THIRD WORLD
RESURGENCE
ISSUE No. 317-318 KDN PP6738/01/2013 (031741) www.twn.my

Trepidation over Trump

ISSN 0128-357X
9 770128 357003

Double issue

Editor's Note

THE election of Donald Trump as the 45th US President has generated a political earthquake in Washington. Its reverberations are being felt all over the world, particularly in the developing countries. Each passing day brings fresh concern as to what his presidency really means and what it has in store for the US and the world.

There are good reasons for all this uncertainty. Trump has never before held public office and, in the absence of any such previous record, it has been difficult to gauge the course he will take. More significantly, he is an 'outsider' not only with respect to Washington's political, military, corporate and administrative power elites but also with respect to his own Republican Party. The point is that he will have to overcome resistance not only from the Washington elites but also, as the recent fiasco over replacing Obamacare shows, within his own party in order to realise his policies.

Despite the uncertainty over what will finally emerge from Washington, we will have to take Trump's pledges seriously as he has given every indication that he intends to fulfil them. While quite a number of them raise grave concern (notably his racist and anti-Muslim immigration policies), those pertaining to defence, the economy and climate change are particularly alarming.

His proposal to increase the US defence budget by $54 billion is mind-boggling considering the fact that the US already spends more on arms than the next seven biggest-spending countries combined. Such a phenomenal increase in armaments spending by the world's only superpower is a threat to world peace as it will almost certainly trigger an arms race. Particularly worrisome in this context is the bellicose tone of Trump's pronouncements on Iran, China and North Korea, as well as the recent intensification of US armed involvement in the Middle East. When viewed against the fact that Trump has included in his team an inordinate number of personnel from what has been dubbed 'the military-industrial complex', there is every reason for concern.

In a bid to offset the increased arms expenditure, US contributions to international organisations such as the United Nations are to be ruthlessly slashed. The results can be catastrophic. At a time when parts of the developing world such as Africa are in the grip of famine, a reduction of contributions to the UN food and relief agencies can mean the difference between life and death.

On the question of the economy, Trump's espousal of an aggressive policy of protectionism, such as his proposal for a 'border adjustment tax', is bound to hit developing countries' exports to the US. The move – which is designed to make imports more expensive while in effect providing a subsidy to US exporters as they will be exempt from the tax – will almost inevitably invite retaliation and may even trigger a trade war. If the experience of the global economy in the late 1920s is a guide, once such a trade war erupts, it could lead to a global economic downturn, recession and even depression.

Trump's pledge to stimulate the US economy by deregulating it, i.e., by repealing regulations which are allegedly stifling business enterprise, also raises concerns. Among the regulations slated for repeal are those which were put in place after the 2008 financial crisis to provide greater stability to the financial system. Taking his cue from Wall Street, Trump has targeted the key regulatory provisions of the Dodd-Frank Act, which, despite having already been watered down previously by Republican opposition, was responsible for creating more stringent rules regarding bank capitalisation and mortgage requirements. By undermining such safeguards against financial instability, Trump has put the US and global economy at greater risk of a meltdown when the next crisis erupts.

However, more than anything else, it is Trump's policies on climate change that are most alarming. Having dismissed global warming as a Chinese hoax, he has proceeded with single-mindedness to jettison the measures taken by his predecessor Barack Obama to limit global warming and opened the floodgates to fossil fuels.

To facilitate his task, he has appointed a climate change sceptic, Scott Pruitt, to head the US Environmental Protection Agency and directed it, by means of an executive order, to review the Clean Power Plan, Obama's flagship policy to curb carbon emissions. The aim is to repeal the Plan's stringent rules on power plant emissions and methane leaks, the moratorium on federal coal leasing, and the requirement for a social cost of carbon review to guide government actions.

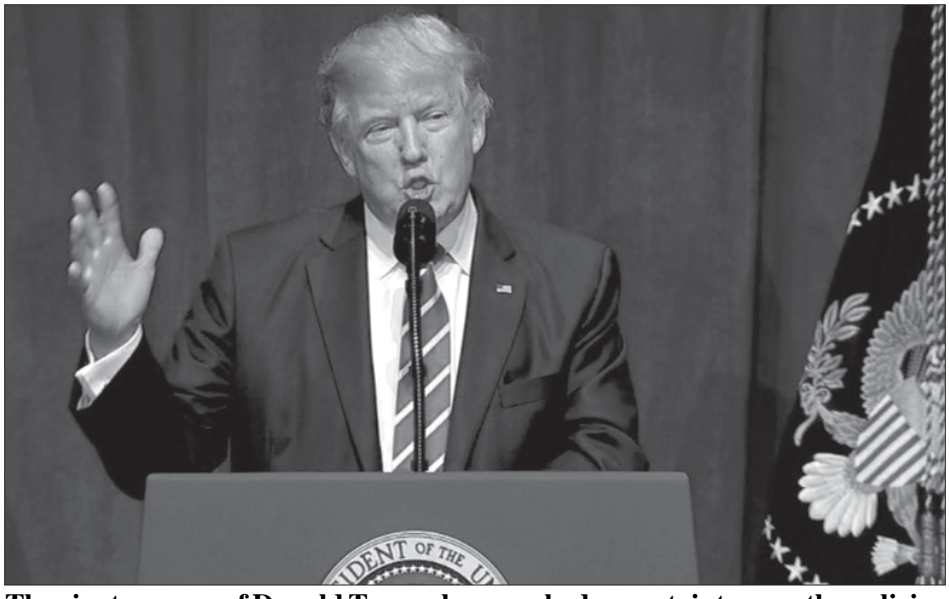
While the order does not mention the Paris international climate treaty, by ripping apart all curbs on carbon emissions, Trump has made it virtually impossible for the US to meet its commitment under the Paris Agreement to cut its greenhouse gas emissions by 26-28% below 2005 levels by 2025. When the difference between planetary survival and extinction is a mere 2°C increase in global warming, Trump's irresponsible acts are placing the whole of humanity in peril.

Our cover story examines some critical facets of President Trump's policies and their likely impact. While our primary concern is the developing world, we also highlight the far-reaching implications of these policies for the world as a whole and the planet. However, we are mindful of the fact that, as Trump has been in office for less than 100 days, any evaluation of these policies and their impact must necessarily be tentative.

– The Editors

Visit the Third World Network website at: www.twn.my

Third World
RESURGENCE
www.twn.my
No 317/318 Jan/Feb 17 ISSN 0128-357X



The rise to power of Donald Trump has sparked uncertainty over the policies the United States will pursue and how these will affect the rest of the world.10

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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.

THIRD WORLD RESURGENCE is published monthly by Third World Network, 131 Jalan Macalister, 10400 Penang, Malaysia. Tel: 60-4-2266728 Fax: 60-4-2264505. Email: twn@twnetwork.org
Printed by Jutaprint, No. 2, Solok Sungai Pinang 3, 11600 Penang, Malaysia.
Cover Design: Lim Jee Yuan
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The cost of a polluted environment: 1.7 million child deaths a year, says WHO

Two recent reports issued by the World Health Organisation (WHO) have sounded the alarm on the impact of a polluted environment on children.

MORE than one in four deaths of children under five years of age are attributable to unhealthy environ-ments. Every year, environmental risks – such as indoor and outdoor air pollution, second-hand smoke, unsafe water, lack of sanitation, and inadequate hygiene – take the lives of 1.7 million children under five years, say two new World Health Organisation (WHO) reports.

A mother and her child, who is suffering from malaria, consulting a doctor. Every year, 200,000 deaths of children under five years old from malaria could be prevented through environmental actions such as reducing mosquito breeding sites.

The first report, *Inheriting a Sustainable World: Atlas on Children's Health and the Environment*, reveals that a large portion of the most common causes of death among children aged one month to five years – diarrhoea, malaria and pneumonia – are preventable by interventions known to reduce environmental risks, such as access to safe water and clean cooking fuels.

'A polluted environment is a deadly one – particularly for young children,' says Dr Margaret Chan, WHO Director-General. 'Their developing organs and immune systems, and smaller bodies and airways, make them especially vulnerable to dirty air and water.'

Harmful exposures can start in the mother's womb and increase the risk of premature birth. Additionally, when infants and pre-schoolers are exposed to indoor and outdoor air pollution and second-hand smoke, they have an increased risk of pneumonia in childhood, and a lifelong increased risk of chronic respiratory diseases, such as asthma. Exposure to air pollution may also increase their lifelong risk of heart disease, stroke and cancer.

Top five causes of death in children under 5 years linked to the environment

A companion report, *Don't pollute my future! The impact of the environment on children's health*, provides a comprehensive overview of the environment's impact on children's health, illustrating the scale of the challenge. Every year:

• 570,000 children under five years die from respiratory infections, such as pneumonia, attributable to indoor and outdoor air pollution, and second-hand smoke.

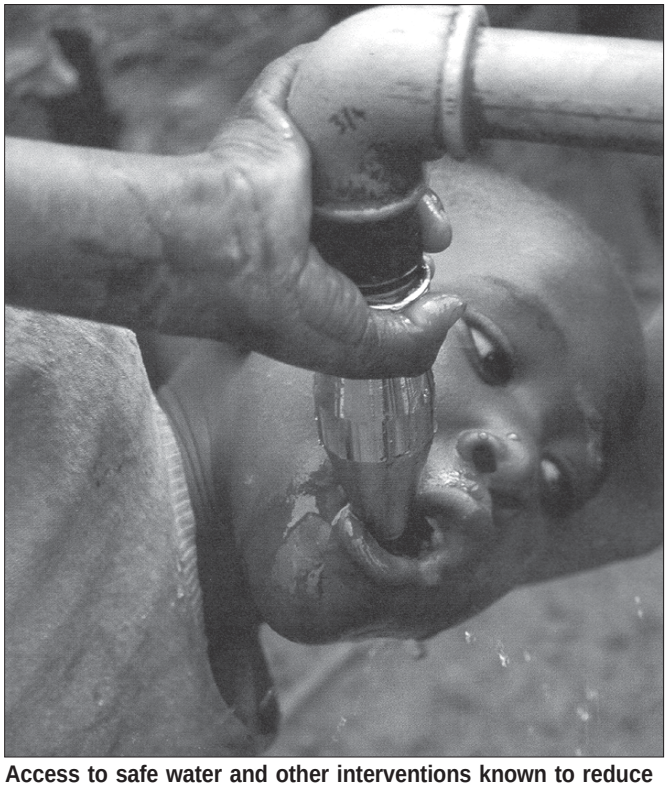
• 361,000 children under five years die due to diarrhoea, as a result of poor access to clean water, sanitation and hygiene.

• 270,000 children die during their first month of life from conditions, including prematurity, which could be prevented through access to clean water, sanitation and hygiene in health facilities as well as reducing air pollution.

• 200,000 deaths of children under five years from malaria could

be prevented through environmental actions, such as reducing breeding sites of mosquitoes or covering drinking-water storage.

• 200,000 children under five years die from unintentional injuries attributable to the environment, such as poisoning, falls and drowning.



Access to safe water and other interventions known to reduce environmental risks can prevent a large portion of the most common causes of death among children under five years of age.

Ongoing and emerging environmental threats to children's health

'A polluted environment results in a heavy toll on the health of our children,' says Dr Maria Neira, WHO Director, Department of Public Health, Environmental and Social Determinants of Health. 'Investing in the removal of environmental risks to health, such as improving water quality or using cleaner fuels, will result in massive health benefits.'

For example, emerging environmental hazards, such as electronic and electrical waste (such as old mobile phones) that is improperly recycled, expose children to toxins which can lead to reduced intelligence, attention deficits, lung damage and cancer. The generation of electronic and electrical waste is forecasted to increase by 19% between 2014 and 2018, to 50 million tonnes by 2018.

With climate change, temperatures and levels of carbon dioxide are rising, favouring pollen growth which is associated with increased rates of asthma in children. Worldwide, 11-14% of children aged five years and older currently report asthma symptoms and an estimated 44% of these are related to environmental exposures. Air pollution, second-hand tobacco smoke, and indoor mould and dampness make asthma more severe in children.

In households without access to basic services, such as safe water and sanitation, or that are smoky due to the use of unclean fuels, such as coal or dung for cooking and heating, children are at an increased risk of diarrhoea and pneumonia.

Children are also exposed to harmful chemicals through food, water, air and products around them. Chemicals such as fluoride, lead and mercury pesticides, persistent organic pollutants and others in manufactured goods eventually find their way into the food chain. And, while leaded petrol has been phased out almost entirely in all countries, lead is still widespread in paints, affecting brain development.

Making all places safe for children

Reducing air pollution inside and outside households, improving safe water and sanitation and improving hygiene (including in health facilities where women give birth), protecting pregnant women from second-hand tobacco smoke, and building safer environments, can prevent children's deaths and diseases.

For example, multiple government sectors can work together to improve the following:

• Housing: Ensure clean fuel for heating and cooking, no mould or pests, and remove unsafe building materials and lead paint.

• Schools: Provide safe sanitation and hygiene, free of noise pollution, and promote good nutrition.

• Health facilities: Ensure safe water, sanitation and hygiene, and reliable electricity.

• Urban planning: Create more green spaces, safe walking and cycling paths.

• Transport: Reduce emissions and increase public transport.

• Agriculture: Reduce the use of hazardous pesticides and no child labour.

• Industry: Manage hazardous waste and reduce the use of harmful chemicals.

• Health sector: Monitor health outcomes and educate about environmental health effects and prevention.

Under the Sustainable Development Goals (SDGs), countries are working on a set of targets to guide interventions for children's environmental health, as well as to end preventable deaths of newborns and children under five by 2030. In addition to SDG 3, which aims to ensure healthy lives and promote well-being for all, other SDGs work to improve water, sanitation and hygiene, transition to clean energy to reduce air pollution, and reverse climate change – all of which will have an impact on children's health. – *WHO* ◆

Proof that the Pharma business model actually wants people sick

The US pharmaceutical industry employs a variety of dirty tactics, including funding 'patient' groups, to keep drug prices, and its profits, high.

Martha Rosenberg

IT happens with regularity during citizen open-mike sessions at the US Food and Drug Administration (FDA) drug advisory committee hearings. A queue of 'patients' materialises out of nowhere to testify, often in tears, about the crucial need for a new drug or new use approval. Some are flown in by Pharma. It can't be a generic drug, the 'patients' cry, because they are just not the same. It has to be the $1,000-a-month drug or even the $1,000-a-pill drug, so that taxpayers and the privately insured prop up Pharma's cred on Wall Street.

More than 80% of patient groups are Pharma-funded, the *New York Times* reported in March, including the National Hemophilia Foundation, the American Diabetes Association and the National Psoriasis Foundation. But the most insidious are the mental health front groups like the National Alliance for Mental Health (NAMI) and Mental Health America.

Not only do psychiatric drugs represent four-digit outlays per month per patient, and sometimes much more, patients are kept on them for decades or for life, with few medical attempts to determine if patients still need them or ever needed them. Side-effects of the drug cocktails are viewed, thanks to Pharma spin, as confirmation of the 'mental illness', not the side-effects they almost always are. The use of such drugs in the elderly, despite their links to death in those with dementia, has become epidemic and is an underreported cause of falls.

'Mental illness' is a category deliberately 'grown' by Pharma with aggressive and unethical million-dollar campaigns. These campaigns, often unbranded to look like a public service, convince people with real life challenges they are 'depressed' or 'bipolar' and that their children have ADHD. Despite the Pharma marketing, the *New England Journal of Medicine* recently reported that the rate of severe mental illness among children and adolescents has actually dropped dramatically in the past generation.

The tactics of these front groups have been widely reported.

'When insurers balk at reimbursing patients for new prescription medications, these groups typically swing into action, rallying sufferers to appear before public and consumer panels, contact lawmakers, and provide media outlets a human face to attach to a cause,' reported the *Los Angeles Times*.

Targeting poor people on government health plans is Pharma's marketing plan.

'For years, the alliance [NAMI] has fought states' legislative efforts to limit doctors' freedom to prescribe drugs, no matter how expensive, to treat mental illness in patients who rely on government health care programmes like Medicaid,' says the *New York Times*. 'Some of these medicines routinely top the list of the most expensive drugs that states buy for their poorest patients.'

Thanks to the Sunshine Act, which is part of the Affordable Care Act, it is possible to see what Big Pharma is paying patient front groups – and the numbers are astounding. Last year Eli Lilly, one of the primary makers of psychiatric drugs, bestowed an astonishing 22 grants on NAMI including $25,000 for its 'Healthy Americas Briefings'.

How objective are those 'briefings'? Pfizer gave NAMI $32,500 during one quarter last year.

Lilly also greased the palms of Mental Health America to the tune of $35,000 last year. Government is increasingly funding Mental Health America, adding to the Pharma exploitation and heisting of our tax dollars. Last year, *CounterPunch* reported that pharmacy chain Walgreens had announced a partnership with Mental Health America. The plan empowered Walgreens to 'screen' customers to see if they might need expensive psychiatric drugs but not know it – until Pharma magnanimously told them.

Screening is widely viewed, even by the medical establishment, as shameless Pharma marketing that leads to over-diagnosis, over-treatment and over-medication even as people who actually need medical treatment are ignored.

The Pharma business model actually wants people sick. Currently, in radio campaigns, Pharma is trying to convince people they have 'exocrine pancreatic insufficiency' and 'Non-24 Sleep Wake Disorder', two conditions so rare as to be laughable as radio campaigns.

How much do the drugs Pharma, NAMI, Mental Health America and Walgreens push cost? If a 'bipolar' child is prescribed a middle dose of the mood stabilisers Topamax and Lamictal, the yearly cost would be $23,220. If Seroquel is added, at a cost of $24,000, along with the ADHD drug Concerta at $7,812, and Neurontin at $4,860, one bipolar child would make Pharma $59,892 a year. Remember, you can't substitute a generic. ◆

Martha Rosenberg is an investigative health reporter and the author of Born With a Junk Food Deficiency: How Flaks, Quacks and Hacks Pimp the Public Health *(Random House). This article is reproduced from AlterNet (www.alternet.org).*

Looking for hidden black money? London might be the place to start

Black money may be funnelled away in tax havens, but it is all controlled out of London, where Indian and other billionaires are happy to be based.

Kannan Srinivasan

A street in London's financial district. 'It might be said that London is the veritable mother of tax havens.'

INDIAN Prime Minister Narendra Modi had campaigned on a promise that he would bring black money home from abroad and give each poor Indian Rs 1.5 million.

Taking the World Bank's rosy projection of how Indian poverty has declined under liberalisation, that would mean giving Rs 417 trillion to 278 million people. That was an absurd promise. Since the Prime Minister is an intelligent man, he must have known that and perhaps had no intention of keeping the promise. Instead his government has chosen to inflict untold misery on the poor by withdrawing from circulation the denominations in which they hold most of their wealth.

Were Modi to honour his original promise, if only in spirit, his government would search for Indian black money. Where might that be? A few years ago I had interviewed a scion of a Maratha princely family related by marriage to many important Rajputs who described to me how he used to help organise such transfers abroad by Indian princes for a long time, going back to 1947. Global Financial Integrity, led by Raymond Baker, had once published a study – which remains the most authoritative one on the subject – which estimated that 'tax evasion, crime, and corruption had removed gross illicit assets from India worth US$462 billion.' That was a few years ago, and the numbers must have surely grown.

It is not possible to estimate reliably what proportion of Indian money is kept in any specific location. Yet we should consider the fact that rich Indians have a special affection for London. For those without French or German, it takes some effort to move, say, to Switzerland. London's hotels, restaurants and entertainment are familiar to and beloved by the Indian rich. Houses they bought there have appreciated handsomely. And the offshore component of many Indian business deals has made London especially attractive. Liquor baron Vijay Mallya, the arms dealers Sanjay Bhandari, Sudhir Choudhrie, Ravi Shankaran and Abhishek Varma have all found safety and comfort there. A good deal of the Nanda family arms dealing was done through London.

Even the funds recycled back to India through Mauritius are connected to the UK. As India shows net inflows from Mauritius, the UK consistently shows net outflows to it. The UK government, official agencies and the City all see flows of returning flight to India from and through jurisdictions such as Cyprus, Mauritius or Jersey as essentially an extension of the City of London itself.

International deposits in banks in the UK and investment in securities there exceeded those of any other country including Switzerland and the United States. A good deal of such investment goes to important financial markets located in London, including the Eurodollar market. London's role as a financial centre makes any dealings with banks and trusts there seem all the more innocuous. Because it is the premier financial centre, it also offers competitive returns on investment which, say, Mauritius or Cyprus cannot match.

The important 'private bankers'

who solicit such secret funds may travel to Lagos and Moscow and Mumbai, but they are based in London, and that is where I have met several of them. The important private banks are in discreet mansions furnished like gentlemen's clubs. Trusts may be incorporated in Guernsey or the British Virgin Islands, but, again, they are managed from London. Secret wealth-holders may move their funds in and out of Jersey or Panama or the Caymans, but rarely, if ever, live there; their transactions are postmarked to tax havens even if actually managed from London.

The UK controls some tax havens and is closely connected to many others. These are the premier destinations for international secret money. In such havens, trusts conceal the identities of beneficiaries. It is in the second round that such money often ends up in the UK. Deposits in three UK-controlled tax havens, the Dependencies of Guernsey, the Isle of Man and Jersey, are directly 'upstreamed' to the United Kingdom. That means they are actually treated as a part of the UK balance of payments. Just these three tax havens accounted for $141.991 billion of $157.669 billion of total outstanding net inflows into the UK as of 30 September 2016.

Though a good deal of investment in these three havens is by corporates and financial firms seeking legally to minimise taxation, it is also true that much of it is by international persons who wish to conceal their funds because they are evading taxes in the countries where they make their money. I shall describe a little of this.

In all three of these tax havens, a company may be set up without even a physical residence. Businesses pay no tax, and trusts just 10%. The identity of the true beneficial owners of these firms is kept entirely secret. Absurdly enough, an official report about 10 years ago had shown that in the village of Sark in Guernsey, for instance, 575 people held 15,000 corporate directorships. Three Sark residents alone 'appeared to hold between 1,600 and 3,000 directorships each.' They are straw owners, holding paper title to assets for fees ranging from £100 to £750 a year per directorship on behalf of owners who prefer to keep their ownership secret. The same pattern of locals holding trust for secretive foreigners is common throughout these havens.

And a small number of closely knit clans regulate billions of pounds. In Jersey, a legislator became a judge (Jurat), his own father having also been a legislator. His elder son has been a legislator, Solicitor General, Attorney General, Deputy Bailiff and Bailiff (the Bailiff is Chief Judge of the Royal Court as well as the Court of Appeal and concurrently President of the States or Speaker), then External Relations Minister, responsible for dealing with the UK as well as foreign countries. The Bailiff's brother followed him as Attorney General when he became Bailiff (so prosecuted cases at the very time his brother presided over Court), and thereafter also became Deputy Bailiff, acting for the Bailiff. Lord Carswell, Chairman of the Committee to look into the States of Jersey, asked whether the fact of the Bailiff or Deputy Bailiff acting as both President of the States as well as Chief Judge constituted a conflict of interest. He was assured that it did not.

The OECD-promoted Financial Action Task Force has made no attempt to address such issues. Nor has the United States, which led a long campaign to investigate and limit the activities of private banks headquartered in Switzerland. This might be explained by the fact that about a third of overseas investment in securities and about 70% of deposits from overseas in the US is from the UK and its related tax havens, much of it by persons unknown.

In six Overseas Territories (Anguilla, Bermuda, British Virgin Islands, the Caymans, Gibraltar, and the Turks and Caicos), the Governor is appointed by and entirely accountable to the UK government. Pretty much the same sort of business goes on there as in the Dependencies. The law firm of Maples and Calder had 18,857 companies at its office in Ugland House, Georgetown, the Caymans.

Baker of Global Financial Integrity points out an important reason anonymous and secret money from any haven can be so easily funnelled into Britain. UK law turns a blind eye to whether inward investment originates in overseas tax evasion, following Lord Mansfield's famous 18th-century dictum that 'no country ever takes notice of the revenue laws of another'.

An additional incentive to transferring funds, whether secret or otherwise, from overseas is that wealthy foreigners living in the UK may be free from paying income tax there. The law allows 'non-doms', as they are called, to declare an official, even aspirational residence in another country. Such a person may have assets of £1 billion earning a return of at least 4% (most conservatively) or £40 million. Yet she or he might be eligible to a flat levy of £50,000 on all remitted foreign income and capital gains. So that income could be taxed less than 1%. This is a painless fee for a Russian oligarch or Indian billionaire.

Footloose plutocrats from overseas have found their London houses appreciating most handsomely. Property is often marketed to overseas buyers as the best place to keep money in flight. And that overseas market is highly specialised: Middle Eastern, North African (some reacting to the Arab Spring) and South Asian buyers are interested in Hampstead, Islington and Westminster. For all these reasons it might be said that London is the veritable mother of tax havens. Should Narendra Modi be serious about his promise to bring black money home, he might well begin by looking there. ◆

Kannan Srinivasan is working on a book on money laundering. He wrote this article – which is reproduced from The Wire (thewire.in) – at the Wertheim Study, New York Public Library.

China confronts challenge of capital flight

China has recently experienced a flight of capital from its shores and the Chinese government has responded with a range of restrictions on foreign exchange outflows. *CP Chandrasekhar* examines the phenomenon.

CHINA, now one of the world's two largest nations measured by gross domestic product (GDP), is displaying a strange malady. A sudden and large outflow of capital from the country is resulting in a sharp fall in its reserves. Going by International Monetary Fund (IMF) statistics, between the quarter ending June 2014 and the one ending June 2016, China's foreign exchange reserves fell by $752 billion, from $4.1 trillion to $3.3 trillion. According to recent reports, reserves had fallen further to $3.1 trillion by the end of October 2016.

This collapse in reserves due to an outflow of capital is surprising in a country that for decades was considered the favoured destination for global capital flows, especially foreign direct investment (FDI). The outflow has been large enough to exert downward pressure on the currency, resulting in a depreciation of the Chinese renminbi (RMB) from RMB6.11 to RMB6.95 to the dollar (or close to 14%) between August 2015 and January 2017.

August 2015 was when China decided to loosen controls over the value of the RMB with respect to foreign currencies. Till then the People's Bank of China (PBoC), the country's central bank, set and administered the reference rate of the RMB relative to the dollar and other currencies. Starting August 2015, the PBoC decided to align the RMB to market trends. It chose to set the reference rate, around which the currency's value can fluctuate within a 4% (plus or minus 2%) band, taking into account the previous day's trading and market developments.

Since the supply of foreign exchange is determined by export earnings and the exogenously determined inflow of foreign exchange, the market developments and the market-influenced exchange rate would be influenced by the demand for foreign exchange. Controlling demand requires the tightening or loosening of restrictions on the use of foreign exchange. China has since the turn of the century been liberalising access to foreign exchange to firms and individuals, partly to meet entry conditions set for its membership of the World Trade Organisation (WTO) and partly because of its own policies of financial liberalisation.

A bank teller counting RMB notes. In August 2015, China loosened controls over the value of the RMB with respect to foreign currencies.

Financial liberalisation

After China's entry into the WTO, foreign investment into China and China's exports rose, resulting in an increase in foreign exchange reserves and upward pressure on the RMB. This encouraged further liberalisation that would allow outflow of a part of the surplus foreign exchange. The thresholds for Chinese enterprises that could retain foreign exchange earned were relaxed and the proportion that could be retained by them enhanced. Overseas investment rules for Chinese enterprises were simplified. The access of individuals to foreign exchange for travel and other current account purposes was simplified. Individuals were allowed to transfer up to $50,000 abroad in a year for a variety of purposes. This liberalisation trend gathered further momentum when China decided to internationalise the RMB and seek reserve currency status through inclusion in the basket of currencies defining the IMF's Special Drawing Rights.

In the new situation, managing the currency increasingly required adjusting the available supply of foreign exchange relative to the liberalisation-induced increase in the demand for it. The only way the supply of foreign currency could be controlled was through the sale or purchase of foreign currency, which involved shrinking or expanding the volume of foreign reserves

The rise in China's exports after its entry into the WTO resulted in an increase in foreign exchange reserves and upward pressure on the RMB, which encouraged further liberalisation to allow outflow of part of the surplus foreign exchange.

accumulated in the past. Increasingly, therefore, the operations of the central bank and the State Administration of Foreign Exchange (SAFE) in the market for foreign exchange became crucial when influencing the level and trend in the exchange rate of the RMB. This, it appeared for long, was not a problem for China, whose foreign exchange reserves had burgeoned over the years to exceed $4 trillion by mid-2014. Any surplus of foreign exchange that could lead to RMB appreciation could be absorbed into that reserve by state purchases. Any shortage of foreign exchange in the market, which threatened excessive currency depreciation, could be countered through the sale of a part of the large accumulated reserves.

In any case, the problem in China was seen as one of excessive appreciation, rather than depreciation, of the RMB, given its export success and the large capital inflows it attracted. In fact, it was its huge reserves that partly encouraged China to loosen capital controls and measures regulating the official exchange rate. However, what followed after August 2015 came as a surprise to many. A country that was till then under pressure to allow its currency to appreciate because of its trade surpluses witnessed a continuous depreciation of its currency once controls were actually relaxed.

While the initial fall in the exchange rate of the RMB may have been acceptable since the growth of exports was slowing, subsequent declines have occurred despite the effort of the central bank to shore up the currency by depleting its reserves to meet the demand for foreign currency in the market. Despite sustained intervention to stabilise the RMB and reverse its decline, the fall has persisted. On the other hand, as noted earlier, reserves have been considerably depleted.

Not the current account

The point to note is that the weakness of the currency is not due to developments in the current account. China has consistently recorded current account surpluses, and the average quarterly surplus over the period between the quarter ending June 2014 and the one ending September 2016 was in excess of $75 billion. If yet there was a fall in reserves, it was largely because of the demand for foreign exchange for repatriation of capital abroad.

Thus, despite its trade prowess, China seems to be suffering from the same malaise that affects many developing countries that have liberalised their exchange rate systems and loosened capital controls. In most of the so-called emerging markets, capital outflow consists largely of the outflow of portfolio investment from debt and equity markets. This partly corroborated the view that FDI flows, being more stable, are preferable to portfolio flows, and that, therefore, capital controls, if any, should focus on the latter. Outflow of portfolio capital is visible in China as well, especially in the period since the quarter ending March 2015. After positive inflows in every quarter starting with that ending June 2011 to the one ending December 2014, portfolio inflows turned negative and the outflow rose from $8.1 billion in the quarter ending March 2015 to $40.9 billion in the one ending March 2016. After that, partly in response perhaps to government intervention, to which we return later, inflows turned positive.

There are, however, specificities in the Chinese case that are revealing, especially two striking features of the financial account in China's balance of payments. The first is evidence of large outflows under the 'other investments' head since the quarter ending March 2014, and the second is evidence of a rise in net FDI outflows since the quarter ending March 2016.

Other investment outflows, which turned positive in the quarter ending June 2014, have since fluctuated violently, varying from $13.1 billion to $90 billion in different quarters, with the figure exceeding $50 billion in four out of the nine quarters ending June 2016. Other investment in the financial account of the balance of payments (as per the IMF's Balance of Payments Manual 6) consists of 'other equity, currency and deposits, loans, insurance, pension schemes and other standardised guarantee schemes, trade credits and advances, and other accounts receivable/ payable'. These are sundry flows other than conventional portfolio and direct investment flows, most of which are short-term in nature. A sudden increase in such outflows can

be convincingly treated as reflective of an effort by entities and individuals choosing to hold or exercise purchasing power outside the country and, therefore, as evidence of capital flight.

Not surprisingly, the evidence of a sudden exit of capital from China is being considered as a problem created not just by the exit of foreign investors, but resident wealth holders as well. This is what makes the second, yet emerging, trend in the financial account of China's balance of payments of some interest. This is that quarterly FDI inflows, which fluctuated between $25 billion and $85 billion between the quarter ending March 2011 and the quarter ending June 2015, have turned negative, with average net outflows of $11.3 billion between the quarters ending September 2015 and June 2016, with the figure in the last of those quarters being an outflow of $30 billion.

The People's Bank of China, the Chinese central bank. The PBoC's operations in the foreign exchange market have become increasingly crucial in influencing the level and trend in the RMB exchange rate.

The main reason for this net outflow is a spate of investments abroad by Chinese firms, especially in acquisitions of firms abroad, which is being interpreted as an effort by these companies to acquire dollar-denominated assets rather than invest domestically. According to the *Financial Times*, overseas investments by Chinese companies touched $146 billion over the first 10 months of 2016, exceeding the previous year's record of $121 billion for non-financial outbound investments.

Finally, the period since mid-2014 has seen a significant increase in the (negative) errors and omissions (E&O) figure in China's balance of payments account. Over the eight quarters ending June 2016, the aggregate E&O figure amounted to a negative $383 billion, as compared with minus $107 billion over the eight quarters ending June 2014. A negative E&O figure points to inflated credits or understated debits in the current and capital accounts or understated net asset acquisition or overstated increase in capital liabilities – all suggestive of an unreported outflow of foreign exchange or capital flight.

Liberalisation predicament

In sum, China is paying the price for the capital account liberalisation measures that it began to adopt with its entry into the WTO. But these elements of liberalisation have been underway for around a decade and a half now, whereas the outflow of capital from the country has become pronounced only recently. What accounts for the sudden desire of resident firms and individuals to move their wealth out of the country?

One factor is, of course, the slowing of growth in China and the uncertainty for firms and individuals about the returns from investment at home, which encourages acquisition of assets abroad. Another is the fact that the only country which offers hope of revival in the near future and whose markets are strengthening and interest rates rising is the United States, making dollar-denominated assets attractive for residents and investments in China (especially financial investments) unattractive for foreigners. And the third factor is that liberalisation of the exchange rate mechanism requires the PBoC to run down reserves to shore up the RMB, while falling reserves feed fears of a fall in the relative value of the RMB to the US dollar.

The fallout is that the RMB is depreciating despite the surplus on the current account of China's balance of payments. Capital flight and currency depreciation are forcing the government to impose a range of restrictions on foreign exchange outflows. Starting November 2016, restrictions have been placed on repatriation of funds abroad, leading to objections from representatives of foreign firms. Restrictions are also being imposed on outbound foreign investment. A country that was seen as having used exchange rate controls to keep its currency undervalued, is now combating depreciation of its currency. ◆

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Shocks for developing countries from President Trump's first weeks

Donald Trump's first weeks as US President have sent shockwaves around the world, and it is the developing countries that will be most affected. *Martin Khor* reviews the implications of Trump's initial policies, including the blocking of refugees, impending actions to cut funding to the UN and other organisations, the turnaround on climate change and environmental issues, and the turn towards trade and investment protectionism.

Donald Trump's first weeks as US President sent shockwaves around the world.

HIS first days in office indicate that US President Donald Trump intends to implement what he promised, with serious consequences for the future of the United Nations, trade, the environment and international cooperation, and developing countries will be most affected.

Those who hoped Trump would be more statesman-like in style and middle-of-the-road in policy matters after his inauguration had their illusions dashed when the new president moved straight into action to fulfil his election pledges.

The world and the world order have to prepare for more major shocks. It will be far from business as usual. And while other powerful countries can prepare tit-for-tat counter-moves when Trump strikes, most developing countries won't have the means, and may suffer the most.

Even close friends are not spared. Trump signed an order fast-tracking the building of a wall along the US border with Mexico. To add insult to injury, he asked Mexico to pay for the wall and threatened to impose a 20% tax on Mexican products to finance it. He has also discouraged US companies from moving to Mexico. Mexicans are understandably outraged and the Mexican President cancelled his planned trip to Washington. Mexico has been one of the US' strongest allies; if it can be treated in this manner, is there hope for others to avoid being targeted?

The Trump order to ban the issuance of new visas for citizens from six Muslim-majority countries, on the ground that they could pose a security threat, has caused not only anger in the affected countries but also uncertainty among people in other developing countries who fear they may also be targeted in the future.

The executive order also suspended the admission of all refugees into the US. If made permanent, this measure would signal the end of a long tradition of the US (in line with many other Western countries) welcoming a limited number of people escaping from troubled countries. In some of these countries, the troubles that prompted them to leave resulted from interventions or interference by the US and its Western allies.

(The executive order has since been blocked by courts in the US.)

Also very troubling are signs that the US is revamping its approach to international cooperation. Two executive orders are being prepared to reduce the US' role in the United Nations and other international organisations, according to a *New York Times* report. One of the draft orders calls for at least a 40% cut in US funding to international organisations and terminating funds for any international body that fit certain criteria. The other order calls for a review of all current and pending treaties, and recommendations on which negotiations or treaties the US should leave.

The New York Times says that if Trump signs the orders, the cuts could severely curtail the work of UN agencies which rely on billions of dollars in annual US contributions. 'Taken together, the orders suggest that Mr Trump intends to pursue his campaign promises of withdrawing the US from international organisations. He has expressed heavy scepticism of multilateral agreements such as the Paris climate agreement and the UN.'

The US has been the major creator of the post-Second World War

system of international relations, with the UN at its centre. The UN has served as a crucial universal forum for international discussion and cooperation, including on peace-keeping and economic and social issues. It convenes leaders and representatives of almost all countries for meetings and conferences, with resolutions and declarations, on a wide range of current affairs. Its agencies have supported global and national policy-making and actions on economic development, health, food, the environment, human rights, culture and education, natural disasters and refugees.

The UN has been playing a critical positive role in providing a venue for developing countries to voice their opinions and take part in decision-making on global affairs. The UN agencies have provided resources and support to developing countries to build their national capacities for economic and social development, and in preventing and managing political conflicts.

Of course the UN needs to be improved, including in democratisation of its Security Council and in giving more say to developing countries, especially on global economic and financial issues on which decisions are usually taken by a few powerful countries and outside the UN. But denigrating the UN's role and reducing funds for its operations would severely weaken the spirit and substance of international cooperation, to the detriment especially of developing countries.

Another looming problem is that Trump looks intent on doing a complete turnaround on the present US environmental policies. This will have a grave effect on the world, both in terms of the physical environment itself and in turning back the clock on global efforts to tackle multiple environmental crises.

Within a day of Trump's inauguration, pages and references to climate change were removed from the White House website. The US Environmental Protection Agency (EPA) was reportedly told to remove its web section on climate change, though that order was later countered. Staff at the EPA were forbidden from issuing media statements and research grants were suspended.

President Trump has signed an order fast-tracking the building of a wall along the US border with Mexico, and Mexicans are understandably outraged. Picture shows a protest outside the US embassy in Mexico City featuring an effigy of Trump and a fake wall.

Two major projects cancelled during Barack Obama's presidency on environmental and social grounds, the Keystone XL pipeline and the Dakota access pipeline, are being revived. The Clean Power Act, a centrepiece of the Obama effort to address climate change, has been under attack.

And all these took place even before the assumption of office of Trump's nominee as the new EPA chief, the Oklahoma state Attorney-General Scott Pruitt, who is well known for having sued the EPA 14 times. His selection was described by *The New York Times* as signalling Trump's determination to dismantle Obama's efforts to counter climate change – and much of the EPA itself.

This policy turnaround will negatively affect international efforts to combat the global environmental crisis. In particular, the many years of collective work to get agreed action on climate change will be seriously impeded since the US is looked towards to show an example that developed countries take domestic climate actions seriously and are also committed to providing climate-related financial assistance to developing countries.

At this point, it is not certain whether the US will remain in the Paris Agreement or even the UN Framework Convention on Climate Change; its withdrawal from either or both would be disastrous.

It can, however, be expected that under Trump, the US will stop its financing to the Green Climate Fund (GCF), to which the Obama administration had pledged $3 billion in its initial period and delivered $1 billion. If the US withdraws, will other countries increase their funding to make up for the loss of the US contribution, or will they also reduce their share, thereby plunging the GCF into an uncertain future?

Another major action was Trump's move to withdraw the US from the Trans-Pacific Partnership (TPP) economic agreement. He had pledged to do so but when he acted, on his first working day, it still came as a shock.

Initially Australia and New Zealand tried to get the remaining 11 TPP member countries to pledge that they would continue to get the TPP to enter into force. But this has not gained traction, with Japan and Canada bluntly stating that the TPP is meaningless and cannot continue without the US.

Thus, the TPP has been killed off. Even if in the future Trump or his successor has a change of heart, the

public mood is such that the US Congress would be unlikely to approve.

More important than Trump's action itself is what it represents in terms of the new US approach towards trade. The TPP was already loaded to favour US interests in many ways. On the trade aspect, the US has lower tariffs than the developing-country TPP partners with which it did not yet have a trade agreement, and thus stood to gain in terms of the trade balance. On the non-trade aspects of the TPP, which the US under Obama had insisted upon, American companies would have gained in the areas of intellectual property, investment, government procurement and state-owned enterprises.

Yet the TPP was unpopular with the American public, because they perceived that whatever gains the US would have would flow to the corporations and the elites, leaving the working and middle classes to face problems such as possible job losses from cheaper imports and relocation of factories abroad.

With the demise of the TPP, its developing-country members regret the loss of their opportunity to gain greater access to the US market. But they are also spared from having to take on heavy obligations on investment, intellectual property, state-owned enterprises and other issues.

The Trump move on the TPP is a prelude to other trade policies to be rolled out soon in pursuance of his 'America First' strategy, which includes the subsidiary slogans 'Buy American' and 'Hire Americans'. Policies being considered include higher tariffs or else 'border adjustment taxes' on products from countries with which the US has trade deficits, starting with China and Mexico; tax incentives for companies that export; taxes to punish US companies located abroad that export to the US; and requirements that companies that win government infrastructure and other contracts have to make use of American-made goods.

The UN General Assembly in session. Proposed US funding cuts could severely curtail the work of UN agencies which rely on billions of dollars in annual US contributions.

Many developing countries which depend on the US for their exports, or which presently host US companies or hope to attract new US investments, will be adversely affected by these policies, which together spell a new era of US protectionism. It will end the US-championed policies of liberalisation of trade and investment.

Trump has also announced that he plans to initiate new one-to-one bilateral trade agreements in place of regional or plurilateral trade agreements. If his aim is to promote US companies' interests even more strongly than in previous trade agreements, this may mean a negotiating stance of maximising US exports to while minimising imports from the bilateral partners, and pressurising them to accept provisions on investment, services, intellectual property, government procurement, state-owned enterprises and other issues that are even stronger than what the TPP had.

Other developed countries like Japan and the post-Brexit United Kingdom may be interested in starting negotiations with the US with its new template, in an attempt to get mutual benefits. It remains to be seen whether there would be developing countries willing to be new partners in what for them would likely be very one-sided bilateral agreements.

Another question is whether the rules of the multilateral trading system will act to constrain the new US administration. Many of the new policies announced by Trump or his team (such as higher taxes and tariffs on Chinese and Mexican goods, or taxes on American companies exporting to the US) probably run afoul of one or another of the agreements under the World Trade Organisation (WTO).

Even if the Trump administration finetunes its policy measures in an attempt to fit within the WTO's rules, they will most likely be challenged by other WTO member states. If the WTO panels rule against the US, will it comply with the decisions, or will Trump turn his fire against the WTO and its system instead?

Meanwhile, the WTO members are waiting to see what positions the new US trade team will take in the ongoing WTO negotiations in Geneva.

Given that Trump ran on the promise to upend the establishment – and it looks as if he intends to keep to his word – leaders and people around the world, especially in the more vulnerable developing countries, should prepare themselves to respond to more and bigger shocks ahead. ◆

Martin Khor is the Executive Director of the South Centre, an intergovernmental think-tank of developing countries, and former Director of the Third World Network. This article earlier appeared in the South Bulletin *(No. 97, 9 February 2017) published by the South Centre.*

Developing economies and Mr Trump

What does Trump mean for developing countries, asks *Jayati Ghosh*? While his economic policies are likely to exacerbate instability in the global economy, resulting in financial volatility, capital flight and disruptive trade flows, his foreign policies may well result in more wars being fought on our territories and between our peoples. While all this does not bode well for developing countries, it also opens up an opportunity to reconsider current policies in favour of more independent, equitable and sustainable paths of development.

TO say that the election of Donald Trump as US President introduced many new elements of uncertainty into global politics and economics is to belabour the obvious. Some of his declared agenda has already been embarked upon: further deregulation of private activity especially all controls on private corporate investment; attempts to control borders for migration and trade; rejection of international organisations and moving away from further US involvement in mega-regional trade and investment deals.

Trump signing an executive order to withdraw the US from the Trans-Pacific Partnership on 23 January. 'Developing countries that had put so many eggs into the TPP basket will now be forced to think more creatively about both trade and policy options, which would not be an adverse outcome.'

The foreign policy aspect is a little fuzzier, especially given the establishment suspicion about his prior Russian connection, but in general it is safe to assume that ultimately there will be more continuity than real change in this matter. Given the complete mess that US foreign policy has created in the world over the last few decades, that continuity is not necessarily very good for the rest of the world. Such change as does occur is likely to be even more adverse for progressive people in his country and across the world, since it will facilitate the further trampling of human rights.

There has been much discussion of the perception that Trump is seeking to bring back a 21st-century version of Reaganomics: a combination of rising fiscal deficits resulting from lower taxes (especially on the rich) and more public spending on the military and on physical infrastructure, with higher interest rates delivered by the US Federal Reserve. This is supposed to create a domestic boom led by private investment, which is presumably to be financed yet again by foreigners willing to pour their savings into US financial assets, particularly Treasury Bills, which in turn has led some to predict that such a US boom will once again pull the world economy along through the increased demand it will generate for the rest of the world's exports.

But it is a moot point whether this agenda will actually be achieved. It is probably misplaced to believe that Trumponomics will succeed in generating a boom in the US and thereby in the rest of the world. The basis for this belief, which is clearly what is driving stock markets in the US, is the perception that increased public spending and lower tax rates will provide a fiscal stimulus to boost the economy, even if it does at the same time increase inequality and disproportionately favour the rich. But it is far more likely that Trump's policies will deliver more inequality but not the kind of boom that is being anticipated.

As of now, the precise tax proposals that the Trump administration itself favours are not known; but the proposal by Speaker of the US House of Representatives Paul Ryan is supposedly 'revenue-neutral', giving tax cuts in some sectors and categories while removing some deductions. The overall macroeconomic benefit of this would be limited, although it may well imply a further redistributive shift away from working- and middle-class families in favour of the country's corporations and rich individuals.

In any case, tax cuts alone are known to have limited impact, and the expenditure proposals are even less dramatic. And the continued presence of fiscally conservative Tea Party activists in the President's own party will prevent the possibility of much deficit expansion.

There will be big increases in military spending, which will definitely affect the rest of the world and may cause a further round of US military intervention of different sorts that would add to global insecurity. But in fiscal terms, these are to be counterbalanced by equivalent cuts in social programmes.

Much of the touted 'public investment' would be in the form of public-private partnerships, in which the government does not invest directly but underwrites a significant part of the private investment or enables the securing of cheap loans for private investment. This has had very little success in most countries, with much lower levels of investment than were anticipated. Usually the fiscal costs are delayed but much larger than expected, because costs incurred require user charges that are too high to enforce. Such PPPs may suit several of Trump's cronies and those (including in real estate, a sector of particular personal interest to the US President) who would benefit from certain infrastructure investments, but they are unlikely to generate significant increases in either physical infrastructure or overall investment rates.

Whatever fiscal expansion occurs will come in combination with a monetary policy 'shock' in the form of higher interest rates, in an economy that has grown used to near-zero interest rates for nearly a decade now. This could well attract mobile capital back to the US – and thereby cause different degrees of discomfort or crisis in many emerging markets – but that in turn will cause an appreciation of the US dollar, which too must affect profitability in the tradeables sector. In purely macroeconomic terms, it is hard to see how this combination can deliver significantly higher economic growth or employment in the US, especially when technology shifts are already leading to lower demand for workers.

What then of the other strategies, the physical and trade walls designed to protect US residents from the depredations of foreigners? The infamous wall along the Mexican border is now estimated to cost $15-20 billion, but even that is not much for a Keynesian stimulus.

The other wall – the imposition of high punitive tariffs on goods coming from Mexico and China, as well as from other countries seen as 'threats' to US production – may well get a few dramatic and highly symbolic gestures in its direction, and may mess up trade relations for a while. But it is likely that the president's basic and well-known instinct for pushing business and profit, irrespective of the impact on workers or consumers, will win over the protectionist rhetoric that helped him get elected. It will also do little to bring manufacturing jobs 'back' to the US, especially as technological change continues to erode employment in this sector. So the workers and other non-traditional voters who installed Trump in his current position are likely to experience a worsening of material conditions, because of little new job generation and public spending cuts that reduce their entitlements. But import demand from the US will continue to shrink and add to the forces that are slowing down global trade.

What does all this mean for developing countries? Remember that this is an already volatile global economic environment. Global capitalism had clearly reached the limits of a particular strategy of accumulation, as evident in the 'secular stagnation' that seemed impervious to massive injections of liquidity and near-zero or even negative interest rates, and in economic trajectories that no longer seem to generate stable and regular employment.

The most immediate concern is of capital leaving emerging markets once US interest rates are raised, creating potentially disorderly situations. The resulting volatility is likely to be compounded by further financial deregulation that will spread from the US to other countries. This is doubly dangerous for many 'emerging markets' because many of them had responded to the global crisis by allowing massively leveraged expansion, and much of that is currently in the process of winding down. Asset markets – particularly of land and real estate – are experiencing a downswing in most countries, rendering them especially vulnerable to financial crises that could originate from an initial outflow of capital to the US.

Obviously, this would be exacerbated by the disruptive impact on global trade of several proposals of the Trump administration. The ongoing slowdown in international trade is likely to get worse, and also more uncertain with the unpredictability of US moves. Export of commodities from South to North is unlikely to be an engine of growth in the immediate future. This sounds like bad news for many developing countries, and will be so in the short term, but it need not be so bad if it forces a different approach from one that focuses on exports to the North (and therefore treats wages only as a cost) to one that looks at potential in domestic markets and regional arrangements (and therefore treats wages also as an important source of demand).

Certainly, no tears should be shed for the Trans-Pacific Partnership (TPP) that is now effectively dead in the water after Trump announced the US' withdrawal from the pact. It was a bad deal that did little to enhance desirable trade. Instead, it provided inordinate power to corporations, through stringent and unwarranted acceptance of tight intellectual property rights monopolies; reducing possibilities of public regulation in the interests of workers, the environment and the health and other human rights of citizens; and allowing investor-state dispute settlement in wide-ranging cases of supposed infringement of investor rights. These would definitely have harmed workers and consumers in all the TPP member countries.

Developing countries that had put so many eggs into the TPP basket will now be forced to think more creatively about both trade and policy options, which would not be an adverse outcome. The danger is that – despite the breakdown of this agreement – such deregulation and greater power to corporations will be granted anyway by the Trump administration, and sheer competitive pressure will then force governments across the world to fall in line. Avoiding this worst-of-all-worlds scenario will require constant public vigilance and mobilisation in all countries.

Similarly, financial markets will be more unstable and volatile, and countries across the world may well have to brace themselves for another round of financial crises. This time,

the implications may be worse because of the difficulty of using the same old solutions of large publicly funded bailouts to rescue banks and other financial institutions. The global race to environmental destruction pushed by further deregulation in the US and egged on by international competition in trade and investment, will also have to be fought with public pressure in all countries.

Another concern for developing economies comes not from the economic policies of the Trump administration but from its foreign policies. This US administration is hawkish, but in a new way: possibly more confused with Russia, but much more aggressive with China. Global conflagrations can begin with minor conflicts that explode out of proportion, and the danger for developing countries is that the wars will be fought on our territories and between our peoples. The propagation by the current US government of a sullen, petty-minded pseudo-nationalism is already finding echoes in too many other governments, including in the developing world where this attitude also similarly involves the suppression of any kind of domestic dissent.

Periods of disruption are unpleasant and do throw up all sorts of (mostly bad) outcomes. But they are all periods when the older certainties are thrown aside, and some of these deserve to be discarded. The belief in 'free' trade and globalised capital being all that is required for development was always wrong, but now it simply cannot be entertained. Now, more than ever, this must force more creative thinking about economic strategies in different parts of the world. Developing countries must stop looking to the US for leadership either economically or politically, and seek to forge new paths based on more equitable and democratic internationalism which also enables more equitable and democratic development within their own countries. ◆

Jayati Ghosh is an economics professor at Jawaharlal Nehru University in New Delhi. The above is a revised version of an article that will appear in a forthcoming issue of the Real-World Economics Review.

WTO: THE DOHA AGENDA

The New Negotiations on World Trade

by Bhagirath Lal Das

ISBN: 1 84277 299 6 128 pages

Following the Doha Ministerial Declaration in November 2001, the developed countries have catapulted the WTO into an intensive, multi-year series of further international trade negotiations. In this concise guide to the issues involved, B L Das, one of the world's leading authorities on the WTO, explains the new Work Programme which will guide these negotiations.

Far from constituting a 'development agenda' as the North touted it to be, he argues that issues of great importance to developing countries do not even figure (or if they do, then insignificantly) in the Work Programme. Instead, it gives special attention to those areas that are of interest to the major developed countries, thereby further increasing the imbalance in the WTO system between North and South. Indeed the Work Programme looks set to benefit these countries who have given nothing in return to the developing countries.

The author explains and assesses the implications of each issue likely to figure in the new negotiations. These include not simply the major items that were the subject of the Uruguay Round – agriculture, services, subsidies, anti-dumping, regional trade arrangements, dispute settlement, industrial tariffs, intellectual property rights; but also new areas (the so-called Singapore issues) like investment, competition policy, transparency in government procurement and trade facilitation as well as electronic commerce.

He makes concrete policy proposals for the revision of the existing WTO agreements in order to remedy their manifest defects from the point of view of protecting and improving the development prospects of those poor countries who are already so disadvantaged in the global economy.

This is an important book likely to be of practical relevance to all those involved in the new round of trade negotiations.

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Trump and national neoliberalism

Trump's ascendance may spell the end of globalism – but not of neoliberalism.

Sasha Breger Bush

THE election of Donald Trump portends the completion of the US government's capture by wealthy corporate interests. Trump's election is widely seen in terms of a dispossessed and disenfranchised white, male working class unsatisfied with neoliberal globalisation and the insecurity and hardship it has unleashed, particularly across regions of the United States that were formerly manufacturing powerhouses (like the Rust Belt states of Pennsylvania, Michigan, Ohio and Wisconsin, four states believed to have cost Hillary Clinton the election). While there is much truth to this perspective and substantial empirical evidence to support it, it would be a mistake to see Trump's victory wholly in these terms.

This election appears to be a key stage in the ongoing process of American democratic disintegration, though in my opinion Trump's election does not signal the beginning of a rapid descent into European-style fascism. Instead, the merger of state and corporate interests is proceeding along an already-established trajectory. American democracy has been under attack from large and wealthy corporate interests for a long time, with this process accelerating and gaining strength over the period of neoliberal globalisation (roughly the early 1970s to the present). This time period is associated with the rise of powerful multinational corporations with economic and political might that rivals that of many national governments.

I am persuaded by the argument that the US political system is not democratic at all, but rather an 'inverted totalitarian' system. Political commentator Chris Hedges notes: 'Inverted totalitarianism is different from classical forms of totalitarianism. It does not find its expression in a demagogue or charismatic leader but in the faceless anonymity of the corporate state.' Citing the American political theorist Sheldon Wolin, Hedges argues that our inverted totalitarian system is one that retains the trappings of a democratic system – e.g., it retains the appearance of loyalty to 'the Constitution, civil liberties, freedom of the press, [and] the independence of the judiciary' – while undermining the capacity of citizens to substantively participate and exert power over the system.

In my view, what Trump's election has accomplished is an unmasking of the corporate state. Trump gives inverted totalitarianism a persona and a face, and perhaps marks the beginning of a transformation from inverted totalitarianism to totalitarianism proper. By this I mean that I think we are entering a period in which our political system will come to look more obviously totalitarian, with ever fewer efforts made to conceal its true nature and with the demagoguery that we typically associate with this form of politics.

In spite of this, it makes no sense to me to call the system towards which we are heading (that is, if we do not stand up and resist with all our might right this second) 'fascism' or to make too close comparisons to the Nazis. The European fascists put their faith in the power of the state to remake society. I do not see this on the horizon for the liberal-capitalist US, where feelings of hatred and distrust towards an oversized federal government helped to elect Trump. Whatever totalitarian nightmare is on our horizon, it will be uniquely American: a kind of 'corporate' or 'market-based' totalitarianism that is unique in world history.

With its orientation towards the needs of the marketplace and big business, it will resemble in many ways the system that we've been living under for decades. If the pre-Trump system of inverted totalitarianism solidified in the context of global neoliberalism, the period of corporate totalitarianism that we are entering now seems likely to be one characterised by what I call 'national neoliberalism'.

Trump's election doesn't mean the end of neoliberalism

Trump's election represents a triumph of neoliberal thinking and values. Perhaps most importantly, we should all keep in mind the fact that Americans have elected a businessman to the presidency. In spite of his Wall Street background and billionaire status, Trump successfully cast himself as the 'anti-establishment' candidate. This configuration – in which a top-one-percenter real estate tycoon is accepted as a political 'outsider' – is a hallmark of neoliberal thinking. The fundamental opposition between market and government is a central dichotomy in the neoliberal narrative. In electing Trump, American voters are reproducing this narrative, creating an ideological cover for the closer connections between business and the state that are in store moving forward. (Indeed, Trump is already using the apparatus of the US federal government to promote his own business interests.)

As states and markets further fuse in coming years, this representation of Trump and his administration – as being anti-government – will help immunise his administration from accusations of too-cosy relationships with big business. Trump's promises to 'drain the swamp' by imposing Congressional term limits and constraints on lobbying activities by former political officials will also help to hide this relationship. (Has anyone else noticed that Trump only addresses half of the 'revolving door', i.e., he plans to limit the lobbying of

former politicians, but not the political roles of businessmen?)

Trump's 'Contract with the American Voter', his plan for the first 100 days in office, discusses policies and programmes many of which are consistent with neoliberal thinking. (I interpret the term 'neoliberalism' to emphasise at its core the importance of private property rights, market-based social organisation, and the dangers of government intervention in the economy.) Trump's plan redirects the activities of the US government along the lines touted by neoliberal 'market fundamentalists' like Milton Friedman, who advocate limiting government's role to market-supportive functions like national defence (defence stocks have been doing very well since the election) and domestic law and order (Trump's proposals have a lot to do with altering immigration policy to 'restore security'). Trump also plans to use government monies to revitalise physical infrastructure and create jobs. Other government functions, for example, health care provision and education as well as protecting the environment and public lands, are open for privatisation and defunding in Trump's agenda. Under Trump, the scope of federal government activities will narrow, likely to infrastructure, national defence, and domestic policing and surveillance, even if overall government spending increases (as bond markets are predicting).

Trump also seems content to take neoliberal advice in regard to business regulation (less is best) and the role of the private sector in regulating itself (industry insiders understand regulatory needs better than public officials). Trump's plan for the first 100 days specifies 'a requirement that for every new federal regulation, two existing regulations must be eliminated'. As of the time of this writing, his selection of cabinet appointees illustrates a broad willingness to appoint businesspeople to government posts. As of mid-December 2016, a Goldman Sachs veteran, Steven Mnuchin, has been appointed Secretary of the Treasury; billionaire investor Wilbur Ross, Secretary of Commerce; fossil-fuel-industry supporter and Oklahoma Attorney-General Scott Pruitt, Environmental Protection Agency (EPA) administrator; and Exxon Mobil CEO Rex Tillerson, Secretary of State. Trump's business council is staffed by the CEOs of major US corporations including JPMorgan Chase, IBM and General Motors.

To be fair, the 'revolving door' between government and industry has been perpetuated by many of Trump's predecessors, with Trump poised to continue the tradition. But this is not to say that neoliberalism will continue going in a 'business as usual' fashion. The world is about to get much more dangerous, and this has serious implications for patterns of global trade and investment.

Trump's election does mean the end of globalism

The nationalism, xenophobia, isolationism and paranoia of Donald Trump are about to replace the significantly more cosmopolitan outlook of his post-WWII predecessors. While Trump is decidedly pro-business and pro-market, he most certainly does not see himself as a global citizen. Nor does he intend to maintain the United States' extensive global footprint or its relatively open trading network. In other words, while neoliberalism is not dead, it is being transformed into a geographically more fragmented and localised system (this is not only about the US election, but also about rising levels of global protectionism and Brexit, among other anti-globalisation trends around the world). I expect that the geographic extent of the US economy in the coming years will coincide with the new landscape of US allies and enemies, as defined by Trump and his administration.

Trump's 'Contract with the American Voter' outlines several policies that will make it more expensive and riskier to do business abroad. All of these need not occur; I think that even one or two of these changes will be sufficient to alter expectations in business communities about the benefits of certain cross-border economic relationships. Pulling the United States out of the Trans-Pacific Partnership (TPP), along with threats to pull out of the Paris climate agreement and attempts to renegotiate the North American Free Trade Agreement (NAFTA), is already signalling to other countries that the new administration will not be interested in international cooperation. A crackdown on foreign trading abuses will prompt retaliation. Labelling China a currency manipulator will sour relations between the two countries and prompt retaliation by China.

As Trump goes forward with his anti-immigration and anti-Muslim rhetoric and policies, he will alienate the United States' traditional allies in Europe (at least until Europe elects its own nationalist and xenophobic leaders) and communities across the Global South. The US election has already undermined performance in emerging markets, and bigoted rhetoric and policy will only increase anti-American sentiment in struggling economies populated largely by people of colour. Add to this the risk of conflict posed by any number of the following: his antagonising China, allying with Russia, deploying ground troops to stop ISIS, and pulling out of the Korean DMZ, among other initiatives that seem likely to contribute to a more confrontational and violent international arena.

All of this is to say that Trump will not have to intervene directly in the affairs of business in order to make it less international and more national. The new global landscape of conflict and risk, combined with elevated domestic spending on infrastructure and security, will bring US business and investment back home nonetheless.

National neoliberalism and state-market relations

Fascist states are corporatist in nature, a state of affairs marked by a fusion of state and business functions

and interests. In the fascist states on the European continent in the 1930s and 1940s – systems that fall under the umbrella of 'national socialism' – the overwhelming power of the state characterised this relationship. Political theorist Sheldon Wolin writes in *Democracy, Inc.*, in regard to Nazi Germany and Fascist Italy (as well as Stalinist Russia), 'The state was conceived as the main centre of power, providing the leverage necessary for the mobilisation and reconstruction of society.'

By contrast, in Trump's America – where an emergent 'national neoliberalism' may be gradually guiding us to a more overt and obvious corporate totalitarian politics – we can expect a similar fusion of state and market interests, but one in which the marketplace and big business have almost total power and freedom of movement. State and market in the US will fuse further together in the coming years, leading some to make close parallels with European fascism. But they will do so not because of heavy-handed government dictates and interventions, but rather because domestic privatisation initiatives, appointments of businessmen to government posts, fiscal stimulus and the business community's need for protection abroad will bring them closer. Corporate interests will merge with state interests not because corporations are commanded to, but rather because the landscape of risk and reward will shift and redirect investment patterns to a similar effect. This may be where a budding US totalitarianism differs most starkly from its European cousins.

Of course, it helps that much of the fusion of state and market in the United States is already complete, what with decades of revolving doors and privatisation initiatives spanning the military, police, prison, healthcare and educational sectors, among others. It will not take much to further cement the relationship. ◆

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The International Financial Architecture and Free Trade Agreements

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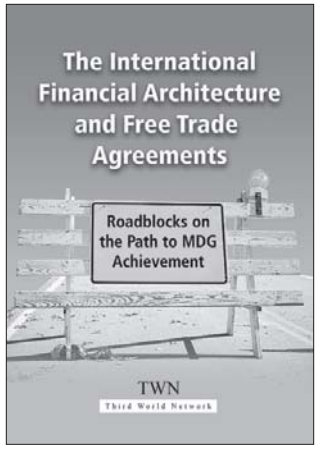
The analysis in these papers underlines the urgent need to address the financial the financial and trade constraints on progress towards attaining the MDGs in the developing world.



ISBN: 978-967-5412-45-5 48pp

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Trump and the WTO

In view of the pervasive influence and control the US has exercised over the WTO and the fact that it has been guilty of largely ignoring or frustrating rulings against it under that body's trade dispute settlement system, Trump's latest rant against that body is bizarre, says *D Ravi Kanth*.

THE ugly dance of the global hegemon remains a source of concern as well as confusion. It wants to regenerate industrialisation by bringing back all those manufacturing industries that left its shores. More importantly, it seems determined to rejig its trade policy by opting for bilateral free trade agreements and by asserting its sovereign trade policy decisions in contingency measures such as anti-dumping, countervailing (anti-subsidy) measures and safeguard actions – regardless of the multilateral rules it had framed since 1948.

On the face of it, the global hegemon is determined to pursue an aggressive version of the 'open door' policy that was first implemented in 1898. That policy began under the dubious slogan of saving Cuba from the clutches of Spanish rule. Several years after the Cuban war, the head of the Bureau of Foreign Commerce of the US Department of Commerce wrote: 'The Spanish-American war was but an incident of a general movement of expansion which had its roots in the changed environment of an industrial capacity far beyond our domestic powers of consumption. It was seen to be necessary for us not only to find foreign purchasers for our goods, but to provide the means of making access to foreign markets easy, economical and safe' [cited in Howard Zinn (2013), *A People's History of the United States*, 3rd edition, Routledge, p. 306].

The 'open door' policy continued to manifest itself under different masks but beneath the surface there remained continuity, regardless of the destruction and violence it wrought in various countries. It wore, for example, a reformist mask since the setting up of the United Nations, the Bretton Woods institutions of the International Monetary Fund (IMF) and World Bank, and followed by the General Agreement on Tariffs and Trade (GATT) in January 1948.

World Trade Organisation headquarters in Geneva. The US continues to exert considerable influence over decision-making at the WTO.

During the last seven decades, the United States, the most powerful nation in history, went on to refine the 'open door' policy in ways that suited its overall trade/economic interests and strategic considerations, including its immediate military and trade priorities, according to several studies by historians and economists.

The creation of the World Trade Organisation (WTO) in 1995 following the Uruguay Round of trade negotiations was an apogee of that onward march which had begun almost a century ago. Although the Uruguay Round started in 1986 when the US was under a Republican administration, it was concluded by a Democratic president at the official level in December 1993.

Unsurprisingly, there is an underlying chain of continuity in the economic and trade policies followed by the global hegemon since the late 19th century. The US control over the so-called multilateral trade and financial institutions is pervasive in almost all aspects. Barring some minor hiccups here and there, Washington has ensured a brutal grip on decisions taken at the IMF, the World Bank and the WTO.

Little wonder then that before entering the Director-General's office at the WTO headquarters in Geneva, one has to cross the room of a Deputy Director-General which remained occupied by successive US nominees. Indeed, every decision big or small at the WTO has to be vetted by that Deputy Director-General, who is the link between the US embassy in Geneva and the Director-General's office, according to several past and present trade envoys.

Trump trade policy agenda

Against this backdrop of continued influence and control over the WTO by the world's sole superpower, it appears somewhat

Then US Trade Representative Mickey Kantor signing the outcome document of the Uruguay Road negotiations establishing the WTO in 1994. The US has since failed in many instances to implement the WTO rules crafted during the Uruguay Round.

bizarre to assume that the US under the leadership of Donald Trump will turn the multilateral trade body upside down, notwithstanding the White House's latest trade policy agenda report which was submitted to the US Congress on 1 March.

'The Trump Administration will aggressively defend American sovereignty over matters of trade policy,' the report says, insisting that the 'overarching purpose of our trade policy – the guiding principle behind all our actions in this key area – will be to expand trade in a way that is freer and fairer for all Americans'.

'Every action we take with respect to trade will be designed to increase our economic growth, promote job creation in the United States, promote reciprocity with our trading partners, strengthen our manufacturing base and our ability to defend ourselves, and expand our agricultural and services industry exports,' it claims.

The four major priorities of the Trump administration, according to the document, are '(1) defend US national sovereignty over trade policy; (2) strictly enforce US trade laws; (3) use all possible sources of leverage to encourage other countries to open their markets to US exports of goods and services, and provide adequate and effective protection and enforcement of US intellectual property rights; and (4) negotiate new and better trade deals with countries in key markets around the world'.

It goes on to say that 'the Trump Administration will act aggressively as needed', suggesting that trade remedies such as anti-dumping and countervailing measures will be implemented as per American interests.

The US, which is a major user of the WTO's dispute settlement system, has accused the system's panels and Appellate Body of issuing rulings that went far beyond their remit.

The US has also said it was cheated by its trading partners through unfair trade practices like currency manipulation and non-implementation of decisions. Peter Navarro, the top trade adviser to President Trump, has accused Germany of using a 'grossly undervalued' euro to 'exploit' the US and its EU partners, the *Financial Times* has reported. Navarro wants Germany to enter into bilateral negotiations to reduce the US trade deficit.

As the Trump administration sees it, the continued ballooning of the US trade deficit (which touched $648 billion in manufactured goods last year) and the loss of five million jobs during the last 16 years demonstrate that multilateral, regional and even bilateral trade agreements have only brought deindustrialisation and destruction.

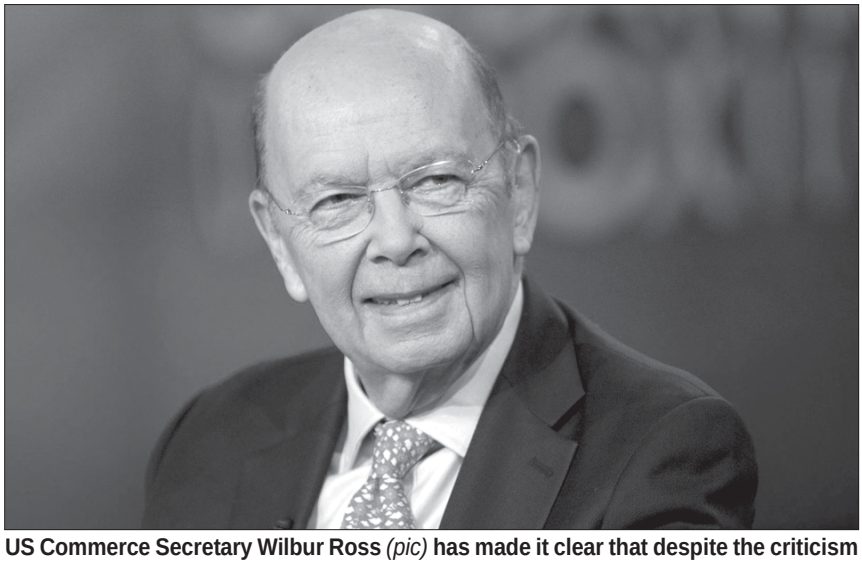
In short, the US is suggesting that its ever-increasing trade deficits are an offshoot of the manner in which it was duped by its trading partners which refused to play by the rules governing so-called 'fair and free trade'.

'Plainly, the time has come for a major review of how we approach trade agreements,' says the president's trade policy agenda report, which emphasises that 'going forward, we will tend to focus on bilateral negotiations'.

Non-implementation of WTO rulings

The report speaks incessantly about 'sovereignty' but doesn't quite say that Washington would not abide by WTO rules or rulings it doesn't like. (The US has charged that several WTO rulings have crossed their remit.)

However, even a cursory look at the litany of so-called trade crimes perpetrated by the US at the WTO indicates that Washington has consistently followed a practice of not implementing adverse WTO rulings since 1995. Barring a couple of decisions involving the EU, the US has largely frustrated the developing and the poorest countries in a variety



US Commerce Secretary Wilbur Ross *(pic)* **has made it clear that despite the criticism levelled against the WTO, it 'in some ways' is necessary as an arbiter of global trade.**

of trade remedy disputes by not fully implementing the WTO Dispute Settlement Body's recommendations. Indeed, the US has virtually created a mega-industry for imposing illegal anti-dumping and countervailing measures, including the infamous Byrd Amendment, over the past 20 years.

[The US' anti-dumping actions are based on the 'zeroing' methodology. Under this practice – which has been condemned time and again by the WTO Appellate Body – negative dumping margins (arising from higher export price as compared with normal value) are either excluded from the calculation of the weighted average or included with a value of zero by the US anti-dumping investigating authorities.]

A simple glance at the number of disputes it won and lost proves that what Washington is saying about being conned or cheated would be tantamount to 'fake news'. So far, the US has launched more than 100 trade disputes against other WTO members while facing more than 125 disputes against its allegedly unfair trade practices. Every month, the US is criticised for not implementing rulings in a half-dozen cases for over 10 years. Moreover, the US' measures in a range of trade-distorting cases were condemned by the Appellate Body. The US ranks first among countries in not implementing the WTO's rulings by bringing its laws and regulations into compliance, thereby causing 'systemic' shocks with 'chilling' effects.

The US deserves kudos for having created 'lawlessness' for failing to implement rules it had crafted during the Uruguay Round.

Successive US administrations have criticised the WTO dispute settlement panels and Appellate Body whenever they lost trade disputes. Last year, the US even blocked a second term for a sitting Appellate Body member Seung Wha Chang on the grounds that his rulings went beyond the WTO's agreements. It is easy for the US to claim that every deal it did till now is a dog, but Washington also succeeded in imposing unilateral trade deals for more than a century.

DG's response

Nevertheless, the WTO Director-General Roberto Azevedo appears ready to appease the new US administration and acquiesce to its threats to ignore the Dispute Settlement Body decisions. 'It is clear that the United States has a variety of trade concerns, including about the WTO dispute settlement system,' Azevedo said on 28 February, after securing a second four-year term as Director-General. 'I am ready to sit down and discuss these concerns and any others with the trade team in the US whenever they are ready to do so.'

It is shocking that the WTO's Director-General is ready to discuss the Dispute Settlement Body rulings with the new trade administration in Washington, said a trade envoy who asked not to be quoted. 'Instead of maintaining distance from the independent and impartial Dispute Settlement Body mechanism, the Director-General is signalling that he is ready to address Washington's concerns,' the envoy said.

However, given his track record of ensuring that American trade demands are realised, such as the Trade Facilitation Agreement or the continued use of trade-distorting export credits for farm products and food aid, it would not be a surprise if Azevedo chose to prostrate himself before the US trade administration, according to another trade envoy.

Significantly, the billionaire new US Commerce Secretary Wilbur Ross has made it clear that despite the criticism levelled against the multilateral trade body, the WTO 'in some ways' is necessary as an arbiter of global trade.

Effectively, the Trump administration would use the WTO's Dispute Settlement Body because of the rules it had framed during the previous Uruguay Round, while turning its back on any future change in the multilateral trade rules.

In conclusion, the trade policy missiles being fired by President Trump will continue to form part of the arsenal built by successive American administrations since President William McKinley (1897-1901).

The only difference is that Trump appears somewhat like the notorious Robespierre of the French Revolution who had followed a policy of 'we must smother the internal and external enemies of the Republic or perish with them.' ◆

D Ravi Kanth writes for the South-North Development Monitor (SUNS)*, from which this article is reproduced (*SUNS*, No. 8419, 10 March 2017).* SUNS *is published by the Third World Network.*

US' protectionist border adjustment tax plan likely WTO-illegal

Trump's proposed 'border adjustment tax', an integral part of his 'America First' strategy, besides being likely to run afoul of the WTO rules, will hit the exports of developing countries to the US. *Martin Khor* explains.

A NEW US tax plan being considered by Congressional Republican leaders and the President is likely to be violative of the fundamental principles of the World Trade Organisation (WTO) and its agreements, and could have a devastating effect on the exports and investments of American trading partners, especially the developing countries.

The plan, known as a border adjustment tax, would have the effect of taxing imports into the United States while providing a subsidy for US exports which would be exempt from the tax. The stated aim is to improve the competitiveness of US products, drastically reduce the country's imports while promoting its exports, and thus narrow the huge US trade deficit.

If adopted and enacted into law, it would significantly reduce the competitiveness or viability of goods and services of countries presently exporting to the US. The US domestic prices of these exports will have to rise due to the tax effect, depressing the demand for them and in some cases making them unsaleable.

And companies from the US or other countries that invest in developing countries because of lower costs and then export their products (final products or intermediate inputs) to the US will also be adversely affected by the new US tax plan. Some firms will relocate to the US and potential investors will be discouraged from opening new factories in developing countries. In fact this is one of the main aims of the plan – to get companies to return their production to the US.

The stated aim of the proposed US border adjustment tax is to drastically reduce the country's imports while promoting its exports.

Background to the border tax plan

The plan is a key part of the America First strategy of US President Donald Trump, with his subsidiary policies of 'Buy American' and 'Hire Americans'.

The border adjustment tax is part of a tax reform blueprint, 'A Better Way', whose chief advocates are Republican Party leaders Paul Ryan, Speaker of the US House of Representatives, and Kevin Brady, Chairman of the House Ways and Means Committee.

Trump originally called the plan 'too complicated' but is now seriously considering it. In a recent address to Congressional Republicans, he said: 'We're working on a tax reform bill that will reduce our trade deficits, increase American exports and will generate revenue from Mexico that will pay for the [border] wall.'

The proposal has however generated tremendous controversy in the US, with opposition coming from some Congress members (including Republicans), many economists and American companies whose business is import-intensive. It however has the strong support of Republican Congressional leaders and some version of it could be tabled as a bill. Whether it will be passed remains to be seen.

Trump had earlier threatened to impose high tariffs on imports from countries having a trade surplus with the US, especially China and Mexico. This might be a simpler measure, but is so blatantly protectionist that it will trigger swift retaliation and would almost certainly be found to violate the rules of the WTO.

The tax adjustment plan may have a similar effect in discouraging imports and moreover would promote exports, but it is more complex and thus difficult to understand. The advocates hope that because of the complexity and confusion, the measure may not attract such a strong response from US trading partners. Moreover, they claim that it is

A US auto company's factory in Mexico. The border adjustment tax plan would reduce the incentives for American industrial investment abroad.

permitted by the WTO and are presumably willing to put it to the test.

Details of the border tax plan

In the tax reform plan, the corporate tax rate would be reduced from the present 35% to 20%.

The border adjustment aspect of the plan has two main components.

Firstly, the expenses of a company on imported goods and services can no longer be deducted from the company's taxable income. Wages and domestically produced inputs purchased by the company can be deducted.

The effect is that a 20% tax would be applied to the company's imports. This would especially hit companies that rely on imports such as those in the automobile, electronic product, clothing, toy and the retail and oil refining sectors.

The *Wall Street Journal* gives the example of a firm with revenue of $10,000 and with $5,000 imports, $2,000 wage costs and $3,000 profit. Under the present system, where the $5,000 imports plus the $2,000 wages can be deducted, and with a 35% tax rate, the company's taxable total would be $3,000, the tax would be $1,050 and after-tax profit would be $1,950.

Under the new plan, the $5,000 imports cannot be deducted and would form part of the new taxable total of $8,000. With a 20% tax rate, the tax would be $1,600 and the after-tax profit $1,400.

Given this scenario, if the company wants to retain its profit margin, it would have to raise its price and revenue significantly, but this in turn would reduce the volume of demand for the imported goods.

For firms that are more import-dependent, or with lower profit margin, the situation may be even more dire, as some may not be financially viable anymore.

Take the example of a company with $10,000 revenue, $7,000 imports, $2,000 wages and $1,000 profit. Under the new plan, the taxable total would be $8,000 and the tax is $1,600, so after tax it has a loss of $600 instead of a profit of $1,000.

The company, to stay alive, would have to raise its prices very significantly, but that might make its imported product much less competitive. In the worst case, it would close down and the imports would cease.

The economist Larry Summers, a former US Treasury Secretary, gives a similar example of a retailer who imports goods for 60 cents, incurs 30 cents in labour and interest costs and then earns a 5 cent margin. With 20% tax, and no ability to deduct import or interest costs, the taxes will substantially exceed 100% of profits even if there is some offset from a stronger dollar.

On the other hand, the new plan would allow a firm to deduct its export revenue from its taxable income. This would allow the firm to increase its after-tax profit.

The *Wall Street Journal* article gives the example of a firm which presently has export sales of $10,000, cost of inputs $5,000, wages $2,000 and profit $3,000. With the 35% corporate tax rate, the tax is $1,050 and after-tax profit is $1,950.

Under the new plan, the export sales of $10,000 would be exempt from tax, so the company has zero tax. Its profit after tax is thus $3,000.

The company can cut its export prices, demand for its product will increase and it can expand its sales and export revenues.

Implications for developing countries

At the macro level, with imports reduced and exports increased, the US can cut its trade deficit, which is a major aim of the plan. On the other hand, the US is a major export market for many developing countries, so the tax plan, if implemented, will have serious adverse effects on them.

The countries include the likes of China and Mexico, which sell hundreds of billions of dollars of manufactured products to the US; Brazil and Argentina which are major agricultural exporters; Malaysia, Indonesia and Vietnam which sell commodities like palm oil and timber and also manufactured goods such as electronic products and components and textiles; Arab countries that export oil and African countries that export oil, minerals and other commodities; and countries like India which provide services such as call services and accountancy services to US companies.

American industrial companies are also investors in many developing countries. The tax plan, if implemented, would reduce the incentives for some of these companies to be located abroad as the

low-cost advantage of the foreign countries would be offset by the inability of the parent company to claim tax deductions for the goods imported from its subsidiary companies abroad.

Perhaps the most vulnerable country is Mexico, where many factories were established to take advantage of tariff-free entry to the US market under the North American Free Trade Agreement (NAFTA).

Trump has warned American as well as German and Japanese auto companies that if they make new investments in Mexico, their products would face high taxes or tariffs on entry, and called on them to invest in the US instead.

US Congressman Kevin Brady is one of the chief advocates of the border adjustment tax.

Responses to the tax plan

After the implications of the border adjustment tax plan are understood, it is bound to generate concern and outrage from the US' trading partners, in both South and North, if implemented. They can be expected to consider immediate retaliatory measures.

A former undersecretary for international business negotiations of Mexico (2000-06), Luis de la Calle, said in a media interview: 'If the US wants to move to this new border tax approach, Mexico and Canada would have to do the same ... We have to prepare for that scenario.'

In any case, it can be expected that countries will take up complaints against the US at the WTO.

The proponents claim that the tax plan will be designed in a way that is compatible with the WTO rules. But many international trade law experts believe that the tax plan's measures will violate several of the WTO's principles and agreements, and that the US will lose if other countries take up cases against it in the WTO dispute settlement system (see below).

This prospect may however not decisively deter Trump from championing the Republicans' tax blueprint and signing it into law, should Congress decide to adopt it. The president and some of his trade advisers have criticised the WTO's rules and have mentioned the option of leaving the organisation if it prevents or impedes the new America First strategy from being implemented.

If the US leaves the WTO, it would of course cause a major crisis for international trade and trade relations.

There are many critics of the border adjustment tax plan.

Former US Treasury Secretary Summers warns that the tax change will worsen inequality, place punitive burdens on import-intensive sectors and companies, and harm the global economy.

While export-oriented US companies are supporters, other US companies including giants Walmart and Apple are strongly against the plan, and an influential Republican, Steve Forbes, owner of *Forbes* magazine, has called the plan 'insane'.

It is not yet clear what Trump's final position will be. If he finds it too difficult to use the proposed border tax, because of the effect on some American companies and sectors, he might opt for the simpler use of tariffs.

In any case, whether tariffs or border taxes, policy-makers and companies and employees especially in developing countries should pay attention to the trade policies being cooked up in Washington, and voice their opinions. Otherwise they may wake up to a world where their products are blocked from the US, the world's largest market, and where the companies that were once so happy to make money in their countries suddenly pack up and return home.

Will the border tax measure violate WTO rules?

A major question is whether the border tax measure will violate the rules of the WTO.

Experts have good reason to believe that the tax in several ways goes counter to the WTO. But there are also shortcomings in the WTO system that could limit its usefulness in stopping the US.

If adopted, the tax measure is sure to attract the opposition of the US' trading partners, as their exports to the US will have the equivalent of a 20% tax imposed on them, whereas exports from the US will be exempted from a 20% corporate tax.

The tax on US imports, without the same being applied to US-made products, discriminates against foreign products, and US exports being exempted from taxes is tantamount to an export subsidy.

How will this be taken at the WTO, the guardian of the multilateral trading system?

US Congressman Brady, Chairman of the House Ways and Means Committee and the plan's main advocate, is convinced the plan is WTO-consistent, but has yet to explain why.

On the other hand, many trade and legal experts think the plan violates the principles and rules of the WTO, although they caution that a final opinion is possible only when the language of the law is known. Their general view is as follows:

Firstly, the inability to deduct import expenses from a company's tax (while allowing deductions for

locally sourced products and services) discriminates against imports vis-a-vis domestic products, and violates the 'national treatment' principle of the WTO and the rules of the General Agreement on Tariffs and Trade (GATT) which specify that imports must be treated no less favourably than similar locally produced goods.

Secondly, the exemption of export revenues from the taxable income would be most likely assessed as a prohibited export subsidy under the WTO's subsidies agreement.

The renowned international trade expert Bhagirath Lal Das says that there are two separate issues to be considered: firstly, the differential treatment of a domestic product used as input and a like imported product used as similar input in domestic production; and secondly, the differential tax treatment of income based on whether the product is domestically consumed or exported.

On the first issue, Das says: 'Some reports indicate that the proposal is to deduct the cost of domestic input (product) from the income while computing the tax, whereas there is no such deduction if a like imported input (product) is used in the production. If this be the case, such a provision will clearly violate the principle of national treatment contained in Article III of the GATT 1994.'

(Article III.4 reads: 'The products of the territory of any contracting party imported into the territory of any other contracting party shall be accorded treatment no less favourable than accorded to like products of national origin in respect of all laws, regulations and requirements affecting their ... use.')

Adds Das: 'If the "use" of the domestic product results in tax reduction whereas the "use" of the like imported product does not get similar treatment, clearly the imported product will get "less favourable" treatment. And that will violate the principle of national treatment contained in Article III. Even without going into the fine print of the provisions of subsidy, such a provision can be successfully challenged in the WTO on this ground.'

On the second issue, Das comments: 'Some reports indicate that the proposal is to differentiate between the earning from domestic sale and that from export in the matter of taxation in respect of a product. Here it would appear that the exemption of the tax is conditional on export. Thus some revenue is forgone conditional on export. This practice will clearly qualify for being categorised as an export subsidy which is prohibited under Article 3 of the WTO's Subsidies Agreement.'

Das cites the case of a particular type of American company, the domestic international sales corporation (DISC), where a portion of its profit which was engaged in export was tax-free. The European Economic Community raised a dispute on this in the GATT forum in 1973. The matter was delayed for a long time until in 1999 a panel at the WTO ruled that the US practice was in fact an export subsidy and was prohibited.

'This case may not be exactly the same as the currently anticipated proposal, but it does point to the fallibility of providing government benefit contingent on export,' says Das.

Das was formerly Chairman of the General Council of GATT, Indian Ambassador to GATT and subsequently Director of International Trade Programmes at the UN Conference on Trade and Development (UNCTAD), and has written many books on the WTO and its agreements.

According to another eminent expert on the WTO, Chakravarthi Raghavan, whether the US law is considered 'legal' depends on the language of the law and its actual effects.

'There is little doubt that the "pith and substance" of the Republican border tax proposal or ideas will be in violation of Articles II and III of GATT and Article 3.1 of the Subsidies Agreement.'

Raghavan, Editor Emeritus of the *South-North Development Monitor*, has followed and analysed the multilateral trade negotiations of GATT and the WTO over the years.

Limits to what action at the WTO can achieve

Countries can challenge the US at the WTO, and if they succeed, the US has to change its law or face retaliatory action. The winning party can block US exports to it equivalent in value to the loss of its exports to the US.

However, there are many shortcomings with the WTO dispute settlement system. Firstly, few countries have the courage or financial resources to take up cases against the US. If some countries do take up cases, it takes as long as three to four years for a case in the WTO to wind its way through panel hearings and to a final verdict at the WTO Appellate Body, and for the winning party to get the go-ahead to take retaliatory action. During that period, the US can continue with its laws and practices.

If the US loses, it need not pay any compensation to the successful party for having suffered losses. Moreover, in the past, when it loses cases at the WTO, the US has typically not complied with the orders made on it. Even if it does comply, it needs to do so only in respect of the parties that brought the action against it; it need not do so for other parties.

If it does not comply, the complainant countries are allowed to take retaliatory action by blocking US goods and services from entering their markets up to an amount equivalent to the losses they have suffered. This retaliatory action can only be taken by those countries that successfully took up the case.

Thus, the US may decide to implement the border adjustment tax and wait two to four years before a final judgment is made at the WTO and for retaliatory action to be allowed. In the meanwhile, it can reap the benefits of its border tax measures.

Another possibility is that Trump may make good his threat to leave the WTO, if important cases go against

it. That would cause a major crisis for the WTO and for international trade.

With regard to the WTO process, Raghavan said: 'Apart from the difficulties of taking up cases in the WTO, including costs, the lengthy process and no retrospective damages when any WTO member raises a dispute, the onus of proving the violation is on them.

'To the best of my knowledge, in none of the rulings against the US requiring changes in law or regulations has the US implemented them, and even major trading partners have been chary of taking retaliation action.

'Countries that are affected could act to unilaterally deny the US some rights; but they cannot justify that this is retaliation, until there is a ruling in their favour.'

Is the border tax similar to value-added tax?

American advocates of the border adjustment tax plan have claimed that it is similar to a value-added tax (VAT), which is considered by the WTO to be a legitimate measure, and thus that the border adjustment tax would also be compatible with the WTO.

Almost all major developed countries have instituted the VAT system, with the notable exception of the US. Republican Congressional leaders and Trump have argued that this places the US at a disadvantage in its trade relations because the VAT system imposes a tax on imports whilst allowing companies to obtain a refund for taxes paid on their exports. They claim the border tax would correct this disadvantage and that the WTO should similarly recognise the border tax as legitimate.

However, several well-known economists and lawyers are of the opinion that there are important differences between the VAT and the border tax. There are two parts to their arguments.

Firstly, the VAT imposes taxes on both imports and locally produced goods and services and therefore does not discriminate against imports; whereas the border tax system imposes a tax on imports whilst excluding domestic inputs and wages from tax, which therefore discriminates against imports.

Secondly, the VAT system does not subsidise exports, whereas the border tax system does.

In a 1990 paper, economists Martin Feldstein and Paul Krugman found that the VAT does not improve the trade competitiveness of countries using it. They said: 'The point that VATs do not inherently affect international trade flows has been well recognised in the international tax literature ... A VAT is not a protectionist measure.'

Krugman, in a recent blog post, reiterated that 'a VAT does not give a nation any kind of competitive advantage, period.' But a destination-based cash flow tax like the border adjustment tax has a subsidy element that 'would lead to expanded domestic production'.

In another paper, Reeven Avi-Yonah and Kimberly Clausing from Michigan Law School and Reed College respectively, analyse the difference between the VAT and the proposed border adjustment tax and why the former is WTO-consistent whereas the latter would violate WTO rules.

They said: 'US trading partners are likely to be hurt in several ways. The effects of the wage deduction render the corporate cashflow tax different from a VAT, and these differences have the net effect of increasing the incentive to operate in the United States.

'In addition, such a tax system would exacerbate the profit shifting problems of our trading partners, since the United States will appear like a tax haven from their perspective.'

Uncertainty over impact on the dollar

Economists also agree that the border tax will raise the value of the US dollar but there is a debate as to how long this will take and by how much it will rise.

If the dollar appreciation is significant, this may have an adverse effect on countries that hold debt in US dollars, as they would have to pay out more in their domestic currency to service their loans. This would affect many developing countries with substantial dollar-denominated debts of the public or private sectors, and some of them may tip into new debt and financial crises.

According to former US Treasury Secretary Summers: 'Proponents of the plan anticipate a rise in the dollar by an amount equal to the 15 to 20% tax rate. This would do huge damage to dollar debtors all over the world and provoke financial crises in some emerging markets.'

Conclusion

From the above, it is clear that a border tax measure by the US would have terribly adverse, if not horrendous, effects on the economies of its trading partners, the world trade system and even the stability of global finance.

Using the WTO's dispute system to discipline the US would be a useful way of countering such an action, but this will have limited effect if the US administration is determined to go ahead with its new protectionist measure and will also involve a lengthy process, and thus damage will be done for several years.

Some countries, like Mexico, are already considering more immediate counter-actions, matching a unilateral US measure with a similar unilateral counter-measure. Making these intentions known may get the US administration and the Congressional Republicans to think twice.

Prevention is better than cure, especially if the 'cure' involves a trade war of giant proportions. How to succeed in prevention is the really big question. ◆

This article is reproduced from the South-North Development Monitor *(*SUNS*, No. 8406, 21 February 2017). An earlier and shorter version was published over two parts by Inter Press Service (IPS).*

It's time to scrap NAFTA, not 'tweak' it

Donald Trump seems to think Mexicans made out like bandits from NAFTA. In reality, workers in all three NAFTA countries have suffered.

Victor Suarez and Alejandro Villamar

IN a recent appearance with Canadian Prime Minister Justin Trudeau, Donald Trump promised that 'we're going to tweak' the North American Free Trade Agreement, or NAFTA, because of its 'severe' impacts on US-Mexico trade relations. But the real impacts of the agreement run much deeper than a trade deficit.

Some politicians and 'experts' still don't understand – or don't want to understand – that a great deal of popular discontent in the United States, Mexico and Canada alike is rooted in undemocratic policies that have produced inequality, unemployment, migration, food dependency and pollution. NAFTA isn't the only factor – but it's one of the most powerful.

The reason is that NAFTA was never designed for the development of our peoples through trade, but instead to advance the narrow corporate interests of multinational firms and the governments that serve them. In the case of Mexico, it was negotiated and signed by an authoritarian government which only served the interests of large Mexican and global corporations, and which turned its back on productive sectors linked to the domestic market.

NAFTA was once boosted as a democratising force for Mexico. Though Mexico's traditional ruling party did lose a few presidential elections, the continued involution and deterioration of the Mexican political system since 2000 has given the lie to the claim that NAFTA was going to spur meaningful democratisation.

Mexico's economy has grown since then, but the rate of growth has actually been much slower than in periods from before NAFTA. What has grown since then is extreme inequality, between both social classes and regions in Mexico.

Yet Donald Trump would have us believe that Mexicans have made out like bandits from NAFTA, robbing middle-class jobs from the United States. Instead, more than 60 million Mexicans – more than half of the total population – live in poverty, exposing Trump's deceptive claims as propaganda.

NAFTA was never designed for the development of our peoples through trade, but instead to advance narrow corporate interests.

Almost one million small and medium-level entrepreneurs in Mexico were ruined by NAFTA's rules of competition, which were written in favour of big transnational corporations, and by the lack of internal support policies for displaced workers and owners. Millions more there were once middle-class and thought that with NAFTA they had a prospect of social advancement, but now they're approaching poverty, too.

In all three countries, NAFTA has meant a downward standardisation of wages, labour rules and environmental standards affecting workers and farmers across each border. Just as many American farmers and workers saw their incomes decline and jobs vanish under NAFTA, millions of Mexicans similarly watched as their economic lot in life grew unbearable.

NAFTA forced the abandonment of the countryside by the Mexican government, effectively expelling millions of peasants who emigrated to the United States and opening the doors to the growth of the narcotics trade – and hence to the control of vast rural territories by organised crime.

Social organisations and networks in Mexico have monitored the results of NAFTA for over two decades now. And in a trinational alliance with our US and Canadian counterparts, we've evaluated and constructed alternatives based on fair trade and cooperation, where human rights and respect for the environment are priorities.

Of course, NAFTA has been successful for a few industries in the three countries, but not for the majority of ordinary people. Nor has it been beneficial to our common and unique ecosystems. To 'tweak' the agreement is, once again, to peddle the deception of 'change so that nothing changes'.

It's time to replace NAFTA, not to renegotiate it with the same corporate-friendly premises of the Trans-Pacific Partnership (TPP). It's time to think about the interdependence and legitimate interests that exist between our peoples, not perpetuate the narrow mercantile and financial interests that prevailed in the design and operation of NAFTA. ◆

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The US military-industrial complex and Trump

In his farewell speech in January 1961, President Eisenhower warned against the growth of the influence of 'the military-industrial complex', i.e., the informal alliance between a nation's military and the arms industry which supplies it, in subverting public policy to serve its own interests. The following article by *Norman Abjorensen*, which was written before the announcement by the new administration of its plan to increase US military expenditure by $54 billion, considers how Trump, a Washington outsider, will respond to the overtures of this powerful interest group.

IN January 1961, just days before he handed over the US presidency to John F Kennedy, outgoing Republican President Dwight Eisenhower delivered one of the most powerful and ominous – not to say puzzling – valedictory speeches of any departing American leader.

A former five-star general and victorious military commander from World War II, Eisenhower was, in some ways, a contradiction: a career soldier with an abiding belief in peace. Early in his presidency, in 1953, he had said: 'Every gun that is made, every warship launched, every rocket fired, signifies, in the final sense, a theft from those who hunger and are not fed, those who are cold and are not clothed.'

The fateful 1960 election, which saw youthful Democrat Kennedy narrowly defeat Eisenhower's vice-president Richard Nixon, is seen as a turning point: the oldest American president in a century was about to hand over to the youngest elected president. In popular culture depiction, the greying war veterans and Cold War activists mired in the past were making way for a bright, youthful, energised world focused on a glorious and boundless future.

Yet, as time passes, the cautious Eisenhower is increasingly seen as a wise – and justifiably worried – leader who steered the country through a tense period, avoiding many potential conflicts that could so easily have ignited another world war. He was also uncannily prescient.

In his farewell address on 17 January 1961, outgoing US President Dwight Eisenhower warned against the 'grave implications' of 'the military-industrial complex'.

In his televised farewell address to the nation on 17 January 1961, Eisenhower ranged over his eight years in office, but it was his reference to 'the military-industrial complex' – a term he's credited with coining – for which that speech is remembered. He warned that the growth of the armaments industry and its influence posed a threat of subverting public policy to serving the industry's interests rather than the public interest. While acknowledging the very real needs for national security, Eisenhower was concerned that this new military-industrial complex could weaken or destroy the very institutions and principles it was designed to protect. (Interestingly, he had originally intended calling it the military-industrial-congressional complex – signalling a concern about penetration of the legislature by lobbyists – but had been persuaded against it.)

His words were blunt: 'This conjunction of an immense military establishment and a large arms industry is new in the American experience. The total influence – economic, political, even spiritual – is felt in every city, every state house, every office of the federal government. We recognise the imperative need for this development. Yet we must not fail to comprehend its grave implications. Our toil, resources and livelihood are all involved; so is the very structure of our society.

'In the councils of government,

we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist. We must never let the weight of this combination endanger our liberties or democratic processes ...'

The idea came as a shock to many Americans, and Eisenhower was criticised in some quarters for being too negative. But to some long-term observers, growing domestic threats to American democracy and its institutions had long been apparent, but not necessarily from the source identified by Eisenhower. In a classic example of what historian Richard Hofstadter would later label the paranoid style in American politics, a Republican senator from Indiana, William Jenner, warned in 1954: 'Outwardly, we have a constitutional government. We have operating within our government and political system, another body representing another form of government, a bureaucratic elite which believes our constitution is outmoded and is sure that it is the winning side ... All the strange developments in foreign policy agreements may be traced to this group, who are going to make us over to suit their pleasure ...' Jenner was hinting at communist subversion.

'The deep state'

The 'military-industrial complex' of Eisenhower didn't disappear; on the contrary, it expanded exponentially, embracing the oil industry, the intelligence community, the national security agencies, Wall Street and, more recently, the strategically crucial Silicon Valley, morphing into what has been called 'the deep state' – an officially unacknowledged second order of government behind the public or constitutional state that has grown significantly stronger since World War II. Unelected, unaccountable and, to all intents and purposes, utterly unconstrained.

While the notion, scope and reach of the deep state have long occupied the minds of conspiracy theorists of widely varying degrees of credibility and across the political spectrum, there has nevertheless been mounting evidence to suggest that certain elements of what constitutes the deep state have engaged in unlawful, even criminal, activities.

In the years immediately after World War II, the newly-formed Central Intelligence Agency (CIA) joined forces with Corsican criminal syndicates in the French port of Marseille in efforts to dislodge communists from key trade unions. According to the respected historian Alfred W. McCoy, who taught at the University of New South Wales in the 1970s, the CIA supplied the Corsicans with arms, money and disinformation. In his *The Politics of Heroin in Southeast Asia*, McCoy describes how the Corsicans gained political influence and control over the docks – ideal conditions for cementing a long-term partnership with mafia drug distributors, eventually turning Marseille into the postwar heroin capital of the Western world. Marseille's first heroin laboratories were opened in 1951, only months after the Corsicans took over the waterfront.

Into the 1960s, with the Vietnam War, the CIA airline, Air America, flew opium and heroin throughout the region, with many service personnel becoming addicts. A laboratory built at CIA headquarters in northern Laos was used to refine heroin. After a decade of American military intervention, South-East Asia had become the source of 70% of the world's illicit opium and the major supplier of raw materials for America's booming heroin market.

Australia was not untouched, with the shadowy Nugan Hand Bank in Sydney a CIA bank in all but name. Jonathan Kwitny, in his 1987 book, *The Crimes of Patriots: A True Tale of Dope, Dirty Money and the CIA*, details how Nugan Hand financed drug trafficking, money laundering and international arms dealings, before collapsing in 1980, amid several mysterious deaths and $50 million in debt. Among its officers were a network of US generals, admirals and CIA men, including former CIA director William Colby, who was also one of its lawyers.

From the Iran-Contra deals of the 1980s, through the various conflicts in Latin America and the Middle East, the CIA continued unchecked. In 1989, the United States invaded Panama, deposing General Manuel Noriega, who had been giving military assistance to anti-communist Contra groups in Nicaragua at the request of the US, which, in exchange, allowed him to continue his drug-trafficking activities – which they had known about since the 1960s. According to Alexander Cockburn and Jeffrey St. Clair in their 1998 book, *Whiteout: The CIA, Drugs and the Press*, when the US Drug Enforcement Administration tried to indict Noriega in 1971, the CIA prevented it from doing so.

In 1989, a US Senate inquiry into America's involvement in the drug trade, chaired by John Kerry, recently US Secretary of State, found the US State Department had paid drug traffickers with funds authorised by Congress for 'humanitarian assistance to the Contras', although little came of it.

Interest in the deep state continued to intensify, with a focus shifting to domestic activities. According to a series of reports by the *San Jose Mercury News*, for the better part of a decade, a San Francisco Bay Area drug ring, comprised of CIA and US Drug Enforcement Administration agents and informants, sold tonnes of cocaine to the Crips and Bloods street gangs of Los Angeles. Millions of dollars in drug profits were then funnelled to the Fuerza Democratica Nicaraguense (Nicaraguan Democratic Force), the largest of the Contra groups.

Last year, a former Republican staffer, Mike Lofgren, published a book that quickly became a bestseller, *The Deep State: The Fall of the Constitution and the Rise of a Shadow Government*. He wrote: '[T]he deep state is so heavily entrenched, so well protected by surveillance, firepower,

money and its ability to co-opt resistance that it is almost impervious to change ... If there is anything the deep state requires, it is silent, uninterrupted cash flow and the confidence that things will go on as they have in the past.'

Also last year, another book, *The American Deep State: Wall Street, Big Oil, and the Attack on US Democracy*, by political analyst Peter Dale Scott, traces America's increasing militarisation, restrictions on constitutional rights, and income disparity since the Vietnam War. Scott attributes a major role in what he calls 'this historic reversal' to the intervention of a series of structural deep events, ranging from the assassination of Kennedy to the September 11 attacks. While he doesn't try to resolve the controversies surrounding these events, he shows they share significant points in common, ranging from overlapping personnel and modes of operation to shared sources of funding.

An Air America plane at a secret CIA airbase in Laos during the Vietnam War. The CIA airline flew opium and heroin throughout the region during the war.

A 'blunt instrument'?

The existence of the deep state, it can be assumed, has been known to all American presidents, some of whom have benefited politically. From Kennedy to Barack Obama, a tacit set of constraints has limited a president's scope for action. But where does Donald Trump, the outsider who pledged to drain the Washington swamp, sit in relation to the deep state? What was really behind the Federal Bureau of Investigation (FBI)'s intervention in the 2016 presidential election campaign that was seen to benefit Trump?

Just where Trump stands on key issues – and how malleable he might be – is as intriguing to those who became insiders as well as everyone else. Steve Bannon, the right-wing Breitbart News chief who headed Trump's campaign and has since become the chief White House strategist and, more controversially, a member of the powerful National Security Council, told *Vanity Fair* magazine last year that Trump was, in terms of a right-wing agenda, a 'blunt instrument for us ... I don't know whether he really gets it or not'. (The comment carries echoes of the story, possibly apocryphal, circulating at the time of George W Bush's candidacy for the Republican nomination for the 2000 election, when he was vetted by a group of influential neoconservatives seeking to further their influence. 'He is perfect,' one was quoted as saying, in reference to Bush's ignorance.)

Two conflicting hypotheses suggest themselves. The first is that Trump is largely ignorant of the deep state, believing that he, as President, can run the US, and possibly much of the world, as he wishes, just like he runs his business empire. Such a scenario doesn't augur well for his presidency. The second hypothesis is that he's very much the deep state's man; that he's willing to do its bidding, and facilitate and not hinder its actions in any way – a scenario that spells global trouble.

If he's not yet part of the deep state, did he signal his willingness to co-opt it in his first act as President, when he made the pilgrimage to the CIA headquarters at Langley, Virginia, just outside Washington? His words to the assembled spooks – extraordinary even for hyperbole-addicted Trump – were part pep talk, part declaration of love and, frighteningly, part blank cheque.

'Nobody feels stronger about the CIA and the intelligence community than Donald Trump. Nobody. I am so behind you. You're going to get so much backing, you're going to ask: "Please Mr President don't give us so much backing." We're gonna do great things. We have not used the real abilities we have, we've been restrained. We have to get rid of ISIS. Radical Islamic terrorism has to be eradicated off the face of the earth. It is evil. This is a level of evil that we haven't seen. You're going to do a phenomenal job, but you're going to end it. This is going to be one of the most important groups toward making us safe, toward making us winners again, toward ending all of the problems, the havoc and fear that this sick group of people has caused. I am with you 1,000%! I love you, I respect you, and you will be leading the charge.'

Because Trump's approach to foreign policy – used in a loose sense – is both confused and opaque, it's difficult to project what his unrestraining (whatever that means) of the CIA will mean for the world.

On 27 January, Trump visited the Pentagon, raising with his comments there just the sort of concerns that Eisenhower had talked about almost six decades ago, hinting at

preparation for permanent war. He issued an executive action calling for stepped-up military action in Syria and a vast expansion of the US military, including its nuclear arsenal, to prepare for war with 'near-peer competitors' – a reference to nuclear-armed China and Russia – and 'regional challengers', such as, presumably, Iran. Eisenhower's ghost would have blanched to a whiter shade of nuclear pale at Trump's words: 'I'm signing an executive action to begin a great rebuilding of the armed services of the United States,' he said during the signing of the document titled 'Rebuilding the US Armed Forces'.

In one of his first acts as President, Trump visited the CIA headquarters on 21 January, where he told CIA officials, 'I am with you 1,000%! I love you, I respect you, and you will be leading the charge.'

Key players in the military-industrial complex/deep state constellation are well-represented in the Trump cabinet, most notably James Mattis (military) at the Pentagon, Steve Mnuchin (Wall Street) at the Treasury and Rex Tillerson (Big Oil) at the State Department. Certainly, Trump's favourite, White House chief of staff Reince Priebus, is known to have close CIA connections, with former CIA operative Robert Steele going so far as to name him as a CIA mole. To what extent these and others in the inner circle influence the President in his relationship with the deep state remains to be seen – but predictions on likely courses of action at this stage remain difficult.

'Dangerous moment'

Jessica Mathews, a former president of the Carnegie Endowment for International Peace and a former State Department official, wrote in *The New York Review of Books* in February that a 'dangerous moment' has arrived, with Trump appearing to dismiss the very fundamentals that have been shared by all three contending schools of international relations: the neoconservatives, liberal internationalists and realists. These are:

• 'the recognition of the immense value to the security of the United States provided by its allies and worldwide military and political alliances';

• 'the belief that the global economy is not a zero-sum competition, but a mutually beneficial growth system built on open trade and investment'; and

• 'dictators have to be tolerated, managed, or confronted, not admired.'

While conceding that Trump's foreign policy often seems to be a mixture of impulsiveness and ignorance, Mathews points to an underlying consistency, citing his 1987 open letter, as a paid announcement in major newspapers, headed: 'There's nothing wrong with American foreign defence policy that a little backbone can't cure.' In it, Trump complained that other nations 'have been taking advantage of the United States', convincing the US to pay for their defence while 'brilliantly' managing weak currencies against the dollar.

Had Western leaders paid attention to the rantings in *Mein Kampf*, they would have found out just what Adolf Hitler was thinking and planning to do long before he did it. Trump's thinking, for want of a better term, must be taken more seriously than it has been.

He fails to realise, or even understand, how America's global interests have been defended and furthered by its alliances; they have not weakened Uncle Sam so much as enabled him to become such a global colossus. For example, NATO, first and foremost, was an anti-Soviet alliance designed to protect American interests and American capital stemming initially from the Marshall Plan. It is a gross distortion and fanciful in the extreme to represent it as some sort of benevolent organisation. As that ultimate realist Napoleon once observed, only two levers move men: fear and self-interest.

The only thing that is certain is that nothing is certain any more. A favourite Trump tactic, which he has acknowledged in his accounts of his business career, is to use negotiating tactics that involve taking off the table issues that have previously been dealt with and renegotiating them to his advantage. Translating this into diplomacy will almost certainly have devastating consequences, especially so for a world already beset by seemingly intractable problems including slowing growth, climate change, rogue nuclear states, terrorism, displaced populations and the fracturing of Europe.

An unrestrained and rampant deep state under a pliant president operating from an isolationist Fortress America is truly the stuff of nightmares. ◆

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War is not an option for Korea

Trump's aggressive foreign policy stance is startling particularly with regard to the explosive situation in the Korean peninsula. The option which is being considered of a surgical air strike to eliminate North Korea's nuclear and missile programme is a dangerous fantasy, says an activist for peace in Korea.

Christine Ahn

'LET me be very clear: The policy of strategic patience has ended,' US Secretary of State Rex Tillerson told reporters at a 17 March news conference in Seoul, South Korea. 'All options are on the table,' Tillerson continued, including 'an appropriate response' to any North Korean threat.

The United States and North Korea are like two 'accelerating trains coming towards each other', Chinese Foreign Minister Wang Yi warned on 8 March. North Korea test-fired four ballistic missiles off the coast of Japan as thousands of South Korean, Japanese and US troops, backed by warships and warplanes, were engaging in massive military exercises, including the deployment of the Navy SEALS that killed Osama Bin Laden.

With no communication other than military posturing, Pyongyang is left to interpret Washington's manoeuvres as preparation for a preemptive strike. Given the political vacuum in South Korea following President Park Geun-hye's impeachment, all tracks are heading towards one destination: war.

At a Council on Foreign Relations discussion on 13 March, Mary Beth Long, a former US assistant secretary of defence, advocated for 'aggressive movement' given the failure of the Obama administration's strategic patience, which depended heavily on sanctions to further isolate and foment the collapse of the Kim Jong-un regime.

Yet as hawks call upon President Trump to deal with North Korea's nuclear and missile programmes through the use of force, they're undermining the very reason the US military has allegedly been stationed on the Korean peninsula for seven decades: to protect the South Korean people.

Although the fantasy of surgical strikes to topple brutal dictators has long intoxicated American military officials, they've been restrained by the sobering reality of such reckless action. In the 1990s, when President Bill Clinton considered a first strike on North Korea's Yongbyon nuclear reactor, the Pentagon concluded that even limited action would claim a million lives in the first 24 hours – and this was well before Pyongyang possessed nuclear weapons.

President Obama, too, considered surgical strikes targeting Kim Jong-un and weapons sites. But as David Sanger reported in *The New York Times*, obtaining such timely intelligence was nearly impossible and 'the risks of missing were tremendous, including renewed war on the Korean peninsula'. Any military action by Washington will undoubtedly trigger a counter-reaction from Pyongyang that could instantly kill a third of the South Korean population.

'North Korea will surely conduct a nuclear attack against South Korea and the US by using all of its various methods of attack such as long-range artillery,' said Suh Choo-suk, a Senior Research Fellow at the Korea Institute for Defense Analyses at a symposium in Tokyo in March. 'There is no South Korean leader who thinks the first strike by the US is okay.'

Yet with the political vacuum in South Korea following Park Geun-hye's impeachment, the South Korean Foreign Minister Yun Byung-se appears to be following Washington's hardline stance that 'military deterrence would be one of the pillars'.

It may be the Park administration's last-ditch effort to foment regime collapse before a more progressive administration reverses its hardline policy. The leading candidate to replace Park, Moon Jae-in, is poised to win the 9 May snap elections, barring any surprises. He has promised to visit Pyongyang before Washington, reopen the Kaesong Joint Industrial complex that Park closed last year, and reconsider the installation of THAAD, the US missile defence system Washington deployed ahead of schedule before a progressive administration takes over the Blue House in Seoul. The deployment of THAAD has angered China, which views it as a US surveillance tool and which has dealt a blow to South Korea's economy by boycotting many goods and services.

Perhaps that's why the Trump administration is considering military action now. With a liberal pro-engagement president in South Korea, Washington will have to change its tune from beating the drums for war. Moon isn't a novice either; he was chief of staff to Roh Moo-hyun, the last liberal South Korean president, who called for continuing the Sunshine policy towards North Korea and renegotiating wartime operational control away from Washington into Seoul's hands.

If the Trump administration is indeed planning a military first strike, it must consider the 28,500 US soldiers and their families stationed in South Korea, not to mention the tens of thousands more in Okinawa and Guam, which are within striking distance of North Korean missiles. It will be their blood on his hands.

The feasibility of such preemptive strikes hinges, of course, on the accuracy of US intelligence, which the global intelligence firm Stratfor believes is at best questionable. 'Though the United States can be reasonably certain of its ability to destroy the nuclear infrastructure in a single strike, it would require an extremely accurate intelligence picture – far beyond what is likely – for Washington to be reasonably certain of having hit and destroyed all available weapons and delivery vehicles.'

The prospect of war on the Korean peninsula is simply inconceivable.

My father's entire family in Chuncheon, two hours northeast of Seoul, would be among the millions of Korean civilians instantly killed, not to mention all the innocent lives that would be killed in the crossfire. As US intelligence estimates, a seemingly surgical military action could devolve into a regional war that could well draw in Japan, China and Russia.

When considering the massive destruction of a US military action, it's clear to the sane and sober that military intervention is not an option. In this perilous hour, diplomacy and engagement should be the only consideration on the table.

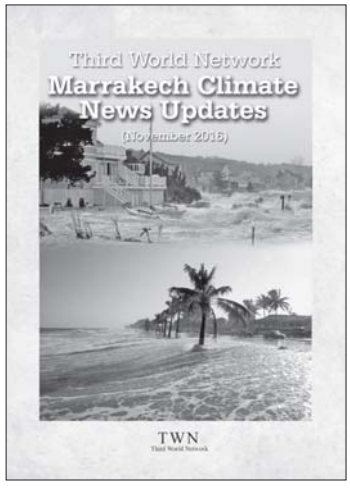
On 8 March, Chinese Foreign Minister Wang Yi made a proposal: 'As a first step, North Korea should suspend nuclear activity, and the US and South Korea should also suspend large-scale military drills.' Calling on both sides to de-escalate and return to talks, Wang proposed a dual track of denuclearisation and establishing a peace mechanism to resolve concerns of all parties.

Trump, who fashions himself a shrewd businessman, should know a good deal when he sees one – and take it. ◆

Christine Ahn is the founder and international co-ordinator of Women Cross DMZ, a global movement of women mobilising for peace in Korea. This article is reproduced from the Foreign Policy In Focus website (fpif.org) under a Creative Commons licence.

Marrakech Climate News Updates

(November 2016)



ISBN: 978-967-0747-16-3
116 pages

This is a collection of 29 News Updates and an overview prepared by the Third World Network for and during the recent United Nations Climate Change Talks – the twenty-second session of the Conference of the Parties to the UN Framework Convention on Climate Change (COP 22), the twelfth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP 12), and the first session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA 1) – in Marrakech, Morocco from 7 to 18 November 2016.

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The THAAD madness: The US, China and the two Koreas

Mel Gurtov assesses the geopolitical implications for war and peace in Northeast Asia of the Terminal High Altitude Area Defense (THAAD) antimissile system that the US is seeking to install in South Korea at a time of deep tensions in the region.

THE US decision, supported by the South Korean government, to deploy an antimissile system known as THAAD (Terminal High Altitude Area Defense) may be one of the most thoughtless strategic moves in a generation. The official US justification is that close-in defence against North Korean missiles is necessary to protect South Korea. But the deployment is having more than a few negative repercussions: an argument in China for increasing its nuclear weapons stockpile; an incentive in North Korea for continuing to develop its long-range missile capability; a deep fissure in China-South Korea relations; a roiling of South Korean politics at a time when its corrupt president has been impeached; and a new source of tension in already fraught Sino-US relations.

Test launch of a THAAD antimissile interceptor. Planning and deployment of THAAD in South Korea is a decision where the risks and costs far outweigh any benefits.

Most of these negatives could have been anticipated when THAAD was initially on the drawing board several years ago. Yet they were thrust into the background on the argument that the North Korean missile threat to the continental US was so pressing as to warrant building a defence against it. Never mind that North Korean leader Kim Jong-un and his colleagues would have to contemplate that a missile attack on South Korea, Japan or the United States would result in a counterattack and the immediate and utter destruction of North Korea's military and political institutions. But US leaders in the last two administrations have preferred to press ahead with missile defence rather than (a) consider the possibility that North Korea's nuclear weapon and missile buildup is intended to deter a US attack; and (b) weigh a new diplomatic overture to the North that might reduce tensions and thus the need for THAAD. Lay the US decision at the door of the 'military-industrial complex' if you will – Lockheed Martin is the manufacturer, and a single THAAD unit costs about $1.6 billion[1] – but the fact remains that planning and deployment of THAAD is a decision where the risks and costs far outweigh any benefits.

And those (supposed) benefits are already shrinking. North Korea now has a formidable array of short- and intermediate-range ballistic missiles (IRBMs), and seems close to deploying an intercontinental ballistic missile (ICBM). Its latest test, in which four IRBMs were launched into the Sea of Japan, may be just the beginning of a new round of missile testing as the North evidently seeks the ability to overwhelm THAAD and pose a credible threat to neighbouring countries and, in theory, to the US west coast. THAAD may be an improvement over other antiballistic missile (ABM) systems, and it has reportedly passed more tests than it has failed. But time and again it has been shown that ABMs cannot shoot down every missile, which is presumably armed with decoys and penetration aids. And THAAD, according to one expert, is 'useless' against an ICBM.[2] The Japanese, who already have an ABM system (PAC-3), can't feel all that much more secure because of THAAD.

Though Kim Jong-un and his generals surely are not suicidal, the new and inexperienced US ambassador to the United Nations, Nikki Haley, has just described Kim as 'not rational'. Most observers of North Korea over the years have considered its strategic thinking every bit rational given its history of seven decades of rule, much of it under attack and/or blockade by the United States, its coalition allies and South Korea. The view of North Korean leaders has always been that their security is under threat and that nuclear weapons and ballistic missiles are their best means of defence from threats – from deployment of

THAAD to wipe out the North's missile advantage, from the annual large-scale joint US-South Korean exercise known as Foal Eagle that is now underway, from US air and naval power arrayed throughout East Asia, and from nuclear threats such as the 'kinetic options' that Haley referenced. Pyongyang will most likely forge ahead with nuclear and missile development so long as the United States offers no incentives that might incline Kim Jong-un to choose a different route to security.

Meanwhile, the Chinese, who have railed against THAAD for years, may now make their own countermove. Their argument is that THAAD threatens China's strategic situation because of its radar warning system, which may reduce if not neutralise China's ability to respond immediately to an external attack. Beijing has never been persuaded by US arguments that THAAD is solely directed at North Korean missiles. Since China sees THAAD as actually directed at it, Beijing may well respond by expanding its arsenal of nuclear-tipped missiles. Launch-on-warning might also become an attractive option for China, a course that would greatly increase the risk

Kicking the can down the road: Tillerson in Beijing

JUST when it seemed that the North Korea nuclear issue might cause a US-China collision, US Secretary of State Rex Tillerson's visit to Beijing in March brought a backing away. News reports rather blandly suggested that mutual understanding and professions of friendship were the main outcomes. Chinese President Xi Jinping said all the right things: 'China and the US absolutely can become very good partners in cooperation,' their common interests 'are far greater than their differences,' and 'cooperation is the only correct choice.' Tillerson, according to Xinhua, the official Chinese news agency, said: 'The US would like to develop the bilateral relationship with China based on the spirit of no conflict, no confrontation, mutual respect, and win-win cooperation; unceasingly increase US-China mutual understanding; increase US-China consultation and cooperation; and together deal with the challenges they face in international society'.[1]

Chinese observers seemed to think the visit was a win for China. Tillerson supposedly acknowledged what Obama did not – 'mutual respect' in the spirit of Xi's 2010 proposal for a 'new type of great-power relationship' with the US. To the Chinese, Tillerson accepted equality between the US and China, which they interpret to mean recognition of China's 'core interests' that include Tibet, Taiwan and the South China Sea islands.[2] Some US commentators evidently agree that Tillerson gave away the store, accepting the Chinese worldview while getting nothing in return.[3]

Of course we do not know what was said behind the scenes, or what was on Tillerson's mind. Since he deliberately left all reporters from the major media outlets behind – 'I'm not a big media press access person,' he confided – we may have to wait a long time before finding out. I frankly doubt, however, that Tillerson 'caved' and simply parroted Xi's great-power formulation. If Tillerson was overly accommodating, it may be because he was wanting to smooth over Trump's undiplomatic tweets in preparation for the upcoming Xi-Trump meeting in Florida.

What Tillerson's visit means for dealing with North Korea is even less clear. The Chinese want the US to get back to the bargaining table, believing that the 'North Korea problem' is for the US and South Korea to solve. Washington keeps trying to make the problem China's too: 'China has done little to help!' said Trump as Tillerson was en route. 'Help,' of course, means undermining the Kim Jong-un regime, which China is not about to do. Nothing that has come out of the Tillerson meeting with Xi suggests that common ground has been found on North Korea.

If US policy towards China is now 'results-oriented,' as the administration insists, Tillerson's diplomacy doesn't show much beyond polite promises of cooperation. The Chinese obviously don't want war on the Korean peninsula, but they are no more prepared now than in the past to jettison the Kim regime despite having substantial misgivings about it and imposing modest sanctions on it. Chinese leaders are also probably convinced that a war between North Korea and the US is unlikely despite all the tough talk.

The proposal of Foreign Minister Wang Yi prior to Tillerson's arrival for a 'double suspension' – North Korea suspends its nuclear and missile tests in exchange for US and South Korea suspension of their military exercises – is dead in the water. In truth, freezing the current situation is not a bad deal for either side, though even if Washington and Seoul had agreed, China's ability to deliver on a North Korean suspension is doubtful.

That leaves the Trump-Xi summit as the next best opportunity to come up with a common approach on North Korea. Don't bet on it, however – not unless the US is prepared finally to accept that there are no military solutions to North Korea's nuclear ambitions. Washington must support China's position that only diplomacy can constrain Pyongyang – and that the US must take the lead in moving back to the bargaining table. – *Mel Gurtov* ◆

The above was originally published on Mel Gurtov's blog 'In the Human Interest' (melgurtov.com).

Notes

1. Renmin ribao, http://politics.people.com.cn/n1/2017/0320/c1024-29154633.html
2. People's Daily Online, http://en.people.cn/n3/2017/0320/c90000-9192372.html
3. http://www.washingtonpost.com/world/in-china-debut-tillerson-offers-reassurance-receives-praise/2017/03/19/62094abc-0c66-11e7-8884-96e6a6713f4b_story.html

of nuclear war.

Another cost of THAAD deployment is the sudden end of the China-South Korea honeymoon. Until recently China was on a roll with South Korea in everything from trade and investment to tourism, entertainment and educational exchange.[3] The two countries were officially described as having a 'matured strategic cooperative partnership,' reflected in much more frequent high-level contact between Beijing and Seoul than between Beijing and Pyongyang. THAAD has placed South Korea on China's enemy list: South Korean goods and entertainers are being boycotted, and some Chinese sources are calling for direct political and even military action against South Korea. This rupture bodes ill for Chinese cooperation on UN-authorised sanctions against North Korea as well as for Chinese aspirations to become as important to South Korea as the Americans have traditionally been.[4]

Deployment of THAAD could not have come at a worse time for South Korea. A constitutional court has just ruled unanimously that President Park Geun-hye must step down in the wake of corruption charges. A new election will be held within 60 days. By then THAAD may be fully deployed as the US rushes to make the system a fait accompli for the next South Korean president. If Moon Jae-in, currently the frontrunner and an admirer of former president Kim Dae-jung's Sunshine policy of greater engagement with the North, is elected, he will face a very difficult decision – whether to insist that THAAD not be made operational and risk angering Washington, or allow it to become operational and anger China and North Korea.

Finally, THAAD adds to the mix of policy differences between China and the US. The Trump administration has thus far shown little interest in and knowledge of East Asian affairs. The president has no legitimate Asia expertise to rely on, and has already made some serious missteps on China. The last thing Trump needs as he deals with

US Secretary of State Rex Tillerson with Chinese Foreign Minister Wang Yi during the former's visit to China in March. THAAD adds to the mix of policy differences between China and the US.

'Russiagate' and numerous domestic challenges is a major dispute with China and an ever-growing strategic problem with North Korea. THAAD worsens his options. Whether Secretary of State Rex Tillerson will come to that conclusion is open to doubt. He too has limited experience in Asia and so far has been invisible in US policymaking.

China's Foreign Minister Wang Yi has made an interesting proposal: 'double suspension' to put a brake on the escalating situation. His idea is that the US and South Korea would suspend their joint exercises in return for North Korea's suspension of nuclear and missile tests, and all sides would return to the negotiating table. 'Are both sides prepared for a head-on collision?' he asked.[5] Evidently one of them is; Nikki Haley, joined by her South Korean counterpart, dismissed Wang's idea as not being at the right time. Instead, 'I can tell you we're not ruling out anything, and we're considering every option,' Haley said.[6] So who here is not being rational?

Constantly talking up the North Korean threat and using it to justify ever more sophisticated and expensive antimissile technologies to defend against it is foolish and self-defeating. Diplomacy with North Korea is much more cost-effective. If Washington were in more experienced hands, it would indefinitely delay full deployment of THAAD or, if requested by a new South Korean president, decide not to operationalise it. Secretary of State Tillerson might, as a result of discussions with South Korean leaders, announce on his current trip to the region (see box on p.35) that future US-South Korea exercises would depend on the security situation on the peninsula – a half-step towards Wang Yi's proposal.

These moves would not resolve the nuclear issue with North Korea or turn around contentious relations with China. But sidelining THAAD would reassure China – it might even provide a bargaining chip to freeze Chinese weapons deployments in the South China Sea. It would certainly remove a volatile issue from South Korean politics at a time of a national leadership crisis. If a new decision on THAAD were accompanied by revival of talks with North Korea, which a Moon Jae-in administration in Seoul is likely to initiate and which the Trump administration should support, it might put a brake on the drift towards confrontation. Unless the Trump administration starts paying attention to THAAD's liabilities, it will face a Cold War-style crisis at the same time that the United States and Europe are in the midst of another Cold War standoff with Russia over Ukraine.

The multiple security issues in Northeast Asia are precisely why a regional multilateral security dialogue mechanism is essential, such as I've suggested previously.[7] It would provide a venue for addressing common-security issues such as

climate change, public health and economic development in North Korea, sustainable energy, and a peace treaty ending the Korean War guaranteed by the major powers. To be sure, nuclear weapons and ballistic missiles are worrisome not only for the United States, the two Koreas and China but for all nations in the region: China has a legitimate concern about having its nuclear deterrent compromised by THAAD, and the United States certainly wants strategic stability with China. The United States has a legitimate desire to defend against North Korean missiles that can reach Japanese and South Korean targets and, one day soon, the US west coast. But North Korea has an equally legitimate objective to strengthen its deterrent in the face of US, South Korean, Japanese and now Chinese pressures. And so it goes. Arguing about 'defensive' and 'offensive' weapons is likely to be a non-starter, however, unless some degree of mutual trust can be achieved first. North Korea's arsenal of perhaps 20 nuclear weapons and its formidable missile capability present a much different challenge from a decade ago.

Previous regional diplomacy in Northeast Asia has produced results worth building on. The Six-Party Talks in 2005 and 2007 created a reasonable menu of 'action-for-action' steps, including economic and energy cooperation and normalisation of diplomatic relations as well as denuclearisation of the Korean peninsula. A dialogue mechanism can breathe new life into those talks, affording the opportunity to debate rather than fire away and consider small steps to defuse tensions. Absent such a mechanism, we can expect that the North Koreans will proceed with nuclear and missile development, China's appeals to both North and South Korea will fall on deaf ears, and the US-South Korea-Japan alliance will plot ways to pressure North Korea even more intensely rather than restart a dialogue with it.[8] The consequences can be explosive. ◆

Intermediate-range ballistic missiles on displayduring a North Korean military parade in Pyongyang. The view of North Korean leaders has always been that their security is under threat and that nuclear weapons and ballistic missiles are their best means of defence from threats.

Mel Gurtov is Professor of Political Science and International Studies in the Hatfield School of Government, Portland State University, and Editor-in-Chief of Asian Perspective. *His most recent books are* Will This Be China's Century?: A Skeptic's View, Superpower on Crusade: The Bush Doctrine in US Foreign Policy *and* Global Politics in the Human Interest*, all available from Lynne Rienner Publishers (www.rienner.com). The above article was first published in* The Asia-Pacific Journal: Japan Focus *(Vol. 15, Issue 6, 15 March 2017, apjjf.org).*

Notes

1 Jung Sung-Ki, 'South Korea Eyes THAAD Despite China's Fear,' Defense News, 14 February 2016, http://www.defencenews.com/story/defence/show-daily/singapore-air-show/2016/02/14/south-korea-eyes-thaad-despite-chinas-fear/80067558/

2 Jeffrey Lewis, 'Are You Scared About North Korea's Thermonuclear ICBM?', Foreign Policy, https://foreignpolicy.com/2016/02/19/are-you-scared-about-north-koreas-thermonuclear-icbm/

3 In 2015 South Korea was first among sources of Chinese imports and China's fourth largest export market, for a total trade of over $275 billion – slightly below China-Japan trade. Global EDGE, 'China: Trade Statistics', https://globaledge.msu.edu/countries/china/tradestats

4 As one analysis put it in 2014, 'Beijing no longer sees the need to choose between the two Koreas, and prevailing sentiment within China increasingly views the South as an asset and the North as a liability determined to frustrate Beijing's policy goals.' Jonathan Pollack, 'The Strategic Meaning of China-ROK Relations: How Far Will the Rapprochement Go, and With What Implications?', Brookings Institution, 29 September 2014, http://www.brookings.edu/articles/the-strategic-meaning-of-china-rok-relations-how-far-will-the-rapprochement-go-and-with-what-implications/

5 Ministry of Foreign Affairs of China, Wang Yi press conference of 8 March 2017 (Chinese text), http://www.fmprc.gov.cn/web/zyxw/t1444203.shtml

6 See http://www.nytimes.com/2017/03/08/world/asia/china-north-korea-thaad-nuclear.html

7 Mel Gurtov, 'Averting War in Northeast Asia – A Proposal', *The Asia-Pacific Journal: Japan Focus*, Vol. 9, Issue 2, 10 January 2011, http://apjjf.org/2011/9/2/Mel-Gurtov/3467/article.html

8 After these words were written, the US military announced on the eve of Tillerson's trip that it was deploying Grey Eagle drones to South Korea for 'intelligence, surveillance, and reconnaissance.' The drones are capable of firing Hellfire missiles, though whether they would be armed with the missiles was not announced. Either way, the move represents a significant escalation of tensions. Julian Borger, 'US to Deploy Missile-Capable Drones Across Border from North Korea,' *The Guardian*, 14 March 2017, online ed.

Trump moves to dismantle US climate rules

Trump, a climate change denier, has lost no time in ditching all the measures taken by his predecessor, Barack Obama, to tackle climate change. *Bobby Magill* details the bloodbath.

US PRESIDENT Donald Trump signed a sweeping executive order on 28 March rescinding numerous federal climate policies and calling for the review and replacement of the Obama administration's most ambitious effort to control climate pollution – the Clean Power Plan.

The order is Trump's most aggressive move yet to dismantle federal climate regulations even as established climate science shows that man-made global warming is a growing threat to human life and the economy.

In all, Trump's executive order targets at least 23 federal rules, regulations, executive orders, memorandums and reports related to energy and climate change, many of which are likely to be tied up in years of legal wrangling before being decided. The total number is likely much higher because the order directs federal agencies to tally up all their rules and regulations that can be interpreted to 'constrain' energy production and prepare them to be rescinded if they're deemed to be a 'burden' on energy production and use.

Legal experts and climate scientists say the move abdicates US leadership on climate change and incentivises nearly unfettered fossil fuel development across the country. Those steps could diminish the chances that countries can prevent the world from warming to levels that scientists consider dangerous – 2°C.

The order signed by Trump killed what is known as the Climate Action Plan. The plan was President Obama's overarching roadmap for how the US would cut its climate pollution and adapt for the effects of global warming.

Even though cheap natural gas is the main cause of the coal industry's troubles, Trump blamed the industry's hard times on climate policy. His order asks the US Environmental Protection Agency (EPA) to review the biggest part of Obama's policy – the Clean Power Plan – and either revise or withdraw it.

The order calls for the US Attorney-General to request that courts halt current court actions on the Clean Power Plan, a challenge to which is currently being heard in federal appeals court. At its core, the Clean Power Plan is about the EPA being able to regulate greenhouse gas emissions, a power the US Supreme Court has already upheld three times.

The Supreme Court placed a temporary halt on the plan last year after 24 states sued to stop it. An appeals court ruling on whether the Clean Power Plan is constitutional is expected soon, and the decision is widely expected to be appealed to the Supreme Court.

The Clean Power Plan was meant to cut emissions from existing coal-fired power plants. It was key to US credibility during the 2015 Paris climate negotiations because it showed the world that the US was serious about cutting its climate pollution.

The reversal of the plan is likely to be interpreted abroad as the US pulling out of the Paris pact even if it doesn't do so officially, said Danny Cullenward, a professor of climate change law and economics at Stanford University.

'Politically, it will rightly be recognised as the Trump administration thumbing its nose to the climate problem,' Cullenward said.

A White House official said on 27 March that the administration has not decided whether to seek to pull the US out of the Paris climate agreement.

The US has already ceded global leadership on climate change because under the Trump administration, it is no longer leading by example, said David Victor, co-director of the Laboratory on International Law and Regulation at the University of California-San Diego.

'Even with the Obama-era rules, the US would have had a hard time meeting the Paris pledge,' Victor said. 'Today's order makes that even less likely.'

The details of the 28 March executive order show the breadth of the Trump administration's desire to dispense with existing US climate and energy policy.

The order withdraws Obama's 2013 electric power sector carbon pollution standards, which laid the groundwork for climate pollution controls for existing and newly built electric power plants.

It also kills a memo Obama signed last year that includes the impacts of climate change in national security policies and plans. The memo said that national security could be threatened by global warming, which could affect military readiness and destabilise natural resources, leading to more global conflicts.

The order rescinds a moratorium on coal leasing on federal lands, a policy the Obama administration put in place as a way to halt coal mine expansions on public land. The moratorium was meant to stay in place until the government had a chance to study the climate impacts of the coal-leasing programme and the fairness of the royalties coal

companies are required to pay for mining public land.

'In ending the review of the coal programme, the Department of Interior would miss a critical opportunity to harmonise coal leasing with environmental goals by using higher royalty rates or setting the carbon budget for leasing public lands,' said Jayni Hein, policy director at the Institute for Policy Integrity at New York University (NYU) School of Law.

The 28 March order takes steps to overturn a rule placed on hydraulic fracturing on federal land, which was meant to protect groundwater from contamination from fracking fluids. The order also calls for a review of a methane emissions standard for oil and gas development on public lands. Methane, which often leaks from oil and gas wells and machinery, is a greenhouse gas 34 times as potent as carbon dioxide in warming the planet over the span of a century.

Trump is ordering agencies to reconsider federal policies requiring them to consider the social cost of carbon in the decisions they make. The social cost of carbon is an estimate of the long-term economic and human health damage carbon dioxide emissions cause, and under Obama, the EPA used it to evaluate the climate impact of new regulations.

The 28 March order also requires several technical reports on the social cost of carbon to be withdrawn and asks the Council on Environmental Quality to kill a requirement that federal agencies tally the carbon footprint and climate impact of each of their decisions.

The order rolls back Obama-era policies that would help the US to adapt to climate change, including requirements for the government to study the risks posed by climate change and promote ways for the US to respond to the impacts of global warming.

In a move that paves the way for broad deregulation of oil, gas and coal development across the country, Trump is giving each federal agency 180 days to catalogue all the rules and regulations in its purview that are 'impediments' to energy production and rescind those that are a 'burden' to energy production. The list the agencies produce will be used as a Trump administration 'blueprint' for its energy policy, according to the White House.

'This action will eliminate federal overreach, restore economic freedom and allow our companies to thrive, compete and succeed on a level playing field for the first time in a long time,' Trump said. 'The miners told me about the attacks on their jobs and livelihoods. I made them this promise: We will put our miners back to work.'

But the order and Trump administration officials' statements during the 28 March signing ceremony were full of contradictions and falsehoods about the connection between the decline of the coal industry and climate regulations, which Trump said was a 'war on coal'.

'We will unlock job-producing natural gas, oil and shale energy,' Trump said. 'We will produce American coal to power American industry.'

But it's natural gas, shale energy and technology that are the biggest factors in the coal industry's downfall.

The US, which is the third-largest crude oil producer and the largest natural gas producer in the world, has seen a flood of domestic shale oil and natural gas production over the past decade, contributing to a dramatic fall in global oil and gas prices. Cheap, abundant natural gas, along with federal mercury emissions regulations, have encouraged electric power companies to shut down coal-fired power plants and build new ones that run on natural gas. And technology has led to more automation in the coal industry, stripping away even more jobs.

The path towards a full unravelling of Obama-era climate policy is unclear because undoing the Clean Power Plan will require a long federal rule-making process that will likely be mired for years in legal action.

'The order itself accomplishes virtually nothing directly,' said Richard Revesz, a law professor and director of the Institute for Policy Integrity at NYU. 'It will be implemented through the regulatory process. But any such efforts are going to be very cumbersome and will be tied up in litigation for a long time.'

Revesz said that in rewriting the Clean Power Plan, the EPA will have to explain the scientific and economic basis for why a weaker version is necessary. The new plan will also eventually end up in court.

'This issue might not be resolved before the 2020 election, so the fate of the Clean Power Plan might ultimately be determined by the winner of that election,' Revesz said.

The response to Trump's order was swift and scathing from climate scientists and conservationists and jubilant from Trump supporters.

'In the short term, there may be small job gains in the coal industry, but in the long term, US companies will fall steadily behind the rest of the world where work will continue to aggressively improve efficiency, renewable technologies, electric vehicles, etc.,' said Drew Shindell, a climate scientist at Duke University.

'In the long run, US companies will have a harder time selling their wares overseas if we stop accounting for "social costs" and take other such actions to weaken our push toward environmentally friendly technologies,' he said. 'So even from a jobs perspective, this is a bad move for America as a whole even if it benefits the fossil fuel industry.'

Michael Mann, a Penn State University climatologist, said the order is a signal to the world that the Trump administration cares more about fossil fuels than about the health of the planet.

'Fortunately others, like China, are actually stepping up, decommissioning coal-fired power plants and flooding the global market with cheap solar panels,' Mann said. 'They recognise that the US vacuum in leadership provides them the opportunity to lead, both morally and economically, while we get left behind.' ◆

Bobby Magill is a Senior Science Writer at Climate Central, from whose website (www.climatecentral.org) this article is reproduced.

Drowning the world in oil

In his election pledge to boost the fossil fuel industry as part of his 'Energy Independence Policy', Trump promised to save and revive the ailing coal industry. However, as *Michael T Klare* points out in the following analysis, this ignores market realities which will arise from the glut of fossil fuels as a consequence of his policy.

SCROLL through Donald Trump's campaign promises or listen to his speeches and you could easily conclude that his energy policy consists of little more than a wishlist drawn up by the major fossil fuel companies: lift environmental restrictions on oil and natural gas extraction, build the Keystone XL and Dakota Access pipelines, open more federal lands to drilling, withdraw from the Paris climate agreement, kill Obama's Clean Power Plan, revive the coal-mining industry, and so on and so forth ad infinitum. In fact, many of his proposals have simply been lifted straight from the talking points of top energy industry officials and their lavishly financed allies in Congress.

If all of Trump's energy policy proposals are enacted, US greenhouse gas emissions will soar.

If, however, you take a closer look at this morass of pro-carbon proposals, an obvious, if as yet unnoted, contradiction quickly becomes apparent. Were all Trump's policies to be enacted – and the appointment of the climate-change denier and industry-friendly Attorney-General of Oklahoma, Scott Pruitt, to head the Environmental Protection Agency (EPA) suggests the attempt will be made – not all segments of the energy industry will flourish. Instead, many fossil fuel companies will be annihilated, thanks to the rock-bottom fuel prices produced by a colossal oversupply of oil, coal and natural gas.

Indeed, stop thinking of Trump's energy policy as primarily aimed at helping the fossil fuel companies (although some will surely benefit). Think of it instead as a nostalgic compulsion aimed at restoring a long-vanished America in which coal plants, steel mills and gas-guzzling automobiles were the designated indicators of progress, while concern over pollution – let alone climate change – was yet to be an issue.

If you want confirmation that such a devastating version of nostalgia makes up the heart and soul of Trump's energy agenda, don't focus on his specific proposals or any particular combination of them. Look instead at his choice of ExxonMobil CEO Rex Tillerson as his Secretary of State and former Governor Rick Perry from oil-soaked Texas as his Secretary of Energy, not to mention the carbon-embracing fervour that ran through his campaign statements and positions. According to his election campaign website, his top priority will be to 'unleash America's $50 trillion in untapped shale, oil, and natural gas reserves, plus hundreds of years in clean coal reserves'. In doing so, it affirmed, Trump would 'open onshore and offshore leasing on federal lands, eliminate [the] moratorium on coal leasing, and open shale energy deposits'. In the process, any rule or regulation that stands in the way of exploiting these reserves will be obliterated.

If all of Trump's proposals are enacted, US greenhouse gas (GHG) emissions will soar, wiping out the declines of recent years and significantly increasing the pace of global warming. Given that other major GHG emitters, especially India and China, will feel less obliged to abide by their Paris commitments if the US heads down that path, it's almost certain that atmospheric warming will soar beyond the 2°C rise over pre-industrial levels that scientists consider the maximum the planet can absorb without suffering catastrophic repercussions. And if, as promised, Trump also repeals a whole raft of environmental regulations and essentially dismantles the EPA, much of the progress made over recent years in improving our air and water quality will simply be wiped away, and the skies over our cities and suburbs will

once again turn grey with smog and toxic pollutants of all sorts.

Eliminating all constraints on carbon extraction

To fully appreciate the dark, essentially delusional nature of Trump's energy nostalgia, let's start by reviewing his proposals. Aside from assorted tweets and one-liners, two speeches before energy groups represent the most elaborate expression of his views: the first was given on 26 May at the Williston Basin Petroleum Conference in Bismarck, North Dakota, to groups largely focused on extracting oil from shale through hydraulic fracturing ('fracking') in the Bakken shale oil formation; the second on 22 September addressed the Marcellus Shale Coalition in Pittsburgh, a group of Pennsylvania gas frackers.

At both events, Trump's comments were designed to curry favour with this segment of the industry by promising the repeal of any regulations that stood in the way of accelerated drilling. But that was just a start for the then-candidate. He went on to lay out an 'America-first energy plan' designed to eliminate virtually every impediment to the exploitation of oil, gas and coal anywhere in the country or in its surrounding waters, ensuring America's abiding status as the world's leading producer of fossil fuels.

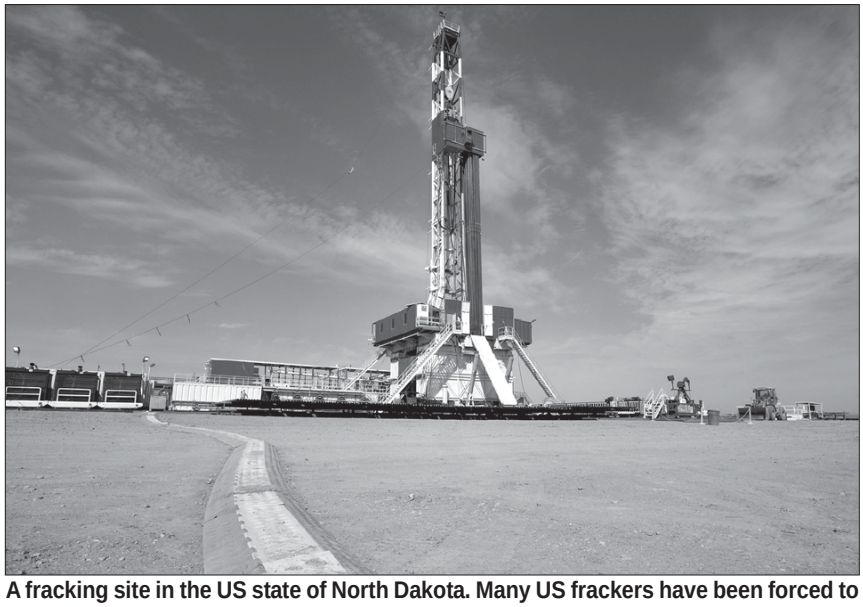
Much of this, Trump promised in Bismarck, would be set in motion in the first 100 days of his presidency. Among other steps, he pledged to:

• Cancel America's commitment to the Paris climate agreement and stop all payments of US tax dollars to United Nations global warming programmes

• Lift any existing moratoriums on energy production in federal areas

• Ask TransCanada to renew its permit application to build the Keystone pipeline

• Revoke policies that impose unwarranted restrictions on new drilling technologies



A fracking site in the US state of North Dakota. Many US frackers have been forced to suspend operations or declare bankruptcy because each new barrel of fracked oil costs more to produce than it can be sold for.

• Save the coal industry.

The specifics of how all this might happen were not provided either by the candidate or, later, by his transition team. Nevertheless, the main thrust of his approach couldn't be clearer: abolish all regulations and presidential directives that stand in the way of unrestrained fossil fuel extraction, including commitments made by President Obama in December 2015 under the Paris climate agreement. These would include, in particular, the EPA's Clean Power Plan, with its promise to substantially reduce greenhouse gas emissions from coal-fired plants, along with mandated improvements in automotive fuel efficiency standards, requiring major manufacturers to achieve an average of 54.5 miles per gallon in all new cars by 2025. As these constitute the heart of America's 'intended nationally determined contributions' to the 2015 accord, they will undoubtedly be early targets for a Trump presidency and will represent a functional withdrawal from the Paris Agreement, even if an actual withdrawal isn't instantly possible.

Just how quickly Trump will move on such promises, and with what degree of success, cannot be foreseen. However, because so many of the measures adopted by the Obama administration to address climate change were enacted as presidential directives or rules promulgated by the EPA – a strategy adopted to circumvent opposition from climate skeptics in the Republican-controlled House and Senate – Trump will be in a position to impose a number of his own priorities simply by issuing new executive orders nullifying Obama's. Some of his goals will, however, be far harder to achieve. In particular, it will prove difficult indeed to 'save' the coal industry if America's electrical utilities retain their preference for cheap natural gas.

Ignoring market realities

This last point speaks to a major contradiction in the Trump energy plan. Seeking to boost the extraction of every carbon-based energy source inevitably spells doom for segments of the industry incapable of competing in the low-price environment of a supply-dominated Trumpian energy marketplace.

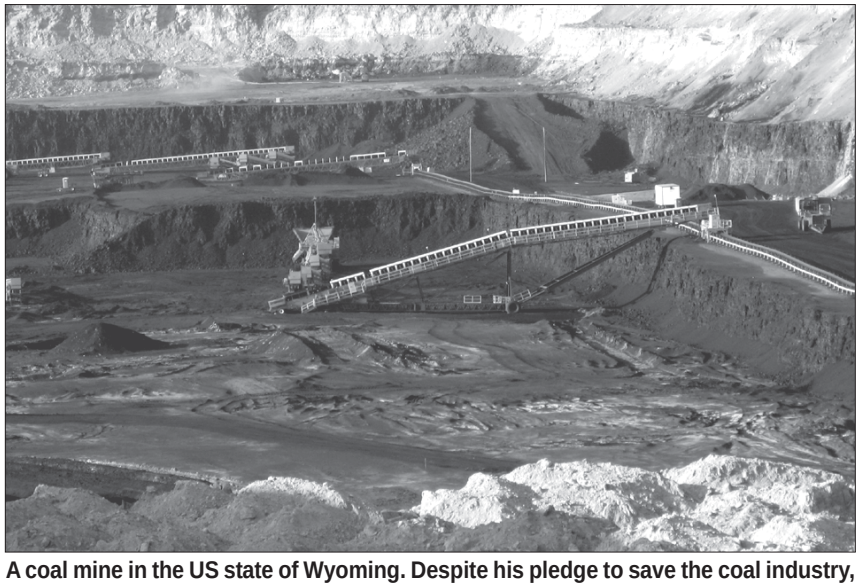
Take the competition between coal and natural gas in powering America's electrical plants. As a result of the widespread deployment of fracking technology in the nation's

prolific shale fields, the US gas output has skyrocketed in recent years, jumping from 18.1 trillion cubic feet in 2005 to 27.1 trillion in 2015. With so much additional gas on the market, prices have naturally declined – a boon for the electrical utility companies, which have converted many of their plants from coal to gas combustion in order to benefit from the low prices. More than anything else, this is responsible for the decline of coal use, with total consumption dropping by 10% in 2015 alone.

In his speech to the Marcellus Coalition, Trump promised to facilitate the expanded output of both fuels. In particular, he pledged to eliminate federal regulations that, he claimed, 'remain a major restriction to shale production'. (Presumably, this was a reference to Obama administration measures aimed at reducing the excessive leakage of methane, a major greenhouse gas, from fracking operations on federal lands.) At the same time, he vowed to 'end the war on coal and the war on miners'.

As Trump imagines the situation, that 'war on coal' is a White House-orchestrated drive to suppress its production and consumption through excessive regulation, especially the Clean Power Plan. But while that plan, if ever fully put into operation, would result in the accelerated decommissioning of existing coal plants, the real war against coal is being conducted by the very frackers Trump seeks to unleash. By encouraging the unrestrained production of natural gas, he will ensure continued low gas prices and so a depressed market for coal.

A similar contradiction lies at the heart of Trump's approach to oil: rather than seeking to bolster core segments of the industry, he favours a supersaturated market approach that will end up hurting many domestic producers. Right now, in fact, the single biggest impediment to oil company growth and profitability is the low-price environment brought on by a global glut of crude – itself largely a consequence of the explosion of shale oil production in the United States. With more petroleum entering the market all the time and insufficient world demand to soak it up, prices have remained at depressed levels for more than two years, severely affecting fracking operations as well. Many US frackers, including some in the Bakken formation, have found themselves forced to suspend operations or declare bankruptcy because each new barrel of fracked oil costs more to produce than it can be sold for.



cc Greg Goebel

A coal mine in the US state of Wyoming. Despite his pledge to save the coal industry, Trump will, by encouraging the unrestrained production of natural gas, ensure a depressed market for coal.

Trump's approach to this predicament – pump out as much oil as possible here and in Canada – is potentially disastrous, even in energy industry terms. He has, for instance, threatened to open up yet more federal lands, onshore and off, for yet more oil drilling, including presumably areas previously protected on environmental grounds like the Arctic National Wildlife Refuge and the seabeds off the Atlantic and Pacific coasts. In addition, the construction of pipelines like the embattled one in North Dakota and other infrastructure needed to bring these added resources to market will clearly be approved and facilitated.

In theory, this drown-us-in-oil approach should help achieve a much-trumpeted energy 'independence' for the United States, but under the circumstances, it will surely prove a calamity of the first order. And such a fantasy version of a future energy market will only grow yet more tumultuous thanks to Trump's urge to help ensure the survival of that particularly carbon-dirty form of oil production, Canada's tar sands industry.

Not surprisingly, that industry, too, is under enormous pressure from low oil prices, as tar sands are far more costly to produce than conventional oil. At the moment, adequate pipeline capacity is also lacking for the delivery of their thick, carbon-heavy crude to refineries on the American Gulf Coast where they can be processed into gasoline and other commercial products. So here's yet one more Trumpian irony to come: by favouring construction of the Keystone XL pipeline, Trump would throw yet another monkey wrench into his own planning. Sending such a life preserver to the Canadian industry – allowing it to better compete with American crude – would be another strike against his own 'America-first energy plan'.

Seeking the underlying rationale

In other words, Trump's plan will undoubtedly prove to be an enigma wrapped in a conundrum inside a roiling set of contradictions. Although it appears to offer boom

times for every segment of the fossil fuel industry, only carbon as a whole will benefit, while many individual companies and sectors of the market will suffer. What could possibly be the motivation for such a bizarre and planet-enflaming outcome?

To some degree, no doubt, it comes, at least in part, from the president's deep and abiding nostalgia for the fast-growing (and largely regulation-free) America of the 1950s. When Trump was growing up, the United States was on an extraordinary expansionist drive and its output of basic goods, including oil, coal and steel, was swelling by the day. The country's major industries were heavily unionised; the suburbs were booming; apartment buildings were going up all over the borough of Queens in New York City where Trump got his start; cars were rolling off the assembly lines in what was then anything but the 'Rust Belt'; and refineries and coal plants were pouring out the massive amounts of energy needed to make it all happen.

Having grown up in the Bronx, just across Long Island Sound from Trump's home borough, I can still remember the New York of that era: giant smokestacks belching out thick smoke on every horizon and highways jammed with cars adding to the miasma, but also to that sense of explosive growth. Builders and automobile manufacturers didn't have to seriously worry about regulations back then, and certainly not about environmental ones, which made life – for them – so much simpler.

It's that carbon-drenched era to which Trump dreams of returning, even if it's already clear enough that the only conceivable kind of dream that can ever come from his set of policies will be a nightmare of the first order, with temperatures exceeding all records, coastal cities regularly under water, our forests in flame and our farmlands turned to dust.

And don't forget one other factor: Trump's vindictiveness – in this case, not just towards his Democratic opponent in the recent election campaign but towards those who voted against him. The Donald is well aware that most Americans who care about climate change and are in favour of a rapid transformation to a green-energy America did not vote for him, including prominent figures in Hollywood and Silicon Valley who contributed lavishly to Hillary Clinton's coffers on the promise that the country would be transformed into a 'clean energy superpower'.

Given his well-known penchant for attacking anyone who frustrates his ambitions or speaks negatively of him, and his urge to punish greens by, among other things, obliterating every measure adopted by President Obama to speed the utilisation of renewable energy, expect him to rip the EPA apart and do his best to shred any obstacles to fossil fuel exploitation. If that means hastening the incineration of the planet, so be it. He either doesn't care (since at 70 he won't live to see it happen), truly doesn't believe in the science, or doesn't think it will hurt his company's business interests over the next few decades.

One other factor has to be added into this witch's brew: magical thinking. Like so many leaders of recent times, he seems to equate mastery over oil in particular, and fossil fuels in general, with mastery over the world. In this, he shares a common outlook with President Vladimir Putin of Russia, who wrote his PhD dissertation on harnessing Russia's oil and gas reserves in order to restore the country's global power, and with Secretary of State and former ExxonMobil CEO Tillerson, a long-term business partner of the Putin regime. For these and other politicians and tycoons – and, of course, we're talking almost exclusively about men here – the possession of giant oil reserves is thought to bestow a kind of manly vigour. Think of it as the national equivalent of Viagra.

Back in 2002, Robert Ebel of the Center for Strategic and International Studies put the matter succinctly: 'Oil fuels more than automobiles and airplanes. Oil fuels military power, national treasuries, and international politics... [It is] a determinant of well being, national security, and international power for those who possess [it] and the converse for those who do not.'

Trump seems to have fully absorbed this line of thinking. 'American energy dominance will be declared a strategic economic and foreign policy goal of the United States,' he declared at the Williston forum in May. 'We will become, and stay, totally independent of any need to import energy from the OPEC cartel or any nations hostile to our interests.' He seems firmly convinced that the accelerated extraction of oil and other carbon-based fuels will 'make America great again.'

This is delusional, but as president he will undoubtedly be able to make enough of his energy programme happen to achieve both short-term and long-term energy mayhem. He won't actually be able to reverse the global shift to renewable energy now under way or leverage increased American fossil fuel production to achieve significant foreign policy advantages. What his efforts are, however, likely to ensure is the surrender of American technological leadership in green energy to countries like China and Germany, already racing ahead in the development of renewable systems.

And in the process, he will also guarantee that all of us are going to experience yet more extreme climate events. He will never recreate the dreamy America of his memory or return us to the steamy economic cauldron of the post-World War II period, but he may succeed in restoring the smoggy skies and poisoned rivers that so characterised that era and, as an added bonus, bring planetary climate disaster in his wake. His slogan should be: Make America Smoggy Again. ◆

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Trump's budget assault on the environment packs a wallop

Following through on his campaign promise to reduce the US Environmental Protection Agency to 'little tidbits', Trump's first budget defunds more than 50 of its programmes designed to protect the environment and fight climate change.

Harvey Wasserman

The Trump administration has cut the Environmental Protection Agency's operating funds by over 30%, making the EPA's annual budget the smallest since it was formed in 1970.

DONALD Trump's first budget makes his antipathy to the environment clear – and his love for fossil fuels and nuclear power even clearer.

In addition to slashing funding to the Environmental Protection Agency (EPA), he has also announced that he wants massive rollbacks in automotive fuel efficiency standards and billions in new investments in nuclear weapons and storage for commercial nuclear waste.

The administration's budget cuts $2.4 billion from the EPA's operating funds – roughly 31% – taking the agency's annual budget from $8.1 billion to $5.7 billion, the smallest since it was formed in 1970. These cuts will cripple regulation of air and water quality, strip oversight of a wide range of land management programmes, and loosen restrictions on chemical emissions from industrial facilities.

Much of this money would be shifted directly over to the military, which the Trump administration wants to bolster with an additional $54 billion over the final Obama allocations.

As Wenonah Hauter, Executive Director of Food and Water Watch, told Amy Goodman on *Democracy Now!*, the cuts would lower staff to about 11,800, in an agency that employed 17,000 in 2010 and, according to the *Washington Post*, about 15,000 today.

'We should be clear that 90% of EPA programmes are run by state agencies,' Hauter says. 'Half that staff is located in regional offices.' The cuts, says Hauter, would cripple the states' ability to protect clean air and water across the country.

'A scorched earth budget'

Following through on his campaign promise to reduce the EPA to 'little tidbits', Trump's budget defunds more than 50 programmes. These include infrastructure improvement on Indian reservations, major projects to clean up Puget Sound, Chesapeake Bay and the Great Lakes, a wide range of renewable energy development and energy efficiency programmes, numerous climate change research programmes, national heritage sites, environmental justice programmes, oceanographic research and preservation, and much more. Gina McCarthy, a former EPA official under Obama, described it as 'a scorched earth budget that represents an all-out assault on clean air, water and land.'

Some of the immediate opposition has crossed party lines. Ohio's recently re-elected Republican Senator Rob Portman, a close associate of former President George W. Bush, strongly opposed cuts to the $300 million Great Lakes Restoration Initiative. Bill Becker of the National Association of Clean Air Agencies warned, 'If such cuts are realised, many more people will die prematurely and get sick unnecessarily due to air, water and waste pollution.'

Among the programmes affected will be popular Energy Star campaigns that set efficiency standards for household and other appliances. The programme is well-established and popular among large

manufacturers seeking marketing tools in a highly competitive global business. 'It's alarming and bewildering to see the Trump administration propose cuts to critical government programmes that support clean energy innovation, helped create thousands of new jobs, and saved Americans millions on their utility bills,' says Amit Ronen, Director of George Washington University's Solar Institute.

Scott Sklar, head of the Stella Group, a Washington DC-based environmental consulting firm, and chair of the steering committee of the Sustainable Energy Coalition, adds that the EPA cuts come in tandem with assaults on programmes at the Department of Energy critical to advances in LED light bulbs, advanced batteries, electric trucks, biofuels and other cutting-edge green power projects. Overall, says Sklar, the cuts could cripple some 17 national laboratories whose innovative technical work spans the horizon from windmills and solar panels to advanced batteries and accelerated efficiency.

In addition, says Ronen, 'Trump and his cronies can fundamentally change how EPA does its job by rolling back carbon and air regulations and not enforcing current law.'

A deadly dose of that medicine is now being administered in Detroit, where Trump has moved to slash motor vehicle efficiency requirements and emissions standards.

At the behest of auto company executives, Trump is exploiting a legal loophole in Obama-era requirements to gut fleet fuel-economy capabilities. Complaining about technical challenges, the industry may soon slouch back to lower emissions standards feeding higher short-term profits. Detroit will once again race to the bottom in a global transportation industry increasingly dominated by Germany, China and Japan.

The trends are being further exploited with shifts at the state as well as federal levels to slash tax breaks and incentives for electric cars and solar panels. Guided by handouts from the Koch brothers' fossil fuel empire, 'free market' legislators in states like Ohio, Oklahoma and Arizona have partnered with the American Legislative Exchange Council to impose debilitating taxes and regulatory barriers against electric cars, green power production, advanced efficiency, mass transit and more. The trend has been underscored by Trump's quick approval of the Keystone and Dakota pipelines, and relaxed rules governing fracking on public lands.

An auto plant in the US city of Detroit. Trump has moved to slash motor vehicle efficiency requirements and emissions standards.

Going nuclear

Meanwhile, Illinois and New York are moving towards massive subsidies for uncompetitive, dangerously dilapidated old nuclear reactors in a marketplace where renewables are coming in far cheaper and creating thousands more jobs. In Ohio and other states, owners of money-losing reactors are advocating for massive handouts to block cheaper, job-creating renewables and efficiency from getting into the marketplace.

Adding insult to injury, Trump wants to add $120 million to the long-dead Yucca Mountain nuclear waste dump. Despite fierce local opposition, the Department of Energy has blown some $13.5 billion since 2002 digging a giant tunnel through the dormant volcano some 130 km outside Las Vegas to store radioactive waste. Then-Senate Majority Leader Harry Reid, Democrat of Nevada, got President Obama to cancel Yucca in 2011. Yucca could ultimately cost more than $90 billion by some estimates, and take decades. A $2 billion 2014 explosion shut America's sole state-of-the-art radioactive-waste repository, at Carlsbad, New Mexico, casting a long shadow over underground burial.

Aside from the catastrophic impacts on public health and planetary survival, these Trump-Koch attacks on environmental protection and increased energy efficiency bode ill for a struggling US economy. Germany, China and other global competitors are surging ahead with ecologically sound advanced technologies like high-speed rail, EV autos, PV cells, ultra-efficient wind turbines, solar farms and highways guaranteed to leave America in the dust.

The 'tycoon' President who promised full employment and prosperity is instead bringing an ill wind, darkened sun and scorched planet. ◆

Harvey Wasserman is co-founder of the global grassroots No Nukes movement and author or co-author of 20 books, including Solartopia! Our Green-Powered Earth *(solartopia.org) and* The Last Energy War *(Seven Stories Press). This article is reproduced from Progressive.org.*

Crimes of apartheid

A UN report which concluded that Israel was guilty 'beyond a reasonable doubt' of imposing apartheid policies against Palestinians has predictably drawn a furious response from Israel and its supporters. Under pressure to withdraw it, the UN official behind the report Rima Khalaf, UN Under-Secretary-General and Executive Secretary of the UN Economic and Social Commission for Western Asia, refused and preferred to resign from her post. *Vijay Prashad* considers the implications of the report.

cc ISM Palestine

A report released by the UN Economic and Social Commission for Western Asia (ESCWA) makes the 'grave charge' that Israel is guilty of apartheid not only in the Occupied Territories but also within its own boundaries and against the Palestinian refugees.

APARTHEID is a powerful word, with evocations of the South African experience and with implications of crimes against humanity. The United Nations does not use this word loosely. It rarely enters UN reports and is not heard from the lips of UN officials. But now, in a report released on 15 March in Beirut, Lebanon, the UN has proclaimed that Israel 'is guilty of the crime of apartheid'. This is a very significant judgment, one with important ramifications for the UN, for the International Court of Justice and for the international community.

In 2015, the UN Economic and Social Commission for Western Asia (ESCWA) was charged by its member states – the 18 Arab states in West Asia and North Africa – with studying whether Israel has established an apartheid regime. ESCWA asked two American academics – Richard Falk and Virginia Tilley – to undertake the study. Falk had been the UN Special Rapporteur on the situation of human rights in the Palestinian territories from 2008 through 2014. Tilley had served as a Chief Research Specialist in South Africa's Human Sciences Research Council, which had produced a study in 2009 showing apartheid-like conditions in Israel and the Palestinian Occupied Territories.

The report that they have now produced makes the 'grave charge' that Israel is guilty of apartheid not only in the West Bank, Gaza and East Jerusalem – the Occupied Territories — but also within its own boundaries and against the Palestinian refugees. This is a very sharp report which will be hard for Israel to ignore.

End of two-state consensus?

Israel's Prime Minister Benjamin Netanyahu was in Washington DC recently to meet US President Donald Trump. At that meeting, Trump seemed to disregard the international consensus towards the creation of two states. In fact, as this report and others show, the two-state solution has been long vitiated.

The Israeli government's illegal Jewish settlement project in the West Bank and its virtual annexation of East Jerusalem makes it impossible to imagine the establishment of Palestine in that region. What exists is a one-state, with Israel having exercised its dominion in the entire land west of the Jordan River, but a one-state with an apartheid system, with Israeli Jews in a dominant position over the Palestinians. The new UN report speaks to this disturbing apartheid situation not only in the Occupied Territories of the West Bank and East Jerusalem, but in all of Israel.

One reason the Israeli government is unwilling to consider a one-state solution with equal rights for all Israelis and Palestinians is what they call a 'demographic threat'. If the 12 million Palestinians – exiles and refugees included – would be citizens of this one-state, then they would dwarf the six million Jews in the country. The UN report argues that Israel is a 'racial regime' because its institutions are premised on maintaining a Jewish nation by techniques of suppression and expulsion.

Gross discrimination

Palestinians who have Israeli citizenship (*ezrahut*) do not have the right to nationality (*le'um*), which means that they can only access inferior social services, face restrictive zoning laws, and find themselves unable freely to buy land. Palestinians in East Jerusalem are reduced to the status of permanent residents, who have to constantly prove that they live in the city and that they do not have any political ambitions. Palestinians in the West Bank live 'in ways consistent with apartheid', write the authors of the UN report. And those who are exiled to the refugee camps in Lebanon, Syria and Jordan have absolutely no rights to their homeland. All Palestinians – whether those who live in Haifa (Israel) or in Ain al-Hilweh (Lebanon) – suffer the consequences of Israeli apartheid. This indignity is punctuated with laws that humiliate the Palestinians. The latest law – the Muezzin Bill – imposes limits on the Muslim call to prayer in Israel and East Jerusalem.

Matters would be less grave if the Israeli political system allowed Palestinians rights to make their case against apartheid-like conditions. Article 7(a) of the Basic Law prohibits any political party from considering a challenge to the state's Jewish character. Since this description of the Israeli state renders Palestinians as second-class citizens, their voting rights are reduced to merely an affirmation of their subordination. As the UN report suggests, 'An analogy would be a system in which slaves have the right to vote but not against slavery.' Palestinians inside Israel and in the Occupied Territories, as well as in enforced exile, are forbidden to fight to change the terms of politics in Israel. This roadblock is the reason why the UN report appeals to the international community to live up to its commitments.

Since most of the world's states have signed the Convention Against Apartheid, they are now obliged to act to punish instances of apartheid. Two

Palestinian youths watch an Israeli soldier on patrol in the West Bank city of Hebron. Palestinians in the West Bank live 'in ways consistent with apartheid', write the authors of the ESCWA report.

recommendations from the report stand out. First, the authors ask that the International Criminal Court (ICC) investigate the situation in Israel. The ICC's Prosecutor Fatou Bensouda opened an investigation on Israel's 2014 bombing of Gaza and on the illegal settlements in the West Bank. Bensouda has indicated that she is not averse to a full assessment of Israel's actions. Whether she will now widen the scope of her investigation to the apartheid nature of the state is a separate matter.

Second, the report asks that member states allow 'criminal prosecutions of Israeli officials demonstrably connected with the practices of apartheid against the Palestinian people'. Earlier this year, former Israeli Foreign Minister Tzipi Livni cancelled a trip to Brussels when she was alerted that the prosecutors there might arrest her using the principle of universal jurisdiction. Such actions raise the cost to Israel for its apartheid policies.

When the UN Security Council declared late last year that Israel's settlements in the Occupied Territories were illegal, there was worry in Israel that Bensouda would accelerate her work. Others in Israel said that there was nothing new in the resolution, which neither used the word 'grave' to describe the situation nor considered Israeli actions to be a war crime. But the new report does both. If it is acknowledged that Israel is an apartheid state, then this is tantamount to a war crime (in the 1977 Protocol Additional to the Geneva Conventions) and to a crime against humanity (in the 1973 Apartheid Convention and the 1998 Rome Statute of the ICC).

India's reaction

To prepare the ground for Indian Prime Minister Narendra Modi's trip to Israel later this year, his Foreign Secretary S. Jaishankar will soon go to Israel. Word comes from the Ministry of External Affairs that it is likely that Modi will not visit the Occupied Territories, which will be a snub to Palestine.

India's overall reaction to this report will define Modi's attitude towards Israel. The appearance of this report – and its strong conclusions – should give Modi pause before he shreds decades of consensus for Palestine from India. Will India take leadership in upholding international law as it did in the fight against South African apartheid? Or will India back away from high principle and settle for arms deals and empty rhetoric? ◆

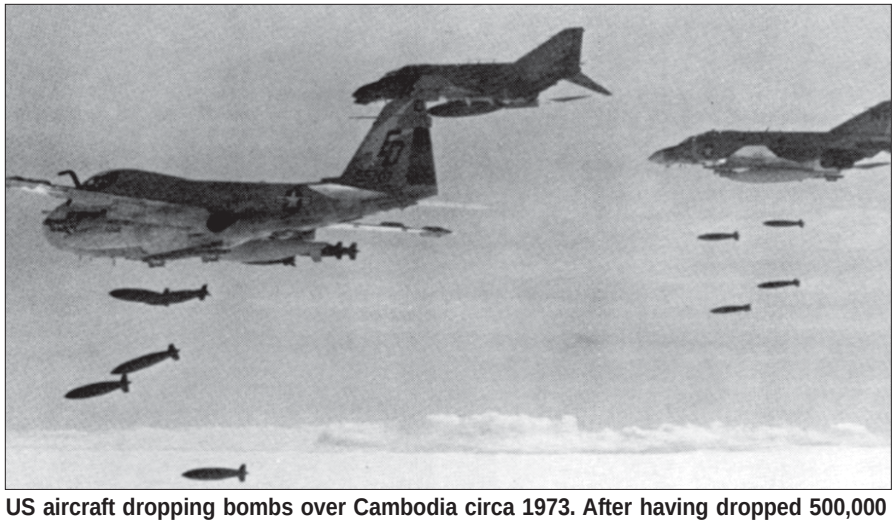
Vijay Prashad, Professor of International Studies at Trinity College in the US, is the author of The Death of the Nation and the Future of the Arab Revolution. *This article first appeared in* The Hindu *(16 March 2017).*

US 'has the gall' to ask Cambodia to pay war debt

The US, which invaded Cambodia in May 1970, bombing and killing hundreds of thousands of innocents and, in the process, creating the conditions for the emergence of the 'killing fields' and ascendancy of the Khmer Rouge, is now demanding the repayment of its war loan.

APPARENTLY, slaughtering hundreds of thousands of Cambodians was quite an expensive affair. The current US ambassador says it's time to finally pay up.

Almost half a century after dropping 500,000 tons of explosives and killing hundreds of thousands of people in Cambodia, the United States seems to be demanding that the country pay back $500 million in war debts, a move that has sparked outcry across the political spectrum in Cambodia.



US aircraft dropping bombs over Cambodia circa 1973. After having dropped 500,000 tons of explosives and killing hundreds of thousands in Cambodia in the early 1970s, the US seems to be demanding that the country pay back $500 million in war debts.

'To me, Cambodia does not look like a country that should be in arrears … buildings coming up all over the city, foreign investment coming in, government revenue is rapidly rising,' William Heidt, the US ambassador to Cambodia, told local newspaper *Cambodia Daily*.

Since the election of President Donald Trump, the Cambodian government has been urging Washington to cancel the debt, but the ambassador dismissed any plans to do so by the new administration.

'I will say that the issue of cancellation … that wasn't on the table when I was here in the 1990s. It has never been on the table since then. So we have never discussed seriously or considered cancelling that debt with Cambodia,' he said, while also calling for a deal to be struck between the two countries for debt payment.

Speaking at a conference in early March, Cambodia's Prime Minister Hun Sen, a former commander with the Cambodian communists, slammed the ambassador for his comments and recalled the atrocities committed by the US in the 1970s.

'They dropped bombs on our heads and then ask us to repay. When we do not repay, they tell the IMF [International Monetary Fund] not to lend us money,' Hun Sen said. 'We should raise our voices to talk about the issue of the country that has invaded other [countries] and has killed children.'

The US had given a $274 million loan, mostly for food supplies, to the government of Lon Nol, who had taken power in a coup in 1970. The debt has almost doubled over the years as Cambodia refused to enter into a repayment programme.

As Lon Nol fought against the Khmer Rouge between 1970 and 1975, US fighter jets carried out secret carpet-bombings against the group in support of the right-wing government, killing more than 500,000 people, many of them women and children.

After the Khmer Rouge took over the country in 1975, more than two million people died as a result of political executions, disease and forced labour.

The idea that Cambodia owes the United States money is rejected by many, including those who witnessed the massacres.

'He [Heidt] has the gall to demand the "loans" back even though either the Khmer Rouge or the current government have been in power since 1975, that this money was still due,' James Pringle, who served as the bureau chief for Reuters in Ho Chi Minh City, Vietnam, during the invasion of Cambodia, wrote in *The Cambodia Daily*.

'Cambodia does not owe even a brass farthing to the US for help in destroying its people, its wild animals, its rice fields and forest cover.' ◆

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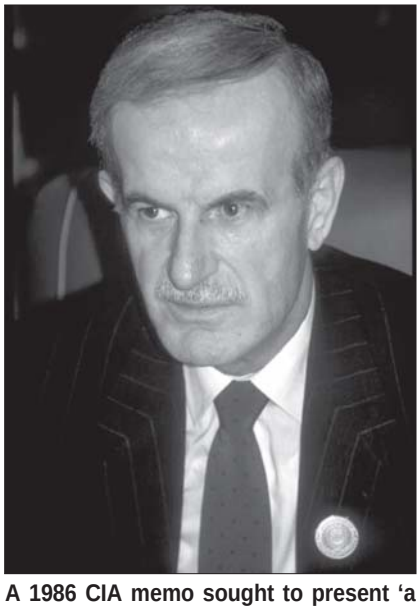
Newly declassified CIA memo presents blueprint for Syrian regime collapse

A recently declassified CIA document originating from the 1980s Reagan era explores multiple scenarios for regime change in Syria. What is particularly uncanny about these scenarios is the extent to which they appear to have prefigured some of the more recent developments in that country. *Brad Hoff* explains.



A 1986 CIA memo sought to present 'a number of possible scenarios that could lead to the ouster' of then President Hafez al-Assad *(pic)* **'or other dramatic change in Syria'.**

A NEWLY declassified US Central Intelligence Agency (CIA) document explored multiple scenarios of Syrian regime collapse at a time when then President Hafez al-Assad's government was embroiled in a covert 'dirty war' with Israel and the West, and in the midst of a diplomatic crisis which marked an unprecedented level of isolation for Syria.

The formerly classified 24-page memo entitled 'Syria: Scenarios of Dramatic Political Change' was produced in July 1986, and had high-level distribution within the Ronald Reagan administration and to agency directors, including presidential advisers, the National Security Council and the US ambassador to Syria. The memo appears in the CIA's latest CREST release (CIA Records Search Tool) of over 900,000 recently declassified documents.

The memo's cover letter, drafted by the CIA's Director of Global Issues (the report itself was prepared by the division's Foreign Subversion and Instability Center), introduces the purpose of presenting 'a number of possible scenarios that could lead to the ouster of President Assad or other dramatic change in Syria'.

It further curiously warns that, 'Because the analysis out of context is susceptible to misunderstanding, external distribution has been severely restricted.' The report's narrowed distribution list (sent to specific named national security heads, not entire agencies) indicates that it was considered at the highest levels of the Reagan administration.

Sectarian war

The intelligence report's contents contain some striking passages which seem remarkably consistent with events as they unfolded decades later at the start of the Syrian war in 2011:

'Although we judge that fear of reprisals and organisational problems make a second Sunni challenge unlikely, an excessive government reaction to minor outbreaks of Sunni dissidence might trigger large-scale unrest. In most instances the regime would have the resources to crush a Sunni opposition movement, but we believe widespread violence among the populace could stimulate large numbers of Sunni officers and conscripts to desert or mutiny, setting the stage for civil war.' (p. 2)

The 'second Sunni challenge' is a reference to the Syrian government's prior long-running war against a Muslim Brotherhood insurgency which culminated in the 1982 Hama Massacre. While downplaying the nationalist and pluralistic composition of the ruling Ba'ath Party, the report envisions a renewal and exploitation of sectarian faultlines pitting Syria's Sunni population against its Alawite leadership:

'Sunnis make up 60% of the Syrian officer corps but are concentrated in junior officer ranks; enlisted men are predominantly Sunni conscripts. We believe that a renewal of communal violence between Alawis and Sunnis could inspire Sunnis in the military to turn against the regime.' (p. 12)

Regime change and the Muslim Brotherhood

The possibility of the Muslim Brotherhood spearheading another armed insurgency leading to regime change is given extensive focus. While the document's tone suggests this as a long-term future scenario (especially considering the Brotherhood suffered overwhelming defeat and went completely underground in Syria by the mid-1980s), it is considered one of the top three 'most likely' drivers of regime change (the other scenarios include 'succession power struggle'

and 'military reverses spark a coup').

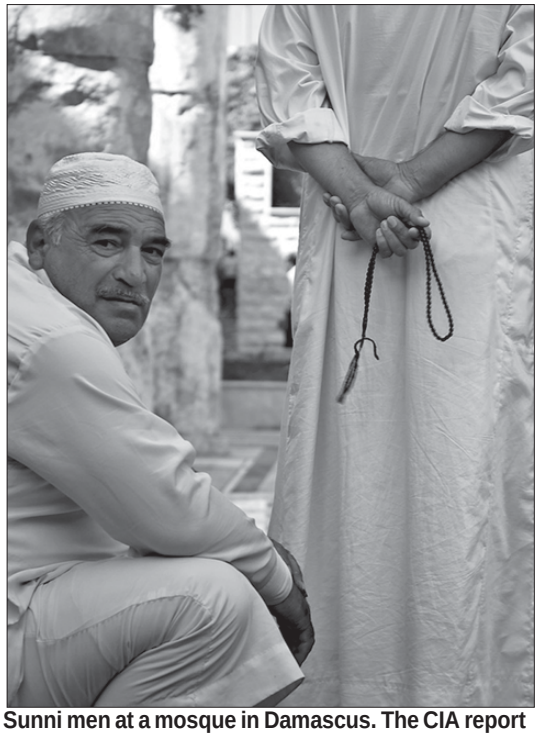
The potential for revival of the Muslim Brotherhood's 'militant faction' is introduced in the following:

'Although the Muslim Brotherhood's suppression drastically reduced armed dissidence, we judge a significant potential still exists for another Sunni opposition movement. In part the Brotherhood's role was to exploit and orchestrate opposition activity by other organized groups … These groups still exist, and under proper leadership they could coalesce into a large movement … Should a new Sunni challenge to the regime develop, certain sectors of the Sunni populace are especially likely to play a large role. They include ... Sunni students, intellectuals, and young professionals who formed the base of support for the militant faction of the Muslim Brotherhood; and remnants of the Brotherhood itself who could become leaders in a new Sunni opposition movement.' (pp. 13-14)

The Brotherhood's role is seen as escalating the potential for initially small Sunni protest movements to morph into violent sectarian civil war:

'Sunni dissidence has been minimal since Assad crushed the Muslim Brotherhood in the early 1980s, but deep-seated tensions remain – keeping alive the potential for minor incidents to grow into major flareups of communal violence … Excessive government force in quelling such disturbances might be seen by Sunnis as evidence of a government vendetta against all Sunnis, precipitating even larger protests by other Sunni groups…

'Mistaking the new protests as a resurgence of the Muslim Brotherhood, the government would step up its use of force and launch violent attacks on a broad spectrum of Sunni community leaders as well as on those engaged in protests. Regime efforts to restore order would founder if government violence against protestors inspired broad-based communal violence between Alawis and Sunnis.' (pp. 19-20)



Sunni men at a mosque in Damascus. The CIA report envisioned a renewal and exploitation of sectarian faultlines pitting Syria's Sunni population against its Alawite leadership.

The CIA report describes the final phase of an evolving sectarian war which witnesses the influx of fighters and weapons from neighbouring countries. Consistent with a 1983 secret report that called for a US covert operation to utilise then US-allied Iraq as a base of attack on Syria, the 1986 analysis says, 'Iraq might supply them with sufficient weapons to launch a civil war':

'A general campaign of Alawi violence against Sunnis might push even moderate Sunnis to join the opposition. Remnants of the Muslim Brotherhood – some returning from exile in Iraq – could provide a core of leadership for the movement. Although the regime has the resources to crush such a venture, we believe brutal attacks on Sunni civilians might prompt large numbers of Sunni officers and conscripts to desert or stage mutinies in support of dissidents, and Iraq might supply them with sufficient weapons to launch a civil war.' (pp. 20-21)

A Sunni regime serving Western economic interests

While the document is primarily a theoretical exploration projecting scenarios of Syrian regime weakening and collapse (its purpose is analysis and not necessarily policy), the authors admit of its 'purposefully provocative' nature and the document closes with a list of potential outcomes. One provocative outcome describes a pliant 'Sunni regime' serving US economic interests:

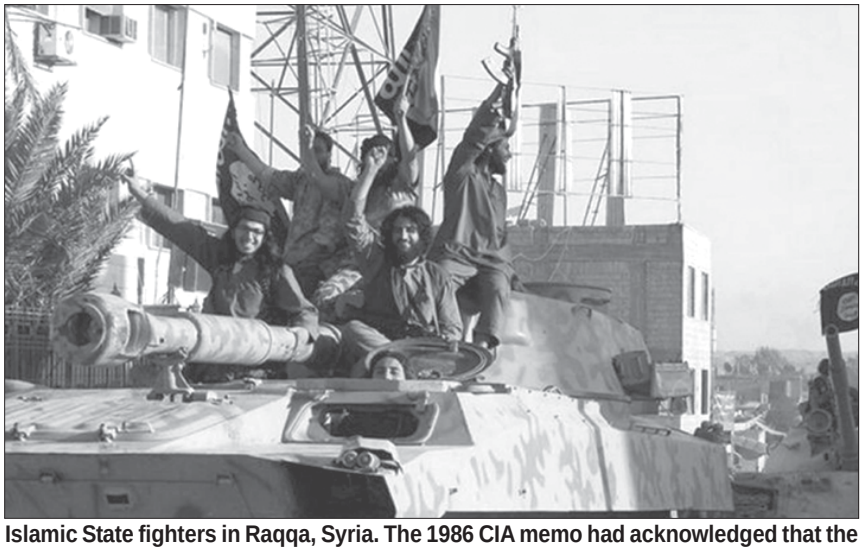
'In our view, US interests would be best served by a Sunni regime controlled by business-oriented moderates. Business moderates would see a strong need for Western aid and investment to build Syria's private economy, thus opening the way for stronger ties to Western governments.' (p. 24)

Ironically, the Syrian government would accuse the United States and its allies of covert subversion within Syria after a string of domestic bombings created diplomatic tensions during the mid-1980s.

Dirty tricks and diplomacy in the 1980s

According to Patrick Seale's landmark book *Asad of Syria: The Struggle for the Middle East*, 1986 was a year that marked Syria's greatest isolation among world powers as multiple diplomatic crises and terror events put Syria more and more out in the cold.

The year included 'the Hindawi affair', a Syrian intelligence-sponsored attempt to hijack and bomb an El Al flight to Tel Aviv and which may or may not have involved Nezar Hindawi working as a double agent on behalf of Israel. The foiled plot brought down international condemnation on Syria and lives on as one of the more famous and bizarre terror conspiracies in history. Not only were Syria and Israel once again generally on the brink of war in 1986,



Islamic State fighters in Raqqa, Syria. The 1986 CIA memo had acknowledged that the collapse of the Ba'ath state in Syria could actually usher in the worst of all possible outcomes for Washington and the region: 'religious zealots' might seek to establish 'an Islamic Republic'.

but a string of 'dirty tricks' tactics were being utilised by Syria and its regional enemies to shape diplomatic outcomes primarily in Lebanon and Jordan.

In March and April of 1986 (months prior to the distribution of the CIA memo), a string of still largely unexplained car bombs rocked Damascus and at least five towns throughout Syria, leaving over 200 civilians dead in the most significant wave of attacks since the earlier 1979-82 war with the Muslim Brotherhood.

Seale's book speculates of the bombings: 'It may not have been unconnected that in late 1985 the NSC's [US National Security Council] Colonel Oliver North and Amiram Nir, [then Israeli Prime Minister Shimon] Peres's counter-terrorism expert, set up a dirty tricks outfit to strike back at the alleged sponsors of Middle East terrorism.'

Consistency with future WikiLeaks files

The casual reader of 'Syria: Scenarios of Dramatic Political Change' will immediately recognise strategic thinking on Syria that looks much the same as what is revealed in national security memos produced decades later in the run-up to the current war in Syria.

When US cables or intelligence papers talk regime change in Syria, they usually strategise in terms of exploiting sectarian faultlines. In a sense, this is the US national security bureaucracy's fallback approach to Syria.

One well-known example is contained in a December 2006 State Department cable sent from the US embassy in Syria (subsequently released by WikiLeaks). The cable's stated purpose is to explore Syrian regime vulnerabilities and weaknesses to exploit (in similar fashion to the 1986 CIA memo):

'PLAY ON SUNNI FEARS OF IRANIAN INFLUENCE: There are fears in Syria that the Iranians are active in both Shia proselytising and conversion of, mostly poor, Sunnis. Though often exaggerated, such fears reflect an element of the Sunni community in Syria that is increasingly upset by and focused on the spread of Iranian influence in their country through activities ranging from mosque construction to business.'

Another section of the 2006 cable explains precisely the same scenario laid out in the 1986 memo in describing the increased 'possibility of a self-defeating over-reaction' on the part of the regime:

'ENCOURAGE RUMORS AND SIGNALS OF EXTERNAL PLOTTING: The regime is intensely sensitive to rumors about coup-plotting and restlessness in the security services and military. Regional allies like Egypt and Saudi Arabia should be encouraged to meet with figures like [former Vice President Abdul Halim] Khaddam and [younger brother of Hafez] Rif'at Asad as a way of sending such signals, with appropriate leaking of the meetings afterwards. This again touches on this insular regime's paranoia and increases the possibility of a self-defeating over-reaction.'

And ironically, Rif'at Asad and Khaddam are both mentioned extensively in the 1986 memo as key players during a speculative future 'succession power struggle' (p. 15).

An Islamic State in Damascus?

While the 1986 CIA report makes a case in its concluding paragraph for 'a Sunni regime controlled by business-oriented moderates' in Syria, the authors acknowledge that the collapse of the Ba'ath state could actually usher in the worst of all possible outcomes for Washington and the region: 'religious zealots' might seek to establish 'an Islamic Republic'. The words take on a new and special importance now, after the rise of ISIS:

'Although Syria's secular traditions would make it extremely difficult for religious zealots to establish an Islamic Republic, should they succeed they would likely deepen hostilities with Israel and provide support and sanctuary to terrorist groups.' (p. 24)

What continues to unfold in Syria has apparently surpassed even the worst-case scenarios of intelligence planners in the 1980s. Tinkering with regime change has proven itself to be the most dangerous of all games. ◆

Brad Hoff is a native Texan and US Marine veteran who after leaving the military began wandering around the Middle East, eventually making Syria his second home. He has authored multiple stories for his blog Levant Report which gained international attention. Find his writing at Antiwar.com, SOFREP, Foreign Policy Journal, The Canary *(UK) and others. The above article is reproduced from the website of the Libertarian Institute (www.libertarianinstitute.org).*

Housing now valued as a financial commodity, charges UN expert

Housing, long accepted as a basic need and a human right, has now been transformed into a financial commodity with its value dependent on the vagaries of the market. In highlighting how the process of financialisation has become an impediment to the realisation of this right, the UN Special Rapporteur on the right to adequate housing has in her recent report suggested some remedial measures.

Kanaga Raja

Apartments under construction. Housing has become 'valued as a commodity rather than a human dwelling'.

THE 'financialisation' of housing is one of the greatest challenges to the right to adequate housing, with housing now being valued as a commodity rather than a human dwelling, a United Nations rights expert has charged.

This admonishment came in a report by the UN Special Rapporteur on the right to adequate housing, Leilani Farha (from Canada), which was presented to the UN Human Rights Council on 1 March.

The Human Rights Council held its 34th regular session in Geneva from 27 February to 24 March.

At a media briefing on 2 March, Farha said the housing sector has been transformed by global financial actors and unprecedented amounts of excess capital. 'It is no longer as we once knew it. Housing has been financialised: valued as a commodity, rather than a human dwelling, it has become for investors a means to secure and accumulate wealth rather than a place to live in dignity, to raise a family, and thrive within a community.'

'Housing has lost its currency as a human right,' she said, noting that the amount of capital now being invested in housing is staggering. Global residential real estate is valued at $163 trillion, more than twice the world's total gross domestic product (GDP). 'Imagine if that capacity was harnessed for the realisation of housing instead of for speculation and profit.'

The impact of the commodification of housing and commodified housing markets is devastating, Farha added. Informal settlements are being razed to create space for luxury developments, communities are becoming devoid of human life as houses sit empty – mere vehicles for capital gain – and extreme unaffordability is pushing low- and moderate-income people out of city centres – all in the name of investment.

'Financialisation has robbed housing of its function as a social good. In financialised housing markets, housing is no longer "people-driven". Decisions about housing – its use, its cost, where it will be built or whether it will be demolished – are made from remote boardrooms with little if any consideration of the outcome,' she said.

In her report to the Human Rights Council, the rights expert referred to the financialisation of housing as structural changes in housing and financial markets and global investment whereby housing is treated as a commodity, a means of accumulating wealth and often as security for financial instruments that are traded and sold on global markets.

It refers to the way capital investment in housing increasingly disconnects housing from its social function of providing a place to live in security and dignity, and hence undermines the realisation of housing as a human right.

'It refers to the way housing and financial markets are oblivious to

people and communities, and the role housing plays in their well-being.'

The report noted that housing and real estate markets have been transformed by corporate finance, including banks, insurance and pension funds, hedge funds, private equity firms and other kinds of financial intermediaries with massive amounts of capital and excess liquidity. The global financial system has grown exponentially and now far outstrips the so-called real 'productive' economy in terms of sheer volumes of wealth, with housing accounting for much of that growth.

'Housing and commercial real estate have become the "commodity of choice" for corporate finance and the pace at which financial corporations and funds are taking over housing and real estate in many cities is staggering.'

The value of global real estate is about $217 trillion, nearly 60% of the value of all global assets, with residential real estate comprising 75% of the total. In the course of one year, from mid-2013 to mid-2014, corporate buying of larger properties in the top 100 recipient global cities rose from $600 billion to $1 trillion.

'Housing is at the centre of an historic structural transformation in global investment and the economies of the industrialised world with profound consequences for those in need of adequate housing,' said Farha.

In 'hedge cities', prime destinations for global capital seeking safe havens for investments, housing prices have increased to levels that most residents cannot afford, creating huge increases in wealth for property owners in prime locations while excluding moderate- and low-income households from access to home ownership or rentals due to unaffordability. Those households are pushed to peri-urban areas with scant employment and services.

'Elsewhere, financialisation is linked to expanded credit and debt taken on by individual households made vulnerable to predatory lending practices and the volatility of markets, the result of which is unprecedented housing precarity.'

According to the Special Rapporteur, financialised housing markets have caused displacement and evictions at an unparalleled scale: in the United States over the course of five years, over 13 million foreclosures resulted in more than nine million households being evicted. In Spain, more than half a million foreclosures between 2008 and 2013 resulted in over 300,000 evictions. There were almost one million foreclosures between 2009 and 2012 in Hungary.

'In many countries in the global South, where the majority of households are unlikely to have access to formal credit, the impact of financialisation is experienced differently, but with a common theme – the subversion of housing and land as social goods in favour of their value as commodities for the accumulation of wealth, resulting in widespread evictions and displacement. Informal settlements are frequently replaced by luxury residential and high-end commercial real estate.'

According to the rights expert, millions of foreclosures, evictions and displacements and more than a billion people living in grossly inadequate housing conditions and homelessness worldwide signal, among other things, the failure of states and of the international community to manage the interaction between financial actors and housing systems in accordance with the right to adequate housing.

Impact of financialisation

According to the report, the financialisation of housing has its origins in neoliberalism, the deregulation of housing markets, and structural adjustment programmes imposed by financial institutions and agreed to by states. It is also tied to the internationalisation of trade and investment agreements which make states' housing policies accountable to investors rather than to human rights.

The financialisation of housing is also the result of significant changes in the way credit was provided for housing and, more specifically, of the advent of 'mortgage-backed securities'.

The 2008 global financial crisis revealed the fragility, volatility and predatory nature of financialised housing markets and the potential for catastrophic outcomes both for individual households and for the global economy. In the United States, there were an average of 10,000 foreclosures per day in 2008, and as many as 35 million individuals were affected by evictions over a five-year period.

'Many expected that the global financial crisis and its impact on the human rights of millions of households would act as an alarm bell, forcing States and international financial institutions to reassess the value of unbridled financialisation and introduce reforms to ensure that the financial system addressed rather than exploited the housing needs of low-income households,' said Farha.

Unfortunately, it seemed to have the opposite effect. Individuals and families who were affected by the crisis were often blamed for taking on too much debt, and new rules and regulations were put in place to restrict their access to mortgages. Austerity measures cut programmes on which they had relied for access to housing options, and the march towards the financialisation of housing continued.

States have continued to focus on attracting capital and wealthy investors with reduced taxes and other benefits. Countries like Cyprus, Greece, Portugal and Spain, where harsh austerity measures have been implemented, have enacted policies to entice foreign investors into their domestic markets.

The report said the amount of money involved in the purchase of housing and real estate is almost impossible to digest. Cushman and Wakefield, an American global real estate services firm engaging in $90 billion worth of real estate sales per year, publishes an annual report entitled 'The Great Wall of Money' which includes a calculation of the

amount of capital raised each year for trans-border real estate investments. The total in 2015 was a record $443 billion, with residential properties representing the largest single share.

'Housing and urban real estate have become the commodity of choice for corporate finance, a "safety deposit box" for the wealthy, a repository of capital and excess liquidity from emerging markets and a convenient place for shell companies to stash their money with very little transparency.'

Housing prices in so-called 'hedge cities' like Hong Kong, London, Munich, Stockholm, Sydney and Vancouver have all increased by over 50% since 2011, creating vast amounts of increased assets for the wealthy while making housing unaffordable for most households not already invested in the market.

Corporate finance not only profits from inflated prices in hedge cities, it also profits from housing crises. The global financial crisis created unprecedented opportunities for buying distressed housing and real estate debt, which was sold off at firesale prices in countries such as Ireland, Spain, the United Kingdom and the United States.

The Blackstone Group, the world's largest real estate private equity firm, managing $102 billion worth of property, spent $10 billion to purchase repossessed properties in the United States at courthouses and in online auctions following the 2008 financial crisis, emerging as the largest rental landlord in the country. Other major institutional players invested $20 billion to purchase approximately 200,000 single-family homes in the United States between 2012 and mid-2013.

'What is so stark about the pouring of those vast amounts of money into housing is that hardly any of it is directed towards ameliorating the insufferable housing conditions in which millions live,' the rights expert noted.

If even a portion of those amounts was directed towards affordable housing and access to credit for people in need of it, target 11.1 of the Sustainable Development Goals, to ensure adequate housing for all by 2030, would be well within reach.

Financialisation under current regimes, however, creates the opposite effect: unaccountable markets that do not respond to housing need, and urban centres that become the sole preserve of those with wealth.

According to Farha, financialised housing markets respond to preferences of global investors rather than to the needs of communities. 'The average income of households in the community or the kinds of housing they would like to inhabit is of little concern to financial investors, who cater to the needs or desires of speculative markets and are likely to replace affordable housing that is needed with luxury housing that sits vacant because that is how best to turn a profit quickly.'

The report noted that more than 36,000 properties in London are held by shell companies registered in offshore havens such as Bermuda, the British Virgin Islands, the Isle of Man and Jersey. 'Many residential rental properties are now owned by bondholders or holders of public stock with no direct connection to properties. It is difficult to know who is accountable for human rights when the owner of housing is a multi-billion dollar fund, bondholders, public stockholders or a nameless corporate shell.'

The report said that increased prices of housing and real estate assets have become key drivers in the creation of greater wealth inequality. Those who own property in prime urban locations have become richer, while lower-income households confronting the escalating costs of housing become poorer.

'Patterns of inequality are often starkest in developing countries. In Africa, if current trends continue, the number of households living in informal settlements will continue to increase while the number of ultra-high-net-worth individuals is predicted to rise by almost 50% in the next decade.'

The financialisation of housing has dramatically altered the relationship of states to the housing sector and to those to whom they have human rights obligations. Rather than being held accountable to residents and their need for housing, states' housing policies have often become accountable to financial institutions and seem to pander to the confidence of global credit markets and the preferences of wealthy private investors.

'Given the predominance of housing-related credit in many economies, domestic housing policy becomes inter-twined with the priorities and strategies of central banks and international financial institutions, which are themselves rarely held accountable to States' human rights obligations to ensure access to adequate housing and do not meaningfully engage with rights-holders.'

Accountability to global finance rather than to human rights has been rigorously imposed by the International Monetary Fund (IMF) and other creditors when governments have faced foreign debt crises. Decisions made by central banks and finance ministers in consultation with international financial institutions are rarely informed by input from stakeholders or those involved with housing policy and programmes.

In circumstances where governments should be relying on positive measures and resource allocation to provide housing to households affected by economic downturns and widespread unemployment, many have been held accountable to austerity measures imposed by creditors. They have agreed to dramatically reduce or eliminate housing programmes, privatise social housing and sell off massive amounts of housing and real estate assets to private equity funds.

In many developing and emerging economies, said the report, the World Bank and other

international and regional financial institutions continue to actively promote the financialisation of housing as the dominant strategy for addressing the critical need for housing, despite evidence that such strategies fail to provide housing options to the households that are most in need and lead to greater socioeconomic inequality.

The report further pointed out that there are currently almost 2,500 bilateral investment treaties in force and almost 300 treaties with investment provisions. Provisions in investment treaties generally provide protection for investors from actions by states without imposing obligations on them to uphold human rights.

Investors are guaranteed fair and equitable treatment, protection from direct or indirect expropriation, and other protections, and have access to an investor-state dispute settlement procedure to seek damages for breaches of those provisions.

Claims have recently been brought against the Dominican Republic and Panama, for example, on the basis that government decisions to cancel planned luxury developments in order to protect indigenous territories or environmental resources violated investors' rights under bilateral investment treaties.

The government of Mauritius is currently being taken to arbitration by a group of property development companies from the United Kingdom that invested in luxury real estate developments in Mauritius and are now seeking damages for a decision on the part of the government to change its planning policy to restrict such developments.

'The mere threat of those kinds of claims can have a directive effect on State housing policy. Investment treaty arbitration frequently involves millions of dollars in damages, and thus acts as a disincentive for States to enact and enforce any regulatory measures restricting the profitability of housing or real estate assets purchased by foreign investors,' said Farha.

In some instances, courts have played an important role in holding financial institutions liable for predatory and discriminatory lending practices, albeit without reference to international human rights obligations. In a recent case, the Eleventh Circuit Court of Appeals in the United States ruled in favour of a lawsuit brought by the city of Miami against Bank of America and Wells Fargo for discriminatory predatory lending practices linked to the mortgage crisis.

'Policy responses to the financialisation of housing have tended to prioritise support for financial institutions over responding to the needs of those whose right to adequate housing is at stake. Spending on bailouts of banks and financial institutions after the 2008 financial crisis far outstripped spending to provide assistance to the victims of the crisis.'

Nonetheless, a number of sub-national and national governments have started to address the effects of excess capital flows and financialisation on affordability and access to housing for low-income households. Initiatives have been advanced at both national and sub-national levels providing a number of tools that can at least curb the excesses of financialisation and mitigate its effects.

The report cited the fact that a number of states, including Austria, China, the Philippines, Thailand and Vietnam, have instituted restrictions on foreign purchasers of residential real estate.

Conclusions

'What is lacking is for States to reclaim the governance of housing systems from global credit markets and, in collaboration with affected communities and with cooperation and engagement by central banks and financial institutions, redesign housing finance and global investment in housing around the goal of ensuring access to adequate housing for all by 2030,' said the rights expert.

Many states have been too deferential to the dynamics of unregulated markets and have failed to take appropriate action to bring private investment into line with the right to adequate housing. By providing tax subsidies for home ownership, tax breaks for investors, and bailouts for banks and financial institutions, states have subsidised the excessive financialisation of housing at the expense of programmes for those in desperate need of housing.

'There seems to be a gross imbalance between the attention, mechanisms and resources that States have developed to support the financialisation of housing and the complete deficit of housing for the implementation of the right to adequate housing.'

The Special Rapporteur suggested that the way forward requires a shift to take hold so that states ensure that all investment in housing recognises its social function and states' human rights obligations in that regard. That requires a transformation of the relationship between the state and the financial sector, whereby human rights implementation becomes the overriding goal, not a subsidiary or neglected obligation.

The Special Rapporteur believes that can be achieved with more constructive engagement and dialogue between states, human rights actors, international and domestic financial regulatory bodies, private equity firms and major investors.

The rights expert recommended, amongst others, that an international high-level meeting of states, international financial institutions, human rights bodies, civil society organisations and relevant experts be organised to design a strategy for engaging financial regulatory bodies and actors in the realisation of the goal of adequate housing for all by 2030.◆

Kanaga Raja is Editor of the South-North Development Monitor (SUNS) *published by the Third World Network. This article originally appeared in* SUNS *(No. 8414, 3 March 2017).*

These women cannot celebrate their day

While 8 March is celebrated as International Women's Day, *Baher Kamal* highlights the plight of millions around the world who, for one reason or another, cannot call this day their own.

THIS is a story that one would wish to have to write – the story of hundreds of millions of life-givers whose production and productivity have systematically been 'quantified' in much detailed statistics, but whose abnegation, human suffering and denial of rights are subject to just words.

It is the story of those women who witness their children die while fleeing wars, kidnapped to sell their organs, or recruited as child soldiers.

It is the story of those women who fall prey to human traffickers and are sold as sexual slaves.

[The United Nations Office on Drugs and Crime (UNODC) reports that women and girls comprise 71% of human trafficking victims.]

And it is the story of those women and girls who become victims of abhorrent violence by their male relatives; whose rights as workers are routinely abused by their employers; and who are even killed by their partners.

(In some countries, up to seven in 10 women will be beaten, raped, abused or mutilated in their lifetimes, according to UN Women.)

It is the story of millions of young girls who are forced into inhumane early marriage and pregnancy; of those who are subjected to female genital mutilation.

(The UN recognises female genital mutilation as a human rights violation, torture and an extreme form of violence. FGM denies women and girls their dignity and causes needless pain and suffering, with consequences that endure for a lifetime and can even be fatal, reminds the UN Secretary-General Antonio Guterres.)

Africa and the Arab region are among those areas where FGM is commonly practised. (The African Union concludes that it is an excruciatingly painful practice that violates basic human rights.)

The 2030 Agenda for Sustainable Development aims, among others, to ensure that by 2030, all girls and boys complete free, equitable and quality primary and secondary education.

Its impact on young girls and women is multi-faceted and touches various aspects of their lives, including their physical, psychological and social well-being, with scars lingering on for the rest of their lives.

It is the story of millions of girls who have no access to education or who, when they do have it, flee school because of the lack of sanitary services.

[A study by the UN human rights office (OHCHR) covering the years spanning 2009 to 2014 reports thousands of attacks against schools in at least 70 different countries, many of which were targeted for advocating girls' education.]

It is the story of nearly two-thirds of the world's inhabitants who suffer from lack of proper access to reproductive and maternity health care services.

(The UN Population Fund stresses that universal access to reproductive health affects and is affected by many aspects of life. It involves individuals' most intimate relationships, including negotiation and decision-making within these relationships, and interactions with health providers regarding contraceptive methods and options.)

It is also the story of very young girls who are abducted by terror groups to brutally satiate their sexual appetites and blackmailing, such as has been the case with Boko Haram in Nigeria.

And it is the story of those indigenous women who care for whatever remains of their lands,

Women farmers produce up to 80% of food but many have no right to own their land, to agricultural inputs, resources or credit.

which guard 80% of the world's biodiversity, but whose rights and ancestral knowledge are ignored and even disdained.

It is the story of those women farmers who produce up to 80% of food but have no right to own their land, to agricultural inputs, resources or credit.

And of those millions of domestic workers whose rights were lately acknowledged – but not sufficiently applied.

And it is the story of a flagrant, growing inequality. (Oxfam estimates that, at current trends, it will take women 170 years to be paid the same as men are, and that just eight individuals – all of them men – own as much wealth as half the world population.)

This year's International Women's Day was marked on 8 March under the theme 'Women in the Changing World of Work: Planet 50-50 by 2030'.

The United Nations called it 'a time to reflect on progress made, to consider how to accelerate the 2030 Agenda, building momentum for the effective implementation of the long awaited goals of achieving gender equality and empowering all women and girls'.

The world body has set some key targets under the 2030 Agenda for Sustainable Development, including:

• By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.

• By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education.

• End all forms of discrimination against all women and girls everywhere.

• Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation.

• Eliminate all harmful practices, such as child, early and forced marriage and female genital mutilation.

The United Nations also notes that the world of work is changing, with significant implications for women.

'We have globalisation, technological and digital revolution and the opportunities they bring, and on the other hand, the growing informality of labour, unstable livelihoods and incomes, new fiscal and trade policies and environmental impacts – all of which must be addressed in the context of women's economic empowerment.'

All these words and good wishes sound great. Yet International Women's Day represented, above all, another slap in the face of humankind who is still unable (unwilling?) to duly, effectively honour those who gave them life. – *IPS* ◆

A Kenyan woman showing the razor blade she uses to cut girls' genitals. The UN recognises female genital mutilation as a human rights violation, torture and an extreme form of violence.

Nepalese women: Symbols of historical achievements and political leadership

Barbara Nimri Aziz reflects on the experience of Nepal with regard to the position of women and argues that there is a case for the symbolic promotion of women as this does make a difference.

'Tho I myself am despised by society, and cast aside, it is I who must prove my innocence.' – Yogmaya Neupane

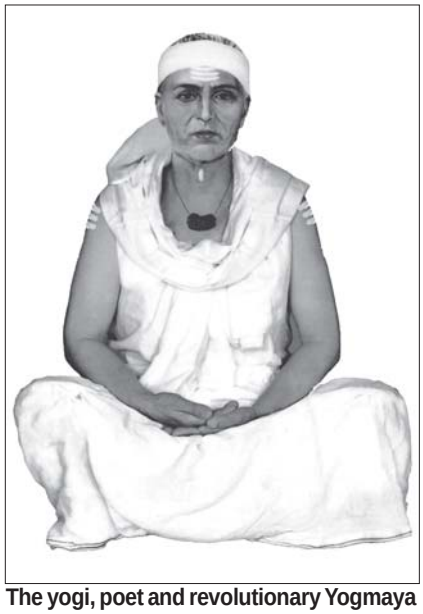
NEPAL is perhaps unique among nations today with its three top public offices occupied by women: Bidhya Devi Bhandari is president; Sushila Karki is chief justice; and Onsari Gharti Magar is speaker of Nepal's parliament. This record is particularly noteworthy in a fledgling democracy, a new Asian republic that, for most of the last nine years since its founding in 2008, has been headed by members of Nepal's communist and Maoist parties.

Those three appointments are surely a credit to leftist politicians currently dominating Nepal's elected positions: prime minister, and cabinet and parliament members.

Nevertheless one must caution that these 'socialist' administrations have done almost nothing to advance parity at institutional levels through land reform, economic equity, job creation and worker protection, or by tackling caste discrimination.

Parity for most Nepalese women is advancing only slowly as well. In the recent constitutional referendum, campaigners failed to win a 50% quota of parliamentary seats for women. In the family, discriminatory customs deny women their inheritance rights. And older women, even professionals, face strong resistance when asserting their independence from brothers and sons.

Nepal's appointments of women to high office may be seen as merely symbolic. But symbols are potent – as effective today as in the past, in the West, across Africa, and in the East. Note how (not so very long ago) a US presidential hopeful set her sights on her nation's top job, partly as a symbolic demonstration that American women were truly equal and the country was fully democratic. (She didn't succeed. And many Americans view this defeat as clear evidence of the many obstacles women still face.)



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The yogi, poet and revolutionary Yogmaya Neupane was a champion of women's rights and an opponent of exploitation by religious functionaries and the rich.

There are compelling indications that the symbolic promotion of women, such as those three Nepalese appointees, does make a difference. Its impact may even surpass the work of multitudes of non-governmental organisations (NGOs) devoted to 'uplifting' women. (Gender projects registered in Kathmandu constitute a sizable industry; it's a burgeoning branch of human rights, absorbing many educated women in fundraising and planning, although with questionable results.)

Yes, the number of educated Nepalese girls is less than boys. Yes, sisters and mothers are refused inheritance rights by domineering brothers and sons. Yes, there's widespread wife abuse by drunken husbands. Yes, children are abandoned or sent to work far from home. Yes, many Nepalese women are victims of human trafficking. But most of these social ills can be tackled by good government, by policies which create more jobs for everyone, and by enforcing laws already in place to protect women and children. (Regulating out-of-control liquor consumption would certainly help as well.)

Symbols can be powerful incentives to motivate women too. So President Bhandari and other political women are to be applauded. We should welcome any actions that champion women's achievements since these projects remind us of our historical precedents (and potential). And they correct the historical record.

Scanning world history even in the era of Google, one is hard-pressed to identify more than a handful of women who are widely acknowledged as outstanding public figures. (English-language web-lists are regrettably dominated by American personalities.)

So what has Nepal to offer beyond its current president, chief justice and speaker of parliament? Perusal of Nepali postage stamps by my colleague Sukanya Waiba offers

more models than expected. In a list of 18, in addition to goddesses Sita and Shrina (wives of the Hindu god Ram), Maya Devi (mother of Gautama Buddha), a 'living goddess' Kumari, Princess Bhrikuti, daughter of an ancient king, and three 20th-century queens of the Shah dynasty, we find noteworthy secular leaders. There's the eminent singer Melwa Devi Gurung, the much-admired radical Marxist agitator and award-winning poet Parijat Lama (Bishnu Waiba), and two Everest mountaineers Pemba Doma Sherpa and Passang Lhamu Sherpa. (The latter's statue overlooks a prominent square in Kathmandu Valley.)

The most recent addition to this collection is one of several political activists. She's the yogi, poet and revolutionary Yogmaya Neupane. A firebrand operating at a repressive time in Nepal's history, at the turn of the 20th century, she chose a remote valley far from the capital as her centre of operation. This past November (16 November 2016), a postage stamp issued in her honour marks her restoration and her recognition as a major historical figure, a champion of women's rights, and an opponent of exploitation by religious functionaries and the rich.

An individual of profound insight and courage, Neupane confronted the rule of Juddha Shumshere Rana, an entrenched dictatorship. No dissent was tolerated during Nepal's Rana era. Hindu priests' authority was unassailable and religious law dictated that women endure cruel conventions.

Yogmaya Neupane was eventually driven to her death (in 1940/41), whereupon all historical references to her and her movement were suppressed. Mention of her was forbidden; her surviving followers dispersed and fell silent. Only after 1990, when free speech was permitted, have Nepalese begun to examine Neupane's career and conduct research into her movement.

This is aided by a treasury of extraordinary poems newly brought to light, known as 'Sarwartha Yogbani'. The declarations embodied in her quatrains are receiving serious

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A mural in Kathmandu depicting Yogmaya Neupane drawn by artist Natalie Wohlstadter.

attention from Nepali-language scholars, historians, the Nepali press and interested Nepalese citizens as well as a London-based professor of Nepali literature.[1] Even novelists seem inspired by her. Here are more examples of Neupane's fiery invocations composed in the 1920s in that ostensibly 'faraway' Himalayan village:

Your fat bellies burst, and look: those bribes you hoarded and now ooze from you are poison/ so savour your riches while you can.

and

Kill the corrupt, jail the thief/ judge with virtue, eliminate lies/ truth will reign when our redeemer arrives/ smashing king and courtiers alike.

A substantial and reliable Wikipedia entry (https://en.wikipedia.org/wiki/Yogmaya_Neupane) devoted to Neupane is certain to increase interest in her. In addition to the stamp, a Yogmaya National Women's Prize founded by Nepal's Srasta Samaj organisation is awarded in recognition of her fight for women's rights. The 2016 winner was Durga Ghimere, recognised as the first person to campaign against women trafficking.[2] With this award, a circle seems to have been completed.

The stamp honouring Neupane continues a tradition of recognising women's political activism in Nepal. In addition to the outspoken and revered poet Parijat, five other contemporary women are featured: Setu BK, martyred during the 2005 revolution that finally overthrew the king; Congress Party activist Chhaya Devi Parajuli; Mangala Devi, a major figure in Nepal's Congress Party along with her husband Ganesh Man Singh; activist Sadhana Adhikari; and Moti Devi Shrestha, one of the founders of Nepal's Communist Party. From this we may reasonably conclude that there's nothing symbolic about President BD Bhandari, Justice S Karki and Speaker OG Magar. ◆

Barbara Nimri Aziz, a New York-based anthropologist and writer, hosted Radio Tahrir on Pacifica-WBAI in New York City for 24 years. Her book Heir to a Silent Song: Two Rebel Women of Nepal, *published in Nepal in 2001, was the first contemporary documentation of the subject of this article. She is also the author of* Swimming Up the Tigris: Real Life Encounters with Iraq *(2007), which is based on her 13 years covering Iraq. Her writings and radio productions can be accessed at www.RadioTahrir.org. The above article is reproduced from the Global Research website (www.globalresearch.ca).*

Notes

1. See articles by BN Aziz (1993), M Hutt (2011) and D Neupane (2015) listed in the Wikipedia entry on Yogmaya Neupane, https://en.wikipedia.org/wiki/Yogmaya_Neupane
2. *Kantipur* (Nepali-language daily), 18 September 2016. With special thanks for assistance to U Pant, DJK Sherpa, N Subedi, NM Tuladhar and S Waiba.

The South African poet *Dennis Brutus* (1924-2009) was an anti-apartheid activist best known for his campaign to have South Africa banned from the Olympic Games. He was also, as this poem reveals, deeply concerned about the issues of corporate power and global warming.

Poetry, fleeing

Dennis Brutus

Now a new greasy-black
smoke spirals evidence
of our new century's horror:
among other obscenities
poetry's image, winged horse
Pegasus* is pretext for atrocity:
children's charred corpses smoulder
near puddled oilfields; compassion
has vanished, swirled away in fumes,
Earth's song, Poesy, has fled, is fleeing:
Surely some hearts have turned to stone,
must be, already dead.

* The winged horse of Greek mythology, Pegasus, a symbol of creativity and poetry, was also used by the oil multinational Mobil (now part of Exxon Mobil) as its logo.