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The Third International Conference on Financing for Development
A retrogressive and disappointing outcome

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Editor's Note

THE Addis Ababa Conference on 13-16 July was the third International Conference on Financing for Development (FfD) organised by the United Nations. When evaluated against its two predecessors (the 2002 Monterrey Conference and the 2008 Doha Conference), there is a consensus that it marked a general regression in terms of its vision of both financing and development.

However, to appreciate the full magnitude of this regression, it is necessary first to consider the fate of the concept of development in its broad recent historical context. When the concept came into prominence in development economics after the Second World War, it was generally understood to be, in the words of economist Jayati Ghosh, 'not about simply reducing deprivation, but essentially about transformation – structural, institutional and normative – in ways that add to a country's wealth-creating potential, ensuring the gains are widely shared and extending the possibilities for future generations'.

Since the 1980s, however, with the ascendancy of neoliberalism, 'development' has ceased to be a holistic concept and has been emasculated and disaggregated into a set of quantifiable targets to be attained by developing countries on their road to developed-country status. This sea change was already reflected in the outcome of the Monterrey Conference, the Monterrey Consensus, when it embraced the Millennium Development Goals (MDGs) – eight goals, largely developed by the rich-country grouping the Organisation for Economic Cooperation and Development (OECD), which range from halving extreme poverty rates to halting the spread of HIV/AIDS and providing universal primary education, all to be attained by the target date of 2015. When these expire at the end of this year, they are to be replaced by 17 Sustainable Development Goals (SDGs) to be attained by 2030 as part of the so-called post-2015 development agenda.

To be sure, the Monterrey Consensus had a broader vision than merely the attainment of the MDGs. It viewed the MDGs as only part of the 'internationally agreed development goals' to which it aspired – a harkening back to an earlier, more integrated notion of development. Further, it underscored the fact that with respect to economic and social development, 'the role of national policies and development strategies cannot be overemphasised'.

Presumably, it is on account of this 'holistic scope' that the developing-country Group of 77 and China were, in the intergovernmental preparatory talks for the Addis Ababa Conference, at pains to stress that the Monterrey Consensus should be the basis for the Addis Ababa outcome document. This plea did not find any resonance with the rich countries at Addis Ababa. On the contrary, they were determined to further constrict the whole scope of the Addis Ababa outcome to merely 'financing the SDGs'. By thus subsuming the FfD process within the post-2015 development agenda, they attempted to effectively kill the whole FfD process as a separate process. The developing countries resisted this move, contending that while the two were complementary, they were still separate processes. In the end, the Addis Ababa Action Agenda that was adopted reflected an uneasy and unsatisfactory compromise on this issue.

On the question of financing, there has also been regression. At Monterrey the rich countries undertook to jointly share in the mobilisation of resources for development. Since then, they have been busy slashing aid budgets and seeking by every means to evade this obligation. And despite the increased financial resources required to finance the SDGs, they did not bring any new money to the table at Addis Ababa.

Instead, they have been promoting the case for private foreign investment as a mode of financing development. As a result, in contrast to Monterrey, an inordinately important role was assigned at Addis Ababa to private finance without sufficient regard to some of the problems and limitations associated with it.

While failing to live up to their obligations, the rich countries scuttled initiatives to fill gaps and flaws in the international financial system which have adversely impacted developing countries. Two examples: Developing countries have long been victims of tax dodging by transnational corporations on a large scale. This is primarily due to the absence of a truly global tax body which could help stem this outflow of valuable financial resources. However, a move to establish such a body by elevating the status and funding of an already existing group within the UN (the Committee of Experts on International Cooperation in Tax Matters) was stymied by the rich countries.

Secondly, sovereign debt is still a major issue for developing countries. As the recent case of Argentina demonstrated, an international statutory legal framework for debt restructuring to help heavily indebted countries free up their resources for development rather than for debt servicing is an urgent necessity. However, a recent landmark initiative to establish such a framework failed to win recognition at the Addis conference.

For these reasons, there is little to celebrate in the outcome of the Addis Ababa FfD meet.

In our cover story on the Addis Ababa conference, we report on the conference proceedings, highlighting its major failings and deficiencies. We also provide analyses of some of the key issues raised above, with specific focus on the issues of foreign private investment and the need for a global tax body.

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It is with some pleasure that we note that this is the 300th issue of *Third World Resurgence*. We thank our contributors for making this possible and our readers for their continued encouragement.

– The Editors

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Photo courtesy of IISD/Earth Negotiations Bulletin

The Third International Conference on Financing for Development (FfD), held in Addis Ababa on 13-16 July, failed to register serious progress in meeting the developmental aspirations of the South. **5**

THIRD WORLD RESURGENCE is published by the Third World Network, an international network of groups and individuals involved in efforts to bring about a greater articulation of the needs and rights of peoples in the Third World; a fair distribution of world resources; and forms of development which are ecologically sustainable and fulfil human needs.

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A summing up

Health effects of the Fukushima nuclear disaster

In summing up the toll from the 2011 Fukushima nuclear disaster in terms of deaths, suicides, mental health and suffering, *Ian Fairlie* warns that the scale of the disaster was far worse than what the official figures indicate and that the ill-effects will linger for a long time into the future. Despite this and strong public opposition, in August, the Japanese authorities restarted one of the country's nuclear power reactors after a two-year suspension.

Deaths from necessary evacuations

OFFICIAL data from Fukushima show that nearly 2,000 people died from the effects of evacuations necessary to avoid high radiation exposures from the disaster, including suicides. The uprooting to unfamiliar areas, cutting of family ties, loss of social support networks, disruption, exhaustion, poor physical conditions and disorientation can and do result in many people, in particular older people, dying.

Increased suicides have occurred among younger and older people following the Fukushima evacuations, but the trends are unclear. A Japanese Cabinet Office report stated that, between March 2011 and July 2014, 56 suicides in Fukushima Prefecture were linked to the nuclear accident. This should be taken as a minimum, rather than a maximum, figure.

A centre housing evacuees from Fukushima after the March 2011 disaster. Nearly 2,000 people have died from the effects of evacuations necessary to avoid high radiation exposure.

Mental health consequences

It is necessary to include the mental health consequences of radiation exposures and evacuations. For example, Becky Martin has stated her PhD research at Southampton University in the UK shows that 'most significant impacts of radiation emergencies are often in our minds'.

She adds, '… imagine that you've been informed that your land, your water, the air that you have breathed may have been polluted by a deadly and invisible contaminant. Something with the capacity to take away your fertility, or affect your unborn children. Even the most resilient of us would be concerned … many thousands of radiation emergency survivors have subsequently gone on to develop PTSD [post-traumatic stress disorder], depression, and anxiety disorders as a result of their experiences and the uncertainty surrounding their health.'

It is likely that these fears, anxieties and stresses will act to magnify the effects of evacuations, resulting in even more old people dying or people committing suicide.

The above should not be taken as arguments against evacuations: they are an important, life-saving strategy. But, as argued by Martin, 'we need to provide greatly improved social support following resettlement and extensive long-term psychological care to all radiation emergency survivors, to improve their health outcomes and preserve their futures'.

Untoward pregnancy outcomes

Recently, Dr Alfred Korblein from Nuremburg in Germany noticed a 15% drop (statistically speaking, highly significant) in the numbers of live births in Fukushima Prefecture in December 2011, nine months after the accident. This might point to higher rates of early spontaneous abortions. He also observed a (statistically significant) 20% increase in the infant mortality rate in 2012, relative to the long-term trend in Fukushima Prefecture plus six surrounding prefectures. These are indicative rather than definitive findings and need to be verified by further studies. Unfortunately, such studies are notable by their absence.

Cancer and other late effects from radioactive fallout

Finally, we have to consider the health effects of the radiation exposures from the radioactive fallouts after the four explosions and three meltdowns at Fukushima in March 2011. Large differences of view exist on this issue in Japan. These make it difficult for laypeople and journalists to understand what the real situation is (see box next page).

The mass of epidemiological evidence from the Chernobyl nuclear disaster in 1986 clearly indicates that cancer etc increases will very likely also occur at Fukushima, but many Japanese (and US) scientists deny this evidence.

For example, much debate currently exists over the existence and interpretation of increased thyroid cancers, cysts and nodules in Fukushima Prefecture resulting from the disaster. From the findings after Chernobyl, thyroid cancers are expected to start increasing 4-5 years after 2011. It's best to withhold comment until clearer results become available in 2016, but early indications are not reassuring for the Japanese government. After then, other solid cancers are expected to increase as well, but it will take a while for these to become manifest.

The best way of forecasting the numbers of late effects (i.e., cancers etc) is by estimating the collective dose to Japan from the Fukushima fallout. We do this by envisaging that everyone in Japan exposed to the radioactive fallout from Fukushima has thereby received lottery tickets, but they are 'negative' tickets: if your lottery number comes up, you get cancer.[1] If you live far away from the Fukushima Daiichi nuclear power plant, you get few tickets and the chance is low; if you live close, you get more tickets and the chance is higher. You can't tell who will be unlucky, but you can estimate the total number by using collective doses.

Much debate currently exists over the existence and interpretation of increased incidence of thyroid cancers resulting from the nuclear disaster. Picture shows a girl from Fukushima Prefecture undergoing a thyroid examination.

A 2013 report by the UN Scientific Committee on the Effects of Atomic Radiation (UNSCEAR) has estimated that the collective dose to the Japanese population from Fukushima is 48,000 person-Sv: this is a very large dose (see below).

Unfortunately, pro-nuclear Japanese scientists also criticise the concept of collective dose as it relies on the stochastic nature of radiation's effects (see box) and on the Linear No Threshold (LNT) model of radiation's effects which they also refute. But almost all official regulatory bodies throughout the world recognise the stochastic nature of radiation's effects, the LNT and collective doses.

Summing up Fukushima

About 60 people died immediately during the actual evacuations in Fukushima Prefecture in March 2011. Between 2011 and 2015, an additional 1,867 people[2] in Fukushima Prefecture died as a result of the evacuations following the nuclear disaster.[3] These deaths were from ill health and suicides.

From the UNSCEAR estimate of 48,000 person-Sv, it can be reliably estimated (using a fatal cancer risk factor of 10% per Sv) that about 5,000 fatal cancers will occur in Japan in future from Fukushima's fallout. This estimate from official data agrees with my own personal estimate using a different methodology.

In sum, the health toll from the Fukushima nuclear disaster is horrendous. At the minimum:

• Over 160,000 people were evacuated, most of them permanently.

• Many cases of post-traumatic stress disorder, depression and anxiety disorders arising from the evacuations.

• About 12,000 workers exposed to high levels of radiation, some up to 250 mSv.

• An estimated 5,000 fatal cancers from radiation exposures in future.

• Plus similar (unquantified) numbers of radiogenic strokes, cardiovascular diseases and hereditary diseases.

• Between 2011 and 2015, about 2,000 deaths from radiation-related evacuations due to ill health and suicides.

• An as yet unquantified number of thyroid cancers.

• An increased infant mortality rate in 2012 and a decreased number of live births in December 2011.

Non-health effects include:

• 8% of Japan (30,000 km^2), including parts of Tokyo, contaminated by radioactivity.

This photograph of one of the reactor buildings at the Fukushima nuclear power plant was taken eight months after the March 2011 earthquake. 'The Fukushima accident is still not over and its ill-effects will linger for a long time into the future.'

• Economic losses estimated between \$300 and \$500 billion.

Conclusions

The Fukushima accident is still not over and its ill-effects will linger for a long time into the future. However, we can say now that the nuclear disaster at Fukushima delivered a huge blow to Japan and its people. Some 2,000 Japanese people have already died from the evacuations and another 5,000 are expected to die from future cancers.

It is impossible not to be moved by the scale of Fukushima's toll in terms of deaths, suicides, mental ill health and human suffering. Fukushima's effect on Japan is similar to Chernobyl's massive blow against the former Soviet Union in 1986. Indeed, several writers have expressed the view that the Chernobyl nuclear disaster was a major factor in the subsequent collapse of the USSR during 1989-90.

It is notable that Mikhail Gorbachev, President of the USSR at the time of Chernobyl, and Naoto Kan, Prime Minister of Japan at the time of Fukushima, have both expressed their opposition to nuclear power. Indeed Kan has called for all nuclear power to be abolished.

Has the Japanese government, and indeed other governments (including the UK and US), learnt from these nuclear disasters? The US philosopher George Santayana (1863-1962) once stated that those who cannot learn from history are doomed to repeat it. ◆

Thanks to Azby Brown, Yuri Hiranuma, Dr Tadahiro Katsuta, Dr Alfred Korblein, Becky Martin and Mycle Schneider for comments on early drafts. Any errors are mine.

Dr Ian Fairlie is an independent consultant on radioactivity in the environment living in London. He formerly worked as a civil servant on the regulation of radiation risks from nuclear power stations. From 2000 to 2004, he was head of the secretariat of the UK government's CERRIE Committee on internal radiation risks. Since retiring from government service, he has been a consultant on radiation matters to the European Parliament, local and regional governments, environmental NGOs and private individuals. The above is reproduced from his blog (www.ianfairlie.org), where the full article with references first appeared.

Endnotes

1 Credit to Jan Beyea in the US for the negative-lottery idea.

2 Correct as of March 2015.

3 In addition, 1,603 people were killed directly by the earthquake and tsunami in Fukushima Prefecture, and approximately 1,350 tsunami evacuee deaths occurred in Miyagi and Iwate Prefectures: in the latter cases, the evacuations were not radiation-related.

The health risks of radiation exposure

THE Japanese government, its advisers and most radiation scientists in Japan (with some honourable exceptions) minimise the risks of radiation. The official, widely observed policy is that small amounts of radiation are harmless: scientifically speaking, this is untenable. For example, the Japanese government is attempting to increase the public limit for radiation in Japan from 1 mSv to 20 mSv per year. Its scientists are trying to force the International Commission on Radiological Protection to accept this large increase. This is not only unscientific, it is also unconscionable.

Part of the reason for this policy is that radiation scientists in Japan (in the US as well) appear unable or unwilling to accept the stochastic nature of low-level radiation effects. 'Stochastic' means an all-or-nothing response: you either get cancer etc or you don't. As you decrease the dose, the effects become less likely: your chance of cancer declines all the way down to zero dose. The corollary is that tiny doses, even well below background, still carry a small chance of cancer: there is never a safe dose, except zero dose.

But, as stated by Spycher et al. (2015), some scientists 'a priori exclude the possibility that low dose radiation could increase the risk of cancer. They will therefore not accept studies that challenge their foregone conclusion.'

One reason why such scientists refuse to accept radiation's stochastic effects (cancers, strokes, cardiovascular diseases, hereditary effects etc) is that they only appear after long latency periods – often decades for solid cancers. For the Japanese government and its radiation advisers, it seems out-of-sight means out-of-mind. This conveniently allows the Japanese government to ignore radiogenic late effects. But the evidence for them is absolutely rock-solid. Ironically, it comes primarily from the world's largest ongoing epidemiology study, the Life Span Study of the Japanese atomic bomb survivors by the RERF Foundation which is based in Hiroshima and Nagasaki. ◆

COVER

Financing for Development and the 2030 Agenda for Sustainable Development: Synergetic but distinct

The Third International Conference on Financing for Development was held on 13-16 July in Addis Ababa. This Financing for Development process, which has as its primary goal the task of mobilising finance for the sustainable development of developing countries, was initiated in 2002 by the United Nations with a landmark conference in Monterrey, followed by a subsequent conference in 2008 in Doha. In this background analysis, *Ranja Sengupta* explains how at Addis Ababa, the rich countries, in their desperate attempts to evade their financial commitments, sought to denude and ultimately destroy the integrity of this whole process.

THE Financing for Development (FfD) process was launched in 2002 after the recognition that global development challenges cannot be met without an effective implementation plan that harnesses financial resources from various sources and is built on cooperation among, and led by, governments, supported by different actors such as global institutions, the private sector, civil society and UN agencies. What had energised the process was the financial and economic crisis that East Asia faced in 1997 and the realisation that the impact could and did reach far and wide.

The Financing for Development process is focused on poverty eradication, the same as the primary focus of the Millennium Development Goals, but it has a much larger mandate and perspective than the MDGs.

The first International Conference on Financing for Development was held in Monterrey, Mexico, in March 2002 and resulted in the historic Monterrey Consensus. The Monterrey Consensus provides a framework for a global development partnership in which the developed and developing countries agreed to take joint actions for poverty reduction. While developing countries agreed to take responsibility for their own poverty reduction and help garner revenues for it, this was premised on the acknowledgement by developed countries that they have to share in the responsibility and meet unfulfilled promises as well as make new commitments. This included the old promise, made in the 1960s, to provide 0.7% of gross national income as official development assistance (ODA). The developed countries also promised to provide access to trade, technology and debt restructuring, and address global governance issues and policy coherence, better known as systemic issues, so that those do not obstruct development objectives.

The Consensus spanned six key areas: the mobilisation of domestic financial resources; international private resources; international trade; international financial cooperation (mainly ODA); external debt; and systemic issues with emphasis on enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development.

The FfD process set in motion at Monterrey was followed up with the Doha Declaration of 2008, and has recently added to its league the Addis Ababa Action Agenda (popularly referred to as the AAAA) agreed dur-

Photo courtesy of IISD/Earth Negotiations Bulletin

Delegates at a UN meeting on 2 August applaud the agreement reached on the text of the 2030 Agenda for Sustainable Development, which is to be formally adopted in September. While the Financing for Development process and the 2030 Agenda are closely linked, they are distinct and have their individual mandates.

ing the Third International Conference on Financing for Development, held in Addis Ababa on 13-16 July this year. The recent adoption of the Agenda by the UN General Assembly in end July is to be followed closely by the adoption of the 2030 Agenda for Sustainable Development or, as it was known until recently, the Post-2015 Development Agenda. This Agenda will replace the Millennium Development Goals (MDGs), which expire in 2015, and includes the Sustainable Development Goals (SDGs), a set of ambitious 17 goals and 169 targets.

This close synchronisation in terms of timing seems to have led to a belief that the AAAA exists simply to cater to the SDGs, as the Monterrey Consensus did for the MDGs. In truth, neither is correct. While both these processes are closely linked, they are distinct and have their individual mandates. In the current context, in spite of strong efforts by the developed countries to replace means-of-implementation (MOI) targets agreed in the SDGs with the AAAA, it is finally agreed that the 2030 Agenda will be 'supported' by the AAAA, which is 'an integral part' of the former. The last was a concession extracted by the developed countries.

Financing development but not only Millennium Development Goals

The 2002 Monterrey conference came in the wake of the adoption of the MDGs in 2000. The MDGs provided some specificity and the modicum of a global development framework. However, while one of the mandates of the FfD process was to help address and achieve the MDGs, it was clearly not limited only to the MDGs. The mandate was much larger and could span other development objectives determined nationally by governments.

In its opening paragraphs, the Monterrey Consensus says, 'Our goal is to eradicate poverty, achieve sustained economic growth and promote sustainable development as we advance to a fully inclusive and equitable global economic system' (paragraph 1, Chapter 1). The MDGs clearly did not fully cater to the much more ambitious perspective in this paragraph.

Paragraph 3, Chapter 1, goes on to articulate the objective of the Consensus: 'Mobilising and increasing the effective use of financial resources and achieving the national and international economic conditions needed to fulfil internationally agreed development goals, *including* those contained in the Millennium Declaration, to eliminate poverty, improve social conditions and raise living standards, and protect our environment, will be our first step to ensuring that the twenty-first century becomes the century of development for all' (emphasis added).

The FfD process was focused on poverty eradication, the same as the primary focus of the MDGs, but it was looking at a much bigger picture of institutional intervention and exploring a framework to pool all sources of finance. The MDG Goal 8, which provided the so-called MOI for achieving MDGs 1-7, was reflected in Monterrey. But MDG 8 was itself limited and did not cover the range and depth of the coverage of FfD. So there is synergy and coherence between the Monterrey Consensus and the MDGs but only a partial overlap.

The Addis Ababa Action Agenda supports, not replaces, SDG MOI

The December 2013 UN General Assembly resolution that called for the Third FfD Conference states the objectives of the Conference pretty clearly. It says, 'assess the progress made in the implementation of the Monterrey Consensus and the Doha Declaration, reinvigorate and strengthen the financing for development follow-up process, identify obstacles and constraints encountered in the achievement of the goals and objectives agreed therein, as well as actions and initiatives to overcome these constraints, address new and emerging issues, including in the context of the recent multilateral efforts to promote international development cooperation, taking into account the current evolving development cooperation landscape, the interrelationship of all sources of development finance, the synergies among financing objectives across the three dimensions of sustainable development, *as well as* the need to support the United Nations development agenda beyond 2015' (emphasis added).

It is clear that supporting the 2030 Agenda for Sustainable Development (earlier referred to as the Post-2015 Development Agenda) was one of the objectives, but not the only or the primary objective, of the Addis Conference.

Thirteen years down the line from Monterrey, the AAAA will potentially help implement the SDGs but not only the SDGs. There are issues that the AAAA covers (e.g., more in-depth treatment of systemic issues) which the 2030 Agenda for Sustainable Development does not cover or is very weak on. On the other hand, while MDG MOI were more or less subsumed by the Monterrey Consensus, there are SDG targets that are not covered very well in FfD, for example those related to social protection and policy space. Another important fact is that the FfD mandate is not just for the next 15 years, as is the case for the 2030 Agenda on Sustainable Development.

Gradual weakening of FfD and strengthening of Post-2015 MOI

This time the SDGs are much more comprehensive than the MDGs. This increasing coverage and comprehensiveness of the SDGs has led many, in particular the developed countries, to argue that the AAAA will target *only* the implementation of the ambitious SDGs. However, this reasoning is only surface-deep.

Far more important is that the developed countries had managed to achieve a steady deterioration in the quality of the Addis FfD outcome document since the beginning of negotiations on the document this year by keeping out an increasing number of key demands by developing countries. In fact what was agreed to in the end did not include, among others, an intergovernmental tax body or provisions on investor-state dispute settlement (ISDS). While the AAAA still offers some good provisions, for example a Technology Facilitation Mechanism (TFM), much of it is vague and several provisions are weaker compared to the Monterrey Consensus.

On the other hand, the SDGs are target-oriented and therefore much more specific in a way. In particular, the goal-specific MOI were fought hard for by developing countries and, though far from optimal, still represent very specific MOI. Moreover, given the specificity, they are easier to measure and progress thereon more easily accounted for.

There are also differences between the two frameworks in the treatment of financial and non-financial MOI. Only the first is mainly covered in FfD and this was pointed out by developing countries as a reason for not allowing the FfD outcome document to subsume Post-2015 MOI. However, in order to bridge this, there was a hotchpotch attempt to incorporate non-financial MOI into FfD so that this could not be advanced as an argument against superimposing the AAAA on top of the Post-2015 MOI.

The weakening of the FfD outcome document coupled with the strengthening and increasing specificities of the MOI targets led the developed countries, which are desperately looking for a way out of MOI commitments, to suggest that FfD should fully replace the MOI in the Post-2015 Development Agenda. The US stuck to this demand till the very last days of the final Post-2015 negotiations. If it had been agreed to, it would have effectively killed off the independence of both the FfD process as well as the Post-2015 MOIs, especially the latter's specific nature. It would have also limited the mandate of the FfD process to the next 15 years.

This is the reason why developing countries fought till the end to keep the AAAA out of the Post-2015 Development Agenda text, and refused to attach it even as an annex. The end result was a compromise, with the AAAA not being annexed to the Post-2015 text but still being referred to as an 'integral part' of the 2030 Agenda for Sustainable Development. However, the US demand to replace the SDG MOI with the AAAA was completely rejected.

A joint forum for review and follow-up

In spite of the best efforts of the developing countries to keep the two processes separate, which they pulled off to a large extent, the two processes are joined at the hip now by a joint forum for follow-up and review of both the FfD process (starting from Monterrey) and the Post-2015 MOI. This forum will report to the High-Level Political Forum (HLPF), the UN body entrusted with the review of the 2030 Agenda.

The demand for an independent review body for FfD was strongly resisted by the developed countries and fell through during the negotiations. The reporting of the forum to the HLPF also places FfD review completely under the Post-2015 review mechanism. However, in the absence of an independent review body dedicated to FfD, the setting up of a dedicated forum is better than several other options. From the Post-2015 MOI perspective, it is clearly a gain as, unlike MDG 8, these MOI will get dedicated and additional attention (compared to Goals 1-16) in terms of their implementation. However, how this forum actually works and how the integrity of the FfD review process is maintained remain to be seen.

In conclusion, the FfD process, started in Monterrey and continued through the recent Addis Conference, is to work hand in hand with specific development goals included in the MDGs and the SDGs, as contained in the current 2030 Agenda for Sustainable Development. These overlap and must synergise if we are to realise our development goals, but each process has its own mandate and has something to deliver that is not limited to or by the other. ◆

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Failing to finance development?

In this review of the outcome of the Addis Ababa conference, *Bhumika Muchhala* explains why it constitutes a retrogression from the progress made in financing development in the two earlier UN FfD conferences in Monterrey (2002) and Doha (2008).

Photo courtesy of IISD/Earth Negotiations Bulletin

The Addis Ababa FfD conference *(pic)* **lost a fundamental opportunity to tackle structural injustices in the global economic system.**

THE Third International Conference on Financing for Development (FfD) in Addis Ababa concluded on 16 July in bad faith as developed countries rejected the formation of a global tax body and dismissed developing countries' compromise proposal to strengthen the existing UN committee of tax experts.

Usually, when large conferences end after conflicts and climax in intergovernmental negotiations, there is a sense of exhilaration. This did not happen in Addis Ababa. Instead, there was deep disappointment among developing countries and many UN staff and outrage among civil society groups which had been following the FfD process over the last year. But among developed countries, there was relief, at best, or complacency, at worst. As the representative of Japan said in the final plenary, many developed countries including Japan felt relief.

As the civil society coalition on FfD stated in its reaction to the conference outcome document, the Addis Ababa Action Agenda, a fundamental opportunity was lost to tackle structural injustices in the current global economic system and ensure that development finance is people-centred and protects the environment. Not only does the Addis Ababa outcome not rise to the world's multiple crises, including finance, climate and distribution, it lacks the necessary ambition, leadership and actions to be associated with the post-2015 development agenda. Indeed, the outcome is wholly inadequate to support the operational means of implementation (MOI) for the Sustainable Development Goals (SDGs), and exposes an unbridged gap between the rhetoric of aspirations in the post-2015 development agenda and the reality of the void of actions in the Addis Ababa outcome, which does not scale up existing financial resources, let alone commit to new resources.

In light of the Monterrey Consensus and the Doha Declaration – the outcomes from the two previous FfD conferences – the Addis Ababa Action Agenda displays a retrogression from the past, which undermines the FfD mandate to address international systemic issues in macroeconomic, financial, trade, tax and monetary policies.

Failing to finance development?

The hallmark failure of the third FfD conference is the missed opportunity to create an intergovernmental tax body, despite the persistent push into the eleventh hour by a critical mass of developing countries led by India and Brazil. Such a global tax body, which would enable the UN to have a norm-setting role in tax cooperation in an equal capacity to that of the current monopoly of the Organisation for Economic Cooperation and Development (OECD), would have been a meaningful advancement in global economic governance and domestic resource mobilisation. The intransigence of developed countries against such a key step demonstrated their unwillingness to democratise global economic governance and their disregard for FfD and UN standards of 'good governance at all levels' and 'rule of law'.

The core argument of developing countries is that given the reality that they are most affected by illicit financial flows, tax evasion and avoidance and transfer mispricing by large corporations, they should have an equal say at the international negotiating table on tax rules.

Given the glaring absence of new financial commitments, let alone the assurance of new and additional financial resources for climate and biodiversity finance, the majority of funds needed to finance the SDGs will come out of domestic budgets. However, ample research shows how hundreds of billions of dollars are extracted out of the corporate tax purse of developing countries, particularly in the resource-rich African continent. This is due to loopholes and tricks in the international tax architecture that is defined and dominated by the rich-country OECD grouping. A global tax body could have shifted this power imbalance and delivered some fairness to global political economic structures.

The Addis Ababa outcome also legitimises the predominance of private finance through blended finance and public-private partnerships (PPPs). This is problematic precisely because it is unattached to accountability measures or binding commitments based on international human and labour rights and environmental standards. A fast-growing body of evidence substantiates global concern over unconditional support for PPPs and blended financing instruments. Without a parallel recognition of the developmental role of the state and robust safeguards to enable the state to regulate in the public interest, there is a great risk that the private sector undermines rather than supports sustainable development.

The Addis outcome's blind trust in PPPs and blended finance is premised on the notion that such arrangements will lower the risk for private investment. The outcome makes no mention of the critical importance of inclusive and sustainable industrial development for developing countries, for the objectives of supporting economic diversification, adding value to raw materials and ascending the value chain, improving economic productivity and developing modern and appropriate technologies. Civil society had hoped that being in Addis Ababa, governments would remind themselves of the African Union's Agenda 2063 based on shared prosperity through social and economic transformation.

Similarly, there is no critical assessment of trade regimes. Instead of safeguarding policy space, the Addis outcome fails to critically assess international trade policy in order to provide alternative paths to commodity dependence, eliminate or at least review investor-state dispute settlement clauses in free trade agreements, and undertake human rights impact and sustainability assessments of such agreements to ensure their alignment with the national and extraterritorial obligations of governments.

Furthermore, the additional steps in Addis Ababa to address gender equality and women's empowerment seem to speak more to 'gender equality as smart economics' than to women's and girls' entitlement to human rights, and show a strong tendency towards the instrumentalisation of women by stating that women's empowerment is vital to enhance economic growth and productivity.

Regression in systemic issues

The core competencies of FfD are comprised of international systemic issues such as capital flows, external debt, trade, financialisation and the monetary system. The ability of the UN to address systemic issues is routinely challenged by developed countries which argue that these issues are outside the UN's domain. Power and control over systemic issues and reforms are thus kept exclusively in the rich countries' domain of the Bretton Woods Institutions [the International Monetary Fund (IMF) and World Bank], the G7 and the G20.

However, not only does the UN have a longstanding history in substantively analysing and proposing reforms on systemic issues, it is also the only universal forum where all countries, from the smallest island nation to the poorest landlocked country, have a voice and a vote in the General Assembly. The UN is also the only forum that connects systemic issues to the global partnership for development that recognises North-South cooperation at its centre, based on historical responsibility and variances in levels of development and capacity, as well as the global rules and drivers that determine national policy space for development.

With regard to such systemic reforms, the Addis Ababa outcome explicitly ignores a landmark initiative in the UN itself to establish an international statutory legal framework for debt restructuring (see the article 'UN adopts sovereign debt restructuring principles' in this issue). Instead, it reaffirms the dominance of creditor-dominated mechanisms, such as the Paris Club, whose inequitable governance was criticised in the Doha Declaration of 2008. The outcome also welcomes existing OECD and IMF initiatives which do not address the scale of debt problems afflicting many developing countries today, such as Jamaica, which, according to its finance minister's intervention in Addis Ababa, won't be able to finance its SDGs until its external debt can achieve sustainability in 2025. Clearly, servicing creditors is seen as having priority over development goals. Reversing this order by incorporating national development financing needs into debt sustainability analyses was not addressed by the Addis Ababa outcome.

In spite of the global recognition that capital controls are crucial to developing countries' ability to protect themselves from financial crises, the outcome document demotes the use of 'capital flow management measures' as a last resort 'after necessary macroeconomic policy adjustment'. This is a regression from the Monterrey Consensus of 2002, which recognised that 'measures that mitigate the impact of excessive volatility of short-term capital flows are important and must be considered'.

Similarly, the Addis outcome removes a clause on special drawing rights allocations for development which existed in previous iterations of the outcome document. Again, this is a step backwards from Monterrey, which addressed SDR allocations in two clauses.

Despite these critical retrogressions, there are two beacons of light in the Addis outcome: the establishment of a Technology Facilitation Mechanism (TFM) in the UN that supports SDG achievement, and an institutionalised follow-up mechanism for FfD that will involve up to five days of review every year to generate 'agreed conclusions and recommendations'. However, this follow-up forum has to be shared with the review of MOI for the post-2015 development agenda, going against developing countries' call for the FfD follow-up to be distinct and independent from that for the post-2015 development agenda in order to maintain focus on FfD as a separate and longstanding agenda.

While the TFM has positive potential, especially if it addresses intellectual property rights and endogenous technological development in poor countries, it is at the same time not tantamount to the financing items that comprise the development agenda. As such, the TFM helps obscure the paucity of political ambition on the FfD agenda.

A crisis of multilateralism

Perhaps the most sordid mark of a process that occurred in bad faith is the fact that negotiations never transpired in Addis Ababa. There was no official plenary, no proposals articulated and no document projected onto a screen to amend. Instead, what took place over four days in Addis Ababa was a behind-the-scenes pressure campaign exerted by the most powerful countries on developing countries. One developing-country delegate revealed that the pressure included bullying and blackmailing to silence many developing countries who can't afford to be politically defiant. Another delegate disclosed that he had never before experienced such an absence of transparency in discussions. Some observers commented that the atmosphere in Addis Ababa was akin to a 'Green Room' style of discussions, where private discussions take place in small groups without any semblance of openness or transparency. [The term 'Green Room' was first used for meetings of selected member states in trade negotiations at the General Agreement on Tariffs and Trade (GATT) forum and later the World Trade Organisation.]

These underhanded tactics were exacerbated by the asymmetrical influence of member states over the Co-Facilitators, with developing countries often left wondering how a proposal that was not discussed in plenary found its way into a draft version of the outcome document. In the 25 June draft of the outcome document, new text appeared that said, 'We affirm that the present Accord is not intended to create rights and obligations under international law.' This text, introduced by a developed country, clearly sought to negate any concrete impact of an FfD outcome on both normative and legal levels. In the days and weeks preceding Addis Ababa, the G77 group of 134 developing countries managed to remove this damaging text from the outcome document while clarifying a set of key issues for the group.

These included the upgrading of the UN tax committee into an intergovernmental tax body; an adequate follow-up mechanism for reviewing the implementation of FfD outcomes starting from the 2002 Monterrey conference; the Rio principle of 'common but differentiated responsibilities' (CBDR); and the link between FfD and the post-2015 development agenda through the role of MOI.

A central strategy of developed countries was the effective distortion of developing-country narratives and priorities, or the creation of new narratives to undermine the longstanding arguments of developing countries. Throughout the negotiations at UN headquarters in New York in the run-up to the Addis Ababa conference, the European Union created a narrative based on the phrase 'the world has changed'. This narrative postulated that developing countries' emphasis on international public finance and red line on CBDR did not reflect the fact that the world has changed since Monterrey in 2002. Much of the FfD text, the EU said, was still premised on an outdated North-South construct which did not reflect the complexity of today's world. Germany reinforced the EU's position, adding that the G77's positions did not consider the reality that emerging economies are now capable of taking on some of the financing burdens for development. As such, Germany clarified that the SDGs could not just be funded by developed countries.

India provided a succinct response to this challenge thrown by the EU to middle-income countries, particularly the emerging market economies such as China, Brazil and India, to provide financial resources alongside developed countries. India pointed out that the 30 richest countries of the world account for only 17% of the global population but over 60% of global GDP, more than 50% of global electricity consumption and nearly 40% of global carbon emissions. The UN's *Inequality Matters – World Social Situation 2013* report said that in 2010, high-income countries generated 55% of global income, while low-income countries created just above 1% of global income even though they contained 72% of the global population. India clarified that despite the relatively faster rates of growth in developing countries, international inequality has not fallen. The above UN report shows that, excluding one large developing country (China), the Gini coefficient of international inequality was higher in 2010 than in 1980. India concluded that these figures attest to the fact of the North-South gap, saying that member states will be doing themselves a disservice if reality is misrepresented.

Alongside the creation of new narratives, the long-existing UN discourse on 'South-South cooperation' was sought to be distorted into a mechanism through which developed countries downplay their commitments and shift some of them onto developing countries. Developing countries responded with the argument that South-South and triangular cooperation, while increasingly important in the reform of the architecture of international relations, should not substitute for or downplay the importance of historical responsibilities and agreed commitments of North-South development cooperation.

This crisis of multilateralism exhibited by the recent FfD process does not bode well for the two crucial conferences yet to take place this year, the post-2015 development summit in September and the climate change (COP 21) conference in December.

Implications for post-2015 and climate change

The ways in which key words such as 'transformative,' 'ambitious', 'rule of law' and 'enabling environment' were used, or misused, by developed-country negotiators in the FfD negotiations have made their developing-country counterparts wary of the gap between actual meaning and rhetorical application. The term 'enabling environment', for example, is used by developing countries to refer to an enabling environment for development. This involves development-oriented reforms in the international financial and trade archi-tectures, such as addressing unfair agricultural subsidies in developed countries or pro-cyclical macroeconomic conditions attached to financial loans. However, developed countries also use the term 'enabling environment' with equivalent vigour, except that they are referring to an enabling environment for private investment, such as favourable tax policies and labour market deregulation.

The experience in the FfD negotiations suggests that when these terms are tossed about in the post-2015 and COP 21 negotiations, they will be associated with limiting the policy space of developing countries. For the most part, this limitation is linked to facilitating private sector activity through so-called multi-stakeholder or public-private partnerships that involve shared financing between multiple entities even as most decision-making remains in the seat of the private sector. Meanwhile, an implicit ebbing, if not reneging, takes place on the public and international financing obligations of developed countries. Consequently, financing and decision-making are transferred to institutions where developing countries have to compete with representatives of the private sector and private foundations for voice and representation.

As the post-2015 development agenda negotiations leading up to the September summit conclude, the effects of the FfD experience remain to be witnessed. There are some indications that developing countries will unite with renewed strength and determination to bring multilateralism back. However, there are other signs that the retrogression in commitments and actions induced by Addis Ababa will bring the post-2015 outcome down to its lowly level of ambition. What is increasingly clear is the stark fact that the geopolitical battle in the UN has not abated. If anything, it has become even more pronounced, imbued with a rather perverse irony as the international community embarks on its most ambitious development paradigm over the next 15 years. ◆

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Addis Ababa Action Agenda adopted amidst widespread disappointment

The Addis Ababa conference was, says *Ranja Sengupta*, an intense four-day battle of wills and power between North and South, with the US, the EU and Japan exerting intense pressure on developing countries to accept an outcome document which was unsatisfactory and deficient in many respects.

WHILE the outcome document of the Third International Conference on Financing for Development got the official nod on 16 July, the Addis Ababa Action Agenda elicited severe dismay among developing countries and civil society organisations for its failure to offer much in terms of concrete instruments for implementation of development objectives.

While the developed countries and the United Nations secretariat hailed the document, several member states, including the 134-member-strong Group of 77 and China, expressed concerns and reservations during the closing plenary. Venezuela said, 'This is not a situation where we have cheering and applause. With this document the developed countries are shirking their responsibilities.'

The outcome document had already been endorsed by the Main Committee of the conference, tasked with overseeing the actual negotiations and chaired by the Ethiopian Finance Minister, on 15 July evening. The Main Committee met three times during the course of the four-day conference, only to adjourn the first two times after quick process-related discussions and deciding to open up the discussions related only to paragraph 29 on a UN-based global tax body. Negotiations between the G77 and China (represented by South Africa), Ethiopia, Brazil and India, and the like-minded group of non-G77 countries represented by the European Union, Russia and Japan came to a close in the form of a compromise text that gave very little additional concession to the G77's key demand on an intergovernmental tax body.

Photo courtesy of IISD/Earth Negotiations Bulletin

Applauding the adoption of the Addis Ababa Action Agenda. Developed countries had allegedly exerted severe pressure on developing countries at the Addis conference to yield to their demand for sealing the outcome document as it was.

(The Addis conference was the culmination of intense negotiations that took place at the UN headquarters in New York over the past few months.)

Soon after, the Main Committee met at 8 pm on 15 July, simply to announce the sealing of the deal and to declare the endorsement of the outcome document by the Committee. All that remained was to adopt the document at the closing plenary the next day. Further discussions were not encouraged. According to sources, the Ethiopian host government played a crucial role in ensuring that the Addis talks did not fail at any cost.

The four days of the conference were marked by an intense battle of wills and power between the North and the South, where the US, the EU and Japan allegedly exerted severe pressure on developing countries, including several African countries, to yield to their demand of sealing the document as it was. In the process, actual negotiations were bypassed and hazy bilateral and plurilateral discussions held sway. Several developing-country negotiators expressed the feeling of having come for negotiations but being shut out of actual negotiations with key concerns remaining unaddressed.

According to experts, a Technology Facilitation Mechanism (TFM), a Global Infrastructure Forum, and a dedicated forum for review and monitoring of the FfD process as well as the means of implementation and global partnership for development, are the key positives in an otherwise weak and ineffective document.

An intergovernmental tax body or not

In preceding negotiations in New York, a 7 July version of the draft outcome document had seen critical differences between the developed and the developing countries. However, pressure to adopt the document was stepped up by the EU, the US, Canada and Japan, which threatened to open up the whole document if any part was opened up to negotiations by developing countries in Addis.

But in spite of acquiescence by the G77 and China on many of the thorny issues contained in the July draft outcome document, remaining differences were mainly on a developing-country demand for a tax body under the UN that would see better representation from developing countries.

The demand from developing countries was for the upgrading of the current UN Committee of Experts on International Cooperation in Tax Matters, which is dominated and controlled by the OECD, to a full intergovernmental tax body under the UN's Economic and Social Council (ECOSOC). Given that domestic tax resources have been pushed under the FfD agenda as the main resource for development finance, the developing countries very justifiably wanted to ensure better tax cooperation to stop tax losses due to illicit financial flows and other ways used by transnational corporations to dodge taxes. Losses in tax revenues from illicit financial flows are much higher for the South, on South-to-North financial flows than the reverse. In this context, the G77 and China had argued that developing countries need more representation and voice on global tax matters and had proposed the upgrading of the current expert committee to a full intergovernmental body.

However, the rich nations had decided that OECD 'leadership and expertise' was good enough for the developing world, and though the latter had to primarily depend on their own taxes to fund their development, they had to essentially make do with what their rich partners were deciding on their behalf on global tax matters.

Faced with stiff opposition from the developed countries, some compromise texts surfaced on the penultimate day of the negotiations. Some G77 members had apparently suggested a compromise in terms of insertion of some language on regionally proportionate representation in the current tax experts body, with a 2016 deadline to decide on structural changes.

The final text on paragraph 29 saw very little change, excluding mention of an intergovernmental body or a timeline of 2016 to decide on new structures, and making cursory reference to regional representation and selection of experts by the UN Secretary-General in consultation with member states. The G77 and China, in their closing statement, reiterated the 'need to fully upgrade the Tax Committee into an intergovernmental body'.

The other thorny issues on the 7 July text were related to the mention of 'common but differentiated responsibilities' (CBDR) as an underlying principle, the differentiation between climate and development finance, and the follow-up and review mechanisms for the FfD process and the post-2015 development agenda. However, the G77 and China had decided to cut their losses on these issues and persist with their demand only on the tax body.

Concerns and reservations

During the closing plenary of the conference on 16 July, member states put forward their reservations on the adopted text. Below are some highlights.

The G77 and China, in their statement, acknowledged the importance of the FfD process for development as well as the gains made on the Technology Facilitation Mechanism, Global Infrastructure Forum, and the review forum under the ECOSOC. However, the G77 and China went on to stress that 'a number of issues of principle that are important to, and fully endorsed by, the Group … have not been adequately addressed in the current text'. These included the explicit reaffirmation of the key principle of CBDR in the context of the global partnership for development. The Group put on record that 'an unequivocal affirmation of this principle in the Outcome Document of the Post-2015 Development Agenda is a non-negotiable for the Group'.

The statement also highlighted the 'need to maintain the integrity of the FfD3 and the Post-2015 Agenda process as separate negotiation tracks, while acknowledging the need for stronger synergies between them'. The Group also underscored the 'need for development partners to meet current commitments and to upscale ODA [official development assistance], with binding timetables, including the reaffirmation that ODA is still the main source of development finance'.

The G77 and China also drew attention to the need to make explicit references to countries and people living under foreign occupation, and to explicitly address the issue of lifting and terminating coercive measures, including unilateral economic sanctions. It also spoke against references to fossil fuel subsidies and carbon pricing that could prejudge outcomes of the ongoing negotiations under the UN Framework Convention on Climate Change (UNFCCC). It underlined the need to explicitly address that climate financing is new and additional and cannot be counted as ODA nor mixed with traditional development finance.

The Group described FfD as a process and promised that it will continue to engage constructively on these issues. 'Rest assured, the Group is not abandoning its principled positions,' stressed the G77 and China.

Benin, speaking on behalf of the least developed countries (LDCs), supported the G77 and China statement and said that while they felt that general concerns of the LDCs were addressed, the document would allow change if applied in good faith.

Maldives, speaking on behalf of the Alliance of Small Island States, aligned their statement to that of the G77. The group said that 'SIDS [small island developing states], through the

G77, have engaged actively throughout the negotiation process and welcome the recognition of the special case of SIDS in development, and the specific provisions for its implementation that this recognition entails. Though there is much language that can be strengthened throughout this document, to cater to the needs of the world's most vulnerable, let us now look to the remaining processes this year, so that no country is left behind and our successes are fructified on the tree of our endeavours'.

Venezuela, in a strong statement, said, 'Our acceptance is in no way an acknowledgement of the contents of this document. This is not a situation where we have cheering and applause. With this document the developed countries are shirking their responsibilities.' Venezuela also said that CBDR is not a mere buzzword but reflects the various models of development where predatory development has exploited resources of the people.

Venezuela went on to put on record its specific reservations on the Addis outcome document, on paragraph 31 on fossil fuel subsidies, which it said represented intervention in domestic policy and sovereignty matters; reference to low-carbon economies; paragraph 49 on the concept of modern energy for all; the deletion in paragraph 14 of references to new development banks such as the Banco de Sur, Banco de Alba etc; and the deletion of references to unilateral trade barriers. It also reminded the conference that Venezuela is not a party to the UN Convention on the Law of the Sea.

Bolivia supported the G77 and China statement and requested to put on record its reservation on innovative financing mechanisms in paragraphs 60-69. Bolivia added that it was reading the last sentence in paragraph 5, which reaffirms the Rio principles, ending as 'particularly CBDR' (thus implying a specific reference to CBDR in the affirmation of the Rio principles).

Nigeria, aligning itself to the statement of the G77 and China, said, 'The FfD was a concept meant to be different but not opposed to the spirits of Monterrey and Doha, but to supplement and deepen their impacts with provisions for addressing the questions around sustainable development … By adopting the Addis Ababa Accord we have agreed to give LDCs, LLDCs [landlocked developing countries], SIDS and other countries in special or peculiar situations a new lease of life. We are acknowledging that their situations should no longer be hopeless and that vulnerability need not be their constant companion in life.'

In conclusion, Nigeria stressed that it was of the 'view that the Addis Ababa Action Agenda may be a non-binding document, however, it has moral imperative of being faithfully implemented by all Member States and actors in the United Nations. It should not be a vain endeavour that resulted after months of careful negotiations'.

Malawi expressed a strong reservation on paragraph 32 of the outcome document, which it said does not take into account the impact of tobacco control on tobacco-producing countries' economies. 'Countries whose economies substantially depend on tobacco production … must be supported and compensated for the loss of revenue within the framework of the UN and other international aid agencies as they diversify out of tobacco.'

Nicaragua, after supporting the G77 and China, clarified that CBDR is found in Article 7 of the Rio principles, and since those are in paragraph 5, 'we have effectively incorporated CBDR as an integral part of this document'. The statement went on to talk about ODA and the gap in ODA commitments made by developed countries. It also reminded the conference of its reservation on review on energy policy; that the fund for climate change is additional and not part of ODA; that countries should maintain political space on measures and standards; and that countries should lift coercive measures that violate international law, e.g., the embargo on Cuba. Nicaragua expressed solidarity with Palestine and wanted its points to be put on record.

Ecuador said very clearly that any monitoring and review of national energy policy would not be acceptable to it. It also expressed reservation on the first sentence of paragraph 103, and on paragraph 79 related to the meeting of the UN on financial crisis and development. Ecuador had additional reservations on several paragraphs in the document which it wanted to be put on record.

Interestingly, the US repeated in its statement the deleted paragraph 134 from the 25 June draft text that had been vehemently opposed by developing countries. That sentence said, 'We affirm that the present Accord is not intended to create rights and obligations under international law.' The US went on to add that it had 'longstanding concerns regarding the topic of the right to development. The right to development continues to lack any kind of an agreed international understanding'. It is important to note that developing countries have for long drawn attention to the need to address their right to development, which includes the necessary policy space for development supported by a global framework that enables rather than impedes the ability of developing countries to achieve their development objective as a key right.

The US, probably expressing wariness of the Technology Facilitation Mechanism, spoke in favour of 'strong protection and enforcement of intellectual property rights, also as part of any international technology cooperation effort … through the facilitation of access to, and dissemination of, such technologies'. It said that references to technology transfer were to voluntary transfer on mutually agreed terms and conditions. The US went on to say that 'the language in the document on technology transfer and on traditional knowledge does not, from the USA perspective, serve as a precedent for future negotiated documents, including any documents related to the SDGs [Sustainable Development Goals], or the UNFCCC, or any other negotiation in or outside of the UN system, including bilateral and multilateral agreements.' ◆

The debate on the role of foreign investment in financing development

As in earlier conferences on financing for development, there was considerable debate on the role of foreign investment, but at Addis Ababa, there was a definite push for a greater reliance on foreign investment. *Aldo Caliari* explains.

THE role of foreign investment in financing development was a matter of considerable debate in the negotiations leading up to the Third International Conference on Financing for Development in Addis Ababa. This was reflected, for example, in the dispute between Northern and Southern countries on how to frame the chapter that deals with foreign investment in the conference outcome document. Developing countries opposed the inclusion of both domestic and international private finance in the same chapter, arguing that this blurs the lines between two different types of flows that should be treated in different ways.

Foreign investment had already been the subject of debate in the preceding Financing for Development (FfD) conferences. The Monterrey Consensus adopted by the first FfD conference in 2002 came on the heels of strong anti-globalisation demonstrations and a raging backlash against the Washington Consensus, which was seen as the culprit in the Argentine debt crisis and default in 2001. The second FfD conference (Doha 2008) took place against the backdrop of the eruption of the worst global financial crisis since the Great Depression; a crisis which called into question the role of the private sector in general and assumptions about its efficiency and ability to maximise development outcomes.

But deliberations towards the post-2015 development agenda have seen a definite tendency to propose a greater reliance on foreign investment in financing development. This may be associated with the fact that the Addis conference also aimed to support the means of implementation for the Sustainable Development Goals (SDGs), which will replace the Millennium Development Goals (MDGs) when they expire at the end of 2015. As the upcoming SDGs will be more ambitious than the previous development goals, there is general agreement that they require a several-fold expansion of current investments. However, dramatic expansion of public finance can be ruled out: several donor countries have cut their aid budgets and are implementing austerity measures.

While private foreign investment can help finance development, its contribution depends crucially on the specific conditions under which the investment takes place.

So, the argument goes, the several-fold increase will have to come mostly from private sources.

Therefore, the ways in which the Addis conference outcome, the Addis Ababa Action Agenda, ended up framing two key variables – the regulatory role of the state, and blended finance and public-private partnerships – merit scrutiny.

Reconciling state and private interests in promoting foreign investment

While private capital inflows can help finance development, their contribution depends crucially on the specific conditions under which the investment takes place. Investments can generate jobs, bring technological and managerial capacities, and foster demand for local producers via backward and forward linkages between the foreign companies and local ones. Countries that have been able to make foreign investment play such a development role are those that have succeeded in unpacking and absorbing these investment-related benefits into the national economy.

The challenge in this is that the host government's objective of unpacking these benefits of foreign investment will frequently clash with the private companies' objective of making a profit and achieving or maintaining a position of market dominance. To give a very simple example: the national government should be able to capture a fair share of the increased economic activity that the private sector generates. But if the government has to provide generous tax breaks to attract the investment in the first place, then its purpose is – at least partially – defeated. Likewise, the company will often teach local workers some new skills, but it may refuse to transfer selected, critical skills because it fears creating a trained workforce for potential future competitors, thus frustrating absorption of that part of the package into the local economy.

There is also a growing body of voluntary standards which try to align business interests with government objectives. Since the Doha FfD conference a number of new voluntary guidelines have been approved. For instance, in 2011, the UN Human Rights Council adopted the UN Guiding Principles on Business and Human Rights. In 2012, the Food and Agriculture Organisation adopted guidelines on Responsible Governance of Tenure of Land, Fisheries and Forests, and in 2014 the World Committee on Food Security adopted the Principles for Responsible Investment in Agriculture and Food Systems (RAI).

However, none of these instruments is beyond reproach. The ongoing difficulties in demanding accountability under the Guiding Principles for human rights abuses have already prompted negotiations in the Human Rights Council towards a binding instrument on the matter, and civil society has resoundingly refused to endorse the RAI. But even in the best-case scenario, guiding principles should be considered complements to regulatory initiatives; they are no substitute for them.

At the same time as this body of voluntary standards addressing corporate accountability emerges, a body of binding standards on investment that create rights, but not obligations, for corporations has also been growing rapidly. According to the UN Conference on Trade and Development (UNCTAD), more than 3,000 investment agreements have been signed.[1]

However, investment agreements have been questioned because they constrain the policy space states could use to make foreign investment work for development. Typical clauses in investment agreements limit or remove altogether the ability of the host state to screen investments, to regulate their behaviour in the public interest and to set conditions for investors (for example, requiring foreign companies to purchase inputs from local producers).

The agreements not only create rights for the investors, but also have brought with them a speedy international jurisdiction to enforce these rights. Special dispute settlement systems allow investors to sue governments before an arbitral tribunal for alleged infringements of their rights under the agreement. Lawsuits of this kind also have a chilling effect on states' willingness to regulate, as losing a suit may lead to multi-million- or billion-dollar awards.

Assessing the merits of blended finance and PPPs

Another issue that was central to the Addis Ababa Action Agenda is the practice of 'leveraging' financial funds. A growing number of donors have, in the last few years, increased modalities under which they 'leverage' private sector funding – that is, use aid as an incentive to attract private sector funding to a project. This is often referred to as 'blended finance' – the combination of some amount of concessional public finance with non-concessional private finance.

While the practice may, on paper, seem like a very efficient way to use public finance, in reality it presents many challenges. How can leverage practices guarantee that public finance is not wasted to mobilise investment that would go to that project or sector anyway? How is one to ensure that the projects are geared to support underserved segments of the population? Research has found that only a limited portion of leveraged finance benefits small and medium enterprises.[2]

In the lead-up to the adoption of the post-2015 development agenda, there is also debate on the 'infrastructure gap' and how to close it, as several of the goals essentially require investing in particular infrastructure sectors. While there is a real gap in all countries, in developing countries it is estimated to run to more than $1 trillion per year.[3] A controversial area of the discussion is the role that public-private partnerships (PPPs) and institutional investors can play in closing this gap.

Essentially, PPPs are arrangements by which a government hires a private company to design and build and/or operate a certain infrastructure facility, in exchange for a promise to pay with a mix of government transfers and levies to be exacted from the users. In theory, PPPs could be a great way to transfer the risks of investments in infrastructure to the private sector while benefiting from private companies' 'state-of-the-art' capacity for efficient and low-cost implementation. This requires, however, two things: first, well-crafted contracts that actually strike a fair balance of risks and benefits; and second, sufficient institutional capabilities, including transparency and checks and balances, during the negotiation and monitoring of contracts to ensure that the public interest – especially that of citizens and taxpayers in the host country – is adequately protected.

Unfortunately, that has proven to be setting the bar very high. Arcane and complex contracts have proven a fertile ground for overly generous public guarantees, some that create liabilities that may not be applicable until years in the future and, therefore, are not scrutinised by parliament. Such public guarantees may indulge a lazy private sector, one prone to overruns and rent-seeking behaviour, rather than one interested in making the most efficient use of available resources. An Organisation for Economic Cooperation and Development (OECD) report refers to the example of rich OECD economies in which 'the extensive use of PPPs led to overinvestment in domestic infrastructure, contributing to the countries' financial crises'. It continues, 'However, it is not clear whether most [donor countries] link their domestic experience in private participation in infrastructure with their views and approaches towards supporting private investment for developing country infrastructure.'[4]

Needless to say, the difficulties reported for countries in the North pale in comparison to the ones to be found in countries in the South. In these latter countries, powerful business entities – in some cases worth many times the GDP of the country they negotiate with – compound the limitations of short-staffed and precarious administrations to properly negotiate, monitor and, especially, enforce contracts. And for anything detrimental to the interests of the company that remains in the contract, the company can always take another shot at it in a future renegotiation. Indeed, International Monetary Fund (IMF) researchers found that PPPs are frequently subject to several renegotiations whose outcomes tend to further tilt the balance towards the private sector operator.[5]

The usual difficulties associated with PPPs may be compounded by resorting to institutional investors. It is true that these investors – mutual funds, private equity funds, pension funds, insurance companies and the like – have more than $80 trillion in assets under management.[6] Achieving only a tiny increase in the proportion of such funds that goes into infrastructure investment could have a huge impact. But these investors are extremely risk-averse. The issue then is: will the enabling environment created for these investments shift more risks to consumers and taxpayers in host countries, taking advantage of the opacity, complexity and monitoring challenges of PPPs?

SDGs: Harnessing corporate power or enthroning it?

Determining the narrative built around the contribution of private capital flows to development was a crucial prize at stake in the FfD negotiations towards Addis Ababa, and continues to be relevant.

It cannot be seen as a mere coincidence that the transnational private sector is being called upon to play a greater role at a time of its heightened influence in the design of policies at the UN and elsewhere. A recent study documented the rise of transitional corporate influence on the post-2015 development agenda: 'Numerous corporations and business associations active in the Post-2015 Agenda are indeed proposing a radical transformation, by putting business at the centre of sustainable development and redesigning global governance on voluntary, multi-stakeholder terms.'[7]

From this perspective, designing the post-2015 agenda reveals itself as a historic opportunity and a seismic moment that the transnational corporate sector is trying to seize to its advantage. The SDGs can be seen, in a secondary role, not only as development goals but also essentially as market segments that transnational corporates are trying to capture. The contradictions involved in trying to market goals to the private sector that, in many cases, do not lend themselves to profit-making have not yet been fully explored.

The greater reliance on foreign investment also plays to the needs of traditional donors. The MDGs were part of a global partnership for development that was clearly defined as one between governments from the North and the South. In the last few years, there has been a clearly noticeable trend of traditional donors attempting to redefine the terms of that partnership in a way that would essentially dilute their commitments. The partnership would now be, in their view, one that includes emerging donors, philanthropic institutions and, more relevant for our topic here, the private sector. In the recent FfD negotiations this took the form of a strong and repeated assertion that 'the world has changed' and that references to a North-South divide were a 'thing of the past'.

It is hard to deny that the significant upscaling of funds needed to meet the new development goals will require resort to more private investment. However, it is precisely this factor that calls for more vigilance in strengthening frameworks to hold the private sector accountable and give states enough policy space to ensure that the private sector contributes to development. The fact that this is not happening should ring alarm bells. The disputed narrative crafted for the Addis Ababa Action Agenda may have just marked the beginning of a struggle for the very soul of sustainable development. ◆

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Why a UN tax body will benefit everyone

The failure of the Addis Ababa conference to agree on the establishment of a UN-based global tax body was a major shortcoming. Earlier in June, ahead of this conference, over 30 national, regional and international civil society organisations had, in the briefing reproduced below, explained its importance.

1) A key step towards a coherent global system. Currently, the international tax system consists of a complicated web of thousands of bilateral tax treaties and different parallel international systems to regulate, for example, information exchange and corporate reporting. Negotiation of a globally agreed system is the only way to remove the complexity, confusion, inconsistency and mismatches that exist today. A truly global tax body is a crucial first step towards this goal.

2) Stronger cooperation between tax administrations. A coherent global system will make it easier for tax administrations to communicate and cooperate. This will further strengthen international coherence and improve working conditions for tax administrations.

3) Less unilateral action. Blacklisting and special restrictions on transfer pricing, financial transfers, corporate reporting and documentation are only some of the measures individual governments are currently introducing to protect their tax base. If the crisis in the global tax system continues to be unresolved, we are likely to see many more of these kinds of self-protective measures. Only truly global cooperation can ensure that all governments have a real alternative to unilateral action.

4) Ending the race to the bottom. The fear of losing investments is currently driving governments to introduce tax incentives, loopholes and harmful tax practices in a tragic 'race to the bottom', which is costing countries billions of dollars in lost tax income. Through truly global cooperation, we can turn this sad development around.

5) Better business environment. Clear, consistent, global and stable rules are good for business. Operating across diverse, inconsistent national tax systems creates heavy administrative burdens, legal uncertainty and high risks for international business.

6) A level playing field. Today, governments who commit to increasing transparency and closing loopholes fear that being a 'first mover' will result in businesses and wealthy individuals registering themselves in other jurisdictions. Through truly global negotiations, governments can agree on coordinated global action and ensure a level playing field.

No government will feel obliged to implement tax standards and norms adopted in closed rooms where it was not welcome.

7) Stronger implementation. No government will feel obliged to implement tax standards and norms adopted in closed rooms where it was not welcome. The UN is the only global institution where all governments participate as equals, and therefore the place to achieve a global commitment to action.

8) Less double taxation and double non-taxation. The wide variety of mismatches between national tax systems is the core reason why some get taxed twice on the same income while others don't get taxed at all. Only truly global cooperation can put an end to these problems.

9) More financing for development in the poorest countries. Currently, the world's poorest countries are excluded from decision making on global tax standards, and international systems often don't take into account their realities and interests. This means lower tax income and thereby less available financing for development in these countries.

10) Fair and consistent global action against tax havens. Many governments are currently trying to protect their tax base through national blacklists based on criteria that are often both unclear and inconsistently applied. While random blacklisting can be burdensome for impacted countries, it will not solve the tax haven problem. Action against tax havens must be fair, consistent and globally coordinated in order to be effective. ◆

Signatories: 11.11.11; ActionAid; Canadians for Tax Fairness; CCFD-Terre Solidaire; Centre national de coopération au développement, CNCD-11.11.11; Christian Aid; Christian Aid Ireland; Coordination Office of the Austrian Bishops Conference on Development and Mission (KOO); Demnet; Diakonia; Equity and Justice Working Group Bangladesh; European Network on Debt and Development (Eurodad); Forum Syd; French Platform on Tax Havens; Global Alliance for Tax Justice; Global Policy Forum; Globalt Fokus; Glopolis; Ibis; InspirAction; Kairos Europe; Kepa – the Finnish NGO Platform; Red Latinoamericana sobre Deuda, Desarrollo y Derechos (LATINDADD); Methodist Tax Justice Network; Norwegian Church Aid; Norwegian Forum for Development and Environment (ForUM); Oxfam; Save the Children; Secours Catholique Caritas France; Stichting Onderzoek Multinationale Ondernemingen (SOMO); Tax Justice Network – USA; Tax Reconciliations; Tax Research UK; Vienna Institute for International Dialogue and Cooperation (VIDC)

UN adopts sovereign debt restructuring principles

In July, a United Nations committee adopted a set of nine principles for sovereign debt restructuring. The article below explains these principles and the significance of the whole move. Since then, the UN General Assembly has in a resolution adopted these nine principles.

Adriano Jose Timossi and Manuel F. Montes

THE adoption of the Principles on Sovereign Debt Restructuring Processes (see box next page) is timely, as more countries are facing or are in danger of facing sovereign debt crises, and the need for and terms of restructuring their debts have become urgent and often controversial topics.

The nine principles were agreed to at the third working session of the Ad Hoc Committee on Sovereign Debt Restructuring Processes on 27-28 July, held at the UN headquarters in New York.

The principles had originally been put forward by the developing-country Group of 77 and China, which had also been responsible for initiating the establishment of the committee in 2014.

Although the principles were adopted by all countries present, it should be noted that most developed countries boycotted the meeting as they were not in favour of the ad hoc committee or the United Nations taking up this issue. The International Monetary Fund (IMF) also decided not to attend.

The right of a state to design its own macroeconomic policy, including restructuring of its sovereign debt, without being frustrated or impeded by abusive measures, is one of the agreed principles.

Another principle is that sovereign immunity from jurisdiction and execution regarding sovereign debt restructurings is a right of states before foreign domestic courts and exceptions should be restrictively interpreted.

Countries like Greece have suffered because of inadequate frameworks for sovereign debt restructuring. Picture shows a demonstration in front of the Greek Parliament building against the stringent conditions attached to bailout loans for the country.

Another principle is sustainability, which implies that sovereign debt restructuring workouts should lead to a stable debt situation in the debtor state, preserving creditors' rights while promoting economic growth and sustainable development, minimising economic and social costs, warranting the stability of the international financial system and respecting human rights.

Other principles include good faith by both the sovereign debtor and all its creditors; transparency to enhance the accountability of the actors concerned; impartiality among all institutions and actors involved in sovereign debt restructuring workouts; equitable treatment for creditors; legitimacy, entailing respect for the requirements of inclusiveness and the rule of law; and majority restructuring, which implies that sovereign debt restructuring agreements that are approved by a majority of creditors are not to be impeded by other states or a non-representative minority of creditors.

This outcome was the culmination of the three working sessions of the committee. There have also been numerous informal sessions and consultations with various organisations and governments, including in locations outside of New York, led by Bolivia's Ambassador to the UN Sacha Llorenti, who chaired the committee.

The ad hoc committee was established by a UN General Assembly resolution A/RES/69/247 of 29 December 2014, which mandated the committee to elaborate a multilateral legal framework for sovereign debt restructuring processes.

In the past few months, many informal sessions were organised to negotiate the nine principles on debt restructuring. The principles had been proposed by the Group of 77 and China (the grouping of developing countries in the UN), and several of them were based on the outcome of a UN Conference on Trade and Development (UNCTAD) Working Group on a Debt Workout Mechanism comprising experts, legal scholars, investors, policymakers and civil society representatives.

At the third working session of the committee, Ambassador Denis G Antoine of Grenada delivered a statement on behalf of the President of the UN General Assembly (Sam Kutesa of Uganda). He said that the set of nine principles 'constitutes an important contribution on sovereign debt restructuring, since the principles could serve as a basis for future deliberations of the UN General Assembly towards a multilateral legal framework for sovereign debt restructuring processes with the participation of all Member States'. He added that the work of the committee, having been carried out through a transparent and participatory approach, will contribute towards the goal of increasing the efficiency, stability and predictability of the international financial system and achieving sustained, inclusive and equitable economic growth and sustainable development.

In the same working session, Nobel Prize-winning economist Joseph Stiglitz, currently a professor at Columbia University and former Chief Economist and Senior Vice President at the World Bank, gave a keynote speech. Stiglitz had been the chair of the Commission of Experts on Reforms of the International Monetary and Financial System established by the President of the UN General Assembly in 2008, which studied the 2007-08 global economic and financial crises and called for a framework to deal with sovereign debt. However, progress on this proposal has been very limited, despite the importance of the issue.

Stiglitz pointed to Greece and Argentina as recent examples of countries that have suffered because of inadequate frameworks for debt restructuring. 'In the absence of an adequate framework for debt restructuring economies often go into deep recession – depressions as we see today in Greece, as we saw in Argentina,' he said.

Stiglitz congratulated the committee for establishing the set of principles on which to build such a framework. He especially welcomed the

The nine principles

THE nine principles adopted by the UN ad hoc committee to guide sovereign debt restructuring processes are as follows:

1. A sovereign state has the right, in the exercise of its discretion, to design its macroeconomic policy, including restructuring its sovereign debt, which should not be frustrated or impeded by any abusive measures. Restructuring should be done as the last resort and preserving at the outset creditors' rights.
2. Good faith by both the sovereign debtor and all its creditors would entail their engagement in constructive sovereign debt restructuring workout negotiations and other stages of the process with the aim of a prompt and durable re-establishment of debt sustainability and debt servicing, as well as achieving the support of a critical mass of creditors through a constructive dialogue regarding the restructuring terms.
3. Transparency should be promoted in order to enhance the accountability of the actors concerned, which can be achieved through the timely sharing of both data and processes related to sovereign debt workouts.
4. Impartiality requires that all institutions and actors involved in sovereign debt restructuring workouts, including at the regional level, in accordance with their respective mandates, enjoy independence and refrain from exercising any undue influence over the process and other stakeholders or engaging in actions that would give rise to conflicts of interest or corruption or both.
5. Equitable treatment imposes on states the duty to refrain from arbitrarily discriminating among creditors, unless a different treatment is justified under the law, is reasonable and is correlated to the characteristics of the credit, guaranteeing inter-creditor equality, discussed among all creditors. Creditors have the right to receive the same proportionate treatment in accordance with their credit and its characteristics. No creditors or creditor groups should be excluded ex ante from the sovereign debt restructuring process.
6. Sovereign immunity from jurisdiction and execution regarding sovereign debt restructurings is a right of states before foreign domestic courts and exceptions should be restrictively interpreted.
7. Legitimacy entails that the establishment of institutions and the operations related to sovereign debt restructuring workouts respect requirements of inclusiveness and the rule of law, at all levels. The terms and conditions of the original contracts should remain valid until such time as they are modified by a restructuring agreement.
8. Sustainability implies that sovereign debt restructuring workouts are completed in a timely and efficient manner and lead to a stable debt situation in the debtor state, preserving at the outset creditors' rights while promoting sustained and inclusive economic growth and sustainable development, minimising economic and social costs, warranting the stability of the international financial system and respecting human rights.
9. Majority restructuring implies that sovereign debt restructuring agreements that are approved by a qualified majority of the creditors of a state are not to be affected, jeopardised or otherwise impeded by other states or a non-representative minority of creditors, who must respect the decisions adopted by the majority of the creditors. States should be encouraged to include collective action clauses in their sovereign debt to be issued. ◆

A protest against vulture funds. The business model of vulture funds is making debt restructuring much more difficult if not impossible.

fact that a set of principles is being put forward by the committee since the UN is the right place for discussing these issues, instead of the IMF. 'The IMF is an institution of creditors. You would not ask Citibank to design the bankruptcy law in the United States,' he said. 'We know how they would design the law, it would have indentured servitude. We need a fair bankruptcy law, an efficient bankruptcy law and the bankruptcy laws that come out of creditors are neither fair nor efficient.' The only place where one can have creditors and debtors at the table is the UN. 'The balanced nature of your report provides testimony to the fact that you are the right place and I think that you have done a great job,' Stiglitz said.

Stiglitz identified five reasons why the issue has once again reached the top of the policy agenda. First, many countries are facing problems of excessive indebtedness. Sovereign debt is no longer a problem of the past. He pointed to the debt crises faced by Greece and Puerto Rico, and potential crises in many countries around the world.

Secondly, court rulings, particularly in the US and the UK, have highlighted the incoherence of the current system and have made orderly debt restructuring, at least in some constituencies, more difficult, if not impossible. Capitalism could not work without a framework for debt restructuring, and this is why every country has a bankruptcy law, but unfortunately there is no international framework and no international law. The committee, Stiglitz said, was setting principles which will guide the creation of that kind of international law. Meanwhile what is in place today is an incoherent system where one jurisdiction makes one ruling and another jurisdiction makes a different ruling and there is no place where these can be reconciled.

The third reason is that there has been a movement of debt from banks to capital markets and this has increased significantly the difficulties of debt renegotiations. There are so many more creditors with often conflicting interests at the table.

The fourth reason – which Stiglitz said is not as well recognised as it should be – is the development of credit default swaps, which are financial instruments for shifting risk. The parties at the debt negotiating table may thus have no economic interest in a settlement; instead, they may have economic interest in not having a settlement. The consequences of the separation of the ownership of claims and economic interests have not been taken on board fully and it is imperative to do that.

The fifth reason is the growth of vulture funds, whose business model involves holding out against settlement and non-cooperation (with the debtor country) in order to obtain payments greater than what is available to those participating in the debt restructuring exercise. This business model is making debt restructuring under existing institutional arrangements much more difficult if not impossible.

A press conference was held on 28 July at the UN headquarters by the committee chair Llorenti; Ambassador Maria Cristina Perceval, Permanent Representative of Argentina to the UN; Carlos Alberto Bianco, Secretary of International Economic Relations, Ministry of Foreign Affairs and Worship of Argentina; and Richard Kozul-Wright, Director of the Division on Globalisation and Development Strategies at UNCTAD.

'This constitutes a historic moment when it comes to resolving the issues of foreign debt restructuring,' said Llorenti at the press conference.

However, Llorenti noted that 11 countries had not supported the establishment of the committee in December 2014 and that these same countries have a greater share of the votes at the IMF, which currently has a great say over sovereign debt issues.

Kozul-Wright said that part of the problem was that the same rules and practices that had been created at national levels to manage debts did not exist at the international level. 'At the international level where we have also high levels of indebtedness, there is no equivalent of national bankruptcy laws and it's a major gap in the international system,' he said.

Kozul-Wright also described the committee's decision as an important step that UNCTAD has been advocating for the past 30 years. 'This is a very important first stage in moving towards a more rational way of handling sovereign debt crises from the very fragmented, unfair system that we have,' he said. ◆

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ECONOMICS

Turbulence and stability in financial markets: China in recent times

Since June, financial markets in China have experienced an unprecedented degree of turbulence and this has given rise to worldwide concerns. *Sunanda Sen* explains what is happening.

LIBERALISATION of financial markets, as observed in different parts of the world economy, has never contributed to what is known as efficient markets with stability, which avoid unforeseen and unbridled movements in prices and quantities. Discontinuation of state-level restraints in deregulated markets always generates an atmosphere of uncertainty, which itself has been instrumental in generating turbulence, and then leading to crises. Crises in different financial markets across the world are generally preceded by booms, fed by destabilising financial activities in opened-up markets.

The downslide in China's stock markets which started in June has followed this familiar pattern, with the crash that took place between June and July foreshadowed by an unprecedented boom which came with the fast pace of liberalisation in the financial sector. The stock market downturn has been followed in recent weeks by an unprecedented depreciation of the Chinese renminbi (RMB) currency, which again was preceded by a substantial dose of appreciation of the currency over some time.

The stock market plunge in China wiped out more than $3 trillion of stockholders' wealth.

Noticeable policy shifts in China can be observed over recent years, with policies deviating from the earlier pattern of 'guided finance' towards the gradual opening up of financial markets. This started in 2005 with the delinking from the US dollar of the Chinese currency, so long fixed at RMB8.3 to a dollar. Since 2005 the RMB exchange rate has had the status of a managed rate, centred around the dollar, which signified a move for deregulation. Other moves in the same direction included the launch of the Shanghai free trade area in 2014 – a decisive step towards further liberalisation of the financial sector, despite the problems already faced by China with the Hong Kong offshore market and tendencies for round-tripping and arbitrage between the territory and mainland China.

Financial liberalisation in China has already met with turbulence in the financial market, affecting, in recent months, both the stock market and the exchange rate, as mentioned above. The decline in the stock market pulled down the Shanghai Composite Index (SCI) from 5,120 to 3,806 between 11 June and 9 July. The stock market shock wiped out, in less than a month, more than $3 trillion of stockholders' wealth. The downslide has been even steeper than the post-Lehman-Brothers crisis on Wall Street, when US stocks fell by 41%, but over a much longer period, between October 2008 and March 2009.

Attempts by the state to bring back normalcy in the Chinese stock market, as discussed below, were effective for some time in arresting further decline. However, the sharp devaluation of the RMB which followed was instrumental enough to melt down the stock market further, with the SCI dropping precipitously from 3,794 to less than 3,100 between 20-24 August. This has led to shockwaves in the global markets, affecting currencies as well as stocks in different parts of the world.

It may be recalled here that a similar downturn in China's stock exchanges during the global crisis of 2008 had pushed down the SCI sharply from 6,000 to 2,000 between 2007 and 2009. However, efforts by the state to revive the economy by injecting a sum of $585 billion (nearly one-fifth of China's GDP in 2008), along with other measures, worked well to bring about an economic recovery, and the SCI was quick to move above the 3,000 level by 2010.

Preceding boom

An explanation of the ongoing crisis in the Chinese stock market must take into account the unprecedented boom which preceded it. The crash came on the heels of 135% and 150% increases in stock prices in the Shanghai and Shenzhen stock exchanges respectively, in less than a year preceding July 2015. This was a sequel to the end of the boom in the property market, which came with the subprime crisis. With banks operating in wealth management products, and with derivatives accounting for 43.2% of the total volume of currency trading by 2012, the time was ripe for financial speculation in the stock market.

It is interesting to observe that with the rather strict capital account controls in China – which had been effective in separating RMB-denominated shares (so-called A shares) from dollar-denominated shares (B shares) in the stock market, and which of late allowed limited access to qualified foreign institutional investors (FIIs) to trade in the RMB shares – net short-term portfolio capital inflows to China were at a relatively low level of $80 billion by 2014. Accordingly short-term inflows led by the FIIs did not have much of an impact in China's stock market, unlike with most emerging economies which have opened up their financial markets.

In China the majority of players who now operate in the country's volatile Shanghai and Shenzhen stock exchanges include rather inexperienced retail traders of domestic origin, who follow a pattern very different from the institutional investors. Of China's domestic households, at least 20% are unusually active in stock trading, at least once a month. The brisk trading on their part is reflected in the large number of new accounts opened during the boom period which lasted till mid-June and also in the

The bearish tendencies in the Chinese stock market have been bolstered by the sharp depreciation of the renminbi.

sums borrowed as 'margin money' (to buy stocks), which doubled in the first half of 2015. Looking back, the boom was made possible in large part by borrowed capital financed generously by banks.

This was a precarious situation – if not a Ponzi game – especially when stock prices started tumbling in June. As the losses incurred with the drop exceeded the borrowed margins, investors were left with little option other than selling, which exacerbated the crisis.

The end of the stock market boom might also have been conditioned by the rising uncertainties in China's financial scene, as some changes were already expected in terms of the shifting global status of the RMB. One such factor was the expectation that the RMB may be considered by the International Monetary Fund (IMF) for inclusion in the basket of currencies backing the Special Drawing Right (SDR), which by itself would have contributed to an ultimate convertibility with international acceptability of the Chinese currency. The latter has for some time been one of the goals aspired to by the Chinese authorities. The goal has been backed by the state and also by rich households keen on more diversified portfolios. (The households provide at least 50% of aggregate savings in China and are keen on having overseas financial assets.) As it turned out, the IMF announced on 20 August that the RMB is unlikely to be considered for the SDR basket in the near future. This news came as a jolt to the already depreciating Chinese currency.

Given the slump in the stock market, the Chinese state, as could be expected, swung into action to combat the sharp drop in stock prices. Measures taken by the state included a $42 billion loan advanced by the Chinese Security Finance Corporation (CSF) to a set of 21 brokerage firms to buy stocks of blue-chip companies. In addition, the brokerage firms in China vowed to spend another $20 billion to meet the same goal and to buy stocks of smaller companies. The other major step taken was to freeze the trading of stocks by 50% or more of listed companies, followed by a ban on sales of stocks by major owners. Moves were also made to encourage purchases in the secondary market while having a ban in the primary market for new initial public offerings. Margin credits to buy stocks, which were already popular, were further facilitated with the permission to use residential property as collateral. These measures have not so far been able to halt the downturn, as can be seen from the downward trend of the SCI, currently hovering in the 3,100-3,200 range.

RMB depreciation

The majority of players who now operate in China's stock market include rather inexperienced domestic retail traders.

The bearish tendencies in the stock exchange have been bolstered by the sharp depreciation of the RMB, which declined 3% in less than a week between 11-14 August. On 25 August the RMB crossed 6.41 to a dollar. This had been preceded by a spell of steady appreciation since the delinking of the RMB from the dollar in 2005 when it was at 8.3 to a dollar.

There have been questions as to whether changes in the exchange rate of the RMB are related to state initiatives alone or to market forces. While the delinking of the RMB from its fixed rate to the dollar raised market expectations of further changes, the RMB has in fact continued to be managed with close monitoring by the state. This applies to the current reversal in the rate with the sharp depreciation, which probably followed the official line. With China's current official reserves more than adequate to arrest further declines in the exchange rate if considered undesirable, it is unlikely that the current devaluation of the currency did not have state approval. Contrast this with the brisk activities of the state in recent times to avert further losses in the stock market, which were considered unacceptable. From this angle, the 3% shock depreciation of the RMB can be treated as a state initiative, despite the current debate as to whether it was a policy move or one initiated by the market.

It needs to be pointed out that official policies in the past which included provisions for private holdings of dollars from 2007 and the two-way floating of the RMB since 2011, which caused leads and lags in trade, led to moderate depreciation of the currency which was of a temporary nature and largely linked to expectations of further depreciation.

As China surprised the world with the recent sharp devaluation of the RMB, there have been ripple effects in the rest of the globe, with concerns over a possible currency war across nations. Developments took a rather dangerous turn on 24 August, with stock markets all over the world as well as currencies moving in a downward direction. On China's part, attempts were made by the central bank, the People's Bank of China, to step in, especially with an announcement that the state would be ready to prevent further downslides in the RMB rate. However, within a few days there was again a slight decline, while there was an official announcement to the effect that the RMB would from then on move with the market. In between, it is worth noting, the IMF had praised China in its currency adjustment, considering that the real exchange rate of the currency was already high.

We point out here that so far there has been a rather unique relationship between the market and the state in China, with the latter in a position to reverse the opening-up process as and when needed, especially with measures designed to regulate the market. But the current ripple effects throughout the global markets which can boomerang and lead to further crisis in China make the scene rather unpredictable.

Interestingly enough, such steps as those above have been seen as reflecting 'contradictions of capitalist China' by Western media, and as a 'dangerous game of manipulating the stock market' by former US Treasury Secretary Larry Summers. The stock market turbulence in China is currently a matter of wide discussion and debate. Despite the fact that stock trading in the Shanghai and Shenzhen exchanges is still only a small fraction of the world trade in stocks, the turbulence and the state response have drawn much attention in the Western media. While the first-round impact of China's stock market disturbances will not affect markets beyond China very much, the West knows that the ripple effects of the consequent downturn, along with the official policy to have a 'new normal' growth of around 7%, will have important implications for the rest of the world.

In judging the current situation, the West seems reluctant to accept the philosophy of the authoritarian Chinese state which, while recognising the role of the market under globalisation, has not given up the role of the state as in a command economy. The turmoil in China's stock market, still requiring further regulatory measures by the state, remains both an enigma and a paradigm for those who continue to be blinded by the myth of efficiency and stability in free markets! ◆

Postscript

Efforts on the part of the Chinese state to restore normalcy in the stock market have continued over August and September. This can be witnessed from the fact that the last major drop in the Shanghai Composite Index (by 282 points) between 24-26 August was followed by the index tracing a stable path over the following month, hovering between 3,080 and 3,282. The ripple effects for the rest of the world, however, extend beyond the stock market developments, as can be seen from the gloom in world markets and even a cautious tone by the US Federal Reserve in relation to the new normal growth path of China, as predicted, of between 6.8-7% per year.

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On the continental shelf: Europe's migrant crisis

Commenting on the migrant crisis which is now convulsing Europe, *Jeremy Seabrook* says that 'the golden shores of Mediterranean Europe', where tourists 'share the pellucid waters with the corpses of people fleeing persecution and war', also constitute the stage for 'the next act in the interminable historical drama – the story of colonialism, its consequences of economic dominance and globalisation – a sequence which shows that colonialism was not an event but a process, with which we are far from finished'.

THIS has been the year in which refugees have called the bluff of a Europe which never ceases to congratulate itself on its 'humanitarianism', which, ever eager to inflate its own benevolence, it promotes as though more exalted than mere 'humanity'. The horror images have chased each other across the screens of the world this summer: the fragile craft sinking off Libya, people suffocated in the hold, the abandoned truck belonging to a chicken processing company in Slovakia, from which liquid from decomposing bodies stained the Austrian highway, and most recently, the body of the three-year-old Syrian, face-down in the shallow waters of the Turkish coast.

An Italian policeman stands guard as migrants who arrived from Libya wait to board a ferry at the port of Lampedusa. One of the principal routes for migrants to reach Europe has been across the Mediterranean from Libya.

The development fable

In the wake of the multiple tragedies arising from the flight of people seeking escape from war, persecution and poverty, European leaders now say they will work with representatives of African and Middle Eastern countries to ensure prosperity and well-being, which will make it unnecessary for people to leave their native lands. While dehumanising terminology is freely used for home consumption, ('invasion', 'marauders', 'influx', 'tide', 'menace to law and order', 'swarms'), international pieties demand the promise to increase aid and ensure an acceleration of development in the sites of misery from which hundreds of thousands have this year sought refuge in Europe.

With the urgent rhetoric of developmentalism, the ruling classes of Europe implicitly acknowledge their own miscalculation when they so clamorously welcomed and underwrote globalisation and all its consequences. For their rhapsodies on 'global integration' were in fact a victory dance of the Western way of life; boastful and incontinent, they projected its supremacy everywhere with uninhibited energy. Too late, the British government is now anxious to spread the message that Britain is not 'a land of milk and honey', and that the streets of London are not paved with gold (metaphors originally referring, with unnoticed irony, to the Holy Land and the USA). This represents a dramatic reversal of the imagery the West has exported with such unanticipated success in recent years.

For it was not supposed to be like this. With the fall of the Soviet Union and the 'unity' of practically the whole world in commitment to a single global economic model, each country was expected to develop, much as the rich Western economies had done; provide growing wealth, opportunity and hope to the poor, to former victims of imperialism and more recently, to those oppressed by militarism, dictatorship and kleptocratic dynasties. Economic growth would lead to the emergence of a vigorous and wealth-creating middle class, which would insist on the rule of law and establish a vibrant civil society to hold governments to account. The nations of the world would follow the pattern pioneered in the West, and would emerge – eventually – into the sunny uplands of peaceable plenty.

In order to reinforce the lesson that this model was as felicitous as it was inevitable, the West relentlessly poured into the eyes and ears of the world a gaudy, insistent iconography of what might be expected at the end of their arduous journey – a life of comfort and ease, images of wealth and luxury, all the most colourful products of its publicity and advertising industries which saturated the world with promises of an easy tomorrow. In the process, the West gave the impression that, in its own heartland, poverty had been abolished, want and scarcity overcome; even sorrow and loss had been ended and life expectancy indefinitely extended. Anyone who has even the most casual familiarity with poor people in the Global South must be aware of the overwhelming success of this fable: they simply do not believe that deprivation exists in the rich countries, and cannot understand why we are less than eager to share our good fortune with them.

In many of the countries in which 'development' was scheduled to take place, people saw only evictions, upheaval, violence and civil war, squalor and shortages and a growing gulf between rich and poor. The rewards proved elusive and slow to materialise – as people reached out for them, like the water which tormented Tantalus, these receded from their grasp. That it took six or seven generations of industrial misery, as well as centuries of exploitation and spoliation of an imperial hinterland, for the people of the West to achieve their social and economic eminence, was elided in the window-dressing for export of Western consumerism.

The West, exuberant and self-confident after the eclipse of socialism, justified its triumphalism in a world in which the word 'developing' now meant only one thing – becoming like us, objects of emulation and envy. What could go wrong, when most countries on earth, with only one or two eccentric exceptions, were obediently embarked on a known journey towards the prosperity and self-fulfilment which existed, not in theory, not in an afterlife, but here and now on earth?

Of course, countries which failed to adapt to the genial necessities of globalism risked coercive regime change, the consequences of which have sent whole populations to live on the dwindling compassion of refugee camps, where heat, dust, lack of water, hunger, sickness and inactivity condemn them to a lengthening future of flimsy tents and corrugated metal shelters; conditions to which no able and energetic human being will passively consent.

Europe's response

This year has already seen more than 300,000 people, principally from Syria, but also from Afghanistan, Iraq, Somalia and Eritrea, reach the shores of Europe. The three principal routes have been across the Mediterranean from Libya (where the lawless aftermath of the ousting by NATO-backed rebels of Gaddafi has left what are euphemistically called 'ungoverned spaces'); across the Aegean from Turkey, to the Greek islands of Kos and Lesbos; and even more dramatically, through Serbia into Hungary: the hardline government has constructed a wall, a kind of replica iron-curtain, to keep them out. Hungary has been the scene of clashes between police and refugees; people sleeping in railway stations and on the streets, reminiscent of the great displacement of population that last took place in Europe during and after World War Two. No refugees want to be 'processed' (as though they were an industrial product) in Hungary, where only 9% of applications for asylum are successful.

Angela Merkel, Germany's Chancellor, is the only figure to have emerged with dignity and credit in a Europe where a majority of the leaders are competing with each other to show how tough they can be in excluding the most desperate people fleeing conflict and oppression. Germany expects to grant asylum to more than 800,000 refugees – mostly from Syria – this year; and her insistence that the rest of Europe must also admit its share has illuminated the pusillanimity and parochialism of the other countries of the EU.

'Public opinion' has been invoked to justify the hardened heart and calloused imagination; yet the publication of the image of the dead three-year-old on the beach of Bodrum was enough to soften the apparently flinty resolution of the people of Europe, and led even British premier David Cameron, staunch opponent of opening up the doors to this 'overcrowded island', to accept an increased number of refugees. This is both inspiring and alarming: it is good to see that people can be kinder than politicians understand; and the crowds in Munich who greeted the refugees from Hungary with applause, food and offers of hospitality showed how much in advance people can be of elites who project their own self-interest on those they are supposed to lead. But this also illustrates the mutability of public opinion and its capacity for swift reversals.

Cameron announced that 'thousands' more Syrians would be admitted to Britain; he has promised to take in 20,000 over the next five years. This plan was announced with characteristic self-congratulation on our celebrated 'compassion', a quality hard to discern in the government's treatment of its own poor. These will not be people already in Europe. Britain will pluck the most needy, especially 'children and orphans', from existing camps in Turkey, Jordan and Lebanon. Cameron wishes to dissociate himself from any European Union allocation of 'quotas'. This may go down well with Conservative Europhobes, but is unlikely to earn him much goodwill in his 'renegotiation' of Britain's relationship with Europe before his proposed referendum next year on EU membership.

Bodies of migrants washed up on the golden shores of Mediterranean Europe exercise an hallucinatory fascination over the people. Here, not only do tourists from the chill and clouded north of Europe seeking sun, sand and Vitamin D share the pellucid waters with the corpses of people fleeing persecution and war, but here also is played out the next act in the interminable historical drama – the story of colonialism, its consequences of economic dominance and globalisation – a sequence which shows that colonialism was not an event but a process, with which we are far from finished.

David Cameron's initial reluctance to admit refugees, and his volte-face ('Britain is a moral nation and we will live up to our moral responsibilities'), perpetuate the ancient ambivalence of a country that never asked permission of anyone in its own promiscuous invasive excursions into an entire world. Even today, British 'expats' rarely question their right to live in the country of their choice.

While in the 19th century some political and social refugees made their way to Britain – mainly lascars, domestic servants and intellectuals (including Karl Marx) – their presence was easily containable. The first real test for Britain came not from people escaping the British Empire but from Jewish refugees escaping Tsarist pogroms in the late 19th and early 20th centuries; a movement which transformed the East End of London. It seems incredible now, that no papers were required to travel between countries until 1914, when the Nationality and Status of Aliens Act introduced the modern passport. Within a century, the question of who may cross which borders and who must be deterred or turned back, has become an obsession.

Only when the Empire was on the point of dissolution, just after World War Two, the British saw in their overseas possessions a possible source of cheap labour. In France, this was already well established, since from the late 1920s at least 100,000 Algerians arrived annually, mainly as male factory labour. In the 1930s, France was second only to the USA as a destination for migrants, both from North Africa and from the impoverished south of Europe.

In Germany, labour shortages gave rise to the concept of 'guest workers' (mainly from Turkey) between the late 1950s and 1970s. The Swiss writer Max Frisch made his famous sardonic observation 'We asked for guest workers, but human beings came.' The fiction of the temporary sojourn had to be abandoned. Despite increasingly stringent conditions on which new arrivals, family members and dependants were admitted to Europe, the barring of legal entry only tested the ingenuity of desperate people in finding other channels. The number of illegal immigrants in the continent is, by definition, unquantifiable; estimates vary between three and six million.

Dependency and underdevelopment

The unresolved relationship between Europe and its former overseas territories – and indeed the power of France and Britain over the fragments of the Ottoman Empire after the First World War – was carried forward into an ostensibly post-imperial age by an economic system which ensured that newly 'liberated' countries continued to provide raw materials and natural products, as well as labour, for Europe. This stunted many countries – formerly but no longer referred to as 'Third World' – in dependency, underdevelopment and debt.

With the end of the Soviet Union, 'globalisation' set in movement great waves of people in search of the 'better life' embodied by Europe, North America and Australia. This further complicated the skein of human scatterings: persecution and political oppression merged with poverty and hopelessness so that it became less easy to sustain the distinction between refugees and 'economic migrants'.

Another aspect of this volatility was the opportunistic emergence of 'people smugglers', against whom Europe inveighs with such intemperance – these are, after all, only entrepreneurs for whom social justice and inequality represent one of those business opportunities which are the bedrock of the Western way of life. In any case, for Western governments to blanch at the traffic in human beings is itself an act of breathtaking hypocrisy, since such trade was part and parcel of their mercantile and slave-owning past, not to mention the transport of people as indentured labour and other forms of forcible subjection from the Indian subcontinent to the Caribbean, Mauritius, Fiji and all the other dead-ends of despair created by the genius of dominance.

In 2013 there were 232 million migrants in the world. The scale of today's upheavals is greater than anything seen before, but the death-ships in the Mediterranean are no new phenomenon. During the Irish potato famine in 1846 and 1847, as hunger devastated the country, tens of thousands of refugees from starvation embarked – sometimes at the expense of landlords who had evicted them from their small patch of earth – in unseaworthy boats to the eastern seaboard of Canada. The high number of fatalities during these voyages earned them the name of 'coffin-ships'. In some vessels, a third of the migrants, weakened by malnutrition and disease (the 'bloody flux' that was dysentery), died. Even some of the three-quarters of a million who crossed the Irish Sea to Liverpool were dead on arrival. Under provisions of the Poor Law Removal Act in Britain, anyone in receipt of poor relief could be taken to the Irish steamer and placed on board. It was estimated that 40,000 people were liable to removal; in the event, about 15,000 were returned to Ireland. The swift response of the British government to the presence of Irish starvelings in 1847 is repeated in 2015 by a Europe determined to evade responsibility to many of those to whose destitution it has been a significant, and scarcely unconscious, contributor. Britain forcibly removed, deported or pressured to depart more than 50,000 people in 2013.

By the end of 2014, the United Nations' refugee agency knew of a record 59.5 million people exiled from their home. In the same year, 19.5 million were cross-border refugees. Eighty-six percent of these lodged in the countries closest to that they had fled. For the first time, more than half of these were under 18. The widening global abyss between the rich and the poor of the earth, the secure and the precarious, is enacted in the playground/graveyard which the Mediterranean has become; in its haunted waters, global privilege has a fateful tryst with its own victims. ◆

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Misreading the refugee crisis

War begets war refugees, and Europe, which directly or indirectly instigated or contributed to conflicts in the Middle East, must feel a sense of moral responsibility for the refugees now streaming into the continent, says *Ramzy Baroud*.

SO far this year, 'nearly one quarter of a million migrants have crossed the Mediterranean to Europe', reported Al Jazeera's *Inside Story*, citing the International Organisation for Migration. The situation is indeed bleak, not only because the number of refugees is constantly on the rise, but also because Europe appears rather uninterested in addressing the root causes of the problem.

Refugees from Syria in a Bulgarian camp.

The guests who appeared on *Inside Story* were all quite articulate and well-informed. Yet, not one of the three made even a fleeting mention of the fact that Europe should feel a slight moral accountability towards these refugees for it, either directly or indirectly, instigated or contributed to conflicts in the Middle East. In fact, a sensible question by the host on whether European countries' lack of sympathy towards the refugees may have been caused by deep-seated racism was rejected as being untrue by one of the guests.

But why the insistence on disconnecting the discussion of the refugee crisis from its proper narrative – that war begets war refugees and Europe, as with other warring parties, should be called to account for the involvement – to some other marginal discourse?

Another take on the crisis was offered in a recent article in the *Guardian* by Ellie Mae O'Hagan, who latched onto the old argument that the Syrian conflict is rooted in climate change. The article was summarised as such: 'What's the common factor between the tragic deaths of refugees in the Mediterranean and the Arab spring? Food shortages driven by global warming.'

Again, not a single word about the Western world's contributions to the wars in the Middle East. Although blaming global warming for the 'tragic deaths of refugees' might rightly address an interesting aspect behind the social upheaval that preceded the war in Syria, one remains baffled that such intellectuals are oblivious to the commonalities in the fact that the thousands of refugees who wash up onto the Greek shores come from Afghanistan, Iraq and Syria.

What do these countries have in common, aside from war, one may ask? They all have US-European hands in their conflicts, a reality that remains largely ignored. Also ignored is the fact that most refugees who brave the perilous seas into Italian shores come from Libya. Italy's connection to the crisis is particularly interesting and poignantly telling.

The Italian connection

On 26 April 2011, a meeting that can only be described as sinister took place between the then Italian prime minister, Silvio Berlusconi, and the then French president, Nicolas Sarkozy. The most pressing issue discussed at the meeting in Rome was how to deal with North African immigrants.

Sarkozy, who was under pressure from his right-wing and far-right constituencies to halt immigration originating from North Africa (resulting from the Tunisian uprising), hoped to strike a deal with the opportunistic Italian leader. Italy was accused of allowing immigrants to cross through its borders to the rest of Europe. Thus, in exchange for an Italian agreement to join a French initiative aimed at tightening border control, France would resolve major disputes through a series of takeovers involving French and Italian companies. Moreover, Italy would then secure French support for a bid by Italian economist and banker Mario Draghi to become the head of the European Central Bank.

Another point on the French agenda was active Italian participation in the war on Libya, initially spearheaded by France, Britain and the United States, and later championed by NATO.

Initially, Berlusconi hesitated to participate in the war, although hardly for any moral reasons, considering that the war was deliberately based on misconstrued interpretations of United Nations Security Council

Resolution 1973 of 17 March 2011. To place this comment in context, the resolution called for an 'immediate ceasefire', the establishment of a 'no-fly zone' and using all means, except foreign occupation, to protect civilians. The war, however, achieved entirely different objectives from the ones stated in the resolution – a regime change, the bloody capture and murder of Libyan leader Muammar Gaddafi, and a bloodbath in which thousands of civilians were killed, and continue to die due to the chaos and civil war that has gripped Libya since then.

Berlusconi's change of heart had little to do with common sense or moral integrity, and much to do with oil and gas. He was walking a tightrope. On one hand, about a quarter of Italy's oil and nearly 10% of the country's natural gas were imported from Libya. Destabilising Libya could interrupt the flow of Libyan energy supplies at a crucial time – Italy was desperately attempting to recover from its deep economic recession.

One would recall that following the Libyan war, France marched to Mali. Thus, it appeared to be inclined towards intervention, and for it to hold all the cards in Libya could be devastating for Italy.

'The Franco-Italian spat over immigration follows sharp differences over Libya, where Rome has been dragged into a war it would rather avoid, fearing a Paris-Benghazi nexus will freeze out its substantial interests in Libyan oil and gas,' the *Financial Times* reported at the time.

The successful meeting between the two leaders paved the way for Italian intervention in the Libyan war, which occurred in earnest on 28 April. Meanwhile, France honoured its part of the bargain, and on 1 November of that same year, Draghi succeeded Jean-Claude Trichet as the president of the European Central Bank. Both countries benefitted, despite Libya being destroyed.

Now, few in the Italian government would care to remember their country's role in the war on Libya which, despite initial hesitation, was embraced with utmost enthusiasm.

British soldiers in Afghanistan in 2008. Thousands of war refugees from Afghanistan, Iraq and Syria are now seeking shelter in the same European and NATO countries, like Britain, that had contributed to the destruction and destabilisation of their countries.

The refugees who are lucky enough to make it to Italy's shores are constantly and particularly demonised by the Italian media and perceived as a burden on the still-struggling Italian economy.

Even Greece (which displays little patience or regard for humanitarian laws in its treatment of the many thousands of refugees arriving from Syria, Iraq and Afghanistan, via Turkey) fulfilled a minor part in the war in Libya (2011) and provided assistance to the US-led war on Iraq (2003).

The relationship between war and the rising challenge of refugees, immigrants and asylum seekers cannot be overstated. It is both ironic and particularly tragic that the many thousands of war refugees are seeking shelter in the same European and NATO countries that either directly (as in Libya, Iraq, Afghanistan) or indirectly (as in Syria) contributed to the destruction and destabilisation of their countries.

The countries that should be confronted most about their moral responsibility towards war refugees are those who ignited these wars in the first place. While Libya continues to descend into chaos, and Syria and Iraq subsist in a state of bedlam, both France and Britain discuss the problem of refugees attempting to cross into both countries as though the refugees were swarms of locusts, not innocent people who were victimised mostly by US-European wars. Meanwhile, the US, geographically removed from the refugee crisis, appears completely unperturbed by the chaotic scenes of desperate refugees, capsizing boats and pleading families.

Those who wage war should at least shoulder part of the moral responsibility of addressing the horrible and devastating consequences that armed conflict inflicts upon innocent people. The Italian example is a display of how economic interests trump morality, and not a single NATO country is innocent.

Now that the refugee crisis is worsening, it behoves NATO to deal with this problem at least with a degree of humanity and, dare one say, with an enthusiasm comparable to that which led them to several devastating wars in recent years. ◆

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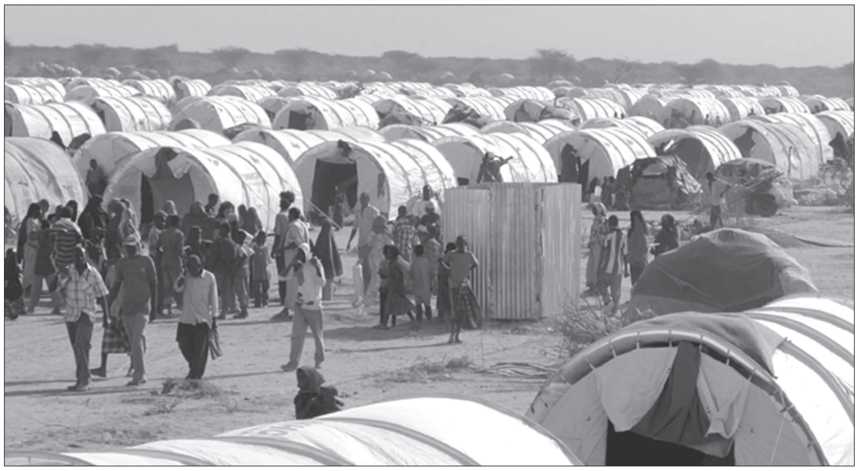
The refugee crisis in context

When viewed in the larger global context, it is apparent, says *Matt Reichel*, that the refugee is neoliberalism's refuse.



In the Dadaab settlement in Kenya, which primarily houses refugees from the Somali civil war, there are currently about 450,000 people in an area originally designed to handle only 90,000.

A REPORT issued by the UN High Commissioner for Refugees (UNHCR) in June provided a jarring statistical glimpse at the unprecedented crisis facing 59.5 million people who are currently displaced. With ongoing wars and sectarian conflicts raging in Syria, Iraq, Ukraine, South Sudan and Somalia, and record numbers moving in search of economic betterment, an additional 8.1 million people were uprooted in 2014. If all of the world's refugees were to form one independent country, it would be the 24th largest, just behind Italy and ahead of South Africa. This country would contain 0.8% of the global population, which means that if it were instead composed of the world's richest people, it would possess nearly half of the planet's wealth.

What's more, these two hypothetical countries would represent opposite sides of the same coin. It is no accident that the concentration of global wealth is accelerating alongside the numbers of the dispossessed. It is the very predictable result of a US-led system of economic and military hegemony that values the mobility of labour and capital, but not of people, and that reflexively destabilises any regime it views as being inadequately obsequious. Meanwhile, the market fundamentalism it espouses effectively turns farms into agribusinesses and cities into slums. It displaces as a matter of course. This is the part that the UNHCR report missed: the refugee is neoliberalism's refuse.

Unmanaged capitalism produces unmanageable waste, human included. The reserve army of labour has long been filled, and so the remaining population is superfluous. Meanwhile, the scope of neoliberalism is practically global. There is no longer a hinterland, nor much space for an alternative such as subsistence agriculture. Precarious, low-wage labour is the international norm, even increasingly so in the industrial North, where social-democratic protections are under steady assault.

Nonetheless, conditions remain superior enough in these countries to attract millions of migrants each year, though the centrifugal force that propels people out of their home countries continues to operate in their adopted lands, driving them to the margins. Quite often they will find themselves veritably stateless: lacking any foundation to return to, and having no visible path forward. They become trapped in a state of 'liminal drift', as Michel Agier calls it. They are permanently transitory, forever seeking a resolution that stubbornly remains out of reach.

Some migrants wind up in camps that are essentially prisons, often for protracted periods. Last year, Americans gained familiarity with their own numerous border detention centres and the abominable conditions that prevail therein, with people being held for months at a time awaiting determination on their cases. In Africa, the process can go on for decades. In Dadaab, Kenya, there are three migrant towns operated by UNHCR, primarily housing refugees from the Somali civil war. There are currently about 450,000 people in an area originally designed to handle only 90,000, and some have been there since the formation of the settlement in 1991. In April of this year, Kenya's Deputy President William Ruto demanded that UNHCR close the camp over security concerns stemming from the al-Shabab attack on the town of Garissa. The government has since backpedalled, though inhabitants continue to live in fear.

In all, UNHCR reports that sub-Saharan Africa accounts for 3.7 million refugees, with most coming from Somalia, Sudan, South Sudan, the Democratic Republic of the Congo and the Central African Republic. The catalyst for these migrations is the growing instability of African states amidst civil war and regional sectarian conflicts, and the concomitant proliferation of terrorist organisations throughout the region.

The blame for the conflagration on the continent rests with the Obama administration and its substantial expansion of military operations under the auspices of AFRICOM, with 674 missions last year, up from 172 in 2008, together with its disastrous intervention in Libya. As the US moved to depose Qaddafi because he did not always bend to American dictates, the country was thrown into prolonged chaos, during which the former leader's weapons were dispersed throughout the continent, with many landing in the hands of militants in Mali, thus stoking the ongoing civil war there. Meanwhile, the continued conflict in South Sudan must be viewed as the result of a failure of state building by the United States, which was the principal proponent of the founding of that country. These examples provide but a small sampling of the ways in which Washington is responsible for the worsening situation in Africa.

Of course, the US role in creating humanitarian crises is nowhere clearer than in the Middle East. The conditions for the creation of ISIS, which is now the primary driver of refugees in Iraq and Syria, were born of the resentment fuelled by decades of American meddling and provocation. Meanwhile, a recently declassified US Defense Intelligence Agency document from 2012 (see following article) evinces the fact that the Pentagon understood that their support of the Syrian opposition would most likely benefit radical Salafists. Despite months of talk about supporting some imaginary, moderate rebels, we now know that the Defense Department knew better. They may not have appreciated just how brutally puritan the resulting form of Salafism practised by ISIS would be, but certainly possessed enough sound intelligence to prevent further exacerbating regional instability by throwing weapons and training at the then amorphous opposition.

Eventually, the group that coalesced into ISIS was able to commandeer a vast array of weapons from the demoralised Iraqi security forces. This includes 74,000 machine guns, and 2,300 of the 3,500 Humvees that the US provided, which are now busily being converted into mobile suicide bombs. From exploding tanks to graphic beheadings, this spectacle of terror has led to millions fleeing persecution. As such, Syria has now surpassed Afghanistan as the world's largest source of refugees. Among them are 2,000 Palestinians who had to flee from Yarmouk during an ISIS and al-Nusra takeover earlier this year. Like the aforementioned African migrants, many members of this community were caught in a liminal state for decades, only to then become double-refugees: leaving one indeterminate situation for another. The displacement of the already displaced is an unmistakable characteristic of the neoliberal order.

In contrast to the long-term camps seen in Third World countries, their industrialised counterparts have been markedly less hospitable and patient in the face of the growing crisis. This lack of compassion is witnessed in Australia's refusal to accept members of the Rohingya community from Burma, desperately fleeing political persecution there. Meanwhile, tensions have flared in Europe over how to distribute the refugee 'burden'. France has returned some 6,000 migrants to Italy so far this year, claiming that the latter has failed to properly process them. Most recently, France has closed the border near Ventimiglia, prompting Italian police to forcibly close a camp of mostly Ethiopian and Eritrean refugees. The Italian state is desperate for help from its European partners to absorb the flow, as some 57,000 displaced people have landed in the country so far this year.

For its part, France has played a particularly disgusting role in this saga, which is hardly surprising given its recent history of treatment of minority communities within its borders. This is the land of the burka ban, where Nicolas Sarkozy rose to power on promises to hose the scum ('*les racailles*') out of the streets of the suburban ghettos, and both he and his Socialist successor, Francois Hollande, forcibly expelled Roma communities in 2010 and 2012, respectively. Likewise, the French government has broken down several makeshift camps in recent years in the port city of Calais, and Human Rights Watch has documented widespread police abuse and harassment of migrants living there. Reports include unprovoked beatings and deployment of pepper-spray, even on people obeying orders. Volunteers have found evidence of physical abuse, including scars and broken bones, which victims claim were inflicted by French authorities.

News coverage of these stories of the dispossessed tends to look at the issue in isolation, while policymakers generally seek easy scapegoats. Smugglers are often portrayed as the cause of the crisis. Other times, Western leaders point to war and poverty in the Global South, without acknowledging the forces behind the privation prevailing throughout poor countries of the world. Rarely do mainstream commentators draw lines between the Mediterranean, the Rio Grande and Yarmouk. If they were to do so, they would see that the story of the refugee has some terrifying implications for all of humanity.

Neoliberalism has transformed the secure into the precarious and the subaltern into refuse. It has created previously unknown flows of information and capital, while holding the displaced in captivity. Indeed, the ever-rising American prison population must be seen as a connected phenomenon.

Far from enshrining freedom, market fundamentalism converts flesh into monetary quantity. It also provokes fear, because we are able to witness the hardships endured by the underclass, thus reminding us of our own expendability. Zygmunt Bauman notes: 'Rather than remaining a misery confined to a relatively small part of the population, as it used to be perceived, assignment to "waste" becomes everybody's potential prospect – one of the two poles between which everybody's present and future social standing oscillates.'

As long as one of us is deemed rubbish, the rest of us have a vested interest in identifying and addressing the underlying cause. The refugee crisis riddle will not be solved until we repel the forces that created it. ◆

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The Islamic State, a strategic asset 'to isolate the Syrian regime' – US intelligence document

A formerly classified US Defense Intelligence Agency report has revealed that as early as 2012, US intelligence had predicted the rise of the Islamic State in Iraq and the Levant (ISIL or ISIS). Far from viewing it as an enemy, it welcomed it as a strategic asset to isolate the Syrian regime of President Assad.

Brad Hoff

ON 18 May, the conservative government watchdog group Judicial Watch published a selection of formerly classified documents obtained from the US Department of Defense and State Department through a federal lawsuit.

While initial mainstream media reporting is focused on the White House's handling of the Benghazi consulate attack, a much 'bigger picture' admission and confirmation is contained in one of the Defense Intelligence Agency (DIA) documents circulated in 2012: that an 'Islamic State' is desired in Eastern Syria to effect the West's policies in the region.

Astoundingly, the newly declassified report states that for 'the West, Gulf countries, and Turkey [who] support the [Syrian] opposition … there is the possibility of establishing a declared or undeclared Salafist principality in Eastern Syria (Hasaka and Der Zor), and this is exactly what the supporting powers to the opposition want, in order to isolate the Syrian regime…'.

The DIA report, formerly classified 'Secret/NOFORN [not releasable to foreign nationals]' and dated 12 August 2012, was circulated widely among various government agencies, including CENTCOM, the CIA, FBI, DHS, NGA, State Department and many others.

The document shows that as early as 2012, US intelligence predicted the rise of the Islamic State in Iraq and the Levant (ISIL or ISIS), but instead of clearly delineating the group as an enemy, the report envisions the terror group as a US strategic asset.

While a number of analysts and journalists have documented long ago the role of Western intelligence agencies in the formation and training of the armed opposition in Syria, this is the highest-level internal US intelligence confirmation of the theory that Western governments fundamentally see ISIS as their own tool for regime change in Syria. The document matter-of-factly states just that scenario.

Forensic evidence, video evidence, as well as recent admissions of high-level officials involved, have since proven the State Department and CIA's material support of ISIS terrorists on the Syrian battlefield going back to at least 2012 and 2013 (for a clear example of 'forensic evidence', see the UK-based Conflict Armament Research's report which traced the origins of Croatian anti-tank rockets recovered from ISIS fighters back to a Saudi/CIA joint programme via identifiable serial numbers).

The DIA report makes the following summary points concerning 'ISI' (in 2012 'Islamic State in Iraq') and the soon-to-emerge ISIS:

• Al-Qaeda drives the opposition in Syria

• The West identifies with the opposition

• The establishment of a nascent Islamic State became a reality only with the rise of the Syrian insurgency (there is no mention of US troop withdrawal from Iraq as a catalyst for the Islamic State's rise, which is the contention of innumerable politicians and pundits; see section 5.D of the report excerpted below)

• The establishment of a 'Salafist principality' in Eastern Syria is 'exactly' what the external powers supporting the opposition (identified as 'the West, Gulf countries, and Turkey') want in order to weaken the Bashar al-Assad government

• 'Safe havens' are suggested in areas conquered by Islamic insurgents along the lines of the Libyan model (which translates to so-called no-fly zones as a first act of 'humanitarian war'; see section 7.B below)

• Iraq is identified with 'Shia expansion' (8.C)

• A Sunni 'Islamic State' could be devastating to 'unifying Iraq' and could lead to 'the renewing facilitation of terrorist elements from all over the Arab world entering into Iraqi arena'.

The following is excerpted from the seven-page DIA declassified report (bold-facing is my own):

THE GENERAL SITUATION:

A. INTERNALLY, EVENTS ARE TAKING A CLEAR SECTARIAN DIRECTION.

B. THE SALAFIST [sic], THE MUSLIM BROTHERHOOD, AND AQI ARE THE MAJOR FORCES DRIVING THE INSURGENCY IN SYRIA.

C. THE WEST, GULF COUNTRIES, AND TURKEY SUPPORT THE OPPOSITION; WHILE RUSSIA, CHINA AND IRAN SUPPORT THE REGIME.

…

3.~~(C)~~ Al QAEDA – IRAQ (AQI): … B. **AQI SUPPORTED THE SYRIAN OPPOSITION FROM THE BEGINNING, BOTH IDEOLOGICALLY AND THROUGH THE MEDIA**…

…

5.D. THERE WAS A REGRESSION OF AQI IN THE WESTERN PROVINCES OF IRAQ DURING THE YEARS OF 2009 AND 2010; HOWEVER, **AFTER THE RISE OF THE INSURGENCY IN SYRIA, THE RELIGIOUS AND TRIBAL POWERS IN THE REGIONS BEGAN TO SYMPATHIZE WITH THE SECTARIAN UPRISING. THIS (SYMPATHY) APPEARED IN FRIDAY PRAYER SERMONS, WHICH CALLED FOR VOLUNTEERS TO SUPPORT THE SUNNI'S [sic] IN SYRIA**.

…

7. ~~(C)~~ THE FUTURE ASSUMPTIONS OF THE CRISIS:

A. THE REGIME WILL SURVIVE AND HAVE CONTROL OVER SYRIAN TERRITORY.

B. DEVELOPMENT OF THE CURRENT EVENTS INTO PROXY WAR: … OPPOSITION FORCES ARE TRYING TO CONTROL THE EASTERN AREAS (HASAKA AND DER ZOR), ADJACENT TO THE WESTERN IRAQI PROVINCES (MOSUL AND ANBAR), IN ADDITION TO NEIGHBORING TURKISH BORDERS. **WESTERN COUNTRIES, THE GULF STATES AND TURKEY ARE SUPPORTING THESE EFFORTS**. THIS HYPOTHESIS IS MOST LIKELY IN ACCORDANCE WITH THE DATA FROM RECENT EVENTS, **WHICH WILL HELP PREPARE SAFE HAVENS UNDER INTERNATIONAL SHELTERING, SIMILAR TO WHAT TRANSPIRED IN LIBYA WHEN BENGHAZI WAS CHOSEN AS THE COMMAND CENTER OF THE TEMPORARY GOVERNMENT**.

…

8.C. IF THE SITUATION UNRAVELS THERE IS THE POSSIBILITY OF **ESTABLISHING A DECLARED OR UNDECLARED SALAFIST PRINCIPALITY IN EASTERN SYRIA** (HASAKA AND DER ZOR), **AND THIS IS EXACTLY WHAT THE SUPPORTING POWERS TO THE OPPOSITION WANT, IN ORDER TO ISOLATE THE SYRIAN REGIME**, WHICH IS CONSIDERED THE STRATEGIC DEPTH OF THE SHIA EXPANSION (IRAQ AND IRAN).

…

8.D.1. … **ISI COULD ALSO DECLARE AN ISLAMIC STATE THROUGH ITS UNION WITH OTHER TERRORIST ORGANIZATIONS IN IRAQ AND SYRIA**, WHICH WILL CREATE GRAVE DANGER IN REGARDS TO UNIFYING IRAQ AND THE PROTECTION OF ITS TERRITORY. ◆

Brad Hoff is Managing Editor of Levant Report (levantreport.com), from which this article is reproduced.

Even after the Cuba deal, Latin America is still leery of Obama

Despite progress with Cuba, the Obama administration has done little to dispel doubts about Washington's intentions towards its neighbours to the south.

Rohan Chatterjee

SHORTLY after Barack Obama first took office, he famously admitted at the Summit of the Americas that Washington needed to use diplomacy in 'more intelligent ways' in Latin America and beyond.

Now, with his administration's groundbreaking normalisation of ties with Cuba, he seems to be finally making good on that pledge as his final term nears its end. As the two countries opened embassies in each other's capitals for the first time in over 50 years, regional leaders unanimously praised the news.

In much of the US media, the event was portrayed as an easing of Cuba's decades-long isolation. But in the region, at least, it's Washington that's been isolated – including for the last seven years of the Obama administration. And it's not just because of Washington's lonely alienation from Cuba.

US President Barack Obama and his Cuban counterpart Raul Castro shake hands before a regional summit in Panama in April. 'While Obama may have broken US Cuba policy out of the prison of the past, there are many more new ideas waiting to be freed.'

Imprisoned by the past

'We don't have to be imprisoned by the past,' Obama said about the need for a new approach to Cuba. He was referring most directly to the last five decades of US policy towards the island.

But for Latin Americans more broadly, that history is widely understood as one in which the United States, especially throughout the 19th and 20th centuries, dominated its regional neighbours by propping up governments aligned with its own economic and political interests. This included allying with brutal military dictatorships, which often came to power by violent coups against democratically elected governments.

Based on this history, explains Harvard professor Steven Levitsky, 'alarm bells ring across the political spectrum in Latin America' whenever coups occur in the region. Washington is always a suspect.

In 2002, for example, alarm bells rang as the hemisphere's first US-backed coup attempt since the end of the Cold War took place in Venezuela. The coup carried out against Venezuelan President Hugo Chavez ultimately failed when loyal sections of the armed forces, spurred into action following widespread public outcry, detained key coup leaders and returned Chavez to power.

Before it unravelled, the coup government received the Bush administration's full endorsement. Suspicions of US involvement, which ran rampant at the time, were later confirmed when evidence showed that US officials not only knew of the planned coup, but had actually authorised it.

Honduras

During Obama's tenure, Washington has been less willing to intervene in the direct manner of previous decades, or even to endorse coups as brazenly as Bush did with Venezuela. Yet two successful coups have been carried out in the region during Obama's presidency, and his administration's response has done little to improve Washington's reputation.

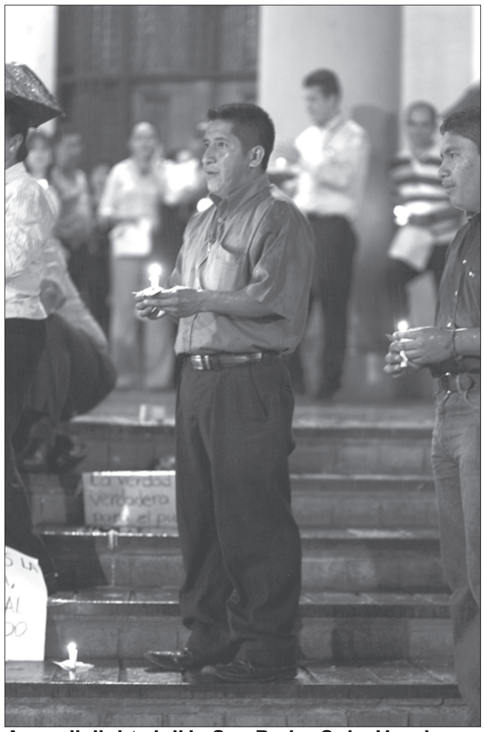
The first coup took place in Honduras in 2009, when then President Manuel Zelaya was kidnapped by the military and flown out of the country. In protest, most Latin American nations and the entire European Union severed ambassadorial ties with the Central American country. The Spanish prime minister branded the move 'illegal', while Argentina's President Cristina Kirchner called it a reminder of 'the worst years in Latin America's history'. International groups, including the Organisation of American States (OAS) and the United Nations General Assembly, called for Zelaya's immediate return.

Although Obama did call for Zelaya's return, the United States was one of the few countries to retain its ambassador in Tegucigalpa. Furthermore, the White House and State Department strenuously avoided labelling the events in Honduras a coup. Such a designation would have barred the administration from sending military aid to the coup government.

Now, thanks to WikiLeaks, a cable from the US embassy in Honduras has been released showing that the State Department indeed believed Zelaya's removal clearly constituted a coup. Subsequent revelations showed that several of the coup's supporters had ties to then Secretary of State Hillary Clinton's inner circle.

At the time, the administration's response led the *New York Times* to comment that it was 'often hard to tell if George W. Bush [wasn't] still president'. US policy in Honduras remained at odds with much of the international community's, and this continued when the Obama administration supported elections held after the coup – even when many, including the OAS, questioned their legitimacy.

Yet the White House prevented the OAS from intervening in the elections. According to Mark Weisbrot from the Center for Economic Policy and Research, this resulted in the creation of the Community of Latin American and Caribbean States (CELAC), a hemispheric group that purposefully excluded the United States.



A candlelight vigil in San Pedro Sula, Honduras, in 2009 protesting the ousting of President Manuel Zelaya. The US was one of the few countries to retain its ambassador in Tegucigalpa in the aftermath of the coup.

Paraguay

The second coup took place in 2012 in Paraguay, when ex-bishop Fernando Lugo was ousted in what has since been described as a parliamentary coup. Lugo was impeached by his opponents and given 24 hours to defend himself following a land dispute that resulted in the death of six police officers and 11 farmers.

Highly reminiscent of the fallout after the Honduran coup, Latin American leaders from all political walks of life protested the events. Even Latin governments who traditionally align closely with US policy in the region denounced the move. Chile recalled its ambassador, while conservative leaders from Colombia and Mexico publicly rejected the coup. Every foreign minister from the Union of South American Nations (UNASUR) visited Paraguay in protest, calling the move a clear violation of UNASUR's democracy clause.

UNASUR, along with the regional trading bloc Mercosur, suspended Paraguay's membership. Yet the United States, again, remained one of the only countries in the region not to denounce the move. When questioned whether the US had decided if what had happened was a coup, State Department spokesperson Victoria Nuland replied, 'We have not.'

Venezuela redux

More recently, the Obama administration received widespread condemnation for issuing an executive order placing sanctions on Venezuela and declaring the country 'an extraordinary threat to the national security and foreign policy of the United States'.

With memories of US support for the failed coup still fresh, there was widespread reaction to the strong wording of the order. CELAC and UNASUR rejected the sanctions and demanded their reversal, with CELAC calling them 'unilateral coercive measures contrary to international law'. Even reliable US allies like Colombia and Mexico signed the statement in arguably the most unified opposition to US policy in the region to date.

Many regional leaders also objected to the order, with Argentina's Kirchner commenting tersely it was 'implausible' that Venezuela could be considered a threat. Bolivia's Evo Morales labelled the move 'undemocratic', while Ecuadorian President Rafael Correa went further, calling it a 'bad joke' and a throwback to 'the darkest hours of our Latin America, when we received invasions and dictatorships imposed by imperialism'.

Even Venezuela's opposition, traditionally staunch supporters of US actions against the current Bolivarian regime, sought to distance themselves, stating 'Venezuela is not a threat to any nation.'

Internationally, 120 British members of parliament called for the rejection of the order, while 15 million people signed various petitions denouncing the move. Moreover, the G77 and China group, representing 134 countries, urged the reversal of the measure 'under principles of respect for sovereignty and self-determination'.

The fallout once again placed US foreign policy at odds with much of Latin America. As journalist Eva Golinger put it, 'Before the region even had time to celebrate the loosening of the noose around Cuba's neck, it was tightened to Venezuela's.'

Despite the progress of re-establishing diplomatic ties with Cuba, the Obama administration has done little to dispel doubts about Washington's intentions towards its neighbours to the south. While Obama may have broken US Cuba policy out of the prison of the past, there are many more new ideas waiting to be freed.

Until then, Obama may well go down in history as another US leader who worked against, rather than with, Latin America. ◆

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How the US backed Pinochet's henchman Manuel Contreras

Speaking at a ceremony on 11 September marking the 42nd anniversary of the US-backed military coup staged by General Augusto Pinochet against the democratically elected government of Salvador Allende, Chilean President Michelle Bachelet noted that justice still needs to be served for the thousands of victims of the country's dictatorship which followed. Fortunately, although the man who enforced the brutal repression under Pinochet had died a month earlier, he had in fact been brought to account for his crimes. *Nick MacWilliam* looks back at the bloody legacy of Manuel Contreras and the role played by the US in the terror he unleashed.

MANUEL Contreras was the military henchman who, more than any other, enforced the brutal repression that governed Chile during the dictatorship of General Augusto Pinochet.

As head of the National Intelligence Directorate (DINA) secret police – often referred to as Pinochet's Gestapo – Contreras was responsible for the torture and murder of hundreds of people.

Today most of his victims remain among Chile's thousands of disappeared, their families condemned to perpetual grief in absentia by the inhumanity of military rule.

Unlike his master, however, General Contreras was brought to account for the crimes he committed. When he died on 7 August at the age of 86 in a military hospital in Santiago, Contreras was serving more than 500 years in prison for human rights abuses carried out by the DINA.

In addition to the disappearances that terrorised Chile, he directed the infamous Operation Condor extermination programme which targeted dissidents across Latin America and as far away as the United States and Europe.

For Cristina Godoy-Navarrete, who in 1974 was detained and tortured by the DINA, the death of Contreras compounds the tragedy of military rule. 'If anything [my feeling] was sadness,' she says. 'We will never know what happened to so many people who disappeared because he never gave any information.

Manuel Contreras.

He never repented or asked for forgiveness. The fact somebody thinks he can kill, murder, torture, rape, and that is right … it gives me profound sadness.'

Her sentiments are echoed by Ricardo Brodsky, executive director of Santiago's Museum of Memory and Human Rights, which opened in 2010 to document the crimes of the dictatorship and pay tribute to the victims.

'Contreras' death generates contradictory sensations,' he says. 'On the one hand, there is happiness that such a person is no longer part of this world but, on the other, there is frustration as we know he has taken many secrets to the grave, especially about what happened to the disappeared.'

General Pinochet came to power in a military coup that overthrew the democratic socialist government of Salvador Allende on 11 September 1973. Thousands of people were detained and tortured, with many of them killed. Rather than submit to the illegality of the coup, Allende fought to the end, remaining true to his vow that the only way the right would remove him from La Moneda presidential palace was in a coffin.

The fall of democracy heralded an era of repression and cruelty as the military regime enacted the systematic elimination of its opponents. In the aftermath of the coup, General Contreras directed several detention centres at which citizens were tortured and killed. In 1974, he was appointed director of the newly formed DINA, the secret police force which snatched people off the streets or from their homes, never to be seen again. 'It created a collective sense of fear and terror that immobilised everybody,' says Godoy-Navarrete.

But the terror unleashed by the military regime against its own people would not have been possible without the support of Pinochet's allies in the United States government. Following Allende's election in 1970, President Richard Nixon ordered the CIA to 'make the [Chilean] economy scream'. This was achieved by funding a series of strikes that halted industry and exerted intense pressure on Allende's government. The CIA also ploughed millions of dollars into an anti-government propaganda campaign in the pages of *El Mercurio*, Chile's most influential newspaper and a pillar of reactionary dogma.

Contreras' dealings with the United States predated the coup. In 1967, he enrolled at the US Army School of the Americas, which had branches in the US and Panama, where he was trained in counterinsurgency techniques, including interrogation and torture, that had been pioneered in Indochina and would soon be implemented across Latin America. Today the centre is known as the Western Hemisphere Institute for Security Cooperation.

A list of School of the Americas alumni reads like a rollcall of Latin American repression and genocide. Among those to have received training there are the architects of Argentina's Dirty War, Generals Rafael Videla, Leopoldo Galtieri, Emilio Massera and Roberto Viola; the Bolivian dictator Hugo Banzer; Roberto D'Aubuisson, who ordered the murder of Archbishop Oscar Romero and led the military death squads that decimated El Salvador during its civil war; the Guatemalan military ruler Efrain Rios Montt, who orchestrated a scorched-earth campaign against the country's large indigenous population; several Colombian paramilitary commanders, and on and on. In total, these men caused tens, possibly hundreds, of thousands of deaths.

During the Pinochet dictatorship, the CIA viewed Contreras as an asset within Chile. Documents declassified in 2000 state that 'the US Government policy community approved [the] CIA's contact with Contreras, given his position as chief of the primary intelligence organisation in Chile, as necessary to accomplish the CIA's mission, in spite of concerns that this relationship might lay the CIA open to charges of aiding internal political repression'.

With regard to the atrocities committed under Contreras' watch, the file states that 'by April 1975, intelligence reporting showed that Contreras was the principal obstacle to a reasonable human rights policy within the Junta, but an interagency committee directed the CIA to continue its relationship with Contreras'.

A few months later, Contreras was invited to Washington, and soon after he was paid for services to the US government.

At the same time, Contreras was orchestrating Operation Condor, a collaboration of military regimes in South America working to eliminate leftists across the continent. Atrocities committed under the Condor banner included Operation Colombo, in which 119 Chilean militants were murdered in 1975. The Chilean media, led by dictatorial mouthpiece *El Mercurio*, reported that the deaths were due to communist infighting, a deliberate mistruth intended to allow the authorities to maintain their killing spree while denying any knowledge of the fate of the disappeared.

Even involvement in a terrorist act in the US capital itself failed to sever contact between Contreras and the US authorities. In 1976 Contreras arranged the killing of Orlando Letelier, Allende's foreign minister, in a Washington DC car bombing that also claimed the life of Letelier's young assistant. Two years earlier he had conspired to assassinate General Carlos Prats, a committed constitutionalist who under Allende had served as Commander-in-Chief of the Armed Forces and Minister of the Interior. Prats and his wife were killed by a car bomb while exiled in Buenos Aires.

'It's clear that the repressive coordination of the security services of Chile, Brazil, Argentina, Bolivia and Uruguay, the Condor Plan, was assisted by the United States, especially during the Nixon-Kissinger era,' says Ricardo Brodsky. 'The murder in Washington of Orlando Letelier distanced the US from the DINA and from Pinochet.'

Even so, while the declassified CIA documents say that 'by the end of 1976, contacts with Contreras were very infrequent', they also confirm that the agency continued to liaise with him for at least several more months after the Washington bombing. The files state that 'during 1977, [the] CIA met with Contreras about half a dozen times; three of those contacts were to request information on the Letelier assassination'. The report does not say what was discussed at the other meetings.

'The United States has a big responsibility about what happened to the victims of the regime,' says Cristina Godoy-Navarrete. 'Everything we experienced in terms of repression, torture, it was a consequence of the political decision of the United States to overthrow Allende.'

In 1993, Contreras was convicted by a Chilean court for his part in the Letelier murder and sentenced to seven years in prison. So began a series of trials in which the ex-DINA commander was convicted time and time again of the abduction, disappearance and murder of Chilean citizens, including two life terms in 2008 for the murder of Carlos Prats and his wife. He later accused Pinochet of ordering the Letelier and Prats killings.

In spite of the severity of his crimes, Contreras served his sentence in relative comfort. 'For the more than 20 years Contreras spent in jail, the majority were without doubt in military enclosures where he enjoyed unacceptable privileges,' says Brodsky. This included an extended period at Penal Cordillera, a converted holiday camp used to hold ex-military officials. Following public indignation at its luxury facilities, the 'prison' was closed in 2013 and the inmates transferred elsewhere. But Contreras' final months were far removed from those of his victims. 'He probably died very well looked after,' says Godoy-Navarrete. 'It's so different to the people he tortured and killed. They died under the most horrendous conditions.'

Can anything be gained from Contreras' passing? 'Trying to be optimistic, maybe now that he's died, other people will begin to talk, to denounce within military rank and file,' says Godoy-Navarrete. 'Nobody has ever said much. If that occurs, it will be the best outcome of his death.' ◆

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WORLD AFFAIRS

Humanitarian occupation in Haiti

A century after the US military invasion of Haiti in 1915, a UN 'stabilisation mission' continues to compromise the nation's political and economic sovereignty.

Mark Schuller

Many in Haiti see MINUSTAH, the UN force in the country, as serving US interests.

28 JULY marked the 100th anniversary of the commencement of the US occupation of Haiti. On this day in 1915, US Marines landed on the shores of Haiti, occupying the country for 19 years. College campuses, professional associations, social movements and political parties marked the occasion with a series of reflections and demonstrations. Several have argued that the US has never stopped occupying Haiti, even as military boots left in 1934.

Some activists are using the word 'humanitarian occupation' to describe the current situation, denouncing the loss of sovereignty as UN troops have been patrolling the country for over 11 years. While the phrase 'humanitarian occupation' may seem distasteful and even ungrateful to some, considering the generosity of the response to the 12 January 2010 earthquake, there are several parallels between the contemporary aid regime and the US Marine administration.

The US Marines invaded Haiti a century ago ostensibly to restore an order disrupted by an armed peasant resistance known as the *kako* and violent inter-elite turmoil. Between 1910 and the 1915 invasion of the US Marines, Haiti had seven presidents. The exploits of the occupying forces were well documented. Many US troops came from the Jim Crow South, and they brought their white supremacy with them. Racism coloured how they saw elements of Haitian culture and folklore, and in turn how the rest of the world came to view Haiti.

Apparently less understood is the current military occupation, but like the US invasion of 1915, it has compromised Haitian sovereignty and provided impunity for foreign forces. On 29 February 2004, a multinational force led by the US came to quell dissent following a US-backed regime change. President Jean-Bertrand Aristide declared he was 'kidnapped' aboard a US military plane, to be dumped in the Central African Republic. Less overtly imperialistic under a UN banner, MINUSTAH (the International United Nations Mission for the Stabilisation of Haiti) took over on 1 June, authorised by UN resolution 1542.

The polyglot force that peaked at over 13,000 troops from 54 countries is led by Brazil, which has been pressing for a permanent seat on the UN Security Council. Nonetheless, many in Haiti saw MINUSTAH as serving US interests, as Haitian NGO worker Yvette Desrosiers declared: 'The Americans hide their face, they send Brazilians, Argentines … he's hidden but he's the one in command!'

'Stabilisation' role

The force's mandate has been renewed every year, despite the fact that Haiti has much lower rates of violent crime (8.2 per 100,000 people) than many of its Caribbean neighbours such as Jamaica (54.9), which does not have a UN mission, or Brazil (26.4), heading up the UN mission.

Why would its mandate be renewed, following the 2006 elections that brought Rene Preval and his ruling Lespwa party to power? Colleagues in Haiti emphasise that the keyword 'stabilisation' refers to keeping agreeable leaders in office and quelling dissent. In 2009, activists reconciled their conflict over Aristide to call for an increase in the minimum wage, from 70 gourdes a day ($1.75) to 200 ($5). Both houses of Parliament voted unanimously to approve it. However, in a report for which he spent only days in the country to write, Oxford economist Paul Collier outlined a strategy of tourism, export mango production, and subcontracted apparel factories. He suggested Bill Clinton as UN Special Envoy. Clinton and newly named US Secretary of State Hillary Clinton met with Preval in support of the Collier Report, and Bill Clinton publicly questioned the minimum wage increase as undercutting Haiti's 'comparative advantage' (WikiLeaked documents outline the extent of pressure applied to keep wages low). In the end, Preval rejected the 200-gourde amount, unconstitutionally writing in a figure of 125 gourdes (a little over $3) for workers in overseas apparel factories. When street-level demonstrations increased their intensity in response, UN troops responded with escalating force – taking a lead role instead of supporting the police, as their mandate dictates.

Some argued that it was fortunate to have over 11,000 soldiers on the ground to assist in logistical support in the earthquake response. However, the troops provided only minimal logistics in rebuilding. Moreover, the quality of their construction work was called into question following an outbreak of cholera in October 2010, barely nine months after the earthquake. Infected UN troops stationed outside of Mirebalais spread their faecal matter in leaky sewage from the base, which ran into Haiti's major river. Within days, the outbreak spread to the entire country. In addition to this epidemiological evidence, genetic evidence pinpointed troops from Nepal as the source.

Despite overwhelming scientific evidence, the UN claimed immunity for an outbreak that has killed over 8,500 people in four years and continues to kill. Lawyers from the Institute for Justice and Democracy in Haiti and the Bureau des Avocats Internationaux sued the UN on behalf of the victims and their families. However, in January 2015, days before the fifth anniversary of the quake, a judge confirmed the UN's immunity. While this represents the most egregious invocation of their immunity, it was also confirmed following several cases of sexual abuse brought against UN troops.

Constitutional changes

A Haitian proverb declares *konstitisyon se papye, bayonet se fe*: 'a constitution is made of paper, a bayonet of iron'. In other words, the pen is not mightier than the sword. In reality during occupations, the pen is pushed by the sword. During the 1915 US Marine occupation, Franklin Delano Roosevelt bragged to have personally written the Haitian constitution – formally adopted in 1918 – which opened up land for foreign ownership and formalised the linguistic hegemony of the ruling classes by naming French as the only official language.

Paving the way for US agribusiness interests such as United Fruit to buy up tracts of land, the 1918 constitution allowed foreign investors and local merchants to monopolise foreign trade while expropriating thousands of peasant farmers. But it also triggered a massive *kako* rebellion. In response, Marines placed the mutilated body of Charlemagne Peralte, who they identified as the resistance movement's intellectual author, on display in a public square – a warning to others.

Constitutional changes were also introduced during the contemporary occupation. In addition to advocating the rejection of the minimum wage increase, Bill Clinton and the UN are also credited with introducing constitutional reforms. Haiti's 1987 constitution was the culmination of what Fritz Deshommes called a re-founding of the nation. Passed with over 90% of the vote on 29 March 1987, the constitution guaranteed liberal political rights, like freedom of press, religion and assembly, as well as social rights, such as education and housing. In addition, the constitution elevated Haitian Creole as an official language alongside French. In a country reeling from 29 years of the Duvalier dictatorship and wary of centralised executive power, the office of Prime Minister, to be ratified by Parliament, was established. Power was also shared in the Territorial Collectivities, including 570 communal sections.

However, since the start of the occupation, some of these provisions have been reversed by controversial new amendments passed under opaque circumstances. In April 2010, Parliament had voted to dissolve itself to make way for the Interim Haiti Reconstruction Commission (IHRC), co-chaired by Bill Clinton. When Parliament came back in session in 2011, the first task laid out for them was ratification of amendments to the constitution. President Michel Martelly, the winner from the second round of an election with a record low voter turnout of 22% – less than half that for the previous 2006 elections – pushed for the ratification. He was joined by several foreign agencies, apparently keen on naming the Permanent Electoral Council in a top-down, rushed process that advantaged the current government. Amidst all of this confusion, it was not clear what the final version of the amendments was, and only the French version was published.

Despite this uncertainty, some sectors apparently considered the constitutional amendments' adoption a fait accompli. When President Martelly faced a growing opposition that succeeded in forcing out Prime Minister Laurent Lamothe in December 2014, it was a surprise to many university professors, NGO staff and activists that the constitutional amendments had apparently been accepted. Conveniently, one of the changes included that the President name a Prime Minister without requiring a full Parliamentary ratification. Instead, the new constitution allows for only the leaders of both houses to agree – two individuals who had the most stake in the prolongation of their mandate following the deal reached with Martelly.

Further confusing the situation, the terms of the lower house as well as a third of the Senate were set to expire on 12 January 2015, the fifth anniversary of the earthquake, meaning that both houses would be below quorum. As Parliament teetered toward collapse, President Martelly's hand grew stronger, and the international pressure to 'negotiate' to avoid a 'political crisis' grew. In effect, international agencies like the European Union, the US, the UN and the World Bank were lining up to support Martelly. These actors concerned with 'democracy' said nothing when Martelly replaced all but a handful of the country's mayors. They indicated that they would continue to support the government of Haiti even though he would have to rule by decree. This same state of affairs, ruling by decree, was cited by many of these same international agencies in 1999 as the reason they suspended assistance to Haiti. What could account for foreign agencies' change of heart?

Whereas companies like the United Fruit Company benefited most from the 1915 US invasion, multinational mining interests are attempting to exploit Haiti's compromised sovereignty during the current occupation. While the UN Development Programme (UNDP) had financed a study in the 1970s, mining activities increased exponentially after the earthquake. On 11 May 2012, reports of mining contracts were unearthed in the press. With an estimated value of $20 billion, this represents a significant wealth. However, given Haiti's infrastructure, especially after the earthquake, there is insufficient in-country capacity and even technical expertise to evaluate contracts. Significantly, the 'exploitation' contracts were granted without Parliamentary approval. However, Parliament responded, issuing a resolution calling for a moratorium on mining in Haiti, citing the questionable legality of the Conventions as one of their main concerns. Shortly thereafter, the Martelly administration successfully recruited the World Bank to support its effort to restructure its mining laws and obtained support from the International Monetary Fund (IMF) to manage mining contracts and create a national cadaster.

Communities and civil society organisations have organised to promote their interests and defend their rights. At issue is local communities' participation and approval, given the loss of agricultural land and therefore peasant livelihood, not to mention the significant environmental damage mining causes. Indeed, the contracts made no provisions for environmental review or protections. Finally, the contracts expropriated the vast majority of the profits out of the country.

The civic campaign helped ensure that mining activity was put on hold in Haiti as the government rewrites the law. The political situation in 2015, without a parliament and with President Martelly ruling by decree, could allow for resumption of mining. This – in addition to other development strategies such as high-end tourism that benefit foreign interests at the expense of local communities – is the main motivation colleagues attribute to the so-called 'international community's' support for the ongoing occupation. Indeed, companies openly cited MINUSTAH's presence as attracting foreign investment.

Reasserting dominance

In 1915, US Empire was in its ascendancy; during the Spanish-American war the US seized control of Panama, Puerto Rico and the Philippines. The so-called 'dollar diplomacy' gave way to the more erudite 'mission civilatrice' of Wilson, whose delay into what he called 'the war to end all wars' allowed US might to be cloaked in obligation. Now, US Empire is showing signs of faltering. The US financial debt to China and Saudi Arabia thwarts principled human rights justifications, the European Union and Japan provide counterweights to the hegemony of the US dollar, the majority of Latin American nations elected leftist governments who set up cooperative institutions challenging the US, and Bush's failed 2003 invasion of Iraq was done without the UN's blessing. In this context of imperial setbacks, Haiti provided a stage for readjustment. Haiti in 2004 reunited France and the US over the ouster of Aristide. The right-wing Heritage Foundation published a position paper a day after the earthquake about the latter being an opportunity for the US to reassert dominance in the region eroded by the UN troops, Cuban medical assistance and Venezuelan institutions like Petrocaribe.

Today, the 1915 US occupation is denounced for being explicitly imperialistic. At the time, however, it enjoyed tacit support and occasionally active participation from segments of the US population. President Hoover invited the Tuskegee Institute to participate in an exchange, helping to set up Damien, the School of Agronomy. And troops built a network of roads leading from provincial towns to the capital, which facilitated capital accumulation and centralisation in Port-au-Prince. So-called 'fair' assessments of the 1915 occupation note these contributions. However, these are almost always an afterthought in the collective social memory, in direct contrast to the ways in which the contemporary humanitarian occupation is being framed by many. While the humanitarian effort has been critiqued in even mainstream accounts for its lack of coordination, failures in delivery and shortcomings – notably in a 3 June exposé of the Red Cross – the discussion usually leaves intact foreigners' good intentions.

What accounts for the difference in the understanding of the 1915 Marine occupation and the contemporary humanitarian occupation? It must first be said that there are obviously differences of opinion, then and now. In the interim, sensibilities have changed; the 'white man's burden' and open expressions of white supremacy are – at least rhetorically – relegated to the fringe right. Justifications for intervention must now be done on universal, 'humanitarian' grounds, although French anthropologist Michel Agier has called humanitarianism the 'left hand of empire'. What is necessary is a critical history of the present, clear enough to pierce the fog of ideology. Such a position requires moral courage, to be willing to suffer consequences for defending present-day *kako*, such as Charlemagne Peralte or even Dessalines. ◆

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US provides cover for use of banned weapons in Yemen

A coalition of Arab countries led by Saudi Arabia has been waging a ruthless air campaign against Yemen. Cluster bombs – banned by an international convention – have been used. The US has been supplying these. *Thalif Deen* reports.

THE United States is providing a thinly veiled cover virtually legitimising the use of cluster bombs – banned by an international convention – by Saudi Arabia and its allies in their heavy fighting against Houthi rebels in Yemen.

Asked if cluster bombs are legitimate weapons of war 'if used appropriately', US State Department spokesman John Kirby told reporters: 'If used appropriately, there are end-use regulations regarding the use of them. But yes, when used appropriately and according [to] those end-use rules, it's permissible.'

But Steve Goose of Human Rights Watch told Inter Press Service (IPS) the State Department official makes reference to 'end-use regulations'. 'Any recipient of US cluster munitions has to agree not to use them in populated areas. Saudi Arabia may be violating that requirement. State and Defence Department officials are looking into that,' he said.

The Saudi-led coalition of Arab states, which has been uninterruptedly bombing rebel-controlled Yemen, includes Egypt, Jordan, Morocco, Sudan, the United Arab Emirates, Kuwait, Qatar and Bahrain.

The 80 non-signatories to the convention include all 10 countries, plus Yemen. The United States, which is providing intelligence to the Saudi-led coalition, is also a non-signatory.

Asked whether it would be alarming or disconcerting if the coalition is in fact using American-supplied cluster bombs, Kirby told reporters: 'I would just tell you that we remain in close contact, regular contact with the Saudi government on a wide range of issues in Yemen.

'We've urged all sides in the conflict – you've heard me say this before – including the Saudis, to take proactive measures to minimise harm to civilians. We have discussed reports of the alleged use of cluster munitions with the Saudis,' he added.

Goose said a US Defence Department official has already said the US is aware that Saudi Arabia has used cluster munitions, so there is no real need for the State Department to confirm or deny.

'Cluster munitions should not be used by anyone, anywhere, at any time due to the foreseeable harm to civilians,' Goose added.

He also said the States Parties to the Convention on Cluster Munitions are meeting for the first Five Year Review Conference of the convention in September and are expected to condemn Saudi use and call for a halt.

Cluster bombs have also been used in Syria, South Sudan, Ukraine and by a non-state actor, the Islamic State of Iraq and Syria (ISIS), among others.

Convention

The Convention on Cluster Munitions, which was adopted in 2008, entered into force in 2010. A total of 117 states have joined the convention, with 93 States Parties who have signed and ratified the treaty. The convention, which bans cluster munitions, requires destruction of stockpiles, clearance of areas contaminated by cluster munition remnants, and assistance to victims.

Human Rights Watch, a founding member of the international Cluster Munition Coalition, the civil society campaign behind the Convention on Cluster Munitions and publisher of the *Cluster Munition Monitor 2014* report, said last May that banned cluster munitions have wounded civilians, including a child, in attacks in Houthi-controlled territory in northern Yemen.

Cluster Munition Monitor 2015, which provides a global overview of states' adherence to the ban convention, was released on 3 September.

An HRW team, in a report released after a visit to the Saada governorate in northern Yemen, said the Saudi-led coalition and other warring parties in Yemen 'need to recognise that using banned cluster munitions is very likely to harm civilians'.

Ole Solvang, senior emergencies researcher at HRW, said, 'These weapons can't distinguish military targets from civilians, and their unexploded sub-munitions threaten civilians, especially children, even long after the fighting.'

In one attack, which wounded three people, at least two of them most likely civilians, the cluster munitions were air-dropped, pointing to the Saudi-led coalition as responsible because it is the only party using aircraft.

In a second attack, which wounded four civilians, including a child, HRW said it was not able to conclusively determine responsibility because the cluster munitions were ground-fired, but the attack was on an area that has been under attack by the Saudi-led coalition.

In these and other documented cluster munition attacks, HRW has identified the use of three types of cluster munitions in Yemen and called upon the United States to denounce their use.

HRW also said the discovery of cluster munitions in Houthi-controlled territory that had been attacked by coalition aircraft on previous occasions and the location within range of Saudi artillery suggests that Saudi forces fired the cluster munitions, but further investigation is needed to conclusively determine responsibility. – *IPS* ◆

'Legal friends' fight gender violence in rural India

A rural women's group in the central Indian state of Madhya Pradesh which evolved from a self-help group focused on women's economic empowerment to one helping victims of domestic violence provides an inspiring case study of how community justice can often be more effective than the centralised state legal system. *Stella Paul* reports.

Stella Paul/IPS

Members of women's rights group Narmada Mahila Sangh (NMS) meet in Bhopali village in the central Indian state of Madhya Pradesh.

MAMTA Bai, 36, distinctly remembers the first time the police came to her village: it was December 2014 and her neighbour, Purva Bai, had just been beaten unconscious by her alcoholic husband, prompting Mamta to make a distress call to the nearest station.

Once in the neighbourhood, policemen pulled the abusive husband out of his home and asked the village women if they wanted him to be arrested.

'Yes,' they answered in unison. But first, they wanted him to be tied to a pole in the middle of the village. 'We wanted everyone to see what would happen to wife beaters from now on,' recalls Mamta Bai, a 'Kanooni Sakhi' (meaning 'legal friend' in Hindi) with the local rights group Narmada Mahila Sangh (NMS).

Spread across 213 villages in the central Indian state of Madhya Pradesh, the organisation helps victims of domestic violence seek justice. But as the incident above indicates, these activists are not your average legal defenders.

Steeped in the harsh realities that govern life in India's vast and lawless central states, the women know that the justice system here – from the police stations to the courts to the jails – is riddled with corruption, bureaucracy and entrenched patriarchal attitudes. So they seek local solutions to their problems.

In this case, they weren't content to let the offender spend a few nights in jail only to return to the same home and habits as before. So they went a step further, and extracted from Purva Bai's husband a signed letter to the local police chief in which he vowed never to hurt his wife again.

'We wanted to teach him a lesson. The arrest and the humiliation of being tied to a pole in public view made him afraid,' says Santri Bai, another NMS member. 'Now he knows, 42 of us [women] are ready to send him to the prison if he ever ill-treats his wife.'

Torture, burnings, deaths

Narmada Mahila Sangh operates in the Betul and Hoshangabad districts of Madhya Pradesh, a state that has an exceptionally high rate of gender-based violence, with 62% of women experiencing some form of abuse compared to the national average of 52%. These crimes include molestation, marital rape, murder, beatings, dowry-related killings and, in the case of women suspected of practising 'witchcraft', torture and burnings. In 2013-14, the state registered 10,000 violent acts against women, 4,000 of which took place in Betul district.

Despite this grim reality, NMS was not founded to tackle gender-based crimes. It began in 2002 as a federation of women's self-help groups focused on economic empowerment, with each unit running small savings schemes and generating collective loans to improve their livelihoods.

According to the Planning Commission of India, Madhya Pradesh has an extreme poverty rate of 35%, compared to India's national average of 25%. This means that the state is home to some 30 million people living on less than $1.25 a day.

But as the women began spending more time on trying to break the cycle of poverty, they faced backlash from their husbands and other community members.

'Women began to attend meetings, visit each other's homes, discuss livelihood options and also take more interest in the affairs of their own family, such as their children's education,' explains Asha Ayulkar, a resident of Chiklar village, not far from Betul town. 'This angered family members, especially men who saw it as women challenging their authority and breaking with tradition. They beat them as punishment.'

So in 2012, having grown its membership to over 9,000 members, NMS began a kind of 'crusade', launched with the belief that changing women's economic situation could not be accomplished without simultaneously tackling deeply entrenched patriarchal values.

Collective education, community support

The first order of business was to secure some kind of training, since few women in these rural areas have a formal education let alone specialised legal expertise.

While the literacy rate for Madhya Pradesh is estimated to be 70%, it falls to just 60% for women – and even this gives no real indication of true literacy levels, since many girls drop out before completing secondary schooling.

With the help of civil society organisations like Pradan, a non-profit that works to empower marginalised communities, 30 members of NMS are now trained paralegals and they in turn run workshops for other women in the villages on a range of issues from understanding existing laws and policies, to learning how to conduct a basic investigation before approaching the police.

'We also learn how to talk to a survivor and counsel her – a Kanooni Sakhi must meet her alone, lock eyes with her, and appear strong, yet sympathetic,' Ayulkar explains to Inter Press Service (IPS).

'Together we learn about the Indian Penal Code and its various articles relating to torture, assault, rape and dowry deaths.'

Although the 50-year-old only studied until the sixth grade, she is today the district's most respected paralegal, and boasts a success rate of over 80%.

Cutting the red tape

The initiative, though small when compared to the scale of gender-based violence in this country of 1.2 billion people, is an example of how community justice can often be more effective than the centralised legal system.

Sexual and physical abuse is a grossly underreported offence throughout India, with a recent study published by the *American Journal of Epidemiology* revealing that only 2% of victims of gender-based crimes report the incident to the authorities.

This could be due to the dismal conviction rate, which the National Crime Records Bureau (NCRB) estimates at just 30% – meaning seven out of 10 perpetrators generally walk free. Even those that are booked for a crime often spend a few years – sometimes even just a few days – in jail before rejoining the community.

Various Kanooni Sakhis tell IPS that attackers get off scot-free by bribing the police. Other times, authorities simply refuse to report complaints at all – activists recount incidents of women sitting for entire days at police stations attempting to file a First Information Report (FIR).

'So NMS trains women on how to lodge their cases, how to request public prosecutors when they can't afford a lawyer and how to check the status of a complaint by using the Right to Information Act,' Mamta Bai tells IPS.

Lawyers from the Indian capital of New Delhi and Madhya Pradesh's capital, Bhopal, have all participated in training schemes to strengthen the women's group.

The result, experts say, is impressive.

'The women are now keeping records of each case,' Angana Gupta, assistant manager at the Mumbai-based L&T Finances – one of Pradan's partner organisations – tells IPS. 'They have files for each case with details of the evidence, the steps taken and the official responses. They are also using mobile phones and tablets to network with fellow gender activists.'

Social backlash

Learning the law was the easy step. The harder part has been – and will continue to be – changing social attitudes in these rural areas.

Take the case of Ramvati Bai, a tribal woman in Bakud village. A widowed mother of two, Ramvati was sexually harassed and assaulted by her father-in-law for three years. But when she finally gathered the courage to file a complaint, the police dismissed her, calling it a 'family matter'. It was only after her fellow NMS members intervened that the police registered a case and arrested the accused. But this angered Ramvati's relations who ordered her to leave their home.

Phulkali Bai of Borgaon village was also thrown out of her home after she filed a court case against her physically abusive in-laws.

Fortunately for both, NMS has offered steady support, helping them get back on their feet by finding work and building their own huts to live in.

But some, like 28-year-old Nirmala Bai, are not so lucky. She died in 2013, after her husband allegedly strangled her and set her body on fire. The police arrested the husband for abetment of suicide but then released him on parole. Despite their determination to seek justice for the deceased woman, NMS had to abandon the case as the victim's family members refused to come forward to bear witness.

They don't let these setbacks get them down. They continue their micro-savings schemes and push ahead with the cases that need their help. Village Protection Committees identify threats or patterns and try to step in before tragedy occurs. If it does, NMS members help each other to keep moving.

'We want a life of dignity, free of violence,' Ramvati Bai tells IPS. 'Nothing else matters more than that.' *– IPS* ◆

The case of the Japanese military 'comfort women'

The world recently commemorated the 70th anniversary of the end of the Second World War. Regrettably, Japan has still to meet the longstanding demands of the Asian women who were sexually exploited by its troops. The following factsheet provides the background information on the plight of the so-called 'comfort women'.

Who were the 'comfort women'?

'Comfort women' is a historical term referring to women who were forced to provide sexual service to Japanese soldiers at military brothels called 'comfort stations' established by the Japanese military in its occupied territories between 1932 and 1945. 'Comfort women' were women and girls taken from all over Asia and the Pacific, with Japanese, Korean, Taiwanese, Chinese, Filipina and Indonesian women comprising the vast majority. Experts using the best documentation estimate the number of 'comfort women' at tens or hundreds of thousands.

Experts using the best documentation estimate the number of 'comfort women' at tens or hundreds of thousands.

How were 'comfort women' recruited?

At the beginning, women were recruited primarily from existing brothels in Japan by offering them a way to repay their debts more quickly. But the concern in the Japanese military over venereal diseases, and the demand for a greater number of women as the Asia-Pacific War expanded, led to the recruitment of women outside of existing private brothels. In Japan's colonies (Korea and Taiwan), the Japanese government licensed contractors to recruit or procure women under collaboration with local governments and police departments. Women were frequently deceived with a promise of lucrative jobs and were held in debt bondage, unable to leave after realising the nature of the 'work' expected of them. In other areas under Japanese military occupation such as China, the Philippines and Indonesia, the military kidnapped local women or ordered local leaders to provide women for them.

What were the conditions in which 'comfort women' worked?

Women who were held in debt bondage earned a percentage of the fees paid by Japanese soldiers, but their earnings were confiscated for debt repayment and living expenses. They were forced to have sex with many men each day, and very few were allowed to return to their home after their debt was retired. Other women who were forcibly taken to the 'comfort stations' were forced into sexual servitude, often without pay.

How was the Japanese government, including the military, involved?

Some Japanese nationalists claim that 'comfort stations' were no different from any other brothels, which were legal at the time, but there are clear differences. The 'comfort stations' were established by the Japanese government, and the women were recruited primarily by contractors licensed by the government. The Japanese government issued a special permit for the women to travel, and transported them on military vehicles and ships. The military built buildings for the 'comfort stations' in colonies and occupied areas and arranged for soldiers to visit, even at the war front. The military set many policies, fee structures and schedules, and provided military doctors to check the women for venereal diseases and treat them periodically.

How did the issue surface in the 1990s?

Following the democratisation of the Republic of Korea (South Korea), a Korean former 'comfort woman' came forward publicly for the first time in 1991, seeking a formal apology and reparation from the Japanese government. Her action led hundreds of other women in Korea, the Philippines and elsewhere to come forward. The Japanese and international press covered the story.

What has the Japanese government done since the 1990s?

At first, the Japanese government evaded responsibility for the human rights violations in the 'comfort women' system, blaming private contractors and individual traffickers. But in 1992, historian Yoshiaki Yoshimi discovered documents in the archives of Japan's National Institute for Defence Studies that proved the direct involvement of the government and the military in the establishment and operation of 'comfort stations'. In 1993 the government was forced to issue the so-called Kono statement, which acknowledged the imperial Japanese government's role as well as the use of force and deception in the recruitment of 'comfort women'. Hundreds of similar documents have been discovered since. In 1995, Japan established the Asian Women's Fund, which distributed the Prime Minister's signed letter of apology along with 'atonement' money funded through donations from Japanese people. Some victims accepted the atonement money, while others refused it, criticising it as an attempt to avoid providing formal reparations.

'Comfort women' were taken from all over Asia and the Pacific, with Japanese, Korean, Taiwanese, Chinese, Filipina and Indonesian women comprising the vast majority. Picture shows women carrying portraits of former 'comfort women' at a commemoration ceremony in Seoul.

What are former 'comfort women' seeking?

There are four main demands made by various groups working on behalf of the former 'comfort women': first, an official apology accompanying a Cabinet or Diet (parliament) resolution (rather than something that can be construed as one leader's personal view, such as the Prime Minister's letter); second, formal compensation to the victims of the 'comfort women' system; third, lessons on the 'comfort women' issue in Japanese classes and textbooks; and finally, investigation of official policies that established and maintained the 'comfort women' system.

What is the dispute about?

There are factual as well as legal and political disagreements over the issue of 'comfort women'. The factual disputes involve the actual number of 'comfort women' and their ethnic backgrounds, and the extent to which the Japanese military was directly involved in the deceptive or forceful recruitment of the women, their transportation overseas, and their fate in the comfort stations. In the absence of any official government figures, estimates of the total number of 'comfort women' are based on the aggregation of other estimates (e.g., reports by individual women and soldiers, the total number of Japanese soldiers, the ratio of 'comfort women' to soldiers, how long each 'comfort woman' was held). This makes it difficult to come to a consensus. Since private individuals often procured women, and there is no official documentation of direct orders to kidnap them, some claim that the Japanese government and military are not responsible for the coercion.

Legal and political questions include whether Japan has sufficiently accepted responsibility for the atrocity with the establishment of the Asian Women's Fund, and whether Japan's legal obligations to compensate the victims have been dissolved by the 1951 Treaty of Peace between Japan and the Allied Powers or by bilateral treaties between Japan and its neighbours (Republic of China in 1952, Republic of Korea in 1965, and People's Republic of China in 1972 and 1978). Some Japanese nationalists, including members of the parliament, reject any wrongdoing or culpability on the part of their government or military.

What has the international community said about the issue?

The United Nations Commission on Human Rights, Economic and Social Council, Commission on the Status of Women, Committee on the Elimination of Racial Discrimination, and Committee Against Torture have issued reports and advisories urging Japan to accept some or all of the victims' demands. Legislatures in the United States (House of Representatives), the Netherlands, Canada, European Union, South Korea and Taiwan have passed similar resolutions, as did the State of California, the New York Senate and other legislative bodies around the world. ◆

The above is reproduced from The Asia-Pacific Journal: Japan Focus *(www.japanfocus.org).*

TRIBUTE

Tribute to a visionary friend of the South

The death in August of Marc Nerfin has robbed the South of a true friend who championed its cause and articulated its concerns. In this tribute, *Chakravarthi Raghavan* looks back at his life and work.

MARC Nerfin (1930-2015), a visionary thinker and activist in international development dialogue on the side of those seeking a just, equitable and sustainable world order, passed away peacefully at home in Paris on 15 August, cared for with devotion by his beloved wife, Joy Assefa.

Born in Geneva, Switzerland, he transcended his national origins and identified himself with the South, which was trying to free itself from the vestiges and shackles – mental and material – of the colonial era. He was the founder of the *SUNS* bulletin (now published by the Third World Network) in 1980.

While being very proud of his Swiss origins and background, Marc was truly international, transcending nations and cultures, a world citizen, speaking several languages fluently and having lived in many countries, not as an expatriate detached from the life of the locals but as someone engaged with them.

Early in his career Marc worked as a journalist in Tunisia, observing at close hand the reforms in that country in its early years of independence, when it liberated Muslim women and introduced socialist reforms in the colonial economy.

Marc was particularly impressed and enthusiastic about the reforms instituted by its then Minister for Planning Ahmed Ben Salah (who was later ousted and went into exile in Switzerland). Subsequently, Marc published in a book his interviews and conversations with Ben Salah, *Entretiens Avec Ahmed Ben Salah Sur La Dynamique Socialiste Dans La Tunisie Des Annees 1960*.

A June 1992 photograph of Marc Nerfin taken in Rio de Janeiro at the time of the UN Earth Summit.

Marc was a staff member of the United Nations at the Economic Commission for Africa (ECA) and was involved in its pioneering role in a continent emerging from a long period of colonial and racist rule. His knowledge and experience of the UN system, in particular in the field, provided insights that enabled him to play a key role in Sir Robert Jackson's *A Study of the Capacity of the United Nations Development System* (1969).

He was a key aide of Maurice Strong in organising the United Nations Conference on the Human Environment (1971-72). When the UN decided to convene that conference, developing countries were deeply suspicious, viewing it as an effort by the North to divert the attention of the UN from its role in economic development of the developing world. After some initial hesitation, leaders of the developing world went to Stockholm for the conference, with India's Prime Minister Indira Gandhi, among the leading participants, citing ancient Indian literature to present a holistic view of the world as one community and poverty as the greatest environmental pollutant.

The conference and its experience led Marc into deeper thinking on alternative concepts of development beyond growth and integrating social and environmental dimensions, ideas that were shaped by symposia held in Founex, Switzerland (1971) and Cocoyoc, Mexico (1974).

Marc's innate sense of equity, justice and the need for an equitable world order motivated him greatly when he led a project at the Dag Hammarskjold Foundation (DH Foundation) in Uppsala, Sweden, and was the principal author of its report, *What Now?: Another Development* (1975).

Aimed at and for the 1975 UN General Assembly Special Session on Development and International Economic Cooperation, the report identified 10 human needs and placed them at the centre of development. It was a revolutionary idea and conceived of development beyond growth, integrating environment and equity, and envisaging inclusive growth for underdeveloped nations to 'develop' autonomously, each rooted in its own cultures and varieties. The report also identified as maldevelopment the ills of over-consumption in the North, and promoted the corrective of reducing materialist consumption in the North. These were the roots of what later emerged as the concept of 'sustainable development'.

In 1976, evolving into the role of institution builder, Marc established the International Foundation for Development Alternatives (Nyon, Switzerland), a network of progressive thinkers and home of the *IFDA Dos-*

sier, an open forum for ideas about development that was published from 1978 to 1991.

Marc's own thinking on the mobilisation of civil society in national and international governance was presented in 'Neither Prince nor Merchant: Citizen' (*IFDA Dossier*, No. 56, November/December 1986).

At IFDA, he brought together people of varying, sometimes conflicting, viewpoints around the same table to discuss in informal settings major issues facing the world and reach mutual, if not common, understanding.

An alternative information framework

The 1975 DH Foundation report had identified 'information' and 'communication' as one of the 10 material and non-material human needs whose satisfaction was an ingredient of development. It drew attention to the ideological stranglehold the transnational corporate media and the dominant transnational news agencies, essentially the four major Western news agencies at the time, had over the Third World through the virtual monopoly of the means of communication.

Even from about the 1960s, this issue of democratisation of information (and freedom from controls by governments or commercial interests) had actively engaged the attention of communication researchers, who had formulated concepts of vertical and horizontal communication.

From its founding, the UN Educational, Scientific and Cultural Organisation (UNESCO) had been studying information and communication issues as part of its work in the area of culture, but its early work was 'stamped out' in the aftermath of the Communist witch-hunt in the US Senate in the McCarthy era (in the 1950s). This was a shameful era for the UN system when its leaders failed to stand up to the witch-hunt or protect the US nationals it employed.

At the time the DH Foundation report was published, this writer was Editor-in-Chief of the Press Trust of India (PTI). When the report landed on my desk, I wrote a lengthy review article which would be picked up and published by Indian newspapers.

As part of its contribution to the 1975 UN General Assembly Special Session, the DH Foundation organised a seminar of Third World journalists, held on the sidelines of the session from 29 August to 12 September 1975, and I received an invitation to participate.

When we met at the seminar, and on that very first occasion, Marc and I found ourselves in full rapport; as he put it subsequently, 'it was as if we had both gone to school together from primary stage.'

At the seminar, the participants held discussions with high-level UN officials and with a number of key ministers and high-level representatives of UN member countries on issues related to the New International Economic Order (NIEO), and development and international economic cooperation. What struck us all in these discussions was that everyone appeared to agree conceptually on the need for an NIEO, but representatives from the developed world expressed difficulties in moving towards it due to the state of their public opinion and the need to mobilise media and public support in the North.

At the end of the seminar, the participants issued a consensus statement of conclusions which, among others, said, 'The New International Economic Order requires a new framework of world information and communications', to indicate that 'a framework for information and communication' was an integral part of a New International Economic Order.

As President of IFDA and as Vice-President of Inter Press Service (IPS), Marc provided practical support for 'alternative information for another development'. After some initial experiments, IFDA began publishing from 10 March 1980 the *Special United Nations Service* (*SUNS*) as a daily news bulletin every weekday.

Writing on 2 May 1984 on the occasion of the publication of the 1,000th issue of *SUNS*, which he noted was also the 20th anniversary of IPS, Marc said: 'The *SUNS* attempts to cover, from a Third World point of view, the North-South discussions in the United Nations and other fora and the efforts of the G77 and the Non-Aligned countries towards South-South cooperation and collective self-reliance. It is thus at the same time an alternative and a unique source of information and analysis. There is some coverage of the debate in the mainstream media but this usually reflects a western perspective. The *SUNS* helps its readers to form a more balanced opinion, not so much because of its own "objectivity" but principally because it expresses another point of view, seldom heard ... The *SUNS* intends to serve primarily G77 missions. Writing daily as it does on what is happening in Geneva, Rome, New York, Brussels and other locations, it provides G77 missions in other centres with up-to-date reports not otherwise available, thus contributing to G77 missions' mutual information.'

(From the *Special United Nations Service*, *SUNS* was later renamed the *South-North Development Monitor*, and its publishing responsibility taken over by the Third World Network.)

Marc was also involved, behind the scenes, in the 1987 establishment of the South Commission, chaired by Mwalimu Julius Nyerere and led by Manmohan Singh.

Marc Nerfin was a man of conviction who earned the respect of those who encountered him. His conceptualisation and commitment to 'alternative development', when that concept was still evolving, and to 'inclusive growth' and 'gender equality', when these terms were not in vogue, was truly remarkable.

Those who knew Marc personally will treasure the memory of a wise, loyal and caring friend.

Besides his widow, Joy Assefa, Marc leaves behind five children, five grandchildren and four great-grandchildren. ◆

Chakravarthi Raghavan is Editor Emeritus of the South-North Development Monitor *(*SUNS*), from which this article is reproduced (No. 8085, 2 September 2015).*

Born in Dahomey (now known as Benin) in June 1935 and a former director of Radio Dahomey, *Emile Ologoudou* was also a teacher and journalist. He has produced several books of poems.

Liberty

Ologoudou

The white carcasses
of
ships
sought desperately
the visible land with its golden mist,
the native isle of insurrection,
stage at evening of the most tragic adventures,
we were tossed
on the waves of the same sorrow,
and discord
had not yet blown towards us the sands
of
its evidence,
exuberance still reigned over the happy bay,
that day when we made long funerals
for all the things
we had to bury...

Translated by Gerald Moore and Ulli Beier

Credit: Frans Lemmens

Third World Gallery

Tuareg woman in traditional wedding make-up, Niger.