

Focus-on-Trade is a regular electronic bulletin providing updates and analysis of trends in regional and world trade and finance, with an emphasis on analysis of these trends from an integrative, interdisciplinary viewpoint that is sensitive not only to economic issues, but also to ecological, political, gender and social issues. Your contributions and comments are welcome.

# Focus on Trade

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## In this Issue

Honolulu, on the beautiful island of Oahu, is remarkable these days for a number of reasons: first, wonderful weather, as warm winds, sunny days and gentle drizzles mark the coming of spring; second, massive influx of Japanese tourists during the so called “Golden Week;” and third, Honolulu is the site of the 34 th Annual General Meeting of the Asian Development bank (ADB). But while beautiful weather and tourists are common phenomena in Hawaii, the ADB’s annual meeting is not. And unlike springtime and tourists, the Annual General Meeting (AGM) is likely to leave a far more bitter taste in the mouths of Hawaiians for years to come.

Bad news about the AGM started many months when preparations for the AGM began in earnest. The ADB joined hands with the Hawaii Tourism Authority (HTA) and the Hawaii Police Department (HPD) to come up with an ambitious (and what many Hawaiian’s have lambasted as excessive) security plan to keep possible critics and protestors at bay. The plan included purchase of special

anti-riot equipment by the HPD, training in how to handle demonstrations, “worst case scenarios” and NGOs, calling in the National Guard and local security agencies as back-ups, and the introduction of new, repressive legislation to curb the natural rights of Hawaiians.

Among these was refusal by the HPD and the City of Hawaii to grant local activists a permit to March on May 9, which has been identified as an international day of action to protest the policies and operations of the ADB. In response, the American Civil Liberties Union (ACLU) filed a suit against the City of Hawaii on behalf of ADB Watch (a local coalition of activists monitoring preparations for the ADB AGM) and several other plaintiffs including the ILWU. The suit charged the City of Hawaii and the HPD with conspiracy to obstruct the freedom of speech of Hawaiians. Not suprisingly, the City responded swiftly and offered to settle out of court by granting the permit and easing up a few of the other restrictions that they had earlier tried to impose. On the other side, members from Hawaiian civil society organisations feel confident

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about how preparations on their side are proceeding. According to a local organiser, civil society preparations have led to increased coordination and coalitions among Hawaii's progressive community, including native Hawaiian community. The pursuit of free speech and other rights has brought Hawaiians together to protest and act against the collusion of external interests and local authorities in the security build up. According to leading Hawaiian activist, "the military and security build-up has awakened Hawaiians to the agenda of the military in Hawaii, which the ADB is abetting." Hawaiian activists and organisers have also received (and appreciated) support and solidarity in their attempts to protect free speech and other rights from a wide range of organisations and individuals across Asia, the Pacific and North America. Local organisers expect many of these supporters to be present with them in Honolulu at a series of educational activities and rallies that began on May 3. Already, representatives from activist networks, citizen's groups, academic institutions, indigenous peoples' groups, labour unions and policy research organisations have started to pour into Honolulu, promising an exciting week of alternative events and discussion fora. Things look a lot bleaker for the ADB and their cohorts. Fed up with working without a contract for over a year, Hawaiian hotel workers have threatened to go on strike starting Monday, May 7. About 5,000 hotel workers may not show up for work in six major Waikiki hotels where many ADB delegates will be housed. The ADB would then have to deal with a significantly reduced level of comfort that it is used to

providing the well-heeled participants of its annual meeting. Even worse is the lasting resentment that the ADB is creating among Hawaiians, which promise that the AGM will be stamped in local memory for entirely unsavoury reasons. In the words of a local organiser, "The HPD has purchased a lot of new anti-riot gear and equipment, and the City Council has passed new repressive ordinances, all at the ADB's bequest. These will be used against Hawaiians long after the ADB has gone." In this issue we take a deeper look at the darker side of preparations for the ADB's annual meeting in Honolulu.

## The Paradigm Crisis behind the Power Crisis

By Walden Bello

(This article is based on the author's talk at the Teach-in on "Technology and Globalization" sponsored by the International Forum on Globalization on Feb. 24-25, 2001, in New York City.)

In many developing nations today, state-owned centralized power systems are mired in mismanagement, corruption, and debt. And in country after country, influential multilateral agencies such as the Asian Development Bank and the World Bank, have come up with a cure-all: privatization and deregulation. This is the case in India, Thailand, and the Philippines. Yet the state ownership versus privatization debate obscures the complexities of the crisis of power generation and delivery in the Third World.

For what is behind the troubles of giant agencies such as the Electricity Generating Authority of Thailand (Egat) and the National Power Corporation (Napocor) in the Philippines is not the "natural" inefficiency of state-managed enterprises but the crisis of the paradigm that underpins them: centralized electrification. Centralized technologies are inextricably linked with the politics of domination of our countries by central elites—by technocrats, urban elites, and local and foreign big business. Behind the crisis of these technologies is the unraveling of a longtime developmentalist alliance among technocrats, multilateral agencies, and private corporations dedicated to foisting devastating technologies on developing nations in the name of a vision of modernity

and the search for profitability. The power industry, in particular, illustrates this destructive symbiosis of modernity and profitability. One of the earliest expressions of the sense that generation and distribution of power was a central test of modernity was made by Lenin in 1921, when he defined socialism as "Soviet Power plus Electricity." But it was not only Soviet Marxists who equated electric power with the desirable society.

Jawaharlal Nehru, the dominant figure in post-World War II India, called dams the "temples of modern India," a statement that, as Indian author Arundhati Roy points out, has made its way into primary school textbooks in every Indian language. Big dams have become an article of faith inextricably linked with nationalism. To question their utility amounts almost to sedition."

### *Centralized Electrification*

The technological blueprint for power development for the post-World War II period was that of creating a limited number of power generators—giant dams, coal or oil-powered plants, or nuclear plants—at strategic points which would generate electricity that would be distributed to every nook and cranny of the country. Traditional or local sources of power that allowed some degree of self-sufficiency were considered backward. If you were not hooked up to a central grid, you were backward. Centralized electrification with its big

dams, big plants, big nukes became the rage. Indeed, there was an almost religious fervor about this vision among technocrats who defined their life's work as "missionary electrification" or the connection of the most distant village to the central grid. It was, it must be noted, a grand mission that was supported in India, Thailand, South Vietnam and the Philippines by millions of dollars worth of grants from the US Agency for International Development.

Not surprisingly, this generosity was not unconnected to the less than salutary mission of pacifying rural areas permeable to communist agitation. In any event, in the name of missionary electrification, India's technocrats, Roy observes in her brilliant essay, "The Cost of Living," not only built "new dams and irrigation schemes...[but also] took control of small, traditional water-harvesting systems that had been managed for thousands of years and allowed them to atrophy." Here Roy expresses an essential truth: that centralized electrification preempted the development of alternative power systems that could have been more decentralized, more people-oriented, more environmentally benign, and less capital intensive.

Centralized electrification, like every ideology, served certain interests, and these were definitely not those of the ordinary masses. The key interest groups were: - key bilateral and multilateral development agencies. In Asia, the World Bank and the Asian Development Bank (ADB) became the biggest funders of centralized power technologies for export to Third World countries while, as noted earlier, USAID supported rural

electrification.

Centralized power development provided a grand rationale for the existence and expansion of these institutions into giant bureaucracies. - big multinational contractors like Bechtel or Enron, which made tremendous profits building dams or providing power consulting services. - exporters of power plants, including nuclear plants, like General Electric and Westinghouse, whose costs were subsidized by government export agencies, like the US Eximbank, with the taxes of citizens in the developed countries. - powerful local coalitions of power technocrats, big business, and urban-industrial elites. Despite the rhetoric about "rural electrification," centralized electrification was essentially biased toward the city and industry. Essentially, especially in the case of dams, it involved expending the natural capital of the countryside and the forests to subsidize the growth urban-based industry. Industry was the future. Industry was what really added value. Industry was synonymous with national power. Agriculture was the past. Aside from being an element in counterinsurgency programs, rural electrification was simply a small concession to the countryside to pacify opposition to city-oriented centralized electrification.

Large "multipurpose" dams that allegedly provided countries simultaneously with the benefits of power and irrigation were concerned first and foremost with power for the urban sector.

## Costs...

While these interests benefited, others paid the costs. Specifically, it was the rural areas and the environment that absorbed the costs of centralized electrification. Tremendous crimes have been committed in the name of power generation and irrigation, says Roy, but these were hidden because governments never recorded these costs. - In Thailand, for instance, the government has no records on how many communities and rural peoples have been displaced by the score of massive hydroelectric and irrigation dams built since the 1950's. Very few have been paid compensation. Communities relocated, vanished, or were simply absorbed into urban slums. - In India, Roy calculates that large dams have displaced about 33 million people in the last 50 years, about 60 per cent of them being either untouchables or indigenous peoples. Like Thailand, India, in fact, does not have a national resettlement policy for those displaced by dams. Neither does the Philippines. - The costs to the environment have been tremendous: in Thailand, hundreds of thousands of hectares of primal forest land were submerged, rivers changed their courses, fishing as a livelihood atrophied among riverine communities, and many species of fish simply vanished. In India, Roy points out, "the evidence against Big Dams is mounting alarmingly—irrigation disasters, dam-induced floods, the fact that there are more drought prone and flood prone areas today than there were in 1947. The fact that not a single river in the plains has potable water."

## Meager Harvest

Yet what benefits have 50 years or so of centralized electrification really brought? - After imposing such high human and ecological costs, the amount of power generated by the controversial Pak Mun Dam in northeastern Thailand can barely supply the daily electricity needs of a handful of shopping malls in Bangkok. - In India, 22 per cent of power generated is lost in transmission and system inefficiencies. The proportion for the Philippines is at least 25 per cent, which is probably the standard for developing countries. - In the Philippines, after 50 years of massive electrification, over 30 per cent of rural households have no access to electricity. In India, some 70 per cent have no access to electricity.

## Beneficiaries

Yet, this is not surprising, since centralized electrification was never really meant principally to deliver affordable power to people in an effective way. What it really meant to deliver were different: - First of all, centralized electrification was geared to deliver a vision of modernity to satisfy the ambitions of technocrats and authoritarian elites like Marcos of the Philippines, who identified his power with the power that was to be delivered by the Bataan Nuclear Power Plant. - It sought to deliver taxpayers-subsidized profits for multinational and local dam contractors and the builders of power plants like the ubiquitous Bechtel. - Centralized electrification sought provides a rationale for the maintenance and expansion of giant multilateral bureaucracies

like the Asian Development Bank and the World Bank. - Centralized electrification did not aim to provide a program of coherent, balanced development but to trigger a process of destabilizing, lopsided, urban-oriented hyperdevelopment which would leave most of the countryside behind as national resources were focused on building a manufacturing and industrial sector in the manner of the West.

### *The New Panacea*

Today, these systems of centralized electrification run by governments have become terribly expensive to maintain. Now the IMF, World Bank, and Asian Development Bank want governments to privatize and deregulate these systems. While governments had to keep electricity prices controlled to justify the existence of expensive generation, transmission, and distribution facilities, the private sector will be expected to raise prices and streamline services—meaning, it will simply eliminate from the rolls of consumers those who cannot pay. After having been taken for a ride by the ideology of centralized electrification, people will now be taken on another, equally dangerous spin by the ideology of privatization—by propaganda about the greater efficiency of the private delivery of essential services.

### *Footing the Bill*

Not surprisingly, it is the consumers—rural and urban—who will foot the costs of the transition, for the private sector corporations—many of them transnational firms like Enron or KEPCO—will not be pushed to absorb the full costs of these

capital-intensive systems purchased with massive loans by governments. In the Philippines, consumers will subsidize the sale of the National Power Corporation to the private sector by paying a tax designed to collect \$10 billion in stranded costs. In country after country today, the physical assets of centralized systems are being divided up among private firms. But this is not among many small and medium firms, which would at least be consistent with philosophy of free enterprise. No, the model for us in the Third World is the system of power deregulation that California initiated in the early 1990's. For we are now told by technocrats and big business that the "economies of scale" dictate that the power facilities should go to a few, so-called efficient generators of energy. Thus, the dream of big centralized power that so many of our technocrats associated with national power has turned out to be a bad dream. It has turned out to be simply a phase in the delivery of electric power to the hands of private monopolies, many of them foreign transnationals. And with the botched California deregulation as a model, it need hardly be stated that we are likely to be headed for a much bigger economic disaster than the crisis of state-run centralized power systems.

People are, however, underestimated. For throughout the Third World at this point, in places like Narmada in India, in Pak Mun in Thailand, people are actively engaged in

struggles against the implementation of centralized technologies bent on delivering the illusion but not the reality of national progress. These struggles in the distant countryside are beginning to wake up the supposed urban beneficiaries of centralized electrification to the reality that this obsolete and flawed paradigm of national advance is actually turning out to be phase in the delivery of horribly expensive national assets at their expense to the hands of private monopolies, like the power distributor Meralco in the Philippines, a corporation that is the quintessential representative of the incestuous union of electricity, monopoly, and super-profitability. People, in short, are increasingly aware that the struggle for community, for independence, for the future is now inextricably linked to the struggle against bad centralized technologies that simply promote domination, dependence, and dissolution.

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## Trouble in Paradise

Shalmali Guttal

The Asian Development Bank (ADB) has started off on the wrong foot with its Hawaiian hosts in preparation for the 34<sup>th</sup> Annual General Meeting (AGM), scheduled for May 7-11 in Honolulu. Despite attempts on both sides—the ADB and the Hawaiian Tourism Authority (HTA)—to portray an amicable relationship, preparations for the AGM appear to be proceeding in a general atmosphere of nervousness, suspicion and mutual mistrust.

### Saber Rattling and Large Samoans

One of the major sticking points appears to be the unwarranted levels of security that the Hawaii Police Department (HPD) and the HTA are lining up to deal with “worst case scenarios.” This includes putting the Hawaii Army and Air National Guard on alert, special training of all security personnel to handle protests and other “situations” that might come up during the AGM, closing of public parks to provide staging areas for the HPD, and even alterations of bus routes during the meeting. All leaves of security department staff have been cancelled and the Honolulu City Council has even attempted to push through a special, draconian package of bills designed to deter protests during the period of the AGM.

The HPD estimates that it

will cost about \$ 6 million to provide security for the conference, at least \$ 500,000 of which would go towards the purchase of riot gear. So far, the Governor of Hawaii has agreed to provide \$ 1 million and the HTA will cover about half the required amount with funds earmarked for tourism. Robert Fishman, the HTA Executive Director is hoping that the US Federal government will reimburse a sizeable portion of the security costs. Expenses include purchase of special equipment, overtime pay for the HPD, Army and National Guard, and hiring of other security personnel, including drivers for cars for visiting finance ministers and high level delegates from the ADB’s member countries.

Although it is common practice that the country hosting the AGM handles all aspects of security (including costs), the ADB is getting increasingly nervous about what it perceives as the HPD’s private agenda of beefing up its security capacity and apparatus on the coattails of the AGM. According to an ADB source, the organisation is very concerned about the “stress” that has risen in Honolulu by the attention that the press has given to the security build-up and its associated costs to Hawaiian taxpayers. The ADB is also apparently getting quite anxious about “scare-mongering by troublemakers that threaten to stir negative

sentiments among indigenous Hawaiian citizens.”

At the same time, the ADB is worried that the high powered delegates to the AGM—likely to include US President George W. Bush—might not be adequately protected from the organisation’s critics and detractors.

Apparently, the HPD has refused to provide security on the premises of the Hawaii Convention Centre (HCC), the venue of the AGM. To add insult to injury, US State Department rules do not permit ADB President Tadao Chino to be received at the bridge of his plane upon arrival in Honolulu since he is not a Head of State. The thought of its leadership, delegates and senior management having to deal with buses and taxis “the same as all other passengers,” has clearly thrown the ADB for a loop.

ADB staff and management are in a hard place. On one hand, they are extremely apprehensive about what they perceive as the HPD’s “saber rattling” and the fact that the local security company hired to control demonstrators is primarily made up of “large Samoans.” They are well aware of the damage from negative press in case of violence and mishandling of protestors by the security authorities. At the same time, they are pushing local authorities to identify alternative annual meeting venues “in

case of siege.”

### The NGO Menace

Amazingly, one of the ADB’s biggest fears in Honolulu is the presence of NGOs, who they expect will stage demonstrations to disrupt many of the events scheduled for the week and also steal the limelight away from the AGM. According to an ADB source, the single, most important security issue for both the ADB and local authorities are NGOs.

At the same time, the ADB is also looking for ways to “distract” local activists and Hawaiian indigenous peoples alliances from using the AGM as an opportunity to raise their own specific concerns and issues. For this, they turned to Dr. Seiji Naya, a prominent member of Honolulu’s business community and former ADB staff. Dr. Naya apparently met quite a few times with several “radicals” for native Hawaiian issues, who are known to have “volatile” personalities. Mr. Naya made it clear to senior ADB staff that unless diverted and distracted, the views and activities of these radicals combined with their association with NGOs abroad, threaten to “escalate” into rallies and demonstrations during the AGM.

In order to preempt such NGO incursions and to engage NGOs in a “constructive, positive manner,” the ADB

prepared an Action Plan on ADB-NGO Cooperation. Some notable actions proposed in this plan:

1) Identifying contact persons who are able to provide information on the NGO situation as well as public relations, and who have the ADB's agenda in mind, rather than that of the authorities in Hawaii.

2) Training on working with NGOs (with the help of special consultants hired for this purpose).

3) Arranging the ADB President Tadao Chino's meeting with NGOs on May 8 in a setting that is conducive to "good communication" with the NGOs.

4) Coordinating information and responses to ensure consistency in what ADB staff say so that everyone "is singing from the same songsheet."

A strategy proposed by Mr. Naya to diffuse confrontation between ADB staff and NGOs is to bring selected ADB staff and NGOs to a forum that allows "free and frank discussion" about matters of perceived mutual interest and concern." This forum would be separate from what Hawaiian activists have denounced as the "Fake Forum" (another diversionary discussion platform originally planned for the same time as the AGM.).

ADB staff seem particularly apprehensive about guarding President Tadao Chino from the NGO menace. But at the same

time, they are also keen to portray an image of open, relaxed and unconventional leadership in the organisation. Two additional options for informal meetings between President Chino and NGOs have been discussed. If these meetings were to materialise, there would be no prior announcement of the President's visit so as to maintain "an element of spontaneity" and to allow "flexibility" should the President suddenly get too busy to show up.

ADB staff are also taking special measures to block NGO attempts to present a petition to President Chino and have cautioned him about this possibility. They plan to have a protocol in place that assigns particular ADB officials to receive petitions and materials from NGOs and other parties.

## Image Paranoia

Worries about international NGOs and volatile personalities aside, the ADB is clearly anxious to project the "right image" of itself to Hawaiians, the media and international observers. In so doing, it has attempted to distance itself from the HPD's security build-up by referring to it as the responsibility of the Hawaii Organising Committee (HOC), a multi-disciplinary committee set up to coordinate arrangements for the AGM.

Since January, this year, the ADB's Office of External Relations (OER) has launched a communications, media and public relations plan

to generate positive awareness about the organisation and position it as "an honest broker." The OER is attempting to ensure that ADB officials present coherent and consistent messages to support the organisation's strategic agenda. The ADB has agreed with the HOC that the public relations strategies of the ADB and the HOC should be distinct and separate, and has even hired a consultant to "orchestrate" the ADB message in Hawaii, albeit under the direction of ADB headquarters.

ADB senior management and staff agree that the ADB's message needs to be simple and easy for local Hawaiians to digest. It also needs to be narrow in scope, given Hawaii's "general ignorance of development issues and confusion of ADB's mandate with IMF's and WTO's." In order to get such a message across, a series of ADB missions have visited Hawaii since January to give media briefings to Hawaiian press and to speak at seminars with Hawaiian NGOs, universities and business organisations.

Training on how to handle media interviews and get the ADB's message across has been provided by the ADB's OER for all persons identified as the ADB's spokespersons. Training has also been provided to all those (ADB and non ADB) expected to make presentations and speeches. Other remarkable proposals to win the hearts of possible detractors include the use of re-edited videos about ADB programmes with

"more up-front attribution of successes to ADB," and ADB success stories "with a human face."

Particularly interesting among the ADB's image related preparations is the NGO interaction training for facilitators of NGO seminars to help them learn "who NGOs are and how to engage them" and also, how to deal with NGOs "face to face." The ADB has even hired a Massachusetts based company, the Consensus Building Institute, to train ADB staff on how to relate with NGOs in the lead up to the AGM and during the AGM events. A central activity in this training has been simulation of negotiations between organisational staff and Thai NGOs on the controversial Samut Prakarn Wastewater Treatment Project in Thailand.

Clearly, the ADB is not willing let Honolulu become the Chiang Mai of the Pacific. It is attempting to cover its bases on all fronts—security, public relations, outreach, and even hospitality. There has been a flurry of discussion among senior ADB staff and the Hawaiian hosts about appropriate venues for cultural evenings, dinner events and the importance of alcohol in creating the right atmosphere for networking among AGM delegates, local guests and NGOs.

## Starting off on the Wrong Foot

Despite its best attempts, the ADB has not

succeeded in endearing itself to the plethora of organisations and committees who will play host at the 34<sup>th</sup> AGM. Tensions simmer over a range of issues, from tax exemption to perceived competition from Hawaiian business interests.

ADB AGM tradition demands that the host picks up the tab for the bulk of the arrangements, from security to entertainment. In addition, costs such as hotel accommodation and other related hospitality services are expected to be tax exempt, a requirement that the HOC and HTA have had trouble in pushing through. But since the ADB will not compromise on its position (given the protection it gets from its Charter), it is confident that Hawaii will.

Another sticking point is the ADB's Accompanying Person's Programme (APP), a programme to keep persons accompanying AGM participants occupied during AGM sessions. Here too, the ADB has had disagreements with its hosts, in particular, the HTA. Selecting Honolulu as the location for the AGM has proved to be an expensive proposition for the APP since everyone wants to visit the Aloha state. According to an ADB source, Robert Fishman, Executive Director of the HTA, proposed that the ADB contribute to the funding of the APP, especially for staff. The ADB refused on the grounds that this would not survive an audit. Mr. Fishman then apparently retorted that provision of free tours for

spouses of ADB staff would not survive his audit either.

The ADB has also felt threatened by what it perceives as competition from local business interests. The Hawaii Executive Committee (HEC) is organising a Hawaiian Business Forum (HBF) to showcase US and Hawaiian industry and technology. The HBF will be located at the Hawaii Convention Centre, the same venue as the AGM, and the two events will be linked. Senior ADB staff have expressed concern that the HBF will dominate the meeting and are embarrassed by the overtly commercial face of arrangements for the HBF. ADB staff also seem resentful that the HOC is eager to use the AGM to promote business opportunities for Hawaii and the advantages of Hawaii as a venue for future international meetings.

Early tensions between the ADB and the Hawaiian hosts were summed up by an ADB source, who pointed out that disagreements over issues such as security, NGOs, public relations, costs, tax exemption, and local business interests indicate that the Hawaiian hosts have a "different attitude" from hosts of previous meetings in terms of "the spirit of generosity and hospitality." These, combined with other commercial factors are likely to lead to negative comments among some participants at the AGM.

The ADB chose Honolulu as the location for its annual meetings for a

number of reasons. For one, Hawaii is not an ADB borrower. The ADB has not supported any projects in Honolulu and can rest assured that no local groups negatively affected by its projects will show up at the door. Next, Hawaii is a colony of the United States (US), one of the ADB's most powerful members and contributors. If the US can't handle a rag-tag group of protestors, who can? And finally, Hawaii is paradise. Its beautiful beaches, ocean views and sunsets, will offer soothing diversions for those detractors who do manage to beat the odds and make it to Honolulu.

But if the ADB is in trouble with its hosts, who will it count as its allies?

## US backs World Bank and IMF — for the moment

by Nicola Bullard\*

James Wolfensohn seemed relaxed during this year's Spring meetings of the IMF and World Bank, and with good reason.

First, there were no pesky protestors to impede the smooth progress of business, although delegates were inconvenienced by the street barricades and 1,500 police deployed to deal with “criminal anarchists.” While the Washington DC authorities' over-preparation looked ridiculous in contrast to the 400 happy activists who rallied outside the Bank on a sunny Sunday, anyone who felt the mood and listened to the speeches would have no doubt that they will be back again in September, not in hundreds, but in “tens of hundreds.”

But the real reason for Wolfensohn's sanguine mood was the Bush administration's “coming out” in support of the World Bank and the IMF.

In a speech to the Bretton Woods Committee – a group of “prominent Americans in favour of strong US involvement in the international institutions” – US Secretary of State Colin Powell said that the US was “committed to providing strong leadership to the vital multilateral institutions as they help shape the 21<sup>st</sup> century.”

Powell went on to say that

the “Bretton Woods institutions are “doing a wonderful job today” going so far as to call them the “instruments for securing the blessings of prosperity.”

### Realpolitik rules

Treasury Secretary Paul O'Neill, who in the past has criticised the IMF's role in large-scale bailouts, was more ambiguous. Replying to questions on US involvement in the \$10 billion bailout for Turkey, O'Neill said, “these institutions are very important for future growth and development” but added, “we all need to work harder than before to reduce the occasions when these institutions are linked with failures.”

Turkey's financial crisis was a tough first test for the Bush administration. The Republican's general hostility to the international financial institutions and their obvious isolationist stance was weighed against the political and strategic importance of keeping a lid on Turkey's escalating social and political crisis. Strategic interests won the day, and with it a lesson for the isolationist faction that the US gets a lot of “bang for its buck” out of the IFIs.

As Powell said, “strong United States leadership in the IMF, the World Bank and the WTO is

crucial to America's future and the world's future.” But Powell also signaled that there are limits to Republican support for publicly funded bail-outs, calling on the private sector to “become more involved in financial workout because, increasingly, they are the main source for financing.”

### Europe resists interest rate pressure

The meetings threatened to be overshadowed by the standoff over interest rate policy when the US, backed by the IMF, publicly pressured the European Central Bank to lower its rates in an attempt to boost growth. Regardless of the merits of the argument, the ECB reacted badly to being told what to do – especially by IMF officials — and dug in, insisting that it knew more about economic conditions in Europe than either the US or the IMF.

Unfortunately the fun of watching the EU defend its sovereignty in the face of IMF policy advice – surely a rare experience for IMF technocrats – was short-lived. The pressure eased following the release of US growth figures that were not quite as dire as expected but this still leaves the ECB with a hard choice. While lower interest rates would kick things along in Europe, the risk is that inflation would over-shoot the sacred target zones which to date have been used a

stick to “discipline” member states who step out of line. The policy rigidity imposed by target zones is being tested and it will be interesting to see how the hard-liners in the ECB react. Maybe the neo-liberals will be forced to get over their inflation fixation, opening the space for more flexible and non-dogmatic economic policies. This would be a good thing for everyone.

### Imperial expansion unchecked

President Wolfensohn was at pains to re-assure the press that morale at the Bank was on an up swing and that he had no intention of resigning. He placed the blame for low morale on funding, saying that the Bank did not have the budget to cope with the ever-increasing demands being placed on it.

But financial constraints did not President Wolfensohn from announcing a slew of new initiatives, ranging from placing itself at the centre of a global trust fund for communicable diseases, capacity building to help developing countries “access global markets” and the incorporation of trade issues into national poverty reduction strategy papers (PRSP) to combating money laundering and training on “debt management.”

Two issues in particular received a great deal of attention: trade

liberalisation and policy coherence.

On the first, the World Bank swung firmly behind the WTO in proclaiming trade liberalisation as the solution to poverty, emphasising market access to the North and building domestic capacity to tap into global markets. It was obvious however that the shift to trade issues aims to draw attention away from the manifest failure of HIPC as Wolfensohn's standard response to questions on HIPC was that "debt relief is only half the story. We have to give developing countries access to global markets..." and so on.

Policy coherence and untying aid have also become linked with the Bank promoting the adoption of a common framework between the multilaterals and bilaterals to "reduce the burden on developing countries."

Once again, the Bank is co-opting and repackaging the demands of recipient governments and NGOs — who have called for aid to be de-linked from donor conditionalities to allow greater policy and financial choices at the national level — to suit its own policy objectives. The issue was first picked up by the OECD's Development Assistance Committee (DAC) and has now re-surfaced in the World Bank. In the

transition, however, the original arguments have been turned around and put in the context of efficiency and coherence with the result that the Poverty Reduction Strategy Papers (PRSP) and Country Assistance Strategies (CAS) might end up being the "cookie-cutter" for all aid flows.

The World Bank and the IMF however are living under the cloud of US isolationism and the ever-growing opposition to the kinds of economic policies and interests they promote. Mr Wolfensohn should enjoy this respite while he can, because it won't last for long.

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## Will Japanese Tourists Fly into Pearl Harbor II?

by Walden Bello\*

Honolulu is bracing for Pearl Harbor II in the first 11 days of May. All the ingredients are there.

First, thousands of Japanese tourists are flying in, the foot-soldiers of an annual invasion popularly known as "Golden Week."

Second, the Asian Development Bank (ADB), one of the most controversial multilateral aid agencies, is holding its 34<sup>th</sup> Annual Meeting at the Honolulu Convention Center near Waikiki, meaning that protesters will descend on the city along with the tourists.

Third, the Honolulu Police Department is on war footing, armed to the teeth with new weapons recently purchased for use during the ADB meeting. Honolulu media now carry regular features on riot preparations.

And fourth, there is a chance that President George W. Bush will accept an ADB invitation to address the meeting.

Hawaii's tourist industry is fretting, worried that Golden Week, one of the most lucrative times of the year owing to the descent onto the fabled islands of tourists with tremendous purchasing power, might not materialize this year owing to fears of violence. The image that haunts Robert Fishman, head of the Hawaii Tourist

Authority, and other Hawaii officials is that of Pike's Market on the Seattle waterfront on Nov. 30, 1999, when aggressive policemen in Darth Vader outfits started clubbing people, failing to distinguish tourists from the peaceful demonstrators that took refuge in one of that city's prime attractions.

A fatalistic sense that a Seattle is in the making is felt on all sides, including the ADB. Ian Gill, a senior external relations officer of the ADB, has thrown up his hands, claiming, according to one ADB source, that the preparations are "totally chaotic."

The main source of escalating tension is the police, a view that is shared even by ADB personnel. One senior Bank official told a member of the Hawaii Organizing Committee for the event, that the ADB was concerned about the Hawaii Police rattling their sabers and taking advantage of the annual meeting to acquire funding to modernize their riot-control equipment for other uses. Arguing that they had to prepare for the "worst-case scenario," the police initially demanded \$7 million for the purchase of sophisticated weapons and equipment.

In the lead-up to the event, the police have already moved to restrict traditional civil liberties. Police have banned the

standard free-speech zone near the Convention Center. This means that there is no place next to the Convention Center where ADB opponents and critics can express their opinions. The police also tried to declare two sites suitable for large rallies, Waikiki's Ala Wai Community Park and the Ala Moana Beach Park, off limits to demonstrators. ADBWatch, the coalition of groups organizing the protests, claims that already, people have been questioned and motorists stopped for having "Shut Down ADB" bumper stickers. It has also denounced police efforts to obtain the authority to instantly arrest anybody engaging in "sleeping activities" in a public part or on a beach, including Waikiki. A bill to this effect will be heard by the Honolulu City Council in the next few days, as will a measure allowing police to use stun guns, which are currently banned in Hawaii.

Other constitutionally questionable legislation has already been passed, however, including banning "possession with intent to use of any device capable of emitting an obnoxious substance."

Backing up Honolulu's 2,000 policemen are 5,500 members of the Hawaii Army and Air Force National Guard. In fact, National Guard personnel will double up as drivers for ADB delegates for security purposes—at US taxpayers' expense, it must be added. Also getting into the act are private security agencies, with one ADB senior official expressing alarm that

burly Samoans are being hired to "manage" demonstrators at the Hawaii Convention Center.

That police and state officials have gone overboard in security preparations is evident to many in Hawaii. A local newspaper quoted Honolulu Public Safety Director Ted Sakai as admitting that "95 per cent of protests will be peaceful." An ADB senior official reports that Hawaiians are very sensitive to what they see as possible oppression by the authorities through purchase of police equipment and the passing of restrictive laws in the Hawaii legislature.

The way the security question is overshadowing everything else is disturbing ADB officials who were initially eager to use the Honolulu meeting to "clean up" the ADB's well-deserved image of being an agency that uproots people, promotes socially disruptive development, and destroys the environment.

Officials at the Manila-based agency are, in fact, furious that what they see as the "mishandling" of the security issue by Hawaii officials is giving their agency an image associated with police repression. A senior member of a preparatory mission to the Honolulu in March complained to University of Hawaii officials about the atmosphere of negativity about the Bank and its activities that now blankets the city.

Yet, the ADB has to share responsibility for escalating the

expectations of confrontation, according to a member of the Hawaii Organizing Committee for the event. "They [the ADB] could have told us right from the beginning that practically all the protests that have been staged at its previous annual meetings were peaceful," the source, who wished to remain anonymous, said. Even the 2,000-strong protests by fisherfolk and farmers in Chiang Mai last year were exemplary for the way they combined militance with non-violence. Instead, when it moved the site of its 34<sup>th</sup> annual meeting from Seattle to Honolulu, Bank representatives told Hawaii authorities it was doing this because, unlike Seattle, Honolulu was "peaceful and free of demonstrators." Once it became clear, however, that it was no longer immune to demonstrators even in Paradise, the initial requests it made for security "triggered runaway fears in the mind of a police force obsessed with the Seattle example."

"If you prepare for violence, you will trigger violence," says Cha Smith, who works with ADBWatch. They are turning the Aloha State into a Police State."

So what would you do if you were a Japanese tourist in Honolulu during Golden Week? "Better carry a gas mask and a hard hat," she advises. "Better yet, don't come to Hawaii until after May 15."

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