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Newsletter 86- page 1(1)
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Sand in the wheels

Weekly newsletter - n°86 – Wednesday 20 June 2001.

PEACE

Content

1- The violence at Gothenburg

In Gothenburg besides the tens of thousand peaceful demonstrators and the successful mobilizations, a handful of persons disturbed the city violently crushing windows in particular. For the first time in Europe the police shot demonstrators. One of them was hit in the back and is in a critical state, others were injured. The debate on violence therefore started. This is one of the opinions.

2- From Gothenburg

During the counter-summit hundreds of different groups gathered together. This was also a time for all the ATTACs in Europe to organize a meeting.

3- Hunger Strike ATTAC Tunisia

ATTAC Tunisia, RAID in Tunisia, has problems since its creation with the Tunisian Government. Last year its president was jailed. Now they have started a hunger strike to protest against the fact that Tunisia by holding back their passport, are keeping them in fact in a "civil jail".

4- WTO Tidbits

The dismantling of Pakistani state aid to agriculture for the sake of a loan is highlighted this week. The saga of the launch of a new Round goes on; the EU-US dispute on tax concessions to US firms abroad goes to the DSB; more on the US versus Australia/New Zealand dispute on lamb imports; the launch of a World Trade University (!); and an international opinion poll on globalisation.

5- After Dirty Air, Dirty Money

The new US government is obviously helping Tax Havens and of course money laundering systems despite their previous stand in international organizations in particular. This new situation is not a mistake but a real stand toward an international financial architecture without rules and laws.

6- Tobin Tax

A reunion will be held next week in the European Parliament to discuss the currency transaction tax and the opportunities offered during the Belgium Presidency of the Union.

7- Why We Must Open the Meetings of the IMF and World Bank Boards

In this analysis the secrecy of the international financial institutions meetings and decision making process is opposed to national regulations and even development.

The violence at Gothenburg

By Christophe Aguiton

Nothing justifies the resort to firearms which were used in Sweden, the first time in a demonstration in a country of the European Union since its creation... We have to be in favour of the non-violent demonstrations. Besides an organisation

like ATTAC has never participated and will never participate to acts of a violent nature.

We face a double trend. On one hand, there is an overall extension of the fight against the " liberal globalisation "; opinion polls are showing an increasing anxiety of the majority of the people. On the other hand, we can see the exasperation of some militant circles and sectors of society which



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are the first victims of the reorganisation of the capitalism, unemployed persons' demonstrations or workers conflicts such as Cellatex (last July, dismissed employees threatened to poison a river in the Ardennes, France, editor's note).

Since Seattle, there is no summit which is doubled by one counter summit and by larger and larger demonstrations. Everywhere the expressed demands are the same: answer social aspirations (fight against the disparities, growing job or social insecurity), environmental aspirations (refusal of multinationals taking control over the planet common wealth) or democratic aspirations (people want to weight on the choices which determine the future of the planet).

There is no confusion of targets, on one side international institutions (WTO, IMF...) having often little democratic mandate and on the other side the democratically elected chiefs of state (European summits). At the beginning, the European Union was not conceived as a strictly economic entity. Now, it appears henceforth as a stepping stone for the " liberal globalisation ", where the social and political issues are not enough taken into account.

Actually, the world social movement is by nature internationalist and it is not, on the whole, anti-American or anti-European. There is no risk of a return to "sovereignism" or to nationalism. But, while on environment issues, Europe makes progresses, almost nothing is done on social subject. The Union appears to be more a device for eroding the social progress and the public services rather than a tool guaranteeing new rights.

One should so understand the impatience and the frustrations of hundreds of thousand activists who still not see inflection in the policies. The first question that our governments should address, is why the anger rises up and how to get the means for another policy. There is a deep transformation of the capitalism, its functioning and its rules. And faced to this overall transformation, the reactions are multiple. There are the demonstrations during summits and also reactions expressed against the redundancies made for the stock-exchange conveniences (Danone, Marks and Slip-over). There is the Irish vote against the treaty of Nice, a sign of a real social and democratic unrest, or a considerable ascent of the abstention, in France, in the United States, in Italy. Finally, there are campaigns against the debt or for the institution

of the Tobin tax or the conferences as Port Alegre, which pave the way for alternatives.

Thanks to this, the question is no more, as in the 70s, in the great majority of the cases, to conquer the Power via revolutionary organisations, but to find other ways for radical protest. We can see especially the emergence of much wider alliances, with the peasant organisations, numerous NGO, the syndicates (as the American AFL-CIO), and the associative world.

Christophe Aguiton

This article is the adaptation of an interview realised for the newspaper Liberation, copy n°6248, 18/06/2001.

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From Gothenburg

By Christophe Ventura & Per Wikman

The top meeting in Gothenburg started on Thursday when George W Bush arrived in the EU-USA Summit in Gothenburg. The president was greeted by 10 000 people demonstrating under the common denominator "Bush Not Welcome" and over 1000 people performing the world largest "mooning" (to moon somebody means showing your disrespect by showing your behind).

Attac's activities in Gothenburg started on Wednesday with a public debate with representatives from all the major participating demonstrators, including Attac. The demonstrators confronted the Swedish prime minister, which is also the current chairman of EU, Göran Persson, in a 3 hour debate. The debate was called the "confrontative dialogue" and the goal was not to reach agreement, but rather to define positions and demands in opposition to the Swedish government and the EU. The debate included topics like globalisation, social deconstruction and neo-liberalism. The event was in large part arranged by Attac and rendered a massive interest from national and international media. The debate was a small step against having a constructive dialogue with the government and the EU, but it takes more than a three hour session to have a serious discussion. The debate showed that the government is not yet ready to listen to the demonstrators, and instead finds it more important to make rhetoric good-sounding statements.



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The calm Wednesday was followed by a dramatic Thursday. It started Thursday morning with the police surrounding the Hvitfeldtska gymnasiet, a sleeping place for 1000 demonstrators and an activity center where meetings, debates and seminars would take place. The police believed that the demonstrators were preparing weapons and violent actions and decided to siege the building. However evidence suggests that there were no weapons present and that the police had planned this long in advance. This result of all this was more violence and mass-arrests giving a very bad and sad start to the summit in Gothenburg.

Attac and the other major demonstrations (more than a hundred different groups, including unions, NGO's and political parties) are determined to not let provocations destroy the rest of the planned activities and mass-demonstrations. The "Bush not welcome" demonstration on Thursday was very peaceful and happy. It included samba music and a lot of humor and irony, for example a 3 meter big head of George W Bush telling authentic (and stupid) quotes of the president. Thursday was also the first day of the "Forum of the Free Word" - a three day festival containing hundreds of seminars and debates, but also music, art, theater and dance.

Friday a big Anti-EU demonstration is organized, Attac is however not part of that as an organization. Attac is instead focusing the day on the seminars and cultural events, as the "deft football". The football is describing the game of the century: the game between north and south. The football field is located in a slope, the judge is not so fair and the players are extremely unequal!

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Hunger Strike ATTAC Tunisia

By ATTAC Tunisie - RAID
Tunisia / Hunger Strike / Passports

On the 14th of June 2001 we are starting an indefinite hunger strike with the aim of obtaining the return of our passports which have been confiscated by the Ministry of the Interior in arbitrary fashion. None of us will break this strike as long as this demand is not met and all our passports are restored to us.

We join with the International Day of support for and solidarity with all Tunisians who have been deprived of their passports which will take place the same day.

Mohamed Chourabi : Founding Member of the Rassemblement pour une alternative internationale de développement (RAID-Attac Tunisie) and trade-unionist, teacher, request for renewal November 2000 at the Soliman commissariat. Imprisoned 8th of April-8th of May for his activities in associations.

Mohamed Jelassi : Founding Member of RAID, researcher in linguistics, Request submitted in Soliman in March 2001.

Abbes Hanachi : Founding Member of RAID, teacher and trade-union officer, request submitted in Soliman in December 1998.

Sadri Khiari : Member of the organizing committee of RAID, founding member of the National Council for Freedom in Tunisia (CNLT), artist-painter, Request submitted in El Menzah in June 2000. The removal of his passport prevents him from defending a thesis concerning political science at the 1er Université de Paris VIII.

As a sign of solidarity, Fathi Chamkhi, President of RAID, will join us in our movement.

In addition, two other members of RAID are also deprived of their passports.

They are :

- Ali Ben Salem, retired, felagha, founder member of the CNLT, former political prisoner. Also deprived of his pension and of his medical cover.

- Abdelmoumen Belanes, former political prisoner (POCT), request for renewal the 4th of September 2000 May we point out that Tunisian legislation guarantees the right to circulate freely as do the international conventions ratified by Tunisia.

The hunger strike will take place at the RAID's headquarters, Cité el Khadra 9, Bloc F9, appt. N°2.

Tel./fax. : 00 216 1 770 182

Email : sadri_khiari@yahoo.fr

We call for all supporters of democracy to support us in every possible way especially by writing to the Tunisian Interior Minister mint@ministeres.tn



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and to the Human Rights minister (Fax: 00 216 1 570 842).

WTO Tidbits

By the ATTAC workshop on International Treaties

1) For the sake of a World Bank loan of \$300 million, Pakistan is to dismantle its system of support for agriculture

Scrapping its price support for agricultural products : this is the World Bank's condition for this loan to Pakistan. Another loan of \$200 million from the Asiatic Development Bank is likewise tied to market reforms.

According to the Action Group for Sustainable Development, a coalition of groups working for farmers' rights, these plans "will be a serious blow to a population which is 70% rural and solely dependent on agriculture". The Group takes a firm stand against the absence of government involvement in the decision to liberalise agriculture. Some say that these plans could lead to the displacement of 30 million farmers.

2) Launching a new Round : "Nothing is yet settled" (M. Moore at the OECD meeting)

While the Ministers of OECD countries re-affirmed their commitment to launching a new Round, and Pascal Lamy spoke of Zoellick's "generous support", M. Moore reminded the meeting that "the launch of a new round could only be envisaged if problems of development were approached in such a way as to give satisfaction to those left by the wayside"

3) The EU-US dispute on the system of taxation of US companies abroad could soon flare up

"It would be like using a nuclear weapon against the multilateral trade system" (Declaration of R. Zoellick to the European Parliament on May 15th). The EU asked the DSB for permission to suspend trade concessions to the amount of \$4.43 billion (the US system in question, which reduces taxes for US companies using off-shore trading firms, is considered to be a form of subsidy amounting to some \$4 billion yearly).

4) The US accuses the DSB Appeal Chamber of creating new obligations

In the dispute with Australia and New Zealand (on the US safeguard measure against lamb imports

from these countries, which has been condemned on appeal), the US representative in Geneva accuses the Chamber of creating "new obligations", not written into the WTO safeguard mechanism. After having first of all made trade concessions, the US considers that it "could in all confidence take temporary measures to help its industries", and that safeguard measures were one of the "critical elements of the general balance between rights and obligations according to WTO agreements".

5) A signature to outlaw the 12 main toxic pollutants

The Stockholm Convention on Persistent Organic Pollutants (among them DDT and dioxine) is to be signed by 120 States. These include the US, for which the implementation of this Convention is far less onerous than the Kyoto Protocol on Climate Change, which it has refused to sign. In fact, most of these pollutants are already forbidden in the US.

6) The World Trade University was launched at the 3rd UN Conference on the Least Developed Countries.

This is destined to publicize the multilateral trading system among the least developed countries, developing countries, and those with transitional economies. The headquarters will be in Toronto, with campuses to be opened in Africa and Asia.

7) An opinion poll on globalisation

This poll, carried out by visit and phone call in 20 countries, representing 65% of world population, shows that 26% think that globalisation is not good for them, 55% that it can bring them something favourable (only 10% being strongly convinced of this), while 19% have no opinion. A majority of the sample feels that it will be harmful to their national culture (this factor attracts the most negative opinions, 25% being very convinced, 33% thinking it likely), and that human rights (39%) and environmental rights (27%) are priorities for more stringent international controls, followed by social rights (10%), before international trade (7%) and investments. Only 1% of the sample considered that none of these sectors deserved more controls.

What is also noted is a rejection of traditional authority; a large majority (65%) preferring to put trust in NGOs (a slightly smaller number (58%) in



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religious communities – 81% in the case of Americans, for whom the Churches come before the NGOs). National governments (45%) and transnational companies (42%) come much lower in the scale of confidence accorded to them. (Europeans and Latin Americans are those with least confidence, North Americans (about 60%) expressing the greatest confidence). Governments, on the contrary, are accorded most confidence by well-educated, high earning, young people.

Fundamental changes in the process and content of the globalisation agenda will be necessary to regain public confidence.

(poll effected with a sample of 1000 adults per country between December 2000 and January 2001).

Work Group "International Treaties",
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After Dirty Air, Dirty Money

by LUCY KOMISAR

When Treasury Secretary Paul O'Neill said after the February meeting of the top industrialized countries, known as the G-7, that a European initiative to clamp down on money laundering "is not about dictating to any country what should be the appropriate level of tax rates," it was clear that the game was over. For about eighteen months the United States had signaled that it was serious about joining the Europeans in modest efforts to deal with the tide of illicit money that washes around the world. Now, the Bush Administration was saying that it was backing off the US commitment to reform the offshore banking system. Instead, the "tough on crime" Republicans would stand shoulder to shoulder with the shady characters in Nauru, Aruba, Liechtenstein and elsewhere who offer state-of-the-art financial services for crooks.

The immediate issue was an initiative by the Organization for Economic Cooperation and Development to stop tax evaders from hiding money in offshore havens. The OECD last July named thirty-five jurisdictions that offered foreigners secrecy, low or no taxes and protection from inquiries by home-country legal and tax authorities. It said it would take "defensive measures" against countries that didn't change those policies, and it began negotiating with such worried targets as the Cayman Islands.

In April, O'Neill rebuffed pressure from France, Japan and Italy to reiterate US support for the initiative. Then in May, without prior consultations or negotiations with allies (à la Kyoto), he announced in a newspaper Op-Ed that the OECD demands were "too broad" and withdrew US support. French Minister of Finance Laurent Fabius publicly expressed his concern, saying that "until now, the United States and France were at the forefront of this fight." Le Monde editorialized, "After dirty air, dirty money."

The Bush Administration's actions represent a continuation of policies--interrupted only by the brief Clinton moves--that go back to the Reagan era, and that in the past have been defended as based on US opposition to impeding the free flow of capital or decreasing other countries' reliance on the dollar. "Treasury was looking to free up economies, not regulate them," says Jonathan Winer, a former high-level crime-policy official in the Clinton State Department.

Others take a darker view of US motives. Jack Blum, a Washington lawyer who co-wrote a 1998 report for the United Nations on the offshore phenomenon, says US policy has been influenced by the fact that "the hot money from the rest of world [fueled] one of the greatest booms in the stock market" and the fact that big brokerage firms "find it profitable to run private banking operations for rich people all over the world who don't want to pay taxes." He estimates that at least \$70 billion in US taxes is evaded annually through offshore accounts. That is just above the \$65 billion in the projected federal budget for education, training, employment and social services. Elsewhere, Oxfam International calculates that money sucked out of developing countries to tax havens is \$50 billion a year, nearly the size of the \$57 billion annual global aid budget.

Says Joseph Stiglitz, former chief economist of the World Bank, "You ask why, if you believe there's an important role for a regulated banking system, do you allow a nonregulated banking system to continue? The answer is, it's in the interests of some of the moneyed interests to allow this to occur. It's not an accident; it could have been shut down at any time."

The offshore system started with the Swiss, who in the 1930s opened numbered bank accounts purportedly only to hide the money of victims of



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the Nazis. People who feared confiscation of their wealth would deposit it in accounts identified by number, not name, so the Germans could not trace and seize funds. The money could be claimed only by someone who knew the number.

From the beginning, reputable uses provided cover for disreputable ones. French elites put money in Switzerland to evade taxes, and in the 1950s, mobster Meyer Lansky, who got worried after US crooks were nabbed on tax evasion, bought a Swiss bank. His operatives would deposit cash in Miami banks as earnings from his Havana casinos, then wire-transfer it to Switzerland, safe from US investigation and seizure. Increasingly, rich people all over the world went offshore to evade taxes.

Big banks discovered that there was profit in helping such people, and they established "private banking" departments with offices in secrecy jurisdictions such as the Cayman Islands and Switzerland. Private banking profits are generally twice those of most other departments, but clients think they're getting a bargain. Some open offshore accounts with foreign brokers who handle investment funds free from income and capital gains tax. To access cash, clients get credit cards issued by offshore banks and stock brokerages so that records of accounts and charges are not on file at home.

Corporations use offshore banking to move profits to jurisdictions that tax them less or not at all. Using "transfer pricing," a US company that wants to buy widgets in Hong Kong makes the purchase through a trading company in Grand Cayman. The trading company, which it secretly owns, buys the items in Hong Kong, then resells them to the US parent firm at a falsely high price, reducing taxable US profits. Between 1989 and 1995, nearly a third of large corporations operating in the United States with assets of at least \$250 million or sales of at least \$50 million paid no US income tax.

Criminals of all stripes depend on offshore. In May 1994 the UN embargoed arms to Rwanda, but arms traffickers based in Britain, France and South Africa used offshore financial centers to carry out their transactions. In 1999 the German secret service reported that a Liechtenstein combine using secret foundations, companies and bank accounts served the international drug cartels, and particularly the mafias of Italy, Colombia and Russia.

Today, there are about sixty offshore zones. With 1.2 percent of the world's population, they hold 26 percent of the world's assets. According to Merrill Lynch & Gemini Consulting's "World Wealth Report," one-third of the wealth of the world's high net-worth individuals, or nearly \$6 trillion, may be held offshore. Offshore havens also hold an estimated 31 percent of the profits of US multinationals.

As offshore banking has grown, so has an awareness that it harms the public interest. In 1970 Congress voted to require taxpayers to report foreign bank accounts. In 1985 a Senate investigations subcommittee report said offshore thwarted the collection of "massive amounts" of taxes, guessing at up to \$600 billion in unreported income.

In 1989 the G-7 countries created the Financial Action Task Force, largely to deal with drug-money laundering. However, Stiglitz, who served as head of President Clinton's Council of Economic Advisers before going to the World Bank, says the offshore issue "didn't come up much" in the United States until the Asia meltdown in 1997 and subsequent problems.

One of the causes of the Japanese financial crisis was the collapse of Daiwa Bank and Yamaichi Securities, which used offshore accounts to hide losses. Then there was the Russian bank disaster of August 1998, caused by crooked managers lending massive amounts to offshore companies they secretly owned, and the failure a month later of Long-Term Capital Management, which routed its transactions through the Caymans, where they were invisible to US and other countries' regulators.

Stiglitz recalls, "Everybody said you need more transparency. But it has to be comprehensive. People said if you're going to be comprehensive, you have to include offshore countries and hedge funds. At that point, the United States and Britain began talking about the advantages of nonfull disclosure--that if all the information were made public, you'd have incentives not to gather it. This argument was never used earlier, only when it came to US offshore banks and hedge funds." Stiglitz says that then-Deputy Treasury Secretary Lawrence Summers was the one who voiced the concerns but that "behind it were the hedge funds and offshore centers whose advantages lie in secrecy.... He was reflecting those interests." He added, "If you said the United States, Britain and the major G-7 banks will not deal with offshore



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bank centers that don't comply with G-7 bank regulations, these banks could not exist. They exist because they can engage in transactions with standard banks."

By the time the G-7 met in Washington in April 1999, the Europeans were also raising concerns that the offshore system threatened their own countries' welfare because it facilitated tax evasion. French Finance Minister Dominique Strauss-Kahn offered a proposal that offshore centers that failed to properly regulate accounts and cooperate with law enforcement be cut off by the world's financial powers. He proposed that the G-7 require financial institutions to identify their customers; report suspicious transactions of high amounts involving individuals or legal entities with accounts at financial institutions in poorly regulated jurisdictions; and, as a last resort, ban financial transactions with countries or territories whose procedures were unacceptable.

It was not an issue at the top of the agenda for Treasury Secretary Robert Rubin (now co-chairman of Citigroup). When I saw Strauss-Kahn after the April 1999 meeting, he told me that Rubin and other G-7 leaders had turned down his proposals. He also got a negative response from banking leaders in Washington. He said, "They didn't want to hear about it. They all use the offshore centers." Rubin denied this account when I questioned him later at a speech he gave in New York, but he declined repeated requests to clarify what he did say.

After Rubin's departure from the Treasury, the United States began to show more interest in the subject. Summers had a deputy analyze the connection between offshore and the financial crisis, and the Administration worked with Republican Jim Leach, chairman of the House Banking Committee, to write legislation banning anonymous bank transfers into US banks from abroad. (That bill, and companion ones in the Senate, were blocked by majority leader Dick Armey and Senate Banking Committee chairman Phil Gramm, both of Texas, after the Texas Bankers Association said it would hurt the banks' business with Mexico. A Clinton official commented, "If Texas bankers know their customers, they know whom they're dealing with, and if they're dealing with Mexican banks, they know there's dirty money.") The shift to a Democratic Senate means Carl Levin, now leading the movement to reform offshore, will likely get a hearing for his bank-transfers bill.

In June 2000, after a decade of toothless pronouncements, the Financial Action Task Force, set up by the G-7 in 1989 to fight drug-money laundering, issued a "blacklist" of fifteen countries that maintained bank secrecy even in the face of criminal investigations: the Bahamas, the Cayman Islands, the Cook Islands, Dominica, Israel, Lebanon, Liechtenstein, the Marshall Islands, Nauru, Niue, Panama, the Philippines, Russia, St. Kitts and Nevis, and St. Vincent and the Grenadines. Banks were asked to exercise "reinforced vigilance" in dealings in those countries. The list, while a move forward, was highly political. Britain refused to allow its notorious offshore dependencies--Guernsey, Jersey, the Isle of Man, the British Virgin Islands and Gibraltar--to be included. France's protectorate Monaco also evaded the list.

Jean-François Thony, until last year program manager of the UN Global Program Against Money Laundering and now a French judge, said, "Britain said to France, 'If you want to include the Channel Islands, we will ask Monaco to be put there as well.' Now the French government is very tough on Monaco, but France has something to do with the fact that the situation has lasted for so long." French banking authorities oversee Monaco. Antigua was excluded at the insistence of Canada, which represents it on the board of directors of the IMF. Thony added, "There's a lot of hypocrisy, pointing the finger at those countries which are supposed not to comply with international rules when the banks really operating them are the major banks of our countries. That is the heart of the problem."

Following publication of the task force list, a host of countries announced they would adopt laws or regulations to combat money laundering. Winer, the Clinton Administration official, said it would take several years to judge how genuine the reforms were.

In the wake of O'Neill's recent comments, some tax havens pulled back from negotiating with the OECD, confident that the Americans will keep offshore safe for tax evaders and other crooks. Meanwhile, even among groups concerned about drug crime, the ills of globalization and wealth disparities, there is little pressure for reform. While the Europeans can be expected to continue their modest efforts, not much will change unless the United States decides to participate. Until then, international banks will continue to make it easy for dictators to loot their countries and the



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rich to evade taxes, while ordinary citizens underwrite ever more of the cost of government.

Lycy Komisar. ikomisar@msn.com

Tobin Tax

By European Union Group

Next week a reunion will be held under the European parliament concerning the Tobin Tax that should help the mobilizations at different levels during the Belgium presidency starting in July.

Economist hearing on "Tobin" Tax followed by a round table. What possible initiatives during the Belgian Presidency?

Wednesday 27 June 2001

Organised at the European Parliament – 60, rue Wiertz – 1047 Brussels - Room 1G3
by the European Parliament Intergroup "Capital Tax, Fiscal Systems and Globalisation" supported by the NGOs ATTAC, War on Want, Solidar

9h00: Welcome

9h30: Introductory remarks by Francis Wurtz, President of the GUE /NGL Group of the European Parliament

9h40: Currency Transaction Tax: For what purposes? How might it be enforced?

Presentation by Anthony Clunies-Ross, Professor at Strathclyde University, Glasgow and Bruno Jetin, Assistant Professor at the University of Paris XIII and a member of the ATTAC-France Scientific Council

Chairman: Danielle Auroi, Member of the European Parliament (Greens, France)

10h20: Question Time from Parliamentarians

10h30: Proposal for a two-tier tax on currency transactions

Presentation by Paul Bernd Spahn, Professor at Goethe University, Frankfurt

Chairman: Reino Paasilinna, Member of the European Parliament (PES, Finland)

11h00: Question Time from Parliamentarians

11h20: Economists Conclusions

11h30: "Tobin Tax" and European Treaties

Presentation by Lieven Denys, Professor of European Fiscal Law at Brussels Free University

11h40: Possible initiatives during the Belgium Presidency of the European Union?

Chairman: Harlem Désir, Member of the European Parliament (PES, France) and President of the 'Capital Tax, Fiscal Systems and Globalisation' Intergroup

CHARLES PICQUÉ, Minister for Economy and Scientific research, responsible for Urban Policy

Dirk Van der Maelen, Member of the Belgian Parliament, President of the working group on the Tobin Tax

Pierre Jonckheer, Member of the European Parliament (Greens, Belgium)

Sophie Charlier, Representative of the "Belgian network against financial speculation"

12h50: Conclusions by Glyn Ford, Member of the European Parliament (PSE, UK) and Secretary of the 'Capital Tax, Fiscal Systems and Globalisation' Intergroup

13h00: End

More information: euro.institutions@attac.org

Why We Must Open the Meetings of the IMF and World Bank Boards

By Robert Naiman

Why We Must Open the Meetings of the IMF and World Bank Boards: the Case of User Fees on Primary Health in Tanzania

One of the most controversial "structural adjustment" policies promoted by the World Bank and the IMF is the imposition of user fees on primary health care and education. These user fees have been associated with lower school enrollment and reduced access to primary health care. For some years, the World Bank, while acknowledging problems with the implementation of user fees, defended them in principle on the grounds that there were, or were supposed to be, exemptions for the poor, even though, as the World Bank was eventually forced to admit, the track record indicates that exemption schemes do not work.

In response to the World Bank's refusal to abandon support for user fees on primary health and education, in October, 2000, the United States Congress passed legislation requiring the United States representatives at the International



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Monetary Fund and the World Bank to oppose any loan or debt relief agreement which included "user fees" on access to primary health care and education. [1] This legislation was supported by a broad array of civil society groups in the United States, including the AFL-CIO trade union federation, which stated, "The IMF and World Bank should not condition one dollar of debt relief or development financing on the creation, expansion, or continuation of a user fee program by a borrowing country. No loan agreement, decision point document, or poverty reduction strategy paper should contain such a requirement, and the United States must make it clear to the Bank and the Fund that future support for these initiatives will depend on the institutions' assurances that user fees have been eliminated. Of course, the U.S. Executive Directors must also be instructed to vote against any program or document that includes user fees." On the question of exemptions for the poor, the AFL-CIO noted, "The World Bank's own Operations and Evaluation Department and its most recent World Development Report have recognized the limited utility of exemption programs in mitigating the harm caused by these user fees." [2]

One month later, the "Poverty Reduction Strategy Paper" [PRSP] for Tanzania came before the World Bank and IMF boards. The PRSP is purported to be a planning document prepared by developing country governments, in consultation with the IMF and the World Bank, with broad civil society participation, which outlines a plan for reducing poverty in the country in accord with the reformed focus of the institutions on poverty reduction in poor countries announced as part of the "enhanced" debt relief initiative agreed to at the G7 meeting in Cologne.

The "interim" PRSP for Tanzania had included user fees on primary health care. Non-governmental organizations and Members of Congress who had supported the legislation requiring the U.S. to oppose user fees on primary health care and education wrote to the U.S. Treasury Department, then still under the supervision of the Clinton Administration, and reminded Treasury that law required the U.S. to oppose the Tanzania PRSP if it included user fees on primary health care. At the time of the Board meeting, the Tanzania PRSP - a document that supposedly resulted from a broad consultation with civil society in Tanzania - was a secret document.

What actually happened at the Board Meeting is known with certainty only to those who were

present, because the Board Meetings are secret, and no minutes are publicly available. However, there is a summary of the discussion. This is a secret document that is only distributed to Bank and IMF management and government representatives. The cover page states: "This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization." [3] In this case, the document was leaked to non-governmental organizations. The summary is a redaction of the minutes, in the sense that it does not indicate who said what, a critical piece of information for holding governments accountable for what policies they support or oppose at the institutions.

Nonetheless, in this case the summary is telling. The summary contains the following sentence: "Staff noted the concern of many NGOs over the existence of user fees in the health sector but pointed out that the poor were exempt from these charges."

But the non-governmental organizations that were concerned about the inclusion of user fees on primary health care were concerned precisely because exemption schemes have failed. Thus, while "noting" the concern of NGOs, the institutions were in fact completely ignoring them. But what is even more telling is that this is the only mention of the issue of user fees on health care in the document. The document summarizing the discussion is seven pages long, and has a specific section on health care. Yet while the concern of NGOs is noted, there is no record of any government representatives in the meeting registering any objection or concern. While the summary does not tell us who said what among the government representatives, it does tell us that no government representative - including the United States representative - said anything on the subject whatsoever, unless we are to believe that an objection or comment by the representative of the government holding one-fifth of the shares of the institution would not be considered noteworthy by the staff person preparing the summary of the discussion.

It is a remarkable fact, that even when the United States Congress, which controls U.S. appropriations to these institutions, went to the trouble of passing a specific law requiring the U.S. representative to oppose a particular policy, the U.S. representative apparently had nothing to say



when the subject was discussed in the Board meeting.

It might be thought that this is a matter solely between the United States Treasury and the United States Congress. It is not. It is precisely because the meetings of these organizations are secret that it is up to the discretion of the government representatives to share what information they like and represent their governments as they choose.

Notes: [1] Public Law 106-429, Section 596. "The Secretary of the Treasury shall instruct the United States Executive Director at each international financial institution (as defined in section 1701(c)(2) of the International Financial Institutions Act) and the International Monetary Fund to oppose any loan of these institutions that

would require user fees or service charges on poor people for primary education or primary healthcare, including prevention and treatment efforts for HIV/AIDS, malaria, tuberculosis, and infant, child, and maternal well-being, in connection with the institutions' lending programs." [2] Letter from David A. Smith, Director, Department of Public Policy, AFL-CIO, to Timothy Geithner, Under Secretary for International Affairs, U.S. Treasury Department, October 11, 2000. [3] Summary of Discussion at the Meeting of the Executive Directors of the Bank and IDA, November 30, 2000, International Bank for Reconstruction and Development, International Development Association, December 15, 2000.

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