africa's most populous country. Under the planned deregulation, which is part of a wide-ranging privatization program, the Nigerian National Petroleum Corporation -- a state monopoly -- would be broken up in order to privatize the marketing of petroleum products.

Deregulation is an apparent move to increase the price of petroleum products especially gasoline, which now sells for 20 cents a litre. The government says at this price, it is subsidizing fuel to the tune of two billion US dollars a year. The proposed deregulation would double the price of gas. Foreign oil corporations operating in Nigeria, like US-based Shell and Chevron, the French oil giant Elf and Italy's Agip, stand to benefit from the proposed policies which would allow them to sell crude oil to refineries at higher prices.

There is no clearer example of the disparity between the haves and have not than Nigeria's oil industry, which should be the country's economic live wire. Nigeria is the world's sixth largest oil producer, but the country is a classic case of suffering in the midst of plenty. Despite a daily output of more than two million barrels of crude oil, Nigeria faces one of the worst fuel crises in the world because its oil refineries are so deteriorated they can not process the 150,000 barrels needed daily for local consumption. Besides the poor state of the refineries, irregular distribution, hoarding and smuggling of fuel to neighbouring countries where it can be sold for higher prices are also responsible for fuel scarcity.

Meanwhile, the World Bank and the IMF say the higher fuel prices will free up resources for economic development. Nigeria owes international financial organizations like the IMF and World Bank about 30 billion US dollars. Deregulation is part of fiscal policies imposed by the IMF and World Bank to pressure the country to pay back its huge debts. The country must also adopt these policies to qualify for more loans. It is therefore not surprising that government officials buy into deregulation plans.

President Olusegun Obasanjo, who argues that Nigerians have long been buying petrol in the

black market above the official price, has harsh words for those opposed to the planned deregulation. "My detractors say that I want to deregulate the petroleum product market. This is not correct. The market is already deregulated," he notes. "What government wants to do is to inject sanity into the market, so that there will be equity in price and distribution of products. Those who agitate to maintain the status quo are probably working for the rich cartels and syndicates," adds Obasanjo. But most Nigerians see the planned deregulation differently. Frequent increases in fuel prices have almost become a part of life in Nigeria. The populace has learned from past experience when, instead of investing gas revenues in the country's economy, government officials siphoned off profits into their private bank accounts. For many, the proposed deregulation is yet another plan by the government to take the country for a ride.

Many Nigerians fear higher fuel prices will have ripple effects on the Nigerian economy. In the face of acute electricity failure, local industries rely on petrol and diesel to power electric generators. "An increase in the prices of these products will jerk up the production costs of local industries," argues human rights activist Sylvester Odion-Akhaine. He says higher fuel prices will encourage the importation of foreign goods which undermines local industries.

Despite being a major oil producer, Nigeria imports gasoline. But even this does not meet local demands. Chaos and vehicular queues stretching for kilometres is the general scenario in the few gasoline stations with fuel. Motorists sometimes spend several nights at the gasoline stations before filling their tanks. "Sometimes I spend more of my time queuing in gasoline stations than driving my taxi," says Lagos taxi driver Joseph Bamidele.

But the agony is not just the long wait at gasoline stations. The chaos at the stations has sometimes led to fires which end up injuring motorists and burning their vehicles. "When the gasoline stations are chaotic I use public transport rather than go and queue for fuel," says Omolara Busari, a Lagos housewife. Some Nigerians end up getting their fuel supplies at very high prices from neighbouring Republic of Benin, a country which ironically does not produce oil. Meanwhile, Lagos taxi driver Fola Olagunju says deregulation will also lead to an increase in transport fares, a further hardship for the majority of Nigerians who are too poor to pay higher fares. He fears that this could spark off widespread riots in the streets. "If they deregulate fuel prices, I will park my car and stay at home so that I don't get caught up in street riots," he says.

Many Nigerians feel buying fuel at low price is the only benefit they get in an oil producing country where basic infrastructures like clean water, electricity, good roads and telecommunication services are virtually non-existent. Besides, fuel is sold in Nigeria for about the same relatively low rate as in other oil producing nations like Venezuela, Kuwait, United Arab Emirates and Saudi Arabia, they point out. Meanwhile, workers, students and other grassroots movements have vowed to reject an increase in fuel prices. Across the country, angry street protests and rallies have been held against the planned deregulation. Thousands of students, trade unionists and others turned out for demonstrations recently held in all the 36 state capitals and the federal capital, Abuja.

What's more, the powerful Workers Union threatens a major strike that will bring the country to a standstill if the deregulation is carried out. Last June, President Obasanjo backed down from plans to increase fuel prices when workers went on a nation-wide strike. Workers Union President Adams Oshiomole accuses President Obasanjo of doing the bidding of the IMF and World Bank. "The president has changed his dialect and started speaking in tongues in the dialect of IMF and World Bank. In fact, he has been hijacked by foreign interests who asked him to collect from his citizens world prices for petrol when we are not receiving world salary," he says.

It is understandable that the World Bank and IMF have come under harsh criticism since the government announced plans to deregulate fuel prices. The World Bank and IMF structural adjustment programs, which prefer debt servicing to infrastructure development and social spending, have created enormous problems in Nigeria over recent years.

Educational institutions, health, housing and other public utilities are in decay. The local currency has suffered devaluation and a foreign debt of 30 billion US dollars is hanging over the country. The consequence of these has been misery and poverty across the country.

Critics see the IMF and World Bank as a major threat to Nigeria's fledging democracy, which is just two years old. Pius Anyim, President of the Senate accuses the financial institutions of forcing the government to make commitment on debt servicing even in the face of scarce resources. Human rights activist Odion-Akhaine argues that structural adjustment economic and social stability. "When you destroy the productive base of the country, people lose their jobs, poverty increases and thus tension in the country which could lead to chaos as we have seen in the past." He fears that the military, which ruled the country for 15 years, could exploit such a situation to return to power.

Meanwhile, foreign oil companies like Shell and Chevron have a long history of intervening in Nigerian affairs. Under the military dictatorship they regularly pressured the government to send troops to quell protests against their operations in the Niger Delta. Meanwhile in November 1999, the new civilian government sent troops into Odi village where youths were accused of killing 12 police. The entire village was burned to the ground and an untold number of civilians killed probably reaching into the hundreds, according to Human Rights Watch. So far, they have not taken a public stand on deregulation. As protests rock the country, pushing through deregulation policies will prove to further test civilian rule in Nigeria.

Courtsey : corpwatch

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CORPORATISATION OF AGRICULTURE

C. P. Chandrasekhar and Jayati Ghosh examine trends in retail food prices and farmgate prices received by cultivators in the US, and investigate the role of large corporate control over agriculture in pushing such a process. This also has ominous implications for countries like India where similar corporatisation of agriculture is currently being encouraged

Recent trends in US agriculture provide a dramatic illustration of how farmers can be worse off even as society pays more for the food it consumes. It is no secret that the United States, like most other developed economies, provides large subsidies to its farming sector. It is also no secret that these subsidies have not really been reduced after WTO was formed, and that despite the GATT Agreement on Agriculture, farm subsidies in most of the OECD countries are now back to pre-GATT levels. What has been a relatively well-kept secret, however, is that these subsidies have not really benefited farmers so much as they have contributed to greater profits of the giant corporations that now control the distribution and marketing of food products. This is marked in the US, which is particularly striking because the US economy is widely cited as one with relatively low marketing margins among developed countries. At first glance, this appears hard to accept. After all, expenditure on food in the US has been rising at a significant rate over the past decade.

And this has been combined with subsidies of various types which have circumvented the GATT restrictions by using "Green Box", restructuring and other provisions to provide subsidies which are now as high as a proportion of the final value of output as they were in the late 1980s. The paradox can be explained in terms of the widening margins going to marketing and distribution. The share of this in total value added in the total food expenditure in the US has gone up dramatically sine 1980. While total food spending has ballooned, farm receipts have barely risen even in current price terms, and the gap between them has increased most strikingly over the 1990s.

Obviously, this is even more marked in terms of real values. In constant price terms (that, calculated at 1982-1984 real US dollars) between 1970 and 1999, consumer food spending increased by 30 per cent, the marketing bill rose by 54 per cent, and farm value actually declined by 21 per cent. Much of this process was due to specific trends of the 1990s. US consumers spent

$618.4 billion on food in 1999 (excluding imports and seafood), up 37 percent from the amount spent in 1990. Between 1990 and 1999, marketing costs rose 45 percent and accounted for most of the 37 percent rise in domestic consumer food spending. In comparison, the farm value of food purchases climbed only 13 percent between 1990 and 1999. The higher marketing costs not only raised consumer food expenditures, but also increased the share of expenditures attributable to marketing. In 1999, marketing costs accounted for 80 percent of total consumer food spending, with farm value accounting for the remaining 20 percent. In comparison, the marketing bill accounted for 76 percent of 1990 consumer expenditures and farm value 24 percent. While these figures are cited in current dollars, the story is similar when they are adjusted for inflation. Between 1990 and 1999, marketing costs rose 14 percent, while consumer food expenditures climbed 8 percent in real dollar terms. Meanwhile, the farm value of food purchases dropped 11 percent.

Most mainstream analysts have attributed this to shifting tastes and patterns of demand, reflecting not only Engels Curve type changes but also changing work participation rates of women. Thus, consumers bought a larger volume of food, value-added processing and packaging of at-home foods increased, spending at restaurants and fast food outlets grew, and prices for marketing inputs rose. A changing workforce-comprising more working women and more two-income households - meant that busy consumers of the 1990's demanded quick, easy-to-prepare convenience foods. The strong economy of the late 1990's raised incomes and allowed more consumers to pay for highly processed convenience foods. It is typically suggested that all of these factors were the dominant contributors to the jump in food spending during the 1990's. Certainly, they played a role, but there were other important changes in production organisation which were probably even more significant. This is discussed in more detail below, after a look at the detailed trends. A look at the more disaggregated data shows that this broad tendency of divergence between farm values and retail prices is evident in all the major food subsectors.

This is not something that can be explained only or even dominantly by changes in levels of processing, changed consumer tastes and preferences, etc. Clearly, something else has been going on. And that other process, which has operated to increase the share of value accruing to the distribution, is the increasing corporatisation of food production and concentration of agro-industries, especially in the US but also in the rest of the world. The process of concentration of industry is one that has affected virtually all productive sectors in the world economy.

It is just as evident in the food processing and marketing sector, which was already a more concentrated sector at the beginning of the decade of the 1990s. As a consequence, a handful of large companies now handle, control or are involved in some way in almost all aspects of production and distribution of food. In the US, where the process of corporatisation of agriculture is not only well advanced but has accelerated over the 1990s. Consider the companies that now control certain important food sectors in the US economy :

- In grain trade and processing: Cargill (which swallowed Continental, the second-largest grain trader), Archer Daniels Midland (ADM), ConAgra.
- In beef packing and distribution : IBP, ConAgra, Cargill (as owner of Excel).
- In cattle feed : Cargill, Cactus Feeders, ConAgra.
- In pork processing : Smithfield, IBP, ConAgra, Cargill.
- In hog raising : Smithfield (the largest pork processor has bought the largest and second-largest hog producers, Murphy Family Farms and Carroll's Foods), Cargill, Seaboard.
- In biotech and seeds: Monsanto, Cargill, DuPont/Pioneer, Novartis, Aventis.
- In supermarkets: Kroger, Albertson's, Safeway, AHOLD (Giant), Winn-Dixie, Wal-Mart.

The repetition of a few names confirms the point that, as in some other interconnected industries, a few diversified firms are positioned on many sides of the market at once. Increasingly, the process of mergers and acquisitions are

connected through a complicated system of "strategic alliances" and cross-ownership. Thus, Smithfield, the world's largest hog producer and pork processor, recently bought a 6.3 percent stake in its rival company IBP, the second-largest pork processor. ADM already owned a 12.2 percent share of IBP. This kind of cross-ownership is likely to continue, as IBP itself is now to be acquired in a friendly takeover by the Wall Street brokerage firm Donaldson, Lufkin & Jenrette (which was recently bought by Credit Suisse First Boston). Cargill and Monsanto have a complex and elaborate web of joint ventures that runs from fertiliser and seeds to grain and raising cattle, hogs, turkeys and chickens, then on to the butcheries and packing plants.

According to one recent estimate (William Grieder in the Nation, November 20, 2000) this means a frightening degree of concentration sector by sector. Four firms control 82 percent of the beef packing industry, 75 percent of delivery of hogs and sheep, and half of chickens. Major supermarket chains are now concentrated regionally within the US, though not nationally. Four firms hold 74 percent of market control in ninety-four large cities; experts anticipate a new merger wave that could swiftly increase that percentage while doubling the four firms' overall national concentration up to 60 percent. It is not just that the "consumers" so beloved of mainstream economic theory are adversely affected by these levels of concentration and effective monopoly.

It is also precisely this kind of market leverage that has given the large companies a pricing advantage over farmers and ranchers. And it is this which explains the rising spread between the prices received by farmers and livestock breeders, and the retail prices, that is so evident from the charts. Thus, companies regularly exploit this market leverage, and the degree of control created by vertical integration of breathtaking dimensions, to depress market prices for independent, relatively small producers. In some cases the control is direct. Thus, owning feedlots, or (an increasingly common practice) signing output contracts with individual farmers for poultry, hogs, cattle and even grain and soyabean, gives the processing companies access to their own captive supplies. Even when there is no such overt control, the ability of marketing giants to hold their own private stores of livestock or grain or oilseeds means that they no longer have to rely on the traditional auction based purchases in the open market to provide most of their supply.

This has affected the auction markets as well, rendering the prices for farmers lower and more volatile. The recent crashes in world trading prices have speeded up these processes. Two consequences of this are now clear. One, is that it drove many American farmers into rushing to accept whatever new technology offered cost cutting or output increasing effects. Thus, farmers sought more capital-intensive cultivation, and Monsanto and other companies were also easily able to persuade farmers to adopt their genetically modified seeds for corn and soyabean in particular. The other impact of the price collapse is that it has driven many farmers many more farmers into accepting the status of contract producer growing crops of livestock under fixed-price contracts with the corporations.

This model is aerially reminiscent of the process of forced commercialisation in Indian agriculture over the nineteenth century, when small farmers were incorporated into a global economy through a process of debt engagement or through contracts of purchase where the ultimate buyer (say, for example, the opium or indigo planter) also offered inputs such as seeds and other working capital and bound the formerly independent producer into a subservient relationship. Of course, in the US this process is occurring in an already capitalist agriculture which is highly sophisticated in terms of techniques and production organisation. For that reason, it also bears similarity with the pattern of organisation in contemporary major industrial sectors in developed economies. Here a large corporation - say Nike or Benetton - organises a complex but disparate and shifting network of affiliated producers, subcontractors and distributors, who all adhere to its brand standards.

This entire process has been dramatically described as follows : "Farmers can see themselves being reduced from their mythological status as independent producers to a subservient and vulnerable role as

Continue....25

The Real Face Of World Bank

First impression the World Bank creates is that of an official multilateral institution devoted to help out underdeveloped countries. Its vision is claimed to be "a world free of poverty" and its loans are termed as "assistance" or "help".

While it is true that the World Bank was created as a multilateral institution but its mandate had nothing to do with poverty or its eradication. It was created for the specific purpose of reconstruction in the areas devastated by the Second World War. By implication the reconstruction of Europe as it was the nucleolus of the war and was devastated the most and it included 5 European member countries of G-8. Even its original name was International Bank For Reconstruction And Development (IBRD) that now is reduced to one of its divisions.

Though the birth of the World Bank in the year 1944 may be attributed to multilateralism, but it began to relay on the private market quite early (1947 when it began to mobilise money from the private capital market) in order to carry out its mandate and serve G-7 member countries. Once the task of reconstruction was over the Bank as an institution perpetuated itself with new vigour and posturing. It began to lend huge amounts to developing member countries for development of their "infrastructure". The instruments of lending included conditionality for procurements and contracting which favoured MNCs from G-7 countries in the name of 'accreditation' and quality control.

Gradually, the World Bank has acquired the characteristics of a commercial bank, which has extra advantage of its 'multilateral' clout. According to its own claims, during last 15 years it has made profits of US$ 1 billion per year. Today, the World Bank raises money from private capital market; pays interest and dividends and on top of this earns profit. During calendar year 1999 US$ 15 billion was swapped from the private capital market, which is expected to be around US$ 25 billion in year 2000.

The World Bank has AAA rating for this purpose and investment in World Bank securities is considered to be more than risk free. The added incentive for private giants to put their money with World Bank is opportunity for share in the kitty of contracts and procurements. The increased influence of private sector over World Bank had also insured that the policy instruments of the Bank lending are used to promote privatisation in its member countries and thus contribute to access newer markets. The World Bank supports the private sector in range of ways:

Finance: Loans (IBRD and IFC), syndicated loans (IFC) and equity investments (IFC) for private projects;

Guarantees: MIGA provides guarantees against risk, including political risk like expropriation of assets, civil disturbance, currency transferability and breach of contract. The

IBRD guarantees against non- political risk such as currency fluctuations, long - term servicing of commercial debts and performance of state sector contractors;

Policy conditions/ advice: Structural and sectoral adjustment loans requiring governments to privatise or permit sector entry;

Technical assistance to support infrastructure privatisation, strategies to encourage new private investment, or how to structure bidding for independent power projects;

Advice on regulations/ regulatory regimes, i.e. through the periodical Public Policy for the Private Sector, and conferences and exchanges organised by the Bank - hosted International forum for Utility Regulations;

Other Initiatives: Ad hoc initiatives, for example discussing voluntary social and environmental standards for the industry and the ways to show industry "best practise".

From page ...23

sharecroppers or franchises. The control of food production, both livestock and crops, is being consolidated not by the government but by a handful of giant corporations. While farmers and ranchers suffered three years of severely depressed prices at the close of the 1990s, the corporations enjoyed soaring profits from the same line of goods. Growers are surrounded now on both sides - facing concentrated market power not only from the companies that buy their crops and animals but also from the firms that sell them essential inputs like seeds and fertiliser.

In the final act of unfettered capitalism, the free market itself is destroyed." (William Grieder, "The last farm crisis", The Nation, November 20, 2000) American farmers are effectively being incorporated into a peculiar collectivisation of agriculture, where those in control are large multinational companies operating all the way along the value chain. And it is this model of growing corporatisation of agricultural and agro-processed commodity production which is being upheld as an example for other countries, and which is effectively being pushed on to a whole range of developing countries such as India. In fact, the current Indian government has already shown that it is very much in favour of such a trend, and has provided further incentives to strengthen such a process in the recent Annual Central Government Budget as well as in the latest Exim Policy. The effects of such a policy on American farmers, who are already quite well off, and financially and politically strong, are now apparent. But this process is likely to be much more devastating in terms of its impact on Indian cultivators, a majority of whom are already operating at the margin of subsistence.

WE ARE NOT ALONE :
Citizen's Struggles Around the Globe

Anti-Government March in Bolivia

In the last week of April thousand of protesters scrambled through police lines and clouds of tear gas Monday , reaching the capital of La Paz to conclude an anti-government march that began two weeks ago. Coca farmers teachers and union activists began the march from Cochabamba , 250-miles by road to the southeast , demanding salary increases. And the easing of the Government's coca leaf eradication program. They also want the Government to undo the privatization of state companies , which has brought massive layoffs.

"With tear gas , without tear gas , we've made it to La Paz", the marchers chanted. Thousands of local residents joined the march Monday from EI alto, a city about 600,000 on the outskirts of La Paz. Supporters filled some streets and pedestrian bridges, cheering on the leader of the march, Evo Morales, a congressman who represent the coca farmers of the tropical region of Chapere. Police fired tear gas at the protesters, who threw rocks in return. The clash left four people injured, including one who was hit in the face with a tear gas canister.

"Hunger forces us to unite," Morales told protester in a plaza before the descent to La Paz. "This government is incapable of doing anything other than using the armed forces against us. It refuses to listen to our demands."

Argentina : Violence Erupts at FTAA Meeting

Anti-free trade protesters bombarded police with Molotov cocktails and rocks in April outside a hotel where Argentine President Fernando de la Rua and Western hemisphere trade ministers were meeting with business leaders. Dressed in riot gear, police fired rubber bullets and shot tear gas to disperse a crowd of several hundred protesters gathered at a major road intersection near the hotel.

Evoking memories of violent clashes that overshadowed a world trade meeting in 1999 in Seattle, opponents of the proposed Free Trade Area of the Americas (FTAA) pact also smashed bank windows and spray-painted anti-trade slogans on buildings at an earlier thousands-strong march through Buenos Aires. "Political leaders, don't come to us with this FTAA, because the FTAA is designed to exploit our people even more," said Hugo Moyano, an official with the Argentine umbrella union

General Labor Confederation (CGT), before the march. The violence contrasted with otherwise peaceful protests this week as trade officials have worked on a blueprint for a next phase of talks to create the world's largest free-trade zone stretching from Canada to Chile.

The meeting was in part a preparation for an April 20-22 gathering of the hemisphere's leaders in Quebec City, where the local mayor urged the summit be cancelled for fear of violent Seattle-like demonstrations. The Americas trade deal, that could be sealed by 2005, would create a free-trade zone linking more than 783 million people who produced $11.4 trillion in goods and services in 1999. But social activists and non-governmental groups say the accord would help line the pockets of corporate giants while exacerbating poverty for millions of Latin Americans.

Brazilian Truck Drivers Strike, Slowdown at Chrysler in Campo Largo, Brazil, and Brazilian Dock Workers on Strike

The strike by truckers in the Brazilian State of Parana over excessive toll charges has been marked by episodes of violence. On February 2 a trucker was shot and killed in Rio Grande do Sul. The strike has begun to affect deliveries of food to the city of Belem, in the northern state of Para, since many of the deliveries of fruit and grain, shoes, powdered milk and other commodities originate in the southern states of Parana, Santa Catarina and Rio Grande do Sul.

Brazilian workers are carrying out a slowdown at the Chrysler plant in Camp Largo in Parana state. The strike began on January 29 in an attempt to pressure Chrysler not to lay off 250 workers at the plant. The company had promised that a new model would be assembled at the facility after announcing the suspension of production of the Dakota pick-up truck. Paulo Pereira da Silva, president of Forza Sindical, has been meeting with Labor Minister Francisco Dornelles in an effort to resolve the impasse.

Also, the 3,500 dockworkers of the Port of Santos in Brazil, the largest port in Latin America, carried out a 24-hour slowdown on January 29. On that day only 8 of 16 ships waiting to be unloaded were being worked on, including 4 grain ships that are unloaded without the help of dockworkers. The other four were being unloaded in a dock belonging to Cosipa, a private Sao Paulo steel firm independent of COSEDSP (the Port of Sao Paulo). The dockworkers want to pressure COSEDSP management into granting pay increases of 4.5 percent and 3 percent, retroactive to 1998 and 1999. The raises had been granted by the Regional Labor Tribunal.

Norwegian Electricity Workers to Strike Over Proposed Outsourcing of Jobs in the Industry

Electricity workers in Norway are to strike on May 11 in opposition to proposed government legal changes they fear will lead to the outsourcing of jobs in the industry. The electricity industry is currently largely under state and municipal control. More than 4,500 electricity workers across the country are to hold a two-hour protest strike on May 11. The power workers' union EL & IT called the action.

The EL & IT has stated that the outsourcing legislation being proposed would mean that work safety as well as the security of supply of electricity would be affected. The union also says that jobs and employment conditions would be severely affected by such changes. The government has so far refused to withdraw the legislation.

London Underground Hit by Drivers' Strike

London Underground was brought to a virtual standstill on Monday by striking train drivers. Ninety-two percent of the network was closed, with no trains at all on six of 12 lines. Just 40 of the usual 476 trains in service ran. The Underground, or "Tube," is a vital component of the capital's public transit system, and carries an average of 2.5 million passenger journeys each day. The 24-hour stoppage, which began Sunday at 17.30 GMT, was the first of three one-day strikes over the adverse effects on safety and jobs that will result from the proposed privatisation of the Underground rail network by the Labour government.

The strike had been originally called by the two main unions covering Underground drivers-the Associated Society of Locomotive Engineers and Firemen (Aslef) and the Rail Maritime and Transport union (RMT)-after a ballot for industrial action returned an overwhelming majority in favour. However, joint action was prevented after London Underground (LU) management successfully won a High Court injunction last week against the RMT. In court, LU management argued that the RMT had not complied with stringent anti-union legislation. They claimed the union had failed to supply them with information pertaining to the numbers of staff participating in the action, and their work location on the Underground. Jeffrey Burke QC, representing LU, told the court, "The purpose of the requirement is to help the employer make plans so as to avoid or reduce the impact of the proposed industrial action." LU made clear that if the strike went ahead, the RMT would be made liable for £3 million of damages for each day of disruption.

The Underground strike threatened to widen public opposition to the government's privatisation scheme. This comes only weeks before the announcement was made regarding which companies have won the contracts to run the newly privatised infrastructure. The government seems to be determined to allow a major role for the private sector in running the Tube. Even the remotest association with workers' grievances over privatisation is viewed as cutting across the rapprochement agreed between the mayor, government and big business. The underground workers have seized upon the opportunity to demonstrate their opposition to privatisation.

Textile Workers in Tamil Nadu Demand Higher Wages

Textile workers in Tamil Nadu are demanding revision of wages. As a result, representatives of the private textile mill management bodies, officials from the National Textile Corporation and the cooperative spinning mills and the leaders of the workers unions affiliated to the eight major central textile trade unions, besides the Regional Labour Department officials have been called recently. These talks, the first one to be held before the State Labour Commissioner on the pending wage issue, has been called in the wake of the joint action council of workers unions, the umbrella body of the State textile workers, sounding a threat of direct action from sometime next month to press the wage revision which is pending for over two years now.

The wage revision for over two lakh workers employed in the organised textile mill sector in the State became due since January 1, 1999, on the expiry of the long-term wage settlement in December 1998. The widespread sickness in the State's textile sector which put many textile mills into financial difficulties had forced most managements to turn lukewarm to the demand for a new wage accord. The textile workers unions too which came out with a charter of new wage demands soon after the expiry of the previous wage accord had to drag their feet on the subject for over two years sensing the mood in the industry.

Finally, when the unions started demanding mill managements to initiate wage negotiations towards last year-end, the managements rejected their demand citing bad market conditions for the textile sector. Many mills went about putting up a counter-demand for the workers unions seeking a cut in the existing wages including a freeze on payment of dearness allowance. In the three rounds of conciliatory meetings held before the JCL, Coimbatore, the apex textile management body, Southern India Mills Association (SIMA), which was called on behalf of the private mill managements in the region reportedly rejected the State Labour Department's suggestion to take up wage talks.

SIMA, it is said, had pointed out that it had no mandate from its member mills to negotiate on the wage issue. If at all the issue was to be considered, it could be considered only at individual mill levels. The joint action council of the workers which met early this month has sounded a warning that the workers would be constrained to launch a strike any time on or after April 8 if the mills refused to come forward to negotiate a new wage settlement by then. The unions have stated that they would be service a strike notice in a few days time to individual mill managements.

Musclemen of TNCs: World Bank and IMF

WB pays $ 15 million to ENRON,

Will force Indonesian Government to cough up the amount later:

In November 2000 the World Bank paid out $15m to Enron through its MIGA division (Multilateral Investment Guarantee Agency) because of the cancellation of Enron's power generation project in Indonesia. This was the first ever claim for the agency.

Enron held a guarantee for its equity investment in PT East Java Power Corporation, which was building a 500 megawatt, $525 million project power plant near Surabaya, Indonesia. The Indonesian government cancelled the project in 1997, in the midst of the country's economic crisis. Enron held a 50.1% stake in the project company. The other partners were P.T. Pasuruan Power Co., 25 % , and Hong Kong- based Prince Holdings Ltd., 24.9%. The local major shareholders include prominent local tycoons Anthony Salim and President Suharto's son, Bambang Trihatmodjo.

The Indonesian government now has to pay the $15m to MIGA. Initially the agency suspended further guarantees of investments in the country until the government agreed to reimburse MIGA the amount paid to Enron.

At the time of the project was suspended in September 1997, the power purchase agreement had been signed, as had the supply contract with the state owned gas supplier, Pertamina. Financial close was reported to be only days away. The Indonesian utility said that the project was no longer viable because electricity demand did not justify it and the tariffs were unrealistically high.

An Enron official in Indonesia said the company is satisfied with the compensation, and said that Enron has not ruled out Indonesia for future private power projects.

IMF tells to surrender right to water as measure for Poverty Reduction:

A random review of IMF loan policies in forty countries reveals that, during 2000, IMF loan agreements in 12 countries included conditions imposing water privatization or full cost recovery. The effect of these conditions is multiplied through World Bank insistence on IMF conditions as well.

"The majority of these loans were negotiated under the IMF's new Poverty Reduction and Growth Facility (PRGF), a reform announced with great fanfare in 1999 when IMF officials claimed that the new loan facility would re-focus the IMF's controversial structural adjustment measures on activities that borrowing government's would identify as leading to poverty reduction. Rather than contributing to poverty reduction, water privatisation and greater cost recovery make water less accessible and less affordable to the low income communities that make up the majority of the population in developing countries."

Eight of the 12 countries identified are in sub-Saharan Africa. In six of the countries, the IMF conditions require some form of privatisation, in four countries the conditions require both privatisation and greater cost recovery, and in two the focus is just on cost recovery.

The countries are : Angola, Benin, guinea-Bissau, Honduras, Nicaragua, Niger, Panama, Rwanda, Sao Tome, Senegal, Tanzania, Yemen.

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