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.

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THE ROAD TO MONTERREY PASSES THROUGH WASHINGTON

Monterrey, Mexico is the venue for next week's Financing for Development Conference. Monterrey is the capital of one of the country's most prosperous states, Nuevo Leon, within spitting distance of Texas, and the sort of big open country where President Fox can try out his cowboy boots. It is also home to thousands of 'maquiladoras' which have proliferated along the US-Mexico border since the liberalisation of trade and investment under the North American Free Trade Agreement (NAFTA). The conditions in these "assembly lines" for foreign industry are notoriously bad.

The conference itself will be held at the CINTERMEX convention centre which, among other features, boasts the "NAFTA room" – a mega-conference hall seating close to 8,000 made up of three sections: Mexico, United States and Canada. Conveniently, the convention centre also houses the permanent offices of more than 150 "world class corporations."

Across town, a civil society "Global Forum," organised by several networks of Mexican NGOs and unions, is underway at the Fundidora Park which was, until 10 May 1986, the Monterrey Steel Mill. According to a press release on the Global Forum website, over 12,000 families were victims of exploitation at the hands of "businessmen and the neoliberal economic model" after the mill closed, a story recalled at the opening of the forum by ex-steel worker Jesus Medellin.

"Thousands of workers from the Monterrey Steel Mill, founded at the beginning of the last century, were laid off without compensation, harassed, and accused of being communist and lazy as a consequence of the privatizing processes, the corruption, and the structural and political adjustments at the service of major capital", he said.

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Medellin said he was "speaking in the memory of hundreds of workers who were scalded, electrocuted, or died in work related accidents provoked by exploitive conditions and who were never compensated by the company."

In the name of the ex-workers Medellin supported citizens initiatives towards eradicating an economic policy that keeps 40 million Mexicans poor and invited people "to construct a system of fair social politics, without exploitation and in favor of the people, not the government."

Unfortunately, the chances of Mr Medellin's wishes being fulfilled in Monterrey are absolutely zero.

Financing for Development – or, as Vandana Shiva calls it, financing for globalisation – is a low point for the UN and no one should be surprised that the Washington Consensus has "morphed" into the Monterrey Consensus.

The fatal flaws of FFD were evident from day one. First, the WTO, IMF and World Bank were slap bang in the middle of the process as "equal partners," a decision endlessly justified by UN bureaucrats who argue that it's better to have them inside than outside. The warning bells should have rung even louder when, at the second prep com in February last year, the US representative to the UN insisted that the mandates of the WTO, IMF and World Bank "should be respected." The US, he said, was "concerned that the development financing process might be used as a vehicle for the United Nations to interfere in their governance and decision-making mechanisms." Any such attempt, he warned, would be opposed by the US.

The outcome of such a compromised process is entirely predictable and the Monterrey Consensus represents an unprecedented level of "convergence" around a blatantly neo-liberal economic model (well-padded in the language of poverty alleviation, good governance and sustainable development) and which shifts the responsibility to the South and extracts no commitments from the North. Why and how the G77 allowed the process to slip so far away from their own agenda and interests remains a mystery.

Another mystery is why "civil society" stuck to the rules of engagement. We should have denounced this process from the beginning, rather than hanging-on in the vain hope that something would come out of it. Granted, some crumbs on Tobin taxes and ODA were tossed from time to time, but they came to nothing. We have now seen the draft consensus document and it is deeply flawed. What's more, we know that regardless of what is agreed in Monterrey, the US will do what it likes. Knowing what we know, we should not be sitting at the Monterrey "Roundtables" giving credibility to this deplorable farce. Instead, we should be boycotting the whole sorry affair. How many failed UN summits will it take for us to realise that the UN is weak and compromised and is now signing off on a political document which delivers nothing on debt, nothing on redistribution and reparations, nothing on the regulation of markets and corporations and nothing for the global South.

Let's not make the same mistake in Johannesburg.

Next week, Focus on the Global South, along with colleagues in the Philippines, will be mounting a 'peace mission' to Mindanao and in this issue of Focus on Trade, Walden Bello writes about the folly of US intervention in the "cauldron of Basilan." We will report on the mission in the next issue. Also in this issue, Shalmali Guttal blows away the smokescreen of "information disclosure," Mark Weisbrot warns that the political backlash from squeezing Argentina too hard may be more than the IMF can handle (although, the "failure" of the IMF's recent mission to Argentina seems to give the them the upper hand in the stand-off). Finally, trade unionist and researcher Gerard Greenfield analyses the diabolical effect of Vietnam's success in the coffee market, showing the risks of putting all your eggs in the cash-crop basket and, finally, Vandana Shiva's thoughts on Financing for Development.

AFGHANISTAN II OR MOGADISHU II: THE PHILIPPINES AS 'SECOND FRONT"

By Walden Bello*

This article appears in the March 18, 2002 issue of The Nation [New York].

THE Bush Administration's opening of a so-called second front against terrorism in the Philippines has stunned people here with its swiftness. Less than three weeks after the decision was jointly announced by Washington and Manila in early January, the first wave of US troops landed in Zamboanga City, about 460 nautical miles south of the Philippine capital. The reality of this new front in another distant land was brought home to many Americans by the crash of a US helicopter in treacherous waters on February 22. Officially tagged an accident, the tragedy took the lives of ten US soldiers, eight of whom belonged to an elite Special Forces unit.

Not surprisingly, the national debate in the Philippines, which a decade ago closed down two massive US bases it had hosted, has turned ugly very quickly. President Gloria Macapagal-Arroyo has taken to calling opponents of the deployment "anti-Filipino" and "Abu Sayyaf lovers," referring to the terrorist group that is ostensibly the target of the mission, while critics have warned that the decision will precipitate the downfall of her administration. In one of those quicksilver transformations for which Philippine politics is famous, ex-senator Juan Ponce Enrile, widely regarded as the man who torpedoed the impeachment proceedings against former President Joseph Estrada a year ago, is now feted in some quarters as a nationalist for his public stand that the deployment violates the Philippine Constitution.

The US plan calls for the immediate deployment of 660 troops in western Mindanao. Some 160 of these are members of the Special Forces, who are to be assigned to the war-torn island of Basilan, about seventeen miles southwest of Zamboanga, in what is being labeled a "training exercise" with 3,800 Filipino troops. Two advisers will be assigned to each company of 100 soldiers engaged in a search-and-destroy mission against the Abu Sayyaf. These advisers are not supposed to engage in combat, though the terms of engagement allow them to fire in self-defense.

Even before the operations are under way, however, controversy already attaches to the issue of who will command these advisers. The Philippine government said Philippine Army officers would exercise authority over the US troops, while the Pentagon insisted that its soldiers would not function under foreign command. Not surprisingly, the Pentagon won, with the final terms of reference, released on February 12, setting forth a potentially messy dual command structure in actual field operations.

But that is a minor tempest compared with the larger issue of whether the US advisers should be in the Philippines at all. The deployment clearly violates the Philippines' 1987 Constitution, which says that no foreign troops are to be allowed in the Philippines except under a treaty. The one full-fledged security treaty the Philippines has with the United States, the cold war-era US-Philippine Mutual Defense Treaty of 1951, commits the two governments to jointly repelling external aggression aimed at each other, while the Visiting Forces Agreement, signed in 1998, legalizes and regulates US participation in military exercises designed to counter external attack. Neither allows the use of foreign troops in quelling local insurgencies or criminal activities like the Abu Sayyaf's kidnapping spree.

The Abu Sayyaf was created in the early 1990s by young Islamists alienated from the two big rebel groups fighting for independence for the Muslim people of the Philippines, the Moro National Liberation Front (MNLF) and the Moro Islamic Liberation Front (MILF). The MNLF was regarded as too secular and the MILF as not fundamentalist enough by the Abu Sayyaf founders, who wanted to bring all Muslims in Mindanao—the country's second-biggest island—under an Islamic state where Muslims would be able to practice Islam in its "purest and strictest form," as its key intellectual, the now-deceased Aburajak Janjalani, put it. Many people in Mindanao, however, are skeptical about the ideological protestations of the Abu Sayyaf. Some regard it as just another of western Mindanao's numerous bandit groups, whose invocation of Islam is designed to confer respectability on its criminal activities. Others see it as a creation of the Philippine military originally designed to weaken the MNLF and MILF but that, like Frankenstein's monster, evolved beyond the control of its minders.

The kidnappings for ransom that the Abu Sayyaf engages in are not what makes it unique—such kidnappings are a dime a dozen throughout western Mindanao—but rather their spectacular character. It made millions of dollars in ransom money after it hit the resort island of Sipadan two years ago and made off with a multinational set of victims it kept as hostages for months. Hardly had that shock worn off when it snatched more than a dozen guests and workers from the Dos Palmas resort on the island of Palawan last May and ferried them in high-speed boats to Basilan, more than 300 miles away. This time, there were three American captives, missionary couple Gracia and Martin Burnham of Kansas and Guillermo Sobero of California. Sobero was beheaded early on, while the Burnhams are still in the Abu Sayyaf's hands, along with Filipina nurse Deborah Yap. Philippine security officials claim that links were forged in the early 1990s between representatives of Osama bin Laden and the Abu Sayyaf. However, not even President Arroyo claims there is evidence that ties continued after 1995. Some Southeast Asian police investigators have, in fact, suggested that people suspected of being agents of bin Laden's Al Qaeda organization, such as Farathur Raman Al Ghozi, a recently arrested Indonesian accused of a number of bombings, have ties to the insurgent MILF rather than to the Abu Sayyaf.

WHY THE PHILIPPINES?

So why rush to the Abu Sayyaf stronghold of Basilan? Undoubtedly, a key incentive for President Arroyo is the aid that Washington has promised her administration in return for her declaration of fealty to President George W. Bush. About $100 million in military aid has been committed to the badly under-funded Armed Forces of the Philippines. Even more critical are the billions in economic aid and foreign investment promised by Washington and Wall Street during Arroyo's visit to the United States last November. The centerpiece of her program to jump-start the Philippine economy during this period of global recession is massive economic support from Washington. For her, the global anti-terrorist campaign is first and foremost a business proposition, and she made this very clear when she emerged from her meeting with President Bush in Washington in November and boasted to Filipino reporters that "it's $4.6 billion, and counting."

Beyond the promise of massive aid, President Arroyo perceives a positive political fallout from the coming of the Americans. She is banking on the popularity of a hard line against the Abu Sayyaf among Mindanao's Christian majority. This group enthusiastically supported the aggressive military campaign against the MILF launched by Arroyo's predecessor, Joseph Estrada. Although Estrada was ousted by a middle-class-based popular uprising in January 2001, the Christian majority still voted overwhelmingly for his allies during the congressional elections last May. Arroyo figures that bringing in US troops to stiffen a badly performing Philippine Army will bring a significant bloc of votes over to her side in time for the 2004 presidential elections. "I wish the administration would just say that it is basing its decisions on what it thinks is the popular mood rather than attempting the impossible—trying to prove that the American troop deployment is constitutional and legal," says Wigberto Tanada, a former senator who is the main convener of an anti-interventionist alliance called Gathering for Peace.

When it comes to Washington's motives, many here see the Bush Administration's choice of the Philippines as a second front in its global anti-terror campaign as having been made in haste and as the result of a process of elimination. Somalia evokes memories of the disastrous 1993 Ranger raid that led to the withdrawal of US troops; Yemen and Sudan are unknown, forbidding territory; and action against Iraq is—at least for now—precluded by the absence of consensus among the key policy-makers. In these circumstances, the Philippines—with a fiercely supportive head of state, being a former colony and possessing a familiar culture—stood out.

Representative Etta Rosales of Akbayan (Citizens Action Party), one of the country's most respected legislators, feels there is an even deeper reason: In her view, the United States has been pushing hard to reintroduce a US military presence in the Philippines ever since it lost its bases in 1991. An effort to push through an Acquisition and Cross Servicing Agreement similar to that negotiated with Japan met strong opposition both in and out of government in the mid-1990s. Strong lobbying by the Pentagon, however, produced the Visiting Forces Agreement in 1998, which reopened the gates through which US troops poured in under the guise of conducting military exercises with their Filipino counterparts. Exercises normally have had a duration of a few weeks. But the 2002 "Balikatan" (Shoulder-to-Shoulder) Exercise in Basilan is projected to last six months, and its aim, suspects Rosales, is to lay the ground for a longer-term and more intensive military presence. "They were simply waiting for the perfect moment, and the Abu Sayyaf's alleged links to Al Qaeda provided the perfect excuse," she contends.

THE CAULDRON OF BASILAN

The US Special Forces will find their Filipino allies demoralized by antiquated and inadequate equipment and very low pay. Probably the only reliable fighting unit in the armed forces is the Marines. The army's reputation is so bad that many residents of Basilan swear that a few months ago, the Abu Sayyaf were able to break out of encirclement in the town of Lamitan by paying off the Scout Ranger units that had the bandits and their hostages in their grip. The biggest problem that the

Special Forces will face, however, is Basilan itself; as journalists Marites Vitug and Glenda Gloria put it in their Under the Crescent Moon: Rebellion in Mindanao. Basilan, an island of some 1,370 square kilometers, is a "war laboratory," where "battalions of young soldiers are trained to become tough and where senior military officers are stationed before they are promoted." Its literacy rate is the lowest in western Mindanao, and half the population lives in poverty.

Basilan's social history is a microcosm of forces that have transformed the region of Mindanao and made it a land of permanent war. Muslims belonging to the Yakan ethnolinguistic group form the majority, but large numbers of them have been dispossessed by a migrant Christian population that streamed into the island with the logging concessions, agribusiness firms and multinational corporations, some of which arrived as early as eighty years ago. Jose Torres Jr., a specialist in Basilan society, estimates that today Muslims constitute 71 percent of the population but Christians own 75 percent of the land, with ethnic Chinese controlling 75 percent of local trade. The result is a combustible mixture that has produced unending streams of resentful recruits first for the MNLF, then for the MILF and the Abu Sayyaf.

Until now, the Abu Sayyaf, which is estimated to number from a few hundred to a thousand in western Mindanao, never had a significant mass base in Basilan. But recent military actions, like the arrest of scores of Muslims on such flimsy grounds as being related to suspected members of the terrorist group, is creating precisely that base. While Christians favor the Americans' coming, Angelina Ludovice, a respected community organizer in Isabela, the provincial capital, warns that "Muslims now see the whole thing as directed at them."

Unlike Afghanistan, Basilan is a typical setting for an insurgency: Forests and communities overlap, creating both physical and popular cover for combatants. The hunt for combatants easily leads to abuses against civilians, turning many into insurgents. Yet while the insurgency has a mass base, so does the counterinsurgency, for the place is riven by a deep ethnic and religious divide that continually threatens to produce communal bloodshed. Now with the threat it poses of tilting the balance of forces sharply in favor of the central government, the military and the Christian community, US intervention may yet accomplish what has so far eluded the Muslims: an operational unity among the rival organizations of the Abu Sayyaf, the MILF and the MNLF.

There is, however, one thing that Christians and Muslims share, and that is the fear of bombing. Both communities, says Ludovice, know about the intense bombing that accompanied the Afghanistan campaign, and they worry that the same thing can happen in Basilan. So far, news about what the Americans will bring to the training refers to infantry tactics, lessons in night-flying, skills in night-fighting with night-vision goggles and sophisticated surveillance work. What made the difference in Afghanistan, however, was precision bombing, and it is hard for many Filipinos to believe that massive air power will not be employed against suspected Abu Sayyaf strongholds. With Basilan's ecology of overlapping forests and communities, the results of such a campaign could be devastating in human terms.

In short, the slightest acquaintance with Basilan's tortured history reveals the folly of the US deployment. For even if the Special Forces and their protegees do decimate the Abu Sayyaf, the unchanged conditions of ethno-religious discrimination, inequality and poverty will continue to breed extremist responses. Only an aggressive program of social and economic reform will break the cycle of injustice and terrorism. The Americans may leave after six months, but it will be the locals who will be left with managing a situation that is worse than before.

THE MANILA SCENE

As in Basilan, things are coming to a head in Manila. Seemingly confident just a few weeks ago, President Arroyo is now prone to utter sharp words about her critics in public. There are now daily demonstrations at the US Embassy, and on February 11, Gathering for Peace, perhaps the most powerful coalition of opponents of the US troop deployment, was born. Scores of people at the event sang "Bayan Ko" (My Country), the melancholic theme song of the struggle to oust the US military bases in the late 1980s and early '90s. One of the leaders of that campaign, Professor Roland Simbulan of the University of the Philippines, told the crowd, "We're in the minority now. So what's new? We were also in the minority at the beginning of the anti-bases campaign, but in the end we built up a solid patriotic majority."

While Gathering for Peace was being launched, the film Black Hawk Down was playing to large audiences in Manila theaters. A friend who has seen it says, "I thought this was a pro-war film. It actually makes a powerful case against intervention." True—underneath the patriotic gore, the film about the disastrous 1993 Delta Force and Ranger raid in Mogadishu actually sends out two powerful lessons, perhaps inadvertently. One is that US units like Delta Force, the Rangers and Special Forces are veritable killing machines. The second is that even when you kill large numbers of people—and in less than twenty-four hours, the Americans killed more than a thousand Somalis—you can't prevail against an enraged population that does not want you around. A few weeks after the raid, the United States withdrew from Somalia.

As US troops prepare to plunge into Basilan's witches' brew of insurgents, terrorists, bandits, warring communities and inhospitable jungle, one has a feeling that history, cunning and inscrutable, might this time deal the Americans a hand that is less like Afghanistan and more like Mogadishu. Indeed, to have an operation begin with a helicopter crash does not augur well for its outcome. "Abu Sayyaf 10, US Zero" is the comment making the rounds in Manila.

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DISCLOSURE, OR DECEPTION? MULTILATERAL INSTITUTIONS AND ACCESS TO INFORMATION

By Shalmali Guttal*

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Hua Hin, Thailand, March 4-6, 2002

THE discussion of information disclosure should be located in the larger context of rights and governance. The public's right to know is now considered indisputable by most proponents of democracy. It is articulated in the Universal Declaration of Human Rights and the International Covenant on Civil and Political Rights and most of us would agree that meaningful public participation in democratic processes requires informed discussion and debate.

By governance, I refer to a comprehensive and transparent system of rules, processes, and procedures that ensure the protection of peoples' rights to knowledge and decision-making, and accountability and responsibility for decisions made and actions taken. Policy decisions have economic, social and political consequences, and it is crucial to examine whether those who bear the greatest costs of decisions have been involved in making these decisions.

In this context, both the World Bank and the Asian Development Bank (ADB) fail in their practices on information disclosure and access to information. Both institutions are completely unaccountable to the public, highly non-transparent in their policy formulation and decision-making, and irresponsible in their stated commitment to promote public participation, and equitable and fair access to information.

THE POLITICS OF INFORMATION DISCLOSURE

Access to information is primarily a political issue and embedded in power relations and the exercise of power. It involves not simply the ability to access existing information but also the generation of information that would influence the public's ability to participate in making decisions that shape the future directions of their societies and countries. The capacity to generate information and to enshrine this information in social and institutional memory as "knowledge" is indeed a powerful one. Both the World Bank and the ADB have these capacities and have used it to their full advantage in the name of information disclosure.

The information disclosure policies of both institutions are comparable in some fundamental shortcomings.

1. IRRELEVANCE TO DECISION-MAKING

The most obvious flaw in the information disclosure policies of the World Bank and the ADB is that they have little to do with influencing key policy decisions made by the institutions. It does not matter how much paper or how many megabytes they make available; the most important decisions in both institutions are made according to the economic and political interests of their more powerful members and not according to broad based public interest.

Equally important here is the issue of how decisions within these institutions are made. Again, public debates or public interest priorities have little meaning here. It is widely acknowledged that a significant reason why developing countries have been disadvantaged by multilateral institutions is that they have been marginalised from the formal decision-making systems of these institutions.

In the World Bank, formal decision-making power is based on the size of capital subscriptions. Here, the United States (US), with a 17.6 percent voting power has the formal clout to veto decisions that it does not favour. The only contender on the horizon to the US's power in the World Bank is Japan, whose capital share and voting power the US has been able to limit to eight percent. Formal power is further supplemented by informal mechanisms. The World Bank President is always a US citizen and the Bank's location in Washington DC has helped to ensure that (US approved) US citizens account for a quarter of senior management and higher-level professional staff. According to a US Congressional Research Service analysis, the advantage of the World Bank and multilateral development banks to the US (and other rich lenders) is that they are able to demand performance standards of their borrowers that the US and other lenders may be reluctant to impose on a bilateral basis.

What Japan has lost in the World Bank, it has claimed in the ADB. According a number of ADB insiders, the ADB operates by the rules of "Japanese culture." Decision- making is "consensus-driven" (in the Japanese way) and takes place through informal discussions in hallways among select members of senior management and the Board. The ADB too has specific key senior positions reserved for the nationals of its more powerful capital subscribers. Sole and final authority on all decisions rests with the President of the ADB who is also the Chairman of the ADB's Board of Directors—and most important, is Japanese. Although members of the Board are supposed—at least in theory—to consult with the national capitals they represent for major policy decisions, senior management have no such cumbersome requirements. Their primary concern is to ensure that no policy or issue goes to the Board unless they are confident that it will receive majority approval from the Board. And if this approval is not possible through informal "consensus-building," senior management is likely to delay the process by bringing additional steps into the formal decision-making process.

In sum, decision-making in the ADB and the World Bank is controlled by exclusive, closed circles of top leadership and senior management and guided by multiple levels of self-interest. The present information disclosure policies of the two institutions are not going to change this situation.

2. SELECTIVE DISCLOSURE

Another fundamental flaw in the information disclosure policies of the two institutions is that they only disclose what is convenient to them and advance their institutional interests. What is more important than the information they disclose is what they do not disclose.

The World Bank's recently revised information disclosure policy continues to focus on providing people with information about decisions already taken, rather than making available the information needed for the public to participate in decision making. In the new policy, key documents such as tranche release memoranda, the Bank President's reports, drafts of Country Assistance Strategies (CAS) for most countries, and the draft and final documents for most structural adjustment lending will not be made available to the public. The Bank's Board was apparently divided on the question of transparency in structural adjustment lending and these divisions are reflected in the complicated agreement that was eventually reached. Final versions of some documents for low-income borrowers will be made available, while documents pertaining to middle-income borrowers will be left to the "discretion" of borrowing governments to disclose.

According to the Bank Information Centre (BIC), a US based policy research organisation that has monitored the World Bank's information disclosure process exhaustively, under the new policy the Bank has essentially abdicated responsibility for its own transparency by pushing such disclosure decisions onto borrowing governments. It has thus clearly chosen to deny the public its right to access key documents regarding structural adjustment lending.

Also under the new policy, the World Bank's Board of Directors will continue to govern in total secrecy. Again according to BIC, the Board has yet to acknowledge that the public has a right to know how they are being represented within the Bank. Almost no progress has been made regarding disclosing information about project lending. While the World Bank claims that it is interested in including project-affected communities in decision-making, it refuses to make important documents about project design and implementation, and financing agreements available to the public until after decisions have already been made.

The ADB on its part proudly touts its website, and the number of reports it has published and made available on the website as evidence of its commitment to information disclosure. However, according to a source close to the

ADB, what is not on paper is the real issue. What is available on the website or in published form is not pertinent to the ADB's decision-making processes. Too many decisions are made through closed, informal discussions that should be accessible to the public. Much of this information is also not equally shared within the ADB itself and delegates from poorer and thus less powerful countries are as likely to be kept out of the loop as the public.

ADB secrecy is amply demonstrated in case of the Samut Prakarn Wastewater Management Project in Thailand. Despite repeated requests by project-affected communities and members of the Thai Senate, the ADB did not disclose the project profile, procurement documents or even initial environmental and social impact assessments of the project. Project-affected communities and supporting non-governmental organisations presented substantial data to the Bank about the potential negative impacts of the project. They also pointed out how the project violated Thai laws, and many of the ADB's own operational policies (such as anticorruption, governance, confidentiality and disclosure of information, and environmental assessment requirements). However, the ADB continued to maintain that it saw no evidence of wrongdoing or negative impacts, but at the same time, it did not disclose the information on which its assessment was based.

By October, 2001, the Samut Prakarn project went into the ADB's inspection process, which itself has been wracked with non-transparency, conflict of interest and disagreements between the Bank's senior management, inspection committee, inspection team and the Thai Government. An inspection report has been submitted by the inspection team to the Bank without the team even having visited the project site or talked at length with project-affected communities. Even so, sources within the Bank have indicated that the inspection report finds violations of key Bank policies and procedures. The project should have been re-appraised at a much earlier stage, before the second loan for the project was made. But of course, the report is secret, and it is not known when and in what shape it will find its way to the public domain.

In the meantime, project construction continues and affected communities cannot expect any compensation from the ADB for lost livelihoods and a degraded environment. The position and response of the ADB in the Samut Prakarn Wastewater Management project is not simply a violation of its own information disclosure policy; it is a fundamental betrayal of the public's right to know.

3. DUBIOUS QUALITY

Given the high degree of secrecy that governs the information disclosure policies of the World Bank and the ADB, it is difficult to trust the quality and integrity of the information that it does disclose.

The recent draft water resources sector strategy prepared by World Bank staff was found wanting by members of the World Bank's Board. Quite a few World Bank financed infrastructure projects have been marked with scandals of corruption and bribery, which occurred even as senior Bank staff reported that all was well. One of the Bank's own internal reports in 1999 indicated that the Bank has tolerated corruption, legitimised false statistics and was complacent about the state of human rights in many of its borrowing countries. The Bank's close involvement with the Suharto regime in Indonesia—to which it funneled US $30 billion in 30 years—has been well documented. Bank management was found violating its own rules on environment and resettlement in the China Western Poverty Project. The Meltzer Commission report released in February 2000 found that the failure of Bank projects is 65-70 percent in the poorest countries and 55-60 percent in all countries. In sum, the Commission concluded that the World Bank was irrelevant to the achievement of its stated mission of global poverty alleviation. Not surprisingly, none of this information was made available to the public by the Bank itself.

The information provided by the ADB about its own policies is out of date with developments within the institution. For example, long pending reviews of its Information Disclosure Policy and the Inspection Policy have yet to be conducted. Preliminary problems with both policies thus far have been kept secret, as have debates between senior management and the Board about the quality of ADB programmes and projects. The ADB's lawyers have advised Board members to not make public statements about the possibility or state of project inspection processes (as in the case of Thailand and Sri Lanka). The Operational Manual for ADB Staff has not been updated for at least five years. Staff policies that should have been reviewed years ago are still unchanged, while other policies approved five years ago have still not been included in the Manual—at least not in the version that is publicly available. There is thus a great deal of confusion among Bank staff as to which policies they should follow—those on paper (but outdated), or those agreed on by the Board (but not yet included in the operations manual).

Given that the information disclosure practices of the World Bank and the ADB do not provide complete, accurate, and reliable information to the public, nor do they facilitate public participation in the Banks' policy and programme development, what purpose do they serve? I would conjecture that the primary aim of these practices is to keep the public occupied with sometimes interesting and largely irrelevant information while the Banks get on with business as usual. This is not information disclosure in any meaningful sense, but rather, this is deception.

STRUGGLING WITH GOVERNANCE

There is ample evidence to show that neither the World Bank, nor the ADB are in a position to preach to the world about transparency, accountability, good governance and participation.

In order to bolster its image, the World Bank attempted to engage the public in at least two global initiatives, the Structural Adjustment Programme Review Initiative (SAPRI) and the World Commission on Dams (WCD). In both these initiatives, the public—which included many long-time critics of the Bank—entered into what they hoped would be a good faith process of research and dialogue with a variety of opposing interest groups. And despite challenges and compromises, they stayed with the processes. The World Bank, on the other hand, started to back-peddle as soon as it became clear that the two reviews were generating information that contradicted its self-created scorecard of successes in structural adjustment programmes and support for large dams. In the case of SAPRI, the Bank produced its own report, which ignored the findings of the research in which its own staff was involved. And by so doing, it effectively closed off any substantive or meaningful discussion with the public about structural adjustment. In the case of the WCD, the Bank more or less rejected the Commission's findings and is taking refuge behind opposition to the report by some country governments as an excuse to not implement the WCD recommendations.

In the meantime, the Bank continues to impose structural adjustment through a new programme—the Poverty Reduction Strategy Papers (PRSP), which the Bank claims are nationally owned and participatory. However, investigations into the PRSP process by civil society groups reveal that PRSPs are plagued with the same flaws of policy and conditionality imposition, inaccessibility of information and absence of any serious learning from past Bank imposed reform programmes. In the same vein, the Bank has entered yet another global review process, this time of mining and extractive industry. But here, the Bank does show some institutional learning. The process is far more closed and exclusive than the WCD, and the Bank is attempting to exercise greater control than before over the review structure and process. Sources close to the World Bank have indicated that the Bank may be on a path towards "downward harmonisation" of project and programme standards in an attempt to ensure that it does not lose its infrastructure and borrowing clientele.

The ADB has its own problems of internal governance and non-transparency. The Samut Prakarn Wastewater Management Project inspection process has opened a can of worms within the ADB, highlighting problems of poor leadership, staff confusion, and lack of responsibility and accountability. The inspection process revealed the inconsistencies between the ADB's stated policies, what is recorded on paper and actual implementation. A particularly alarming internal by-product of the inspection process appears to be a rush within the ADB to update the staff operations manual towards protection from future inspection processes. According to sources close to the ADB, the Bank may try to arbitrarily decide which of their policies and which parts of their policies are subject to inspection, and which are not. In the future, project managers are likely to be in a bind as to whether they should focus their efforts on faithfully meeting project objectives, or on implementing the "inspectable" policies and thereby protecting themselves from the risks of future inspection processes.

Like the World Bank, the ADB may also be moving towards a general lowering of programme and project standards by arbitrarily deciding which of its policies are "inspectable" and which are simply "good practice." And it is more than likely that these downward spirals will be accompanied by a lot more irrelevant information disclosed through paper and megabytes, even as decision-making and democratic oversight in the two institutions become increasingly remote to the public.

Secrecy in public information disclosure policy is a violation of the social and political compacts between a people and their governments. Governments are—at least in theory—expected to be accountable to their peoples for the decisions they make. Multilateral institutions—which are public institutions—argue that they are directly responsible to the governments that constitute their clientele, and not to the public. However, the policies and practices of these institutions have severe and long-term consequences that are not borne by governments alone, but by the populations in the client countries. And the less directly accountable a public institution is to the public, the more open and transparent it needs to be in order to uphold its stated commitments to democracy, good governance and social responsibility.

Experience to date shows that the World Bank and the ADB have failed in this regard. They are in no position to preach the values of openness, transparency and accountability to anyone until they fundamentally restructure internal and external governance of their own houses.

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22 February 2002

FINANCING FOR GLOBALISATION, NOT FINANCING FOR DEVELOPMENT

By Vandana Shiva

On 30th Jan 2002, the U. N. General Assembly proposed a 'Draft outcome of the International Conference on Financing for Development" for the Financing for Development Summit to be held in Monterrey, Mexico, on 21 and 22nd March 2002.

The "Monterrey Consensus" has the following "leading actions".

- Mobilizing domestic financial resources.
- Mobilizing international resources for development: foreign direct investment and other private flaws.
- International trade as an engine for development.
- Increasing international financial and technical cooperation for development.
- External debt
- Enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development.

All the actions point to acceleration of economic globalisation and widening of the gaps between rich and poor. It is not about mobilizing finances for people's development and sustainable development but mobilizing public resources for private sector benefits.

The action of "mobilizing domestic financial resources for development" is not about increasing people's security, and improving livelihood and employment opportunity. Instead, mobilizing domestic resources is viewed as vital for "encouraging the private sector and attracting and making effective use of international investment".

To attract foreign direct investment "countries need to continue their efforts to achieve a transparent, stable and predictable investment climate, with proper contract enforcement and respect for property rights". In other words the Bechtels and Enrons should continue to have full opportunities to free investment, even if they bankrupt countries, their employees and even themselves. Bechtel should have the right to sue Bolivia after people's movements threw it out for privatising the water of Cochabamba and attempting to making super profits from selling water.

Enron should have a right to sue India, and claim "compensation" for electricity it could not sell from its Dabhol Power Plant because it was beyond the purchasing power of people and inspite of the project itself being another example of Enron's corrupt practices. The Monterrey consensus is about the rights of the Bechtels and Enrons, not the people of Bolivia or the people of India.

It does not address the crisis of corporate control and corporate corruption as a major source of hemorrhaging of the wealth of communities and countries. It does not address how monopolies in seeds and agricultural trade are impoverishing farmers, pushing the poor to starvation and draining rural communities of their natural and economic resources.

In spite of the evidence that globalisation, trade liberalisation and structural adjustment programmes have increased poverty and inequality and deepened underdevelopment, the Draft outcome reaffirms the commitment to trade liberalisation

and states that:
increased trade and foreign direct investment could boost economic growth and could be a significant source of employment.

The Monterrey consensus is in fact coercively and undemocratically arrived at Doha consensus. As the declaration states,

"to ensure that world trade supports development to the benefit of all countries, we encourage the members of the World Trade Organisation to implement the outcome of its Fourth Ministerial Conference, held in Doha, Qatar, from l9 to 14 Nov, 2001."

Official development assistance too has been made subservient to corporate globalisation:

ODA can be critical for improving the environment for private sector activity and can thus pave the way for robust growth.

There are no people in the Monterrey declaration. The calls of Jubilee 2000 on Debt and the movement for the Tobin Tax have found no reflection in the Monterrey consensus which focuses on investment and trade and liberalisation. It is the MAI and Doha in the cloak of "development". The Monterrey Summit should be called "Financing for globalisation" not "financing for development".

IMF PLAYING WITH FIRE IN ARGENTINA

By Mark Wesibrot

BUENOS AIRES — "It's an explosive mix," said Ruben Cortina, a professor of law and economics at the University of Buenos Aires. "The middle classes are angry because their savings have been partly expropriated. The unemployed, at 22 percent and growing, have gotten nothing. And even those with jobs have had falling wages, and now face the prospect of even lower living standards due to inflation."

The mix already exploded less than two months ago, when tens of thousands of people poured into the streets to defy then President Fernando de la Rua's declaration of a "state of siege." It was a collapse of state power — a rare event that in other countries might have resulted in what is commonly called a revolution.

Calm has returned to this sprawling city of 9 million, with its wide boulevards and European architecture carrying reminders of the country's relatively prosperous past. But unless the new government of President Eduardo Duhalde can reverse Argentina's accelerating economic decline, the peace may not last long.

Can this be done? Contrary to the theme of most business reporting and forecasts, Argentina could recover relatively quickly without suffering further economic contraction. The country is actually running a surplus in both its trade and government accounts — if we don't count interest payments. In other words, Argentina doesn't really need foreign aid so much as it needs a moratorium on its debt service payments.

In fact, the story of Argentina's debt is really the story of its current economic crisis. And if we look at the numbers, it is decisively not a case of a government trying to live beyond its means. From 1993 to 2000, government spending as a share of the economy — again, excluding interest payments — was basically unchanged.

So what happened? Most importantly, Argentina's interest payments increased. The trouble started in February of 1994, when the US Federal Reserve began a series of rate hikes that doubled US interest rates, from 3 to 6 percent. Since Argentina's peso was fixed to the dollar, the shock hit especially hard. Investors began to fear that the country's higher interest payments would lead to devaluation and default.

These fears multiplied, and capital fled the country, when Mexico devalued the peso in December of 1994. This caused a recession in Argentina. The economy recovered in 1996, but not for long: then came the Asian economic crisis (August 1997). Global financial markets spread the contagion to Russia and then Brazil. When Brazil's currency collapsed in 1998, Argentina's fate was sealed. The economy has been in recession — which is now really a depression — for nearly four years. In December, the inevitable currency devaluation and default on government debt finally happened.

In other words, Argentina fell victim to the caprices of the global economy, as well as some bad policies — most deadly was the fixed exchange rate that tied the peso to the dollar. These policies were supported and sponsored by the International Monetary Fund. All this would be just interesting history, if not for the fact that the IMF is at this very moment trying to force further budget cuts on Argentina's government.

The Fund is still acting as though government spending is the problem. But the budget cuts will most likely worsen the depression: economists here are projecting another 8 percent drop in GDP for 2001, or worse.

It doesn't have to happen this way. The government of President Duhalde proposed a reasonable economic recovery program when he took office: one that would have made the banks absorb much of the cost of the devaluation, tax the oil companies (who will reap a windfall from the devaluation), revive domestic industry, and suspend interest payments on the foreign debt.

But the IMF is a debt collector, and it insisting on more austerity and pain. Other governments — most notably that of Malaysia during the Asian economic crisis — have stood up to the IMF, and done better for it. But Duhalde's government has little backing among Argentines — he was chosen by the Congress, not a popular vote. And people here are deeply cynical about their politicians and government.

So the Fund's officials have the upper hand. But they better be careful about how much debt service they try to squeeze out of this collapsed economy, and how many more people they push into poverty. They are playing with fire this time.

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VIETNAM AND THE WORLD COFFEE CRISIS: LOCAL COFFEE RIOTS IN A GLOBAL CONTEXT

By Gerard Greenfield*

We hope that it is feasible to use coffee beans as fuel.
Manfredo Topke, President, National Coffee Growers Association (Anacafe)

Hunger is what pushed us here.
Euxenio Rugama, Nicaraguan coffee plantation labourer in a protest march from Matagalpa to Managua in August 2001

THE COFFEE CRISIS

On May 24, 2001, 14 young Mexican immigrants died in the Arizona desert while attempting to enter the US to find work. Of the 14 who died, six were bankrupted coffee farmers from the state of Veracruz. They were among an estimated 300,000 coffee farmers in Mexico who have been forced to leave their land in search of work. These deaths – directly linked to the collapse of world coffee prices - symbolise the desperation and sense of crisis faced by small coffee farmers and coffee plantation workers throughout the region, and the world.

In Nicaragua hundreds of unemployed coffee workers and their families began a different journey – marching from Matagalpa to Managua to protest the destruction of their livelihoods and to demand government support for small farmers. Nearly 400,000 families in Matagalpa are dependent on wages paid by 44,000 coffee growers. As the price of coffee continues to decline (down 64% in two years), these families face even greater poverty.

World coffee prices have fallen to their lowest level in 32 years. Before this price collapse coffee was the world's largest traded primary commodity after oil. An estimated 60 million people make their livelihood from coffee, and that livelihood – precarious and impoverished even in better times – is now under threat.

In El Salvador the drop in coffee prices, combined with the devastation caused by the January 2001 earthquake, left more than 30,000 coffee workers unemployed.

In East Timor income from coffee production fell by 35%, affecting 40,000 families who rely directly on coffee growing for their livelihood.

In Indonesia the selling price for a kilogram of coffee beans fell to Rp.3,000/kg, more than the cost of production at Rp.4,000/kg. In coffee-growing regions such as Lampung, Sumatra, small farmers were plunged deeper into debt.

In southern India the price of robusta fell from Rs73.03 in 1998 to Rs30.24 per kg in 2001 – a drop of 58.6%. At the same time production costs rose from Rs45.98 to Rs66.75 per kg, more than double the current selling price.

In Guatemala coffee growers are also faced with bankruptcy as selling prices continue to fall below production costs. They have started selling low-grade coffee to burn as industrial fuel in the hope that it can fetch a higher price.

The burning of coffee occurred in a different context in Chiapas. On April 17, 2001, members of the indigenous coffee cooperative Maya Vinic burned part of their coffee crop in protest at the collapse in prices.

Another instance of coffee burning took place in Vietnam a year earlier, in August 2000, when more than 150 ethnic Edeh in Dak Lak Province in the Central Highlands attacked a settlement of coffee farmers, destroyed houses and burned two hectares of coffee trees.

Despite the aggressive crackdown by the Vietnamese government, the protests escalated, and in February 2001 an estimated 4,000 ethnic Edeh and Gia Rai (Jarai) held protests in Pleiku, the capital of Gia Lai Province, while another 1,000 protested in Buon Ma Thuot, the capital of Dak Lak Province. They blockaded National Highway 14, setting up barricades on the roads 10 km outside Buon Ma Thuot. The protesters demanded the return of ancestral lands and an end to the coffee plantations that are destroying their forests. Despite the use of armed military troops and the arrest of 30 protest leaders, the the protests lasted nearly two weeks. This was the most serious rural uprising since the protest by 10,000 villagers in the northern province of Thai Binh in mid-1997.

The common thread underlying the coffee burning in Chiapas and Guatemala, and protests in Nicaragua and Vietnam is the impact of the global coffee crisis on small farmers, agricultural labourers and their communities. Within this is an even greater impact on indigenous peoples and their communities, as they respond to both the failure and 'success' of export-oriented coffee cultivation.

Vietnam has become a successful producer. In general, we consider it to be a huge success.
Don Mitchell, Economist, World Bank

VIETNAM'S RISE

The bankruptcy of coffee farmers in Guatemala and Nicaragua, massive financial losses in the Honduras, El Salvador, East Timor and Indonesia, and even the deaths of Mexican immigrants in the Arizona desert have all been linked to Vietnam. The oversupply of coffee in the world market and the subsequent fall in prices is blamed on Vietnam's recent rise as a world coffee producer. The head of Vietnam's Coffee and Cocoa Association (VICOFA), Doan Trieu Nhan, recently quoted the president of the International Coffee Organisation (ICO) as stating that Vietnam is "the culprit of plummeting world coffee prices." (Thanh Nien, August 12, 2001).

Within a decade Vietnam has risen from an insignificant coffee producing country to be the second largest coffee exporter in the world, and the largest producer of robusta coffee beans.

In 1999 Vietnam surpassed Indonesia as the largest producer of robusta coffee and the third largest coffee producer in the world after Brazil and Columbia. By the end of the year 2000, Vietnam's coffee production surpassed that of Columbia, making it the second largest coffee producer after Brazil.

Most of this growth occurred in the last 5 years, with an expansion of harvested area from 155,000 hectares in 1995 to 550,000 hectares in 2001. Exports rose in this period from 4 million to 14 million bags (accounting for 12.3% of the world's 114 million bags). Only 4% of coffee grown is consumed domestically, with the rest exported. Due to the limited number of coffee processing plants all of the coffee exported is unprocessed. Existing plants, such as the state-run Bien Hoa Coffee Factory and Nestle Vietnam, are geared towards the domestic market and are operating well below capacity.

Coffee growing in Vietnam is concentrated in the Central Highland Provinces of Dak Lak, Lam Dong, Gia Lai and Kon Tum. There at least 470,000 hectares of land under coffee cultivation, accounting for 85% of Vietnam's total coffee harvest area. (Some estimates put the total coffee area in the Central Highlands at 514,000 hectares). Dak Lak has the largest area under cultivation, with 264,000 hectares.

These coffee plantations have their origins in the official re-settlement of nearly one million ethnic Kinh people (the majority ethnic Vietnamese) to New Economic Zones in the Central Highlands. Since these provinces border Cambodia and Laos, the Vietnamese government actively promoted the migration of ethnic Kinh to ensure national security and protect against subversion by ethnic minorities. Members of indigenous groups (such as the Edeh and Gia Rai who rioted in February) now make up only 25% of the population of these provinces.

Even after official government re-settlement ended, a 'free flow' of migrants into the Central Highlands continued, largely because of the promise of wealth in growing coffee. The coffee tree was now called the 'dollar tree.'

Since 1996 an estimated 400,000 people migrated to Dak Lak to benefit from the coffee boom. More than 120,000 hectares was burned and cleared to make way for new coffee plantations.

As the ancestral forests of the indigenous people were turned into coffee plantations, many joined the rush to plant the 'dollar tree', while others waged a campaign to protect their land.

The destruction of forests, rapid expansion of coffee cultivation, and intensive irrigation practices led to soil erosion and serious water shortages. Natural rivers and estuaries ran dry and underground water levels dropped. When drought struck in 1998, 200 reservoirs ran dry and underground water supplies were over-exploited. During the drought it was estimated that 90% of families in Dak Lak did not have access to sufficient water. As water prices rose by 25%, small farming families lost over 70,000 hectares of coffee trees.

Despite the drought coffee cultivation expanded and more and more small farmers borrowed money to plant coffee trees and buy fertiliser. Coffee traders began lending money to farmers in advance for the purchase of their crops – locking them into debt and mono-cropping.

An estimated 80% of coffee trees in the Central Highlands are owned by small-scale private farmers. On average farming households own only one to two hectares. The other 20% is owned by the subsidiaries of the state-owned Vietnam National Coffee Corporation (VINA CAFE).

Since 1994, coffee has been the second most important foreign exchange earner for Vietnam after rice. But in 2000, Vietnam's coffee export earnings fell to US$458 million, a fall of 18.8% compared to the previous year's earnings of US$564 million. In the period from January-September 2001, revenue declined by 30% compared to the previous year. In the Central Highlands coffee growers lost an estimated US$172 million from the 2000-2001 crop.

In early 2001, there were temporary price rises which encouraged small farmers to continue growing coffee despite signs of a long-term collapse in coffee prices. In January 2001, the per kilogram price of coffee rose by VND1,000 in Lam Dong and Dak Lak. But another price drop followed only three weeks later. In mid-February prices fell each day for 5 consecutive days. In response, coffee farmers started burning their trees. In Dak Lak alone over 10,000 hectares of coffee was cut down, burned or abandoned.

At the same time official plans were announced to reduce total coffee output and raise prices by cutting down 150,000 to 180,000 hectares of coffee trees, including 70,000 hectares in Dak Lak and 40,000 hectares in Lam Dong (Thanh Nien, August 12, 2001).

THE COLLAPSE OF ACPC

The Vietnamese government's plans to destroy up to 180,000 hectares of coffee trees follows a series of failed attempts to reduce output and restore world prices.

On May 19, 2000, the Association of Coffee Producing Countries (ACPC) passed a resolution requiring its members to retain the equivalent of 20% of export volume. Created in 1993 under the leadership of Brazil, the ACPC comprised 14 member-states, and was designed to regulate world coffee prices in the same way that OPEC regulates oil prices. Significantly, Vietnam was not a member of the ACPC.

The retention scheme launched by the ACPC in May 2000 was intended to reduce oversupply in the world market and raise coffee prices. Although Vietnam was not a member of the ACPC, the Vietnamese government announced plans to support the proposal and retain 20% of export volume, or 150,000 tonnes. The Government bought and stockpiled 60,000 tonnes at the end of 2000, then another 90,000 tonnes in early 2001. However, the Government released most of the stockpile within 6 months, causing a further drop in prices.

When the retention plans failed and global oversupply reached more than 10%, the ACPC passed a resolution on September 27, 2001, suspending the retention plan effective on October 1. The ACPC then ceased operations.

Following the failure of the ACPC retention plan, new regional arrangements were sought, especially by Indonesia. In early December 2001, the Association of Indonesian Coffee Exporters (AEKI) announced that the world's three largest producers of robusta coffee – Indonesia, Vietnam and India – will meet in Hanoi in January 2002 to discuss joint action to limit exports and raise coffee prices.

Despite these attempts to establish a post-ACPC bloc of robusta producers to regulate prices, Indonesian coffee exporters played a role in the recent price collapse. In the 2000-2001 season, Indonesian exporters imported 500,000 bags of green coffee beans from Vietnam for re-export. Of this amount 200,000 bags were supplied to the domestic roasting industry then exported, while the other 300,000 bags were re-exported unprocessed. In April 2001, Indonesian coffee exporters again started importing cheaper green coffee beans from Vietnam in order to meet new orders for dried and roasted coffee at prices.

Every week the price falls sharply on the American market in New York. The price fluctuations affect us badly in Timor Lorosae because our coffee is sold on the American market.3
Sisto Moniz Piedade, Operational Director, Cooperative Cafe Timor (CCT)

It's an excess of supply and not enough demand. Even so, the farmer survives. He will not become rich, but he will not starve. His level of poverty will be acceptable.
Celsius Lodder, Executive Director, International Coffee Organization (ICO)

GLOBAL-LOCAL LINKAGES

While Vietnam's failure to reduce export levels contributed to the collapse of the ACPC, there is a more important political and economic global-local dynamic involved. This dynamic is based on several factors, including:

1. The impact of international financial markets
2. The role of TNCs which dominate the global coffee industry
3. The power of the 'Agro-Export' model

1. The impact of international financial markets

The basic price of coffee is set by traders on the New York Coffee, Sugar and Cocoa Exchange Inc. and the London International Futures Exchange. It is these prices which directly impact on local traders and growers. For example, on October 9, 2001, the price of robusta on the London International Futures Exchange fell to its lowest level in 30 years. On the same day the price of coffee beans in Dak Lak fell to VND4,000/kg – half the the production cost of VND8,000/kg. In one sense the speed of this reaction, and its direct impact on local prices, reflects the impact of new technologies. On the other hand, the power of traders on the coffee exchanges and the hyper-exploitation of small growers through their speculative transactions is nothing new, and is consistent with the world coffee industry's colonial past.

The point is that as long as prices are determined on the London and New York exchanges by powerful economic interests in Europe and North America, the ACPC could not effectively manage prices and protect its members. In fact, the ACPC was only created in 1993 because of the collapse of the International Coffee Agreement four years earlier. In its drive to impose the 'free market' on the rest of the world, the US government strongly opposed the regulation of world coffee prices through the Agreement, forcing its collapse in 1989. It was only after this that low-cost producers such as Vietnam entered the market and undercut prices.

2. The role of TNCs which dominate the global coffee industry

Despite the crisis – or more accurately, because of it - the transnational corporations (TNCs) which dominate the global coffee industry continue to profit. Proctor & Gamble (which owns Folgers), Philip Morris (whose subsidiary Kraft Foods owns Maxwell House), Sara Lee (Hills Bros., MJB) and Nestle dominate the world coffee market. As Nestle's annual report on its coffee-trading performance in 2000 states that: "trading profits increased ... and margins improved thanks to favourable commodity prices." (Quoted in Oxfam, Bitter Coffee: How the Poor are Paying for the Slump in Coffee Prices, May 16, 2001).

Not only do these TNCs profit from the crisis faced by coffee growers and workers, but their manipulation of prices and world coffee demand contributed to the current crisis. In the 1980s and early 1990s, fierce competition between TNCs for market share saw an emphasis on price rather than quality, encouraging the use of lower-grade robustas, especially in canned coffees. This led to the rapid expansion of lower-grade robusta coffee.

The devaluation of the Vietnamese dong in 1997 was quickly exploited by coffee traders and retailers. TNCs such as Nestle started sourcing from Vietnam to drive down prices, forcing its traditional suppliers in Mexico and Central America to lower their prices. However, even Vietnam did not benefit from this shift. Despite raising production levels to meet an expected demand of 55,000 tonnes of robusta for instant coffee in the 1998-99 season, Nestle purchased only 4,500 tonnes from Vietnam. Similar price manipulation was demonstrated by Nestle's recent pressure on the Mexican government. In January 2001, the Mexican government gave Nestle a license to import 600,000 bags of coffee from Vietnam. This led to a drop in local prices before any coffee was even imported.

Nestle is now financing new R&D programs in coffee production in Vietnam's neighbour Thailand. It has already identified 7 out of 20 coffee strains it plans to promote for widespread, export-oriented coffee production. Similar R&D is currently being financed by the World Bank in another of Vietnam's neighbours – Laos.

The expansion of genetically modified (GM) coffee beans by TNCs threatens to further reduce coffee prices and undermine the livelihood of the small farmers. The advance of GM coffee will facilitate increased concentration of coffee growing in agro-industrial plantations and TNC-based contract growing.

While the impact of TNCs has been extensive, it is important to recognise two other important factors:

First, Vietnamese companies played a direct role in driving up coffee production. State-owned corporations, in particular VINA CAFE and its subsidiaries, encouraged local speculation in coffee. VINA CAFE built close ties to overseas trading companies and retailers and acted as a conduit for their exploitation of Vietnamese coffee farmers. State commercial banks also saw greater returns on coffee and geared lending to local farmers in this direction. Another driving interest behind coffee cultivation was the sale of fertiliser – both by state-owned corporations searching for a new internal market of intensive fertiliser consumption and state trading companies profiting from the import of fertilisers (especially from countries such as Indonesia).

Second, regional TNCs within Asia have played a critical role. VINA CAFE's closest ties are with Japanese trading companies such as Itochu and Mitsui. The over-expansion of robusta was in part due to rising demand for low-grade beans use in canned coffee. Much of this trade was conducted via Singapore.

Another significant regional TNC is the Singapore-based corporation, Olam International. Olam is a global trading house which deals in agricultural commodities including coffee, cashew nuts and cotton, and is one of the world's largest shippers of robusta coffee. In fact, from 1995 and 1996, Vietnam's coffee exports to Singapore were double exports to the US, and in 1997 Singapore still ranked higher as an export destination than Switzerland and the US.

VIETNAM'S COFFEE EXPORTS, 1995-97 (TONNES)

Importing country	1995	1996	1997
Singapore	69940	53935	72156
Switzerland	21942	21242	66338
United States	38578	27278	37900
Germany	15001	22014	28725
Japan	15458	14020	22027

More recently Olam established a US$1.7 million joint venture, Olam Viet Nam Ltd., in Vietnam. This involves the opening of two new coffee processing factories in Lam Dong Province's Di Linh District and Dac Lac Province's Dac Nong District. The Di Linh factory has a processing capacity of 15,000-18,000 tonnes per year, while the Dac Nong factory will have an initial annual capacity of 8,000 tonnes. The opening of these factories not only takes advantage of lower costs in Vietnam but also encourages small farmers in the area to continue producing coffee.

3. The power of the 'Agro-Export' model

Although a number of NGOs, 'fair trade coffee' campaigners, and journalists have blamed World Bank policies for Vietnam's over-production of coffee, there is not much evidence to support this claim. There was minimal direct Bank lending to the coffee industry in Vietnam. Indirect loans may have played a role, but decisions on actual financing were made by the Vietnamese Bank of Agriculture and state commercial banks. More importantly, the timing of Vietnam's coffee boom does not match the increase in World Bank activity in Vietnam. Given that coffee trees take four to five years to mature, the extensive planting which led to an explosion of coffee output would have taken place in 1990-91. The bulk of World Bank lending and its imposition of 'free market' policies did not begin until after the US embargo was lifted in 1995. In fact bilateral loans and 'aid' – particularly from Western European countries and Japan – have played a more significant role in financing Vietnam's coffee expansion. (Even at the height of the crisis the France Development Fund announced a US$40 million loan to Vietnam in 1998 to create 40,000 hectares of arabica coffee. Although this was presented as an 'alternative' to robusta coffee, the emphasis was still on export-oriented expansion of coffee plantations. The recent decline in arabica prices means that farmers who borrowed under this fund at a rate of VND15 million per hectare face financial difficulty even before the trees can be harvested.)

Although a number of NGOs, 'fair trade coffee' campaigners, and journalists have blamed World Bank policies for Vietnam's over-production of coffee, there is not much evidence to support this claim. While the World Bank was responsible for promoting neoliberal ideology among Vietnam's political elite and encouraging export-oriented dependency, there was minimal direct Bank lending to the coffee industry in Vietnam."

The search for direct institutional links between the World Bank/IMF/WTO and domestic economic policies often leads to the neglect of more powerful structural and ideological influences. Since 1989 the Vietnamese government has embraced key elements of neoliberal ideology – imposing far-reaching de-regulation and privatisation programs and enforcing the commercialisation and export-oriented expansion of agriculture.

In February 2000, the Government recognised the existence of capitalist production in agriculture and endorsed its expansion. Labeled the "farm economy", this type of production is based on the private accumulation of land and hiring waged labour. Under the new resolution on the farm economy, farm owners can hire an unlimited number of workers and determine their wages. In addition they may use their land to mortgage loans from state commercial banks.

It is in the context of the commercialisation of agriculture, export-oriented expansion and the rise of the farm economy that the World Bank plays an important role – not in terms of direct loans, but in shaping and reinforcing a dominant neoliberal development ideology. This is further reinforced by the conditions imposed on Vietnam by the US government under the new Vietnam-US bilateral trade agreement and the painful process of gaining accession to the WTO.

Structural pressures are equally important. By structural pressures we mean the social, political and economic conditions which force governments to adopt export-oriented development strategies and lock them into a specific 'development model.' A key influence is the pressure of external debt repayment.

I've been working hard for 40 years, and now I owe money.
Santiago de la Rosa, small coffee farmer, El Pajal, Guatemala

Why should coffee be stored when world prices are taking a nosedive and the next crop is approaching? Also, VICOFA has loans to repay and can't afford to wait for higher prices.
Doan Trieu Nhan, President, Vietnam Coffee and Cacao Association (VICOFA)

Farmers are selling everything they can to repay bank debts. Anything of value in their house - all goes for sale to please the debt collectors.
Local coffee trader, Dak Lak Province, Vietnam

We live with coffee, we die with coffee.
Woman coffee farmer, Duc Minh, Dak Lak Province, 1998

DRIVEN BY DEBT

One of the reasons that the collapse in coffee prices has been so devastating for so many countries in the 'South' is that coffee exports are a crucial source of foreign currency needed to service external debt. The pressure of debt repayment is a driving force behind exports, locking these countries into the free trade and investment regime of the WTO and the structural adjustment policies of the World Bank and IMF. Failure to meet debt repayment deadlines merely places the governments of these countries under greater control by the transnational banks and the IMF.

The pressure of debt also locks in small farmers. Loans made under contract-growing arrangements promote dependence on a single cash crop (mono-cropping) and are tied to meeting quotas. The risk of defaulting means the loss of land. In April 2001, the Bourban-Gia Lai sugarcane processing joint venture prepared a lawsuit against 267 farming households in Agun Pa, Gia Lai Province, for defaulting on loans to grow sugarcane (Lao Dong, April 30, 2001). Coffee farmers in the province have already been threatened with similar lawsuits by coffee traders.

In October the State Bank of Vietnam ordered that coffee growers be given a moratorium of 3 years to repay loans. However, this only applies to formal loans from state commercial banks. Many coffee farmers are indebted to private lenders and traders who charge high interest rates and seek repayment in the form of land or coffee.

Ultimately farmers are prevented from diversifying their crops and are locked into loans geared to production for export. This is especially serious for coffee growers because of the long period it takes for coffee trees to reach harvesting age. Ironically, even as coffee prices collapse coffee growers are forced to intensify the use of fertilisers and raise production to try to meet debt repayments. The result is usually bankruptcy. According to a report by Vietnam Economic News (January 29, 2001), falling agricultural export prices coincide with rising costs of fertiliser. (The report also shows that only 9% of 12 million farm households live in permanent brick houses. Nearly 3.5 million have no access to electricity, and between 3 to 4 million do not have access to clean drinking water.)

In Dak Lak coffee farmers who burned their coffee trees are desperately trying to find another agri-export crop to earn enough to repay their debts. But the low price of other commodities – including rice and black pepper – has made this difficult. The only commodity not suffering a decline is fresh fruit and vegetables.

The sense of desperation faced by small farmers threatened with debt and bankruptcy, like the desperation which drove coffee growers from Veracruz into the Arizona desert, is very clear. As a local coffee trader in Dak Lak Province observed: "Farmers are selling everything they can to repay bank debts. Anything of value in their house - all goes for sale to please the debt collectors." (Quoted in Clare Black, "Hunger, disease grip coffee areas after price dive," Reuters, October 26, 2001.)

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AN INVITATION TO ALL THE FRIENDS OF THE MST OUTSIDE BRAZIL TO MOBILIZE AND JOIN US THE WEEK OF APRIL 8 TO 11 IN THE CITY OF BELÉM TO ATTEND THE TRIAL OF THOSE ACCUSED IN THE MASSACRE OF ELDORADO DOS CARAJÁS.

Dear Foreign Friends,

1. As you must already know, the trial of those officials who took part in the massacre of Carajás will take place starting April 8th, 2002. The trial will be held in the auditorium of the Justice Tribunal of Pará state, in the city of Belém. Judge Eva Coelho will preside over the trial, which will be organized in three large sessions. The first session will begin on April 8, when the four main commanders of the operation will be tried. Each session will last four days. The second session will begin on April 15, to try 17 officials of lower rank. On April 22, the trial of the 129 soldiers who were involved in the operation will begin.

2. The trial of the massacre of Eldorado dos Carajás has been manipulated by the ruling classes, who have used various tricks to avoid punishing those responsible for the death of the 19 rural workers. In our view, the massacre was premeditated and planned, with the objective of punishing the workers who struggle for land reform. The Military Police were directed by the governor of the state, Dr. Almir Gabriel, who still holds office. The Secret Service of the Military Police, headquartered in Marabá, directed the actions of the Military Police that were carried out on April 17, 1996, to open up the highway occupied by more than 600 landless worker families. The Military Police left their quarters without identification on their uniforms and without individual registration of the arms they carried. Instead of opening up the highway, the Military Police blocked the passage with troops who arrived shooting and using tear gas bombs on both sides of the road, surrounding the landless worker families, who began running. The balance was19 workers dead and hundreds wounded, 64 of whom will have life-long consequences. Among the dead, 13 were executed point-blank after being captured and immobilized. One of the MST leaders in that region, Oziel, only 18 years old, was captured and tortured in front of his comrades and afterwards beaten to death. During the torture, the police demanded that he shout “Long Live the MST”! All these facts are in the official findings. In the following years, two more landless workers died as a result of their wounds.

3. Almost seven years have passed and until today, no one has been imprisoned or sentenced for the massacre. In general, an accusation of murder will go to trial the same year. Of the judges in the Tribunal with criminal jurisdiction in Belém, only Dr. Eva Coelho accepted the mission of overseeing the trial of the massacre. The other judges recused themselves from this task. Why? In 1999, the first trial of the massacre took place, but the manipulations of the coordinating judge were so extensive that the jury ended up finding the officials innocent. The MST lawyers withdrew from the trial in protest and the trial was suspended. The Judiciary Power later annulled that trial.

4. So many years have passed that the ruling classes of the state of Pará (basically made up of the cattle barons and a layer of bureaucrats that always enrich themselves with public money, as was shown in the proceedings that led to the resignation of ex-governor and ex-senator Jader Barbalho) are working with the perspective that public opinion has forgotten and the persecution of the MST continues.

5. Six years after the massacre, the new trial was scheduled. But the scenario that they are presenting seems to repeat the farce of the previous trial with the objective of acquitting those responsible, as we can see from the following:

a) Those responsible for the command of the action were Governor Almir Gabriel and his Secretary of Security, who continue in their jobs and who were excluded from the trial.

b) The Federal Government had promised quick approval, using its legislative base, of a law that was going through Congress that would transfer the trials of crimes against human rights to federal jurisdiction. This project has been held up for three years in the Senate.

c) Former judge Otavio Maciel, who prepared the case for trial, in which there are various weaknesses such as the exclusion of the Governor and the Secretary of Security, is retiring and has become the spokesman for the Tribunal to the press. He used this job to take on the MST with statements to the press, clearly going on the attack against the MST.

d) Judge Eva Coelho, who is responsible for the trial and who will preside over the Tribunal, postponed the date of the trial on two occasions, alleging that the prosecuting attorneys had identified irregularities.

e) Although there was a technical opinion by experts from the University of Campinas about the videotape that proved the use of rifles by the Military Police at the beginning of the massacre, the Judge did not put this finding into the official documents. This proof is basic because the defense of the military police is based on the idea that the landless workers were armed and initiated the shooting. The expert testimony from the University of Campinas refutes this argument.

f) The members of the jury were chosen in December 2001. There are 21 people, of whom seven will be chosen on the day of the trial. The strange thing is that all are civil servants, the majority of them state employees and some in responsible positions. The municipal and federal employees are in a minority and there are no other representatives of other sectors of society.

g) The defense attorneys for the police prevented the Governor and the Secretary of Security from testifying during the trial.

h) The Prosecuting Attorney did not enlist any testimony from those workers who were present on the day of the massacre. Even the journalists who filmed the massacre are not obliged to testify, just as they did not appear during the first trial.

6. For these reasons, it is evident that the farce being presented for the trial must result in the acquittal of those responsible for the tragedy. The local judicial power is taking advantage of the electoral climate to produce a result favorable to the killers.

7. Thus the only way to try to prevent this farce will be the presence of foreign journalists and of leaders and members of human rights organizations who can denounce the bias of the trial.

WE INVITE ALL FRIENDS FROM OUTSIDE BRAZIL TO MOBILIZE AND BE WITH US THE WEEK OF APRIL 8 TO 11,2002 IN THE CITY OF BELÉM, TO ATTEND THE TRIAL OF THOSE ACCUSED IN THE MASSACRE OF ELDORADO DOS CARAJÁS.

8. If there is any need for a letter or a formal invitation to make the visit possible, or if you wish recommendations for lodging, please contact us.

Signed:

Human Rights Collective/MST [Coletivo de Direitos Humanos/ MST]
National Popular Lawyers Network/RENAAP [Rede Nacional de Advogados e Advogadas Populares-RENAAP]
Pastoral Land Commission/CPT [Comissão pastoral da Terra]
Social Network for Justice and Human Rights [Rede Social de Direitos humanos]

São Paulo/Belém
March 11, 2002

Please, proteste

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