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# Sand in the wheels

Weekly newsletter - n°84 – Wednesday 06 June 2001.

## FOR JUSTICE IN FINANCE

### Content

#### **1- Our World is not for Sale – WTO: Shrink or Sink**

*In order to prepare mobilizations around the WTO ministerial in Qatar next November, organizations have issued a call. We invite you to sign it.*

#### **2- Good Havens ! – For Justice in International Finance**

*On June 9<sup>th</sup>, ATTAC from all over Europe but also unions, will organize a day of mobilization around Tax Havens and thus actions will take place in Jersey and in Andorra. More than a day, a campaign has started "2001. Europe: Tobin Now!" already in France but also in Belgium and elsewhere. From Brussels a call was issued that we would like you to sign (feel free to pass it around in order to gather more signatories).*

#### **3- Good Havens! – Judgment over Clearing**

*An ATTAC group in the European institutions is trying to look into the clearing process. A book published in French put into light what is going on really in international finance.*

#### **4- Good Havens! Jersey – Close-up on a tax haven**

*Jersey is a tax haven. The question is more about how it is organized. That is what this article is trying to explain.*

#### **5- Crisis in Turkey**

*As the Turkish government is negotiating with the World Bank, but also with the US Treasury Department, the conditions for a multi-billions loan, here is a little presentation of the situation. In fact Turkey will undergo radical reforms that will lead in particular to reforms in the agricultural sector, i.e. several tens of thousands peasants laying-off. The Turkish financial crisis, as all the other market attacks on countries will lead obviously to a lean state, a recipe for further privatization and the taking over of the country.*

#### **6- The World Belongs to us**

*Christophe Aguiton is presenting the situation of the world movements against corporate globalization. We have witnessed in the last two years worldwide evolutions in different countries that are leading to a new sense of international resistance and to the uprising a global proposals. World leaders are getting more and more nervous about demonstrators as they grow more and more in number but also in efficiency. Facing the challenges of corporate globalization citizens seem to be the only ones able to propose new ways and solutions.*

#### **7- Genoa - Seven Weeks to Go**

*Drop the Debt is preparing in the UK the Genoa mobilizations that will occur July 19, 20 and 21 during the G8 meeting. You'll read a presentation of their aims and goals.*

#### **8- Debt and Development**

*A very wide coalition of unions, NGOs and diverse movements re-started a debt campaign in France. Of course their first public appearance will be during the G8 Genoa summit. Here is their reference document.*

**Our World is not for Sale – WTO: Shrink or Sink**

Organizations may want to sign this statement.



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<http://www.canadians.org/campaigns/campaigns-trade-notforsale.html>

This is an organizational sign-on letter only. For general inquiries about the statement or for more information on how to sign, please contact Steve Staples at the Council of Canadians [ss Staples@canadians.org](mailto:ss Staples@canadians.org)

It's time to stop corporate globalization and to fight for another world we know is possible. In November 1999, the World Trade Organization's (WTO) Third Ministerial Meeting in Seattle collapsed in spectacular fashion, in the face of unprecedented protest from people and governments around the world. Since then around the world in rich and poor nations alike, millions of people have joined the fight for a just and sustainable future and against corporate globalization.

Despite the promises to improve the system made at the end of the Seattle ministerial aimed at countering the WTO's crisis of legitimacy, no improvements have taken place and instead things have gotten worse. The time is overdue to roll back the power and authority of the WTO. The democratic, transparency and accountability deficits in this institution, which supposedly promotes free trade, have in fact only contributed to the concentration of wealth in the hands of the rich few, growing inequality within and between nations, increasing poverty for the majority of the world's peoples, displacement of farmers and workers especially in third world countries, and unsustainable patterns of production and consumption.

The protestations of workers and farmers, human rights and environmental activists, religious and indigenous leaders worldwide and of third world governments regarding imbalances and problems in implementation of the GATT Uruguay Round Agreements are being swept aside. The WTO's allegedly neutral Secretariat, a group of mainly wealthy governments and the corporate lobbies are struggling to put the WTO back to business as usual - expanding corporate globalization. The built-in review negotiations of the WTO Agreements on Agriculture, Services and Trade-related Intellectual Property Rights have been steered away from review and repair, towards further ravage and ruin.

Governments are being bamboozled and blackmailed to accept a new round of WTO-expanding negotiations at the Fourth Ministerial Meeting to be held in Qatar on 9-13 November.

Seductively nicknamed the "development round", the real agenda for a new round is to expand the scope of corporate access and privileges under the WTO regime to investment, government procurement, competition policy, and more.

Such further benefits to transnational corporations will further put at risk national and local economies; workers, farmers, indigenous peoples, women and other social groups; health and safety, the environment, and animal welfare. All this is taking place in the context of increasing global instability, the collapse of national economies, growing inequity both between and within nations and increasing environmental and social degradation, as a result of the acceleration of the process of corporate globalization.

The time has come to acknowledge the crises of the international trading system and its main administering institution, the WTO. It is time to stop the new round and turn trade around to serve the interest of all. We need to replace this old, unfair and oppressive trade system with a new, socially just and sustainable trading framework for the 21st Century.

We need to protect cultural, biological, economic and social diversity; introduce progressive policies to prioritize local economies and trade; secure internationally recognized economic, cultural, social and labor rights; and reclaim the sovereignty of peoples and national and sub national democratic decision making processes. In order to do this, we need new rules based on the principles of democratic control of resources, ecological sustainability, equity, cooperation and precaution.

In light of the above, we make the following demands of our governments:

#### No WTO Expansion

We reiterate our opposition to continued attempts to launch a new round or expand the WTO by bringing in new issues such as investment, competition, government procurement, biotechnology or by accelerated tariff liberalization. Expanding the WTO into issues such as investment and competition policy or requiring all countries to adhere to WTO government procurement rules (starting with an initial phase of transparency rules), would threaten national self determination and the survival of small and medium sized local firms and farms, remove support for local economies, and cause immeasurable social and environmental damage.



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We also reject the new tactics of the European Union in particular to sneak in investment and competition negotiations by introducing them as plurilateral agreements. There must be a moratorium on further trade liberalization initiatives at the WTO. Instead, the issues of inequity – implementation issues - for developing countries must be urgently addressed. These should not be linked up in the context of further liberalization negotiations.

#### WTO Hands Off: Protect Basic Social Rights and environmental sustainability

It is inappropriate and unacceptable for social rights and basic needs to be constrained or over-ridden by WTO rules. Protections critical to human or planetary welfare, such as food and water, basic social services, education, health and safety, environmental sustainability and animal well-being must not be undercut by commercial agreements. Inappropriate encroachment by trade rules in such areas has already resulted in citizen campaigns on genetically modified organisms, old growth forests, domestically prohibited goods and predatory tobacco marketing.

#### Gut GATS: Protect Basic Social Services AND PUBLIC PROTECTIONS

Areas such as health, education, energy distribution, water, and other basic human services must not be subject to international free trade rules. In addition, the GATS must not limit the ability of governments and people to regulate in order to protect the environment, health, safety and other public interests. In the WTO General Agreement on Trade in Services (GATS), the principle of "progressive liberalization" and the implications of foreign investment in service sectors has already led to severe problems such as deregulation of essential services.

#### Stop Corporate Patent Protectionism – Seeds & Medicine are Human Needs, not Commodities:

All intellectual property policies must allow governments to limit patent protection in order to protect public health and safety, especially patents on life-saving medicines and life forms. The patenting of life forms including microorganisms must be prohibited in all national and international regimes. Current intellectual property rules in trade pacts, such as the WTO TRIPs agreement, obstruct consumer access to essential medicines and other goods, lead to private appropriation of life forms and traditional knowledge, undermine biodiversity, and keep poorer countries from increasing their levels of social and economic

welfare. There is no basis for inclusion of such intellectual property claims in a trade agreement.

#### No Patents on Life

The patenting of life forms and other intellectual property rights over biological resources must be prohibited in all national and international regimes. Genetic diversity is not a category of private property and biopiracy or theft of traditional knowledge must be stopped.

#### Food is a Basic Human Right: Stop the Agriculture Agreement Fraud and Calamity

The Agreement on Agriculture is fraudulent because the subsidies going to export oriented industrial farming have not been reduced (but instead gone up), whereas the small farmers are suffering from import liberalization wiping out their livelihoods and incomes. To avoid further calamities to millions of small farmers, action must be taken immediately to drastically reduce or remove support for export oriented agriculture and to reverse import liberalization

Measures taken to promote and protect genuine food sovereignty and security as well as to promote small farmers practicing sustainable agriculture must be exempted from international trade rules. The trading system must not undermine the livelihood of peasants, small farmers, artisanal fishers and indigenous peoples.

The basic human right to food can only be realized in a system where food sovereignty is guaranteed, meaning the right of peoples to define their own food and agricultural policies as well as the right to produce their basic foods in a manner respecting cultural and productive diversity.

#### No Investment Liberalization

The WTO Trade Related Investment Measures (TRIMS) Agreement must be eliminated. All countries and especially third world countries must have the right to use policy options (such as local content policy) to increase the capacity of their own productive sectors, especially small and medium enterprises. Obviously, the TRIMS review must not be used to extend the investment issue in WTO. We therefore reiterate our strongest opposition to attempts to start negotiations on investment rules, or an investment framework or an investment agreement of whatever kind in the WTO. The proposals for a GATS-type approach, or an initial transparency agreement on investment, or a plurilateral agreement, are only changes in tactics aimed at drawing in countries or groups that have refused to support a more extreme



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investment agreement. The objective of giving unprecedented rights to foreign investors remains the same, and we reject all these seemingly watered-down approaches which have the same ultimate goal as the discredited MAI.

#### Fair Trade: Special and Differential Treatment

Special and differential rights for third world countries must be recognized, expanded, and operationalized in the world trading system. This is to take into account the weak position of third world countries in the international trading system. Without the enforcement of special and differential rights, there can be no possibility of third world countries benefiting from world trade.

#### Prioritize Social Rights and the Environment

"Free trade" puts corporate profits before people and the environment. We need fair trade. Fundamental human and workers' rights must be respected, promoted and realized, as must the environment, health, education, indigenous peoples' rights, development, safety, food security, and animal welfare.

For example the ILO Declaration on Fundamental Principles and Rights at Work, the Convention on Biodiversity and its Biosafety Protocol and the UN Declaration on Human Rights must be actively realized. The WTO must not undermine such genuine international social and environmental agreements.

The importance of promoting, respecting and realizing fundamental worker rights and other human rights by all relevant means includes action at the appropriate international institutions.

#### Democratize Decision-Making

People must have the right to self-determination and the right to know and decide on international commercial commitments. Among other things, this requires that decision-making processes in negotiations and enforcement at international commercial bodies be democratic, transparent and inclusive. The WTO operates in a secretive, exclusionary manner that shuts out WTO Members and the public. It is dominated by a few powerful governments acting on behalf of their corporate elite.

#### Dispute the System

The WTO dispute settlement system is unacceptable in so far as it enforces an illegitimate system of unfair rules and operates with undemocratic procedures and also usurps the rulemaking and legislative role of nations and local governments.

A socially just international trade system will also require change outside the WTO. A socially just international trade system must take prior account of the rights and welfare of the workers and farmers who produce and provide the commodities and services. All governments and all international agencies must address the attacks by multinational corporations and governments on basic workers rights; the reversal of the gains of workers' struggles; the undermining of job security; and the race-to-the-bottom in wages. Workers rights must be strengthened worldwide.

Also, the International Monetary Fund, the World Bank, and the regional development banks must write off 100% of the debts owed to them by poor countries so the countries can reallocate these funds and use for example for poverty eradication and development. The use of structural adjustment conditionality to force trade liberalization in third world countries and elsewhere must be stopped. Governments must negotiate, through the UN system or other appropriate bodies, with full democratic participation, a binding agreement to ensure that corporate conduct is socially and environmentally responsible and democratically accountable.

#### Conclusions and Consequences

We are committed to a sustainable, socially just and democratically accountable trade system. Thus, as a first step, we demand that our governments implement the changes listed in this document in order to roll back the power and authority of the WTO and turn trade around.

We commit ourselves to mobilize people within our countries to fight for these demands and to defy the unjust policies of the WTO. We will also support other people and countries who do so with international solidarity campaigns.

We pledge to carry the Spirit of Seattle around the world and ensure that no new WTO round is launched in Qatar.

Organizations may want to sign this statement.

<http://www.canadians.org/campaigns/campaigns-trade-notforsale.html>

This is an organizational sign-on letter only. For general inquiries about the statement or for more information on how to sign, please contact Steve Staples at the Council of Canadians [ss Staples@canadians.org](mailto:ss Staples@canadians.org)



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## Good Havens! – For Justice in International Finance

By ATTAC Brussels

(surname) (name) (country) (occupation) to be sent to [bxl@attac.org](mailto:bxl@attac.org)

The emergence of financial globalization and the exponential development of the international flow of capital are sustained by the transformation of money into computer data passed automatically from one account to another by way of the international "houses of compensation".

Today, the perseverance of all international financial transactions is assured by the "financial routing" firm Swift, and by two international houses of compensation, Euroclear and Clearstream, that play the role of deliverers and notaries in the globalized financial world.

The work "Revelation" by Denis Robert and Ernest Backes, and the film "The Dissemblers" by Denis Robert and Pascal Lorent, fruit of two years of inquiry, demonstrate that one of the keys to financial globalization is found in the opaque mechanisms of these international houses of compensation.

On the one hand, the rise of private accounts opened via the affiliates of large banks based in fiscal paradises, and the fact that certain industrialists have directly opened accounts without passing through financial institutions, is an enormous source of worry.

On the other hand, as the rush of financial exchanges has been left to the chaos of financial flow, in reality traces of the circulation of capital, whether or not legitimate, are not entirely lost. All the operations are recorded on microfilm or optic discs and held in the depths of the houses of compensation, and in the archives of Swift.

This rather astounding actuality brings hope to the current situation, as it confirms how it is technically possible to assure a way to follow all international financial operations.

That is to say, the movements of funds from the bank and fiscal paradises can be easily reviewed, a process which provides the necessary tools for the fight against financial crimes and against the proliferation of the aforementioned fiscal paradises. For the same reason, the control and

the establishment of a tax on financial transactions are greatly aided.

These opportunities, however, cannot be rendered concrete if only one political disposition dominates.

Moreover, left alone without true controlling measures in place, or worse still left under control by the very banks, these supranational organizations can become the purveyors of corruption, of financial fraud, and of white-washing.

This is why we call upon the national and international political institutions to place Swift, Euroclear, and Clearstream under the democratic control of a guardian organization.

In conclusion, we want to recuperate the space lost by democracy to the profit-driven financial sphere and ultimately permit the establishment of international social and economic justice.

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More information about Good Havens!  
<http://attac.org/jersey2001/>

## Good Havens! – Judgment over Clearing

By ATTAC Euro-institutions

The VD of Clearstream, the clearing society based in Luxembourg that was implicated in the book "Révélation\$", has just been relieved of his functions. The "resignation" of André Lussi, announced by the Financial Times, on Wednesday the 16th of May 2001, comes after the opening of a juridical enquiry by a Luxembourg attorney following on the publication of the book by journalist Denis Robert and the Luxembourg ex-banker Ernest Bakes. The authors of "Révélation\$" were received at the European Parliament at Strasbourg on the 14th of March 2001 for a public audition, at the invitation of the intergroup "taxation of capital, taxation, globalisation" and of Francis Wurtz, President of the group GUE/NLG:

Thanks to this book certain facts saw the light of day. In the midst of Clearstream a system of double accounting existed for the secret accounts of banks implicated in the diversion of funds, such



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as the Russian MENATEP, as well as transactions to tax paradises. At the beginning of the year the society admitted "an accounting error" of 1000 milliard dollars, that caused it to revise its calculations. Deutsche Börse, a German stock exchange society that has acquired 50% of Clearstream's shares, has let André Lussi go, on condition that he resign.

A written question was posed by the member of European parliament Harlem Désir on the absence of controls on Clearstream by the competent authorities in Luxembourg and on the fact that directive 91/308/CE on money-laundering was not respected. The European Commissioner Bolkestein contented himself with answering on the 2nd of May 2001 that Luxembourg had applied the directive satisfactorily and that "the Commission has, at this time, no reason to think that the Luxembourg authorities do not intervene rigorously." In fact, Denis Robert's and Ernest Bakes<sup>1</sup> courageous book was necessary in order that a juridical enquiry should at last be opened.

We demand that the European Commission recognise the full implications of the information revealed in this book. Further, that it should make its own investigations on why, when procedures for controlling the financial establishments were laid down in the directive of the 10th of June 1999, the execution of these procedures are manifest by their absence. We expect the European Commission to ensure that all the Member States effectively apply these procedures in order that money-laundering activities in the midst of the European Union be actively combated.

[Euro.institutions@attac.org](mailto:Euro.institutions@attac.org) group uniting civil servants and employees of European institutions as well as elected Europeans.

Good Havens is a series of actions for the abolishment of tax paradises in Europe within the framework of the campaign "2001. Europe: Tobin now!" A first day will be held on the 9th of June in Andorra and Jersey. For more information: <http://attac.org/jersey2001>

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## **Good Havens! – Jersey – Close-up on a tax haven**

By ATTAC Germany

The quietly dignified, ancient façades of the many banks located in St. Helier, capital of the Channel island of Jersey, present a stark contrast to the bustle of the nearby commercial center where crowds of French and British tourists shop for tax-free watches, clothes, perfumes, and spirits.

As confirmed by the CDU embezzlement scandal, Jersey is one of those tax havens where urban-clad gentlemen can safely deposit their suitcases packed with banknotes in vaults jealously protected from Treasury and legal officers. However, you rarely see either tourists or gentlemen entering the banks in St. Helier; they are not open to the public. Clients do not need to travel to this somewhat remote channel island. Their business is managed by mother companies; after a quick appraisal of a clients' assets, financial advisors will suggest transfers to the Jersey branch. From here on, all operations are performed by phone, post or email.

Eighty international banks, mostly British and American, have opened branches in Jersey. There are very few German banks; after all, they do have Switzerland, Liechtenstein and Luxembourg on their doorstep. In Jersey, the banking industry employs some 10,000 persons, very few compared with the fortunes administered –over GBP 340 bn (approx. DEM 1,100 bn)– since most jobs are located in the parent companies in London, New York or wherever.

Now why should international banks want to establish subsidiary companies on this remote island?

- In Jersey, clients can cash tax-free returns on deposits and tax-free dividends on shares; which must be officially declared in their tax statements in the country of residence.

- Confidentiality can only be lifted by a court ruling and only in rare cases, which do not include enquiries into tax evasion.

The laws regulating the establishment of foundations and head offices ("tax exempt companies") have been tailor-made to accommodate the needs of tax evaders and the banks can perform all the administrative procedures implied in establishing and managing a foundation or an enterprise, as a service to foreign clients.

- Bank industry regulation laws (minimum reserve requirements, shareholders' equity, capital insurance, compulsory declaration to bank inspection services, etc.) are relatively flexible, enabling cost reductions and encouraging certain forms of banking transactions.



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Via these perfectly legal regulatory statutes, banks are able to offer wealthy clients the possibility of concealing capital returns from their respective tax administrations. However, insofar as the money is placed as simple bank deposits or investment funds, tax evasion is not risk free: tax inspection in their home countries can detect fraud through telltale transfer slips or unexplained variations in personal assets (cf. the "Jewish legacies", CDU, Hesse).

Only two of the services available to banks provide their clients with completely foolproof tax evasion schemes, namely the creation of trusts and of tax exempt companies.

Trusts are inventions of the British and American legal systems that make it possible to "entrust" a "trustee" with the management of considerable sums of money for the original owner and his/her descendants. In a tax haven, the advantage is that investment revenues are paid into the trustee's account (in this case, the bank's subsidiary, in Jersey) and no longer have to be reported to the client's tax administration. There are no succession rights to be paid either. Information on the fortunes and the names of a trust's beneficiaries is protected by confidentiality. Trusts are not usually created for fortunes under GNP 1 million.

Jersey banks can also create 'tax exempt companies' for their clients and transfer them by settlement. One condition for tax exemption is that the commercial activities of the companies be located outside the Channel island ("letter box companies"). Such activities are typically asset management, brokerage, insurance, and services. The aim of the game? Companies can virtually relocate their head office or subsidiaries almost effortlessly, and, with the wave of an accountant's wand, hardly pay any tax at all (the only taxes on the island are the yearly forfeit of GBP 600, or the annual 2% tax on benefits).

For instance: a Canadian bank may create a Global Employment Company for a leading oil corporation, this employment company is supposed to use all the foreign resources of the oil corporation. – Aim: neither the Employment Company nor its employees will pay any tax worth mentioning.

Just how big are the sums involved in transactions carried out by offshore-banks in Jersey? According to a report issued by the Jersey Finances Services

Commission for the fourth quarter 2000, banks focus on the following services:

- Opening and management of deposits (sight deposits, savings deposits, and term deposits) – situation at the end of 2000: GBP 117 bn.
- Management of investment funds: GBP 90 bn.
- Portfolio management for wealthy clients: GBP 34 bn.
- Trust management: approx. GBP 100 bn.
- Management of 32,400 "tax exempt companies" – since "letter box companies" are only bound to very rudimentary book-keeping we have no data concerning turnover and capital.

The first point to be made is that most of the capital returns generated by the DEM 1,100 bn placed in Jersey-based banks are not taxed in the owners' home countries. With a 7% return on capital and an average taxation of 40% we can reckon with a loss of some DEM 31 bn each year. To this we must add the losses resulting from the use of letterbox companies and the unpaid succession rights. [By way of comparison: minister of Finance Hans Eichel's savings project involved some DEM 30 bn, i.e. Jersey alone produces more tax deficits than the projected savings of the biggest savings programme ever presented in Germany.]

We can of course wonder whether these DEM 1,100 bn were moved to Jersey only for tax reasons. Other motivations could be :

- concealment or "legalisation" of money of criminal origin –fraud, embezzlement, corruption, narcotics, moonlighting, illegal subsidies to political parties, etc. (money laundering)
- concealment of money from creditors (in case of bankruptcy or oath of disclosure)
- securing capital away from politically or economically unstable countries in the Third World or in Eastern Europe

Information on these further aspects is of course not available. However, it is interesting to remark that a third of the capital invested in Jersey (GBP 117 out of 340 bn) is deposited with relatively little return. 31% of these deposits originate from European countries outside the EU (that is Eastern Europe and Switzerland), 22% from Britain, 8% from the Middle East, 7% from other EU countries, 5% from the USA. 10% of the deposits belong to trustees, i.e. the real owners are not known. Considering the proportion of Eastern European countries we cannot help thinking of the new upper class securing its capital away (flight of capital), of the billions of IMF loans to Russia that

vanished into thin air, or even of the Russian Mafia.

In April 2001 the letterbox company "Trade Concepts Limited" was exposed as being the heart of the economic empire of the Russian arms dealer, Alexander Zhukov, who has earned billions by illegal arms sales to the Serbs.

How do the Jersey banks use the capital they dispose of? They hardly grant any loans. The money is partly de-positated with the mother institutions, partly used on the international finance market (shares, bonds, currencies, derivatives) and here, loose supervision allows operations more daring than elsewhere.

Consequently, tiny Jersey may well play a big part in increasing the billions wandering over the international financial markets. The island is also liable to be hit all the harder in the event of an international crash: there is no central bank here to step in, in the event of looming bankruptcy, and no insurance on clients' deposits either.

The future of Jersey as a tax haven

All publications on Jersey see the future of the island as extremely positive: On the one hand, tax harmonisation in the EU will attract capital from Luxembourg to Jersey since the Channel islands do not belong to the EU. On the other hand, e-commerce offers the island new and unforeseen perspectives:

- Banks can now offer their services world-wide via the Internet.
- Clients can connect directly through the home banking service, without leaving any paper trail that might fall into the hands of tax inspection or law officers.
- Internet-companies can also be registered as 'tax exempt companies'. Not only limited taxes on profits but also the absence of VAT are big advantages on the open market, especially when the EU is considering tax-ing e-commerce. Many new Internet service providers are currently offering their clients registration as 'tax exempt companies' as a free additional service.

Jersey's future also depends on how the international community will –or will not- react to increasing tax evasion. Will they stand by and watch Jersey, along with all the other tax havens, regally ignore the fact that individuals and corporations must pay taxes on their incomes, particularly when they are large incomes, encouraging money laundering and destabilising

the international money market? So far little attention has been paid to tax havens, whether by the public or politicians. In several European, Latin American and African countries, however, initiatives are emerging for a better control on the finance market led by the association known by the acronym ATTAC ([www.attac.org](http://www.attac.org)), initiatives that aim at changing the way things are. The next chapters on tax havens and international finance markets may just turn out to be fascinating!

Some background information on the channel islands:

#### Government

The Channel Islands (Jersey and Guernsey) are politically independent. Both enjoy a broad autonomy in their domestic policy: their parliaments pass laws without any control from London and elect a government that acknowledges the Queen but not the British government. Channel Island citizens do not take part in British general elections. The legal system goes back to Norman times and could be quite interesting to historians of the law. There are no political parties.

#### Economy

The welfare of the 85,000 inhabitants on Jersey depends on the finance industry for 50% and on tourism for 30%. Some of the 10,000 people working in the finance industry are 'immigrant workers' from Britain who have limited work permits. The official currency –the Jersey pound– is bound to the British pound which is also accepted for payments. On the other hand, 60% of bank deposits are made in USD, 5% in Euro, and the rest in Sterling, not counting transactions that have to be carried out in Jersey pounds in order to preserve the currency.

Guernsey is slightly smaller than Jersey, with only 60,000 inhabitants, but the bank industry is just as flourishing there.

#### Links:

<http://www.jerseyfsc.org> Jersey Financial Services Commission: legislation, statistics, directories  
<http://www.findoffshore.com> access to the websites of all offshore banks on Jersey  
<http://www.financeoffshore.com> finance magazine offering information on offshore centres

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## Crisis in Turkey

By Palomo Garrido

In these days preceding summer vacation, German travel agencies conduct a massive advertising campaign highlighting the advantages of traveling to Turkey, due to a profound economic crisis that has flogged the country this spring, provoking the depreciation of the currency by more than a third of its previous value.

The Turkish crisis, alas, is yet another chapter in the never-ending story of successive economic failures provoked by the masses of financial capital. Let's take a look at recent happenings: Since December 2000, the political confrontation between the Evcecit government (of Muslim orientation) and President Sezer has been heating up, particularly when the presidency laid a bastion of laicity on Turkey after the military revolution installed the republic. As Turkey remained without an embargo, the principal source of attack used by either side of the dispute was the well known theme of corruption.

The political dispute soon transformed into economic instability, and the Istanbul exchange began to drop. In February, Turkish banks were no longer able to confront their losses and produced a base of capital that has left the national economy a mere skeleton. In accordance with international recommendations (from the International Monetary Fund, the World Bank, etc.), the Central Bank of Turkey was required to liberally fluctuate the national currency in financial markets. In a short time, the Turkish lire lost more than 40% of its value.

The situation gets worse now as many private investors as well as companies are unable to pay their debts. The economic crisis is widening like a flooding river.

Popular protests have begun against the government and the international organizations (such as the IMF and the WB) who are blamed for the crisis. The government's reply has come in the form of repression administered by the police, and the launching of an SOS to those same international organizations, the IMF, the WB, and the G7. The estimated sum of money deemed necessary to rescue Turkey from this downward spiral is between 10 and 12 billion dollars. If an embargo is not put in place, the recovery of the

Ottoman peninsula will be forced to yield to a series of conditions, which include the following:

Inflation control, a revision of the banking system, deregulation of the economy, and privatization, such as the grand example of Telecom Turkey (the monopoly of national telecommunications). In sum: to apply the politics of "adjustment" with all effort possible. The dilemma is that these measures, having faced much reservation from first world countries, have not been adopted in their full extent by most states forming the central nucleus of the system. As was also the case of the "Asian tigers", Brazil, Russia, Argentina, and now, Turkey.

The reality of the Turkish polemic is that, before the crisis, the State controlled more than 50% of industrial production, 70% of the banking sector and, via its subsidies holdings, the majority of the agricultural sector. The international organizations aforementioned are exercising an immediate reform (in other words, sale) of the system, which translates into deregulation and privatization. As these reforms arrive, the deadlock grows and Turkey moves even closer to the brink of even worse problems, such as the need to import medicine, due to the depreciation of its currency.

The Turkish phenomenon is well worth following with close observation, as we see how any state that does not apply with strict discipline the politics of adjustment recommended by the IMF or WB remains in the especially vulnerable position edging the financial and speculative whirlpools world markets generate. The question is: Is it the necessity of deregulation that has caused this crisis? Or has the crisis created deregulation?

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## The World Belongs to us

By Christophe Aguiton

We are now seeing a recrudescence of social movements nationally and internationally. Their influence has sufficient power to change the course of events. Everything is coming together to permit the emergence of a wide ranging political debate in which the future of the world and alternative solutions to neoliberal policies can be argued.

These debates, even if still embryonic, exist, and important alternatives beginning to appear. They can be presented as three poles:

1)A radical pole, internationalist in nature, opposed both to nationalist and to protectionist responses and to limited reforms which, under a cover of realism, would subject the movements to some international institution—e.g., the UN as opposed to the IMF. However, this pole has a difficulty in formulating coherent broad proposals—actions that it might be able to take like democratic planning, self government, etc.—being weakened by the general crisis due to widely diverse plans of social transformation.

2)A nationalist pole, or one convinced that the nation-state framework alone can guarantee acquired social gains and permit the growth of democracy. We find this pole in wealthy countries, where it can ally itself with protectionist forces thus inhibiting globalization, as well as in the countries of the south, where it often takes on the classical positions of the 1970's Third World. The difficulty for holders of this orientation, as for the "radicals", is to define a coherent and credible plan applicable both for the developed countries and for those of the south.

3)A neo-reformist pole, more common in the northern than in the southern countries, one whose priority is to defend a global reform emanating from international organizations. The latter support "global governance" and are opposed as much to the extreme forms of neoliberalism as to nationalistic tendencies. This pole, the one most sensitive to the sirens of international institutions which seek an opening after Seattle and Washington, is weakened by the narrow room for maneuver now possible within international institutions.

The use of the word pole is not insignificant. It signifies well defined positions which might provide solutions which are coherent and global in nature. Among the players of the movements struggling against the liberal globalization movement, few would recognize themselves as belonging to the classifications we have given. For these classifications do not acknowledge the fluidity of the current debates, one in which each player may assume arguments associated with one or more of the poles. The only interest in our categorization is to permit a better understanding of the lines of force [trans.—thought processes?]

and to outline the coherence of their positions even if at present they are only theoretical.

The return of these broad political debates has the peculiarity that it is taking place essentially outside of the realm of political parties.

In the last decade a doubly faceted movement of opposing tendencies has emerged: One consists of social groups which became globally radicalized, the other comprised political parties moving rightwards under the influence of a realism which contained certain radical aspects (e.g., the Brazilian workers party, parties originating from Central American guerilla movements, etc.). But the situation is more complex, since some union organizations, particularly in Europe, were, starting in the 1980's, evolving to the right, while other political formations were not. But seen with hindsight, this pendulum like movement is a reflection of grander tendencies. The recent participation of numerous leftist parties of Latin America and more especially in Europe in government management has accelerated these processes, none of these governments standing outside of the 'Washington consensus', i.e., the framework of free market globalization.

These contrary movements both have the same origin, globalization.

The social movements are mobilizing particularly against the harmful social and environmental consequences of free market globalization and in this way are creating a opposition much more global in kind. On the other hand, the political parties, especially when associated with their governments, have a tendency to believe that the constraints imposed by this very globalization are unalterable conditions whose brutal effects can at best only be ameliorated.

This different approaches between the political parties and the social movements reminds us of more ancient problems which continue to be the subjects of numerous analyses and studies.

A single notion is important here to demonstrate this The crisis in creating alternatives to liberalism tends to dissolve the link which used to unify parties and social movements in a united vision of a new future. Having only a few strategies to share, each, from its particular viewpoint, sees existing phenomena accelerate. Political parties give precedence to the management of institutions and to participation in the electoral process, while social organizations concentrate on their natural

domain, the management of social action and the organization of an opposition. Starting their prismatic views so different, one can understand how, under particular historic conditions, the political parties and social movements can arrive at such different conclusions.

However, this is not without consequences, especially for young social movements necessarily little affected by past experience. They will have to master these momentous debates in a framework where unions, NGO's and a few intellectuals expressing themselves via think tanks come together.

We must rid ourselves, however, of the illusion of being able to elucidate the profound changes in the world and its momentous tendencies, the so called "trends" of Immanuel Wallerstein. Our sole concern is to permit a few enlightening ideas to emerge. Beyond even the competence and refined analyses of writers, the margins of error at this decisive moment in world history are too great for a simple guiding analysis of the situation.

If it is possible only to have a few guidelines, a few elements to orient militant activities in a way which offers the greatest opportunities to "those at the bottom"—the farmers of the third world, the unemployed, the workers, the young people entering the mainstream in many countries—if all these people can have their voices heard, the goal will be attained.

Christophe Aguiton

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## Genoa - seven weeks to go

By Drop the Debt (UK)

With seven weeks to go before the G8 summit in Genoa I am writing to bring you news of the Drop the Debt campaign.

The last few weeks have seen Drop the Debt take great steps towards achieving a New Deal on Debt with the launching of our report: "Reality Check: the need for deeper debt cancellation and the fight against HIV/AIDS." The report, which includes independent research by leading UK accountants not only proves that the IMF and World Bank could

cancel 100% of the debts owed to them by the poorest countries but offers proposals about how they could practically go about doing it.

Key findings of the report are:

The Heavily Indebted Poor Countries (HIPC) initiative fails to meet the challenge of significant debt cancellation

Average annual debt payments by the 22 countries which have begun to receive some debt relief are being reduced by a mere 27 per cent - or an aggregate \$735 million per year

The World Bank and IMF are the biggest remaining creditors to the poorest countries and independent accountants have confirmed they could write off 100 per cent of the debts of Heavily Indebted Poor Countries without impeding their ability to function effectively

After HIPC debt reduction, the 22 countries will owe more to the World Bank and IMF than to the next 17 biggest creditors put together

Debt cancellation delivered so far is making a real difference to the lives of ordinary people – but it is not enough

Funds released by debt cancellation are making a difference, for example: doubling primary school enrolment in Uganda; vaccinating half a million children against killer diseases in Mozambique; providing three extra years of schooling in Honduras; and financing half of Guyana's national development plan

Both the executive summary and the full report are available on our website: [www.dropthedebt.org](http://www.dropthedebt.org)

Please visit the site to be kept up-to-date with all aspects of the campaign.

The Spring Meetings of the World Bank and IMF in Washington

In the week leading up to the Spring Meetings the Drop the Debt case was boosted by a report by none other than the World Bank and the IMF themselves - the timing could scarcely have been better for us or more embarrassing for them. The paper "The Challenge of Maintaining Long-Term External Debt Sustainability" confirmed debt campaigners' concerns that HIPC does not reduce debt to a low enough level to end the debt crisis



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for the countries involved. Its release gave a renewed urgency to discussions on debt at the Group of Seven (G7) finance ministers' talks at the spring meetings on April 29 and ensured that all the key players not only know about our report but are discussing it at the highest levels. We believe, therefore, at this crucial stage we have everything to play for.

#### Genoa Mobilisation

To keep up the pressure and give us the best chance of success it is vital we have a strong presence on the streets of Genoa. Many people from the UK and Europe who care about the debt crisis are already making plans to be there – we encourage your campaign, especially if your country is not too distant from Italy, to be there as well.

The 'Grand March' on the afternoon of Saturday 21 July promises to be a really exciting and inspiring gathering. Our theme is festive but our message to world leaders insistent: 'Drop the Debt of the world's poorest countries NOW'.

Global Week of Action – focussing on Genoa – let us know what you are planning

We endorse, support and encourage the call for a Global Week of Action against Debt, July 15-21, as decided by the Dakar South-North Consultation on Debt in December of last year. Please let us know what actions you are planning either during the Week of Action itself or in the run-up to it. In the UK for instance, leading charities and many church groups and trade unions are planning actions from the end of June in towns and cities across the country to focus the attention of the public, politicians and the press on the Genoa summit and the fact that the world leaders have to deliver a New Deal on Debt. We will post the information you send us on our website so we can present a complete picture of debt-focussed activities around the world leading up to the G8 summit.

We are looking forward to hearing from you and wish you well with all you are planning.

Yours sincerely

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Partner – Campaigns and Mobilisation

### Debt and Development

By French Coalition on the Debt Cancellation

#### Reference document

We, French civil society organisations, are concerned by the growth of inequalities world-wide. Echoing proposals from our partners in the South, we wish to promote conditions for sustainable development for countries of the South by fighting against the causes of poverty. This is why we have decided to act, continuing actions as part of the campaign "Cancel debt by the year 2000!" so that a broad, just and sustainable solution, may be found to the problem of debt in countries of the South.

1. Today, debt repayment by countries of the South is a major obstacle to their development as it taps resources that should be used to satisfy the basic needs of populations. While debt may not be the only cause of difficulties in these countries, it seriously adds to them and deepens social inequalities. By transferring resources from the South to the North, debt repayment is a predominant factor in the growth of inequalities on a world-wide scale, and is used as an instrument of control by the North over the South.

2. The co-responsibility of lenders and borrowers in a process of debt accumulation, sullied by injustice and illegitimacy, must be recognised.

If today, thanks to actions taken by actors in civil societies of the South and the North, the problem of debt in countries of the South is no longer completely unknown, the unjust and illegitimate character of a part of that debt has still not been acknowledged by governments of the North and credit institutions.

a) In accumulating debt, responsibilities are shared between lenders and borrowers. Too often, official loans of development aid have been granted in the context of defending the political (Cold War context and post-colonial influence) or economic (transnational firms, oil, raw materials) interests of the lenders or of a minority in countries of the South. Loans that are commercial in origin, covered by export guarantees, and private loans, are similarly at the source of uncontrolled debt, contracted to benefit once again, a minority of investors in rich and poor countries.

b) Debt in countries of the South is too often unjust because repaying it weighs above all on the most disadvantaged populations when they have benefited very little and may even have suffered

from contractual loans. Unjust too because, repayment demands continue to be made despite democratic transitions, thereby weakening their being put in place.

c) Debt of countries of the South is too often illegitimate when, for example, it has propped up antidemocratic or corrupt régimes, or has been contracted to finance operations that are legally or morally reprehensible.

That is why cancelling unpayable and unwarranted debt is a question of justice. However, cancelling debt should not be used to obscure how it was accumulated but, on the contrary, should provide the opportunity for shedding light on operations carried out in the past, so that the mechanisms of financing development are revised and corrected.

3. The absence of a satisfactory mechanism for settling the problems of indebtedness leads to a worsening of the situation in countries heavily indebted.

Thousands of people suffering from hunger and extreme poverty in the countries concerned hold the view that repeated refusals by creditors to put in place a solution that is broad, just and sustainable to the problem of debt, are to be condemned.

a) The framework of debt alleviation measures currently in place (HIPC - Heavily Indebted Poor Countries initiative) is inadequate:

- Too few countries: the selection criteria are not appropriate. While the problem of debt affects the majority of developing countries, there are barely 30 countries who stand to benefit, their total debt representing only one tenth of the debt of developing countries.

- Too little debt alleviation: the logic of "supportability" developed by international financial institutions in the context of the HIPC initiative compared with the financial needs to combat poverty in those countries is not acceptable.

- Too slow: the majority of countries will not begin to benefit from debt alleviation until several years have passed. During this time, repayments continue.

- Too many "conditionalities": demanded by creditor countries: the burden of debt has been and remains today a favoured instrument for

imposing programmes of structural adjustment defined by the IMF and the World Bank. Despite some policy reforms from these institutions (Poverty reduction strategy paper - PRSP), partly put in place as a result of criticism, the logic of structural adjustment remains in action and still conditions debt alleviation.

b) The current process offers no solution to debt for all countries of the South.

In selecting a limited list of countries considered to be the poorest and the most indebted, according to unilaterally defined criteria, creditors refuse to tackle.

The question of a settlement for all countries of the South and in particular those countries with intermediate revenue. Today, these countries remain confronted by the problem of debt and the "Paris Club" system (a grouping of main creditor countries) in the face of which they have great difficulty in asserting their rights.

Creditors united in this "Club" where decisions are taken in the most opaque way, are both judge and jury. Too often, their interests are imposed on isolated debtors regardless of the economic, social or environmental consequences.

4. Although France is currently committed to a process of alleviating the poorest countries of their debt payments, much remains to be done.

a) While today France goes beyond the narrow HIPC initiative in proposing additional alleviation measures, it still refuses to cancel all its claims over HIPC. Furthermore, unlike other creditor countries, France refuses to consider the case of very poor countries currently excluded from the initiative.

b) We are also opposed to the method of refinancing by donations, chosen by France as a way of treating public aid for developing debts (paying an equivalent donation instead of cancelling debt repayments).

- This mechanism is not a cancellation since the country continues to pay its debt and remains in debt to France. For us, this is a sign of France's intention of maintaining a strong influence over those countries.

- This mechanism is an additional conditionality. But guarantees on the use of funds will not come about through accumulating conditionalities but by reinforcing democracy.

c) Furthermore, despite some progress having been recorded, France does not offer full guarantees of transparency, notably in reviewing loans and the flow of current repayments. The question of civil society actors playing a part in the use of funds released by debt cancellations has still not been settled.

d) France is not fully taking on its responsibilities within international financial institutions, in particular the question of multilateral debt. To be consistent with its bilateral approach and that of all the G7 countries, France should pursue its cancellation, which is not the case today.

This is why we are asking today that a broad, just and lasting solution be found to the problem of debt in countries of the South.

In order to do this, we demand:

1. Total cancellation of debt in poor countries.  
This cancellation should cover all bilateral and multilateral debts in poor countries, whether or not they have been selected by the HIPC initiative. International financial institutions and the G7 countries have a particular responsibility in this respect, and should proceed to cancel their claims in these countries without future delay.

2. Steps to be taken immediately in favour of countries with intermediate revenue.  
The majority of these countries faced by serious problems of indebtedness, should also benefit from measures aimed at putting an end to the disastrous consequences for populations brought on by excessive repayment of debt.

3. Put in place a broad, just and equitable system of debt settlement for all countries of the South. In particular, this should involve:

a) Setting up an international law to arbitrate the interests of creditors and borrowers. Such a law should consider in particular the question of insolvency, the necessity to set an upper limit on repayments demanded and the illegitimate character of certain credits that have not been used for development, that have been misappropriated or that have been used to support dictatorial regimes.

b) In order for such a law to be applied, an arbitration body should be set up to assert the rights of debtor countries with reference to the

unpayable or illegitimate nature of the debts demanded of them.

4. Establishing a link between cancelling debt and investing in sustainable development. This will require in particular:

a) Abandoning conditionalities of the structural adjustment type.

b) Encourage transparency in the use of funds released by debt cancellations, notably by reinforcing civil society and allowing it to participate.

c) Strengthening efforts to combat corruption in the North as well as in the South.

5. Revising ways and means of financing development so as to inverse the transfer of resources from the South to the North and to help countries of the South to access funding that will permit the creation of conditions for sustainable development and a reduction of inequalities. In particular this will involve:

a) Guarantees so that future funding be allocated under satisfactory conditions and used for sustainable development.

- Greater transparency as much on the part of funders as receiving countries.

- Recognition and development of the role of parliaments and civil society organisations in the control of public finances, especially on questions of lending and borrowing.

- A quantitative and qualitative increase in Public aid for development.

- Control over the activity of export credit agencies.

b) Far-reaching reforms of the policy of international financial institutions so that they work in favour of sustainable development.

c) The restitution of embezzled funds so that they can be reinvested in the development of the countries concerned. In particular, this implies reinforcing efforts to combat tax havens and banking secrecy.

d) Better control over the activity of private financing or investment actors (banks, pension funds...)

e) International trade rules more favourable to poor countries.

Debt and Development

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