

**Budget  
2003-2004**

## For the Rich, By the Rich

Nothing but an act of jugglery. This is how the Union Budget for 2003-2004 can be described. The Finance minister Jaswant Singh has simply wielded his magic wand to make the budget look 'all friendly'. A careful and deeper look into the budget proposals, however, reveals that it is full of contradictions.

While a number of concessions have apparently been given to a cross-section of Indian people, the micro-level arrangements nullify most gains. One might say that whatever has been given by one hand, has been snatched back by the other. True, the budget might have given smiles to the faces of big industrialists and corporate houses who are unceasingly singing paens to the Finance Minister for having created a 'feel good factor' through the budget. Maybe they are feeling good because many of their suggestions and recommendations have been incorporated in the budget. But even this is not true for everyone except the privileged ones in the textile industry and the MNCs eyeing the huge profits involved in the water services sector of developing nations. The budget has certainly given them major concessions.

This budget has also been touted as pro-middle class, giving it many concessions. The fact, however, is that these concessions are either superficial or are just the continuation of existing ones. In fact, the salaried middle class was so petrified by the Kelkar report that its non-implementation at the micro-level is being seen as a great relief. Otherwise, there is not much in the budget to feel happy about. The four proposals that have cheered the middle class are: (1) removal of five percent surcharge on income tax; (2) introduction of a tax rebate on the educational expenses of two children (upto a maximum of Rs 12,000; (3) increase in standard deduction (40 percent of annual income, or Rs 30,000, whichever is less); and (4) abolition of long-term capital gains tax. Now let us try to spot the sleight of hand here.

Of course, the proposal regarding surcharge on income tax will bring some relief to the middle class. But there is very little relief as far as the other three proposals are concerned. The tax rebate on educational expenses has been kept within the confines of Section 88, meaning that it will have to compete with other tax saving investments that are allowed more rebate. As for the increase in standard deduction, the benefit is only marginal and that too only for the minority among the middle class that earns between Rs 1.5 to 3 lakhs. And here is a rider. Whatever marginal benefit flows from these proposals is undone by the reduction in interest rates on small savings by one full percentage point. This will significantly bring down the returns for investor-taxpayers. The middle class is, thus, clearly at the receiving end. Its natural instinct to save for the future through small savings is being frustrated year after year with the reduction in the interest rate on such savings. On the other hand, it is being coaxed to risk more and more of its savings in the unstable share market.

Moreover, the proposal to abolish long-term capital gains tax will not give much relief as it applies only to shares acquired between March 1, 2003, and March 1, 2004.

The budget has also imposed an eight percent excise duty on branded and packaged refined edible oils, on which no duty was earlier levied. This will make the day-to-day life of the people miserable. The prices of all kinds of edible oils in the market have already shot up.

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Although a hike in the price of cooking gas was avoided by leaving the subsidy on it untouched in the budget, it can be done anytime in the year, outside the budget. This is so because, for all practical purposes, the Indian government has, for the last few years, appropriated the right to increase the prices of petroleum products as and when it wishes to.

Moreover, the 50 paise cess on every litre of petrol and diesel, ostensibly to finance new highway projects, will lead to an all-round increase in the prices of essential commodities. This proposal of the Union Budget will make the domestic budgets of lower middle class and poor households go haywire.

The items of daily use on which duties have been lowered are pressure cookers, biscuits, boiled sugar confectionary, kerosene pressure lamps and adhesive tapes. This, it seems, is a big joke on the people already reeling under the economic strain. The Finance Minister's message to the people is: Go and buy pressure cookers, even if you do not have the money to buy cooking gas, edible oils, cereals and pulses. Go and buy kerosene pressure lamps, even if you cannot afford kerosene.

To further add to the woes of the middle class, the budget has hiked the service tax to eight percent from the current five percent. It has also brought ten additional services under the service tax net. So, the next time you use the services of a vocational training institute or private tutorial, or enter into an annual maintenance contract, or visit your neighbourhood internet cafe, you will have to shell out more money, because now service tax will be levied on all these services. Thus your potential savings will simply fritter away.

To expect any relief for the poor in corporate-dictated budget will be asking for too much. In fact, the poor have simply ceased to exist for the Indian government as far as budgetary exercise is concerned. Earlier, at least a token lip service used to be there for the poor. Even that formality has been given up in this year's budget. The only measure explicitly directed towards the poor is the increased allocation for the Antyodaya scheme. This allowed the Finance Minister to claim in his budget speech that "*har paet ko dana milega*." This scheme offers 35 kilos of foodgrains every month to every poor household at half the prevailing PDS price. The number of "below poverty line" (BPL) households is estimated to be 530 lakhs. Among these, BPL cards have been reportedly issued to a mere 50 lakh families. Even if the Finance Minister keeps his promise to extend the scheme to include another 50 lakh families, the total coverage still would be only around 100 lakh families or less

than one-fifth of the poorest of the poor in India.

The issue of employment generation is closely linked to poverty alleviation. But this year's budget does not launch any 'employment generation scheme' either for urban or for rural areas. The budget instead attacks the small-scale industries that account for the bulk of employment in the manufacturing sector, both in urban as well as rural areas. The reduction in customs duty, the 'de-reservation' of as many as 75 items previously reserved for the small-scale sector, the increase in excise duties on some goods produced by small-scale industries from four to eight percent will all adversely affect this sector.

Health and education are two other sectors of vital importance for the common man. But the government is rapidly relinquishing its responsibility in these sectors and handing them over to the private sector. Over the years, there is only a marginal increase in real per capita planned Budgetary allocation. In fact plan capital allocation on education has declined from 30 paise per head in 2002-03 to 18 paise per head in 2003-04.

This year's budget clearly encourages increasing privatisation of the health care sector. It gives benefit of S.10 (23g) of the Income Tax Act to such financial institutions which will provide long term capital to private hospitals with hundred beds or more. Thus instead of taking steps towards strengthening of public health care infrastructure, the budget encourages the increasing privatisation of the health care sector. Similarly the proposal for community based universal health insurance scheme to be designed by LIC and GIC is ridiculous as only a very small segment of the economically deprived section of our population will be able to spend thousands of rupees on health care at private hospitals. So the people who benefit most out of it will be those who can spend such amounts and get it reimbursed later. Obviously the health corporates are unanimous in praising these proposals of the budget.

Thus some clear signals do emanate from the Budgetary exercise done for the year 2003-04. First, in governments' scheme of things the masses are getting increasingly marginalised and the corporate interests are occupying prime space. Second, the government wants people to save less and spend more and more in consumer and stock markets leaving them at the mercy of the market forces. Third, the feeling is increasingly gaining ground in the government set up that since corporate tax and income tax do contribute to the government kitty, only tax-payers interests need to be looked after. Poor do not pay taxes, hence they don't seem to matter for the

government. But the fact is that poor people's contribution (in the form of excise and customs duties they pay for each and every commodity they buy) to the government kitty is more than that of the creamy layer (tax-payers) of the society. They contribute 29 paise per one rupee to the tax-payers contribution of only 19 paise.

But then, as the quote on the cover of the government of India's document containing key features of Budget 2003-04 says, this Budget is of an "India that is on the move (*for the rich*)". An India, that now rapidly advances to prosperity (*of a few*). It is about an India that banishes (*the existence of poors*) poverty.....

-- Piyush Pant



## **'Our' Budget: Who Pays, and Who are Heard...**

By Satyadeep

*"Often, 'clever' is a word that is used disparagingly. It is not so in describing the Union Budget for 2003-04. It is indeed a clever budget. The Finance Minister has made the space to give some concessions to several sections of society and business; he has belied the fears of most people post Kelkar's direct tax proposals; he has focused on some areas of infrastructure; and he has outlined an integrated vision of accelerated economic growth. Everyone seems to be reasonably happy. Hardly anyone is sufficiently mad. And all of it has been executed at a low cost."*

CII's Analysis of the Union Budget 2003-04

This quote gives a sense of corporate India's overall reaction to this year's Union Budget. Of course, the bosses of big business, and those who aspire to those hallowed heights, have little reason to be "sufficiently mad" with "an integrated vision of accelerated economic growth." Especially because this "vision" has always evolved in an intimate relationship with the interests of, and addressing the concerns voiced by, "India Inc."

The corporate world has long assumed that the ills besieging the Indian economy are rooted in the frittering away of the "taxpayers' money" on "those who do not pay taxes." And this inevitably leads to a litany of prescriptions to the policy makers, setting the agenda for what needs to be done. Coming out as recommendations of various corporate fora, these often boil down to the necessity of closing the gap between the money that comes in and the money that is spent. How should the government do it? Of course, by casting the tax net wider (getting more people to pay taxes), cutting tax rates at the top (taking less from the corporates and the rich), selling off public sector enterprises, and cutting down on social expenditure (as military expenditure just needs to be

hiked in these times of "terror", in the so-called national interest).

This train of thought has gained wide acceptance in the circles that the media targets in covering the budget exercise. The various spokespersons of the corporate world are asked their reactions to the budget on every TV channel and in the columns of every newspaper. And theirs are the voices that we hear most loud and clear. The voice of the so-called "common man" is lost in this din. This article is an attempt to place the "common man" at the centre of the analysis.

### **Myth of the "Taxpayers' Money"**

Is it true that the money the budget allocates to various forms of expenditure really comes from the "cream" of society, from the rich and the mighty? Let us look at their contribution to the money that the government spends.

To find this out, we can look at the section of the Budget of 2003-2004 that deals with what the government receives. If the total receipts of government were one rupee (100 paise), the estimated contribution in 2003-04 of the various kinds of receipts would be the following:

(a) Corporation Tax	10 p.
(b) Income Tax	9 p.
(c) Excise	19 p.
(d) Customs	10 p.
(e) Other Taxes	2 p.
(f) Non-tax revenue	14 p.
(g) Non-debt capital receipts	6 p.
(h) Borrowings and other liabilities	30p.

These receipts can be divided into two categories: revenue receipts and capital receipts.

Revenue receipts refers to the money that comes to the government without any reduction in its assets.

Capital receipts are always accompanied by a reduction in the assets or an increase in liabilities of the government. These include recoveries of loans, disinvestment of public sector enterprises, and borrowings. We can see from the above listing that 64 p comes in as revenue receipts (a to f), and 36 p as capital receipts (g and h).

Revenue receipts include direct taxes, indirect taxes and non-tax revenue. Corporation tax, income tax and wealth tax are direct taxes. Indirect taxes include customs, excise duties and service tax. Revenue receipts also include a non-tax component. This includes interest received by the Centre on loans given to the states, the railways, public sector enterprises, cooperatives, port trusts, etc. It also includes dividends and profits from public sector enterprises, the Reserve Bank of India, nationalised banks and financial institutions. Revenue generated from various services provided by the government also forms part of non-tax revenue.

We can see that **corporate tax and income tax (direct taxes) together contribute 19 p (or 29.68% of revenue receipts) to the government fund.** This may be considered the contribution of the “cream” of society. Since the poor do not pay these taxes, they are not considered “taxpayers”. But every Indian (including the poor, who form the vast majority) pays excise duties each time he/she buys anything produced in the country. This revenue is included in the prices of commodities. Customs duties are included in the price of imported goods and are, therefore, paid by everyone buying those goods. **Excise and customs duties (indirect taxes) together contribute 29 p (or 45.31% of revenue receipts) to the one-rupee government fund.** This is the contribution of the “common man”.

This should be enough to expose the myth of the taxpayers’ money. If by “taxpayers” we mean only those who pay direct taxes, then their contribution to the revenue receipts of the government is only 29 percent. On the other hand, 45 percent of the money that comes to the government without causing any reduction of its assets is the contribution of everyone.

These percentages are based only on the estimates made in this year’s budget. The picture gets clearer if we look at the actual recoveries of last year (2002-2003), i.e., the money that really came to the government.

**Actual recovery of corporation and income taxes fell short of the estimates by 10%.** On the other

hand, **the shortfall in the actual recovery of customs and excise duties was only 2.7%.** So, even in recoveries, the record of indirect taxes is far better.

It should be clear, therefore, that to consider the richer minority as “taxpayers” and the others as “those who don’t pay taxes” is a total distortion of the facts.

**The truth is that everyone is a taxpayer.** A poor construction labourer buying his salt, edible oil, bidis, matchbox, etc. is as much a taxpayer as the richest corporate lord. Just consider this:

Harish is an “unskilled” labourer who smokes a bundle of bidis everyday. Each time Harish buys his bundle of bidis and a matchbox, he contributes 5 paise as excise. Since this amount is included in the price, it remains invisible to him. But he is nonetheless contributing Rs 182 every year to the government, only by buying bidis and matches. Let’s calculate the annual contribution by the purchase of bidis and matches by 20 crore people like Harish. It comes to 3640 crore rupees. This gives an indication of the way the poor contribute to the government kitty without even noticing it.

### **Contribution of the Public Sector**

Another widely prevalent myth treats the public sector as an inexcusable drain on the government funds. We do not come across any discussion that talks about the contribution of the public sector to the government funds. What do the figures in this year’s receipts budget tell us?

If we look at the section on non-tax revenue, we find that Rs 20,193.94 crores actually came to the government as dividends and profits from public sector enterprises, nationalised banks and financial institutions in 2002-03. This represents 8.5% of the total revenue receipts of the Centre and was exceeded the budget estimate of 2002-03 by Rs 1,388.94 crores. In 2003-04, the government expects to get only Rs 17,861.07 crores as dividends and profits, which is 7% of the estimated revenue receipts.

This is in tune with the ongoing process of selling off (disinvesting) public sector enterprises. Disinvestment will mean that less money will come in as dividends and profits to the government. Even as the government is unable to ensure full recovery of direct taxes, it is fully willing to cut off this source of non-tax revenue.

If this isn’t inverted thinking, then what is?



## How to Save on Tax, Even Now

*By D. Murali*

When the taxman gets busy, the tax payer has to get extra busy. Just as when traffic jams develop, one has to explore alternative routes, what do you do when Jaswant has done his job? The pessimist says, "It's all sealed." But the optimist would say, "Let's explore." So:

### **Get Married**

That may sound too awful a suggestion to start with. However, Jas has a soft corner for kids. Which is why he says education expenses up to Rs 12,000 per child would be eligible for tax rebate. He doesn't say anything about marriage, but one can safely assume that as given. And there is incentive to have a second kid too, because the rebate is for a max of two. The only catch is that Sec. 88 of the Income-Tax Act is like an unreserved railway coach where there could only be standing space for the new concessions such as these.

### **Become a Builder**

They say the best way to learn is to become a teacher. And the best way to get a house is to start building for others. Even as everybody was afraid of his or her roof being peeled off by a Kelkar-inspired Budget, the kind Jaswant has not only left that undisturbed but has offered a boost to construction industry. Income from housing projects for construction of residential units will now be exempt from income-tax. Get the local authority's approval before April 1, 2005, and the year of completion is not relevant. You can wait for more incentives in the pipeline for slum upgradation and sewerage system laying also.

### **Write, Overwrite**

So, you always wanted to become an author. Be creative, because there is the carrot of full exemption of up to Rs. 3 lakh for royalty income for authors of literary, artistic and scientific books. Writing a book on, say, "The PAN numberology", or "Problems of residents of high-rise building on M.G. Road" should be as easy as penning a tome on "The breeding habits of spotted panthers in semi-arid regions" or "Credit needs of perpetually cash-starved businesses during 17<sup>th</sup> century".

### **Grow Old**

When you see special proposals in the Budget, you know how much you miss H.G. Well's gizmo, the 'Time Machine'. The FM wishes to enable the old to live their life of retirement in dignity, so the tax rebate for them would be raised to Rs. 20,000. Also, to reduce their cost of compliance, self-declarations would be enough to get the TDS bug off their backs.

### **Go Quadrilateral**

Well, that's what everybody is talking about, the Golden Quadrilateral. A lot of money is being pumped in there and if you are anyway a part of it, as a road layer, or sign board painter, there's enough money to be made. join the gold rush.

### **Sell Water**

Don't spend money to buy water, rather sell it to make gains, rather sell it to make gains. Because 'orders have been issued' to grant depreciation at the rate of 100 per cent on plant and machinery, and buildings that house such gadgetry. "Water supply projects are now totally exempt in regards to capital goods and machinery, both from customs and excise duties." Pipes too are exempt from excise duty for bringing raw water. So, what're you waiting for?

### **Get Dividends**

this is a tough idea because paying dividend is in the hands of companies. Also, to get income in the form of dividends, you need to have performing shares, and be prepared to face the market risk. Yet, the fruits are sweet because dividends would be tax free in the hands of shareholders.

### **Hold On**

There is a lock that Jaswant puts on a carrot of long-term capital gains, that you would have to sell the crop after a lapse of a year to get the benefit.

So, there is merit in the advice to buy now and be blind to market movements for a year. Stay on board like to proverbial Casabianca who stood firmly on the burning ship, and let not bears frighten you. But the price of a year-long wait may be a capital loss, which is technically a negative gain that may be abbreviated as LTC(G).

### **Help Them Out**

If you can't beat them, join them. And they are looking for you. The taxman wants help. In the area of tax administration, Jaswant wants to initiate a whole basket of reforms. Such as outsourcing of non-core activities of the Department, and these would be the allotment of PAN, creation of data bank of high value transactions through tax information network and so on.

There could be more ideas sitting pretty within all those jargon-loaded notifications and memoranda, as also all those encrypted PDF files they have carefully uploaded in [www.indiabudget.nic.in](http://www.indiabudget.nic.in). Good luck.

*Courtesy : The Hindu Business Line*

## Unfinished Business

I. K. Shukla

*Imperialism can't survive  
without colonies  
Its God, greed,  
is the Third World's meed:  
loot and slavery, drenched in gore.*

*The insatiate savage will  
ever forage for more and more*

*Millions over eons have failed to sate it.*

*Millions more of men, women, and children  
to be turned into its fodder  
are supposed to love losing life and liberty.*

*However, they must be killed  
for a "civilisation" whirling in a macabre dance*

*for a fiend to fiddle and set freedom afire*

*for a "democracy" to advance  
infinite injustice and enduring serfdom.*

*Iraq will not be the last  
Nor were Hiroshima and Nagasaki.*

*The empire of evil  
the scourge of Satan  
the enemy of mankind  
(all bare, no blush)*

*will be easy to locate  
in the map, in the mind*

*even for those who are  
totally illiterate, and  
wholly blind.*

(Courtesy : Mainstream)



## **US Invades Iraq: Who is in Charge?**

*By Edward Said*

The Bush administration's relentless unilateral march towards war is profoundly disturbing for many reasons, but so far as American citizens are concerned the whole grotesque show is a tremendous failure in democracy. An immensely wealthy and powerful republic has been hijacked by a small cabal of individuals, all of them unelected and therefore unresponsive to public pressure, and simply turned on its head.

It is no exaggeration to say that this war is the most unpopular in modern history. Before the war has begun there have been more people protesting it in this country alone than was the case at the height of the anti-Vietnam war demonstrations during the 60s and 70s. Note also that those rallies took place after the war had been going on for several years: this one has yet to begin, even though a large number of overtly aggressive and belligerent steps have already been taken by the US and its loyal puppy, the UK government of the increasingly ridiculous Tony Blair.

I have been criticized recently for my anti-war position by illiterates who claim that what I say is an implied defense of Saddam Hussein and his appalling regime.

To my Kuwaiti critics, do I need to remind them that I publicly opposed Ba'athi Iraq during the only visit I made to Kuwait in 1985, when in an open conversation with the then Minister of Education Hassan Al-Ibrahim I accused him and his regime of aiding and abetting Arab fascism in their financial support of Saddam Hussein? I was told then that Kuwait was proud to have committed billions of dollars to Saddam's war against "the Persians", as they were then contemptuously called, and that it was a more important struggle than someone like me could comprehend. I remember clearly warning those Kuwaiti acolytes of Saddam Hussein about him and his ill will against Kuwait, but to no avail.

I have been a public opponent of the Iraqi regime since it came to power in the 70s: I never visited the place, never was fooled by its claims to secularism and modernization (even when many of my contemporaries either worked for or celebrated Iraq as the main gun in the Arab arsenal against Zionism, a stupid idea, I thought), never concealed my contempt for its methods of rule and fascist behavior. And now when I speak my mind about the ridiculous posturing of certain members of the Iraqi opposition as hapless strutting tools of US imperialism, I am told that I

know nothing about life without democracy (about which more later), and am therefore unable to appreciate their nobility of soul.

Little notice is taken of the fact that barely a week after extolling President Bush's commitment to democracy Professor Makiya is now denouncing the US and its plans for a post-Saddam military-Ba'athi government in Iraq. When individuals get in the habit of switching the gods whom they worship politically, there's no end to the number of changes they make before they finally come to rest in utter disgrace and well deserved oblivion.

But to return to the US and its current actions. In all my encounters and travels I have yet to meet a person who is for the war. Even worse, most Americans now feel that this mobilization has already gone too far to stop, and that we are on the verge of a disaster for the country.

Consider first of all that the Democratic Party, with few exceptions, has simply gone over to the president's side in a gutless display of false patriotism. Wherever you look in the Congress there are the tell-tale signs either of the Zionist lobby, the right-wing Christians, or the military-industrial complex, three inordinately influential minority groups who share hostility to the Arab world, unbridled support for extremist Zionism, and an insensate conviction that they are on the side of the angels. Every one of the 500 congressional districts in this country has a defense industry in it, so that war has been turned into a matter of jobs, not of security.

But, one might well ask, how does running an unbelievably expensive war remedy, for instance, economic recession, the almost certain bankruptcy of the social security system, a mounting national debt, and a massive failure in public education?

Demonstrations are looked at simply as a kind of degraded mob action, while the most hypocritical lies pass for absolute truth, without criticism and without objection.

The media has simply become a branch of the war effort. What has entirely disappeared from television is anything remotely resembling a consistently dissenting voice. Every major channel now employs retired generals, former CIA agents, 'terrorism experts' and known neo-conservatives as

'consultants' who speak a revolting jargon designed to sound authoritative but in effect supporting everything done by the US, from the UN to the sands of Arabia. Only one major daily newspaper (in Baltimore) has published anything about US eavesdropping, telephone tapping and message interception of the six small countries that are members of the Security Council and whose votes are undecided.

There are no antiwar voices to read or hear in any of the major media of this country, no Arabs or Muslims (who have been consigned en masse to the ranks of the fanatics and terrorists of this world), no critics of Israel, not on Public Broadcasting, not in The New York Times, the New Yorker, US News and World Report, CNN and the rest. When these organizations mention Iraq's flouting of 17 UN resolutions as a pretext for war, the 64 resolutions flouted by Israel (with US support) are never mentioned. Nor is the enormous human suffering of the Iraqi people during the past 12 years mentioned. Whatever the dreaded Saddam has done Israel and Sharon have also done with American support, yet no one says anything about the latter while fulminating about the former.

This makes a total mockery of taunts by Bush and others that the UN should abide by its own resolutions. The American people have thus been deliberately lied to, their interests cynically misrepresented and misreported, the real aims and intentions of this private war of Bush the son and his junta concealed with complete arrogance.

Never mind that Wolfowitz, Feith, and Perle, all of them unelected officials who work for unelected Donald Rumsfeld at the Pentagon, have for some time openly advocated Israeli annexation of the West Bank and Gaza and the cessation of the Oslo process, have called for war against Iraq (and later Iran), and the building of more illegal Israeli settlements in their capacity (during Netanyahu's successful campaign for prime minister in 1996) as private consultants to him, and that such has become US policy now.

Never mind that Israel's iniquitous policies against Palestinians, which are reported only at the ends of articles (when they are reported at all) as so many miscellaneous civilian deaths, are never compared with Saddam's crimes, which they match or in some cases exceed, all of them, in the final analysis, paid for by the US taxpayer without consultation or approval. Over 40,000 Palestinians have been wounded seriously in the last two years, and about 2,500 killed wantonly by Israeli soldiers who are

instructed to humiliate and punish an entire people during what has become the longest military occupation in modern history.

Never mind that not a single critical Arab or Muslim voice has been seen or heard on the major American media, liberal, moderate, or reactionary, with any regularity at all since the preparations for war have gone into their final phase. Consider also that none of the major planners of this war, certainly not the so-called experts like Bernard Lewis and Fouad Ajami, neither of whom has so much as lived in or come near the Arab world in decades, nor the military and political people like Powell, Rice, Cheney, or the great god Bush himself, know anything about the Muslim or Arab worlds beyond what they see through Israeli or oil company or military lenses, and therefore have no idea what a war of this magnitude against Iraq will produce for the people actually living there.

And consider too the sheer, unadorned hubris of men like Wolfowitz and his assistants. Asked to testify to a largely somnolent Congress about the war's consequences and costs, they are allowed to escape without giving any concrete answers, which effectively dismisses the evidence of the army chief of staff who has spoken of a military occupation force of 400,000 troops for 10 years at a cost of almost a trillion dollars.

Democracy traduced and betrayed, democracy celebrated but in fact humiliated and trampled on by a tiny group of men who have simply taken charge of this republic as if it were nothing more than — what — an Arab country? It is right to ask who is in charge, since clearly the people of the United States are not properly represented by the war this administration is about to loose upon a world already beleaguered by too much misery and poverty to endure more.

And Americans have been badly served by a media controlled essentially by a tiny group of men who edit out anything that might cause the government the slightest concern or worry. As for the demagogues and servile intellectuals who talk about war from the privacy of their fantasy worlds, who gave them the right to connive in the immiseration of millions of people whose major crime seems to be that they are Muslims and Arabs? What American, except for this small unrepresentative group, is seriously interested in increasing the world's already ample stores of anti-Americanism?

Hardly any, I would suppose.

Jonathan Swift, thou shouldst be living at this hour.

*(Courtesy: Al-Ahram weekly)*



# Look, Who Is Preaching!

By Bryan Koulouris

The Bush administration tried to justify its war with Iraq, by claiming that Saddam Hussein was a threat to America by allegedly possessing weapons of mass destruction. **However, the US government's own record with weapons of mass destruction is far from clean.** The US government has far more weapons of mass destruction than any other government in the world - enough to end life on Earth many times over. And it has shown that it is willing to use them.

In the waning months of World War II, the US government dropped two nuclear bombs on Japan, in Hiroshima and Nagasaki - the only time nuclear weapons have ever been used. These bombs killed upwards of 300,000 Japanese civilians. Today, the Bush administration is publicly threatening to use first-strike "tactical" nuclear weapons against non-nuclear countries.

In the war against the social revolution in Vietnam, the US used a variety of chemical weapons, including Agent Orange and napalm. The effects of these chemicals on the Vietnamese population and environment are still felt today. Also, Agent Orange had cancerous effects on thousands of US soldiers in Vietnam.

The US government not only possesses, produces, and uses weapons of mass destruction, it also provides them for other nations. The Israeli military receives billions of dollars from the US every year, and the Israeli government is the proud owner of over 200 nuclear weapons.

From 1980 to 1988, the US government gave billions of dollars in military and economic aid to Saddam's Iraqi government. During this period, Iraq was fighting a brutal war against neighboring Iran.

The Reagan and Bush Sr. administrations, wanting to contain the anti-Western Iranian revolution, supported Iraq in this war.

The US government actually supplied the Iraqi military with chemical and biological weapons, which they subsequently used against both Iranian troops and their own Kurdish population. Neither incident forced the US into war with Iraq; in fact, the US either supported or turned a blind eye to these horrors.

The US supported Saddam Hussein against the uprisings in his own country because they feared a possible break-up of Iraq along ethnic lines, and (even worse from their standpoint) a popular upheaval in Iraq that would inspire rebellions against the dictators, kingdoms, and theocracies throughout the Arab world.

The US government is not at all concerned about

deposing dictators with weapons of mass destruction. For example, it supports General Musharraf in Pakistan, a dictator who both possesses nuclear weapons and has threatened to use them (unlike Iraq).

The real solution to weapons of mass destruction is not more inspections, nor the "diplomacy" of the UN. In order to achieve lasting peace, we must wipe out the system that creates war, poverty, and environmental destruction. We must struggle to replace capitalism with a system in which workers democratically control the commanding heights of the economy. Workers and community organizations need to replace the governments of big business worldwide so that we can begin to create a socialist world without war and poverty.

## ***Gulf War Syndrome***

*In the 1991 Gulf War and the 1999 war on Serbia, the US used depleted uranium weapons. Depleted uranium is a by-product of the manufacture of nuclear material for weapons and reactors. The US government came up with the brilliant idea of using this extremely dangerous material for armor-piercing munitions.*

*The use of these weapons has horrendous long-term effects on both the victims of the bombing and US soldiers in the region. The damaging physical and environmental effects of depleted uranium in an area will remain for thousands of years.*

*Veterans' organizations and scientific researchers believe that the use of depleted uranium weapons by the US is responsible for the "Gulf War syndrome," which afflicts over 150,000 US veterans. But the US government resisted giving medical benefits and treatment to these veterans. Rather than "supporting the troops" as we are always told, the government was happy to try and brush the issue under the rug at the expense of the health of hundreds of thousands of US soldiers.*

# **What makes a war happen?**

## *Lessons from the American war on Iraq in 1991*

**The expenses for the Gulf war:** US\$ 40 billion

**But who paid for the war? Did the US foot the entire bill?**

Three-fourths of the expenses (US\$ 30 billion) was paid by the Arab countries, mostly by Kuwait and Saudi Arabia. The US bore only one-fourth of the cost (US\$10 billion).

**Where did they find this money?**

Before the war, a barrel of oil was sold at nearly US\$ 15. With the Gulf war, the price rose to US\$ 42. This generated an EXTRA PROFIT of about US\$ 60 billion.

**Who did this profit go to?**

In the Arab countries the "fifty-fifty" law is valid: Half to the State, and half to the multinational that controls the oil deposit. Thus, the oil companies got US\$ 30 billion, which is half the net profit from the increase in the price of oil. The other US\$ 30 billion went to the Arab countries, mainly Kuwait and Saudi Arabia.

**Who owns the oil companies?**

The extraction and trading of oil in the Middle East is in the hands of the seven sisters (Shell, Tamoil, Esso,...), all of which are American business giants, and five are state-owned. Thus, US\$ 30 billion went to the American State and private sector.

**Here is the balance sheet...**

**Arab Nations:** They spent US\$ 30 billion on the war and got US\$ 30 billion as profit from increase in oil prices. Neither worse nor better off.

**USA government:** It spent US\$ 10 billion on the war and got US\$ 21 billion from the profit. A net profit of US\$ 11 billion.

**US Private Sector:** Without spending anything on the war, it acquired US\$ 9 billion from the profit. A significant windfall gain of US\$ 9 billion.

In other words, the US made a profit of US\$ 20 billion from the Gulf War. **The war made good business sense for the US companies and their government.**

It is clear, then, that the war had nothing to do with "Free Kuwait". **Profit was the motive.**

**So, who really paid for the '91 war against Iraq?**

Those who paid the increased oil prices. In other words, those who use oil.... which means all of us!

**It is we who bore the cost of the war on Iraq. On the other hand, the US made a total profit of US\$ 20 million from the oil, and another US\$ 49 billion from the weapons.**

And that is not all of it....

**Where did the US\$ 40 billion spent for the war go?**

**To the war industry, all of which is almost exclusively American.**

**We can clearly see that the Gulf war in 1991 was waged for financial reasons only, and not for some "humanitarian reason" or for the "right to freedom".** This should help us understand the real reasons behind the war in Afghanistan and this ongoing new war on Iraq.

**Reason for the war on Afghanistan...**

To install a puppet regime that would not oppose the construction of a 2500 km long American-owned pipeline running across its territory.

The only alternative to this is the construction of another pipeline, 5500 km long, far more costly to construct and maintain. Moreover, the US will have to pay taxes to the countries through which it runs.

It was much easier for the US to reduce to dust a country already tormented by 30 years of war and then rule it like a colony. The US did not hesitate to rain bombs on the Afghan people, just to construct and manage the shortest pipeline without any trouble at all.

**So this is why the US has attacked Iraq this time...**

The main supplier of oil in the Middle East is Saudi Arabia. Its relationship with the US has lately turned sour. So the Bush administration has a goal: to find an alternative oil supplier, other than Saudi Arabia, in the Middle East. The easiest way, of course, is a war on Iraq, followed by the installation of a puppet government there.

**But why Iraq??**

First, because it is a country that cannot defend itself. Poverty due to the sanctions imposed by the UN is already killing 300,000 babies every year.

Second, because Iraq offers an easy excuse to justify the attack to the international community that does not know the story about the oil deposits: the presence of non-existent weapons of mass destruction that can only be produced with technology that Iraq does not have.

Third, because Iraq does not yet have the support of a powerful nation that could withstand the American threat.

And, fourth, because terrible living conditions have brought about sweeping changes in Venezuela, which supplies the most oil to the US, for the last three years. The Bush administration just has to find an alternative to Saudi Arabia and Venezuela. Therefore it has to attack Iraq. And that is why Iraq was invaded.

*Courtesy: [www.emergency.it](http://www.emergency.it)*

# Confronting Empire

By Noam Chomsky

*(This speech was delivered by Noam Chomsky at the World Social Forum 2002)*

We are meeting at a moment of world history that is in many ways unique - a moment that is ominous, but also full of hope.

The most powerful state in history has proclaimed, loud and clear, that it intends to rule the world by force, the dimension in which it reigns supreme. Apart from the conventional bow to noble intentions that is the standard (hence meaningless) accompaniment of coercion, its leaders are committed to pursuit of their "imperial ambition," as it is frankly described in the leading journal of the foreign policy establishment - critically, an important matter. They have also declared that they will tolerate no competitors, now or in the future. They evidently believe that the means of violence in their hands are so extraordinary that they can dismiss with contempt anyone who stands in their way. There is good reason to believe that the war with Iraq is intended, in part, to teach the world some lessons about what lies ahead when the empire decides to strike a blow -- though "war" is hardly the proper term, given the array of forces.

The doctrine is not entirely new, nor unique to the US, but it has never before been proclaimed with such brazen arrogance - at least not by anyone we would care to remember.

I am not going to try to answer the question posed for this meeting : How to confront the empire. The reason is that most of you know the answers as well or better than I do, through your own lives and work. The way to "confront the empire" is to create a different world, one that is not based on violence and subjugation, hate and fear. That is why we are here, and the WSF offers hope that these are not idle dreams.

Yesterday I had the rare privilege of seeing some very inspiring work to achieve these goals, at the international gathering of the Via Campesina at a community of the MST, which I think is the most important and exciting popular movement in the world. With constructive local actions such as those of the MST, and international organization of the kind illustrated by the Via Campesina and the WSF, with sympathy and solidarity and mutual aid, there is real hope for a decent future.

I have also had some other recent experiences that

give a vivid picture of what the world may be like if imperial violence is not limited and dismantled. Last month I was in southeastern Turkey, the scene of some of the worst atrocities of the grisly 1990s, still continuing : just a few hours ago we were informed of renewed atrocities by the army near Diyarbakir, the unofficial capital of the Kurdish regions. Through the 1990s, millions of people were driven out of the devastated countryside, with tens of thousands killed and every imaginable form of barbaric torture. They try to survive in caves outside the walls of Diyarbakir, in condemned buildings in miserable slums in Istanbul, or wherever they can find refuge, barred from returning to their villages despite new legislation that theoretically permits return. 80% of the weapons came from the US. In the year 1997 alone, Clinton sent more arms to Turkey than in the entire Cold War period combined up to the onset of the state terror campaign - called "counterterror" by the perpetrators and their supporters, another convention. Turkey became the leading recipient of US arms as atrocities peaked (apart from Israel-Egypt, a separate category).

In 1999, Turkey relinquished this position to Colombia. The reason is that in Turkey, US-backed state terror had largely succeeded, while in Colombia it had not. Colombia had the worst human rights record in the Western hemisphere in the 1990s and was by far the leading recipient of US arms and military training, and now leads the world. It also leads the world by other measures, for example, murder of labor activists : more than half of those killed worldwide in the last decade were in Colombia. Close to ½ million people were driven from their land last year, a new record. The displaced population is now estimated at 2.7 million. Political killings have risen to 20 a day ; 5 years ago it was half that.

I visited Cauca in southern Colombia, which had the worst human rights record in the country in 2001, quite an achievement. There I listened to hours of testimony by peasants who were driven from their lands by chemical warfare - called "fumigation" under the pretext of a US-run "drug war" that few take seriously and that would be obscene if that were the intent. Their lives and lands are destroyed, children

are dying, they suffer from sickness and wounds. Peasant agriculture is based on a rich tradition of knowledge and experience gained over many centuries, in much of the world passed on from mother to daughter. Though a remarkable human achievement, it is very fragile, and can be destroyed forever in a single generation. Also being destroyed is some of the richest biodiversity in the world, similar to neighboring regions of Brazil. Campesinos, indigenous people, Afro-Colombians can join the millions in rotting slums and camps. With the people gone, multinationals can come in to strip the mountains for coal and to extract oil and other resources, and to convert what is left of the land to monocrop agroexport using laboratory-produced seeds in an environment shorn of its treasures and variety.

The scenes in Cauca and Southeastern Turkey are very different from the celebrations of the Via Campesina gathering at the MST community. But Turkey and Colombia are inspiring and hopeful in different ways, because of the courage and dedication of people struggling for justice and freedom, confronting the empire where it is killing and destroying.

These are some of the signs of the future if "imperial ambition" proceeds on its normal course, now to be accelerated by the grand strategy of global rule by force. None of this is inevitable, and among the good models for ending these crimes are the ones I mentioned : the MST, the Via Campesina, and the WSF.

At the WSF, the range of issues and problems under intense discussion is very broad, remarkably so, but I think we can identify two main themes. One is global justice and Life after Capitalism - or to put it more simply, life, because it is not so clear that the human species can survive very long under existing state capitalist institutions. The second theme is related : war and peace, and more specifically, the war in Iraq that Washington and London are desperately seeking to carry out, virtually alone.

Let's start with some good news about these basic themes. As you know, there is also a conference of the World Economic Forum going on right now, in Davos. Here in Porto Alegre, the mood is hopeful, vigorous, exciting. In Davos, the New York Times tells us, "the mood has darkened." For the "movers and shakers," it is not "global party time" any more.

In fact, the founder of the Forum has conceded defeat : "The power of corporations has completely disappeared," he said. So we have won. There is nothing left for us to do but pick up the pieces -- not only to talk about a vision of the future that is just and humane, but to move on to create it.

Of course, we should not let the praise go to our heads. There are still a few difficulties ahead.

The main theme of the WEF is "Building Trust." There is a reason for that. The "masters of the universe," as they liked to call themselves in more exuberant days, know that they are in serious trouble. They recently released a poll showing that trust in leaders has severely declined. Only the leaders of NGOs had the trust of a clear majority, followed by UN and spiritual/religious leaders, then leaders of Western Europe and economic managers, below them corporate executives, and well below them, at the bottom, leaders of the US, with about 25% trust. That may well mean virtually no trust : when people are asked whether they trust leaders with power, they usually say "Yes," out of habit.

**It gets worse. A few days ago a poll in Canada found that over 1/3 of the population regard the US as the greatest threat to world peace. The US ranks more than twice as high as Iraq or North Korea, and far higher than al-Qaeda as well. A poll without careful controls, by Time magazine, found that over 80% of respondents in Europe regarded the US as the greatest threat to world peace, compared with less than 10% for Iraq or North Korea. Even if these numbers are wrong by some substantial factor, they are dramatic.**

Without going on, the corporate leaders who paid \$30,000 to attend the somber meetings in Davos have good reasons to take as their theme : "Building Trust."

The coming war with Iraq is undoubtedly contributing to these interesting and important developments. Opposition to the war is completely without historical precedent. In Europe it is so high that Secretary of "Defense" Donald Rumsfeld dismissed Germany and France as just the "old Europe," plainly of no concern because of their disobedience. The "vast numbers of other countries in Europe [are] with the United States," he assured foreign journalists. These vast numbers are the "new Europe," symbolized by Italy's Berlusconi, soon to

visit the White House, praying that he will be invited to be the third of the "three B's" : Bush-Blair-Berlusconi - assuming that he can stay out of jail. Italy is on board, the White House tells us. It is apparently not a problem that over 80% of the public is opposed to the war, according to recent polls. That just shows that the people of Italy also belong to the "old Europe," and can be sent to the ashcan of history along with France and Germany, and others who do not know their place.

Spain is hailed as another prominent member of the new Europe -- with 75% totally opposed to the war, according to an international Gallup poll. According to the leading foreign policy analyst of Newsweek, pretty much the same is true of the most hopeful part of the new Europe, the former Communist countries that are counted on (quite openly) to serve US interests and undermine Europe's despised social market and welfare states. He reports that in Czechoslovakia, 2/3 of the population oppose participation in a war, while in Poland only 1/4 would support a war even if the UN inspectors "prove that Iraq possesses weapons of mass destruction." The Polish press reports 37% approval in this case, still extremely low, at the heart of the "new Europe."

New Europe soon identified itself in an open letter in the Wall Street Journal : along with Italy, Spain, Poland and Czechoslovakia - the leaders, that is, not the people - it includes Denmark (with popular opinion on the war about the same as Germany, therefore "old Europe"), Portugal (53% opposed to war under any circumstances, 96% opposed to war by the US and its allies unilaterally), Britain (40% opposed to war under any circumstances, 90% opposed to war by the US and its allies unilaterally), and Hungary (no figures available).

In brief, the exciting "new Europe" consists of some leaders who are willing to defy their populations.

Old Europe reacted with some annoyance to Rumsfeld's declaration that they are "problem" countries, not modern states. Their reaction was explained by thoughtful US commentators. Keeping just to the national press, we learn that "world-weary European allies" do not appreciate the "moral rectitude" of the President. The evidence for his "moral rectitude" is that "his advisors say the evangelical zeal" comes directly from the simple man who is dedicated to driving evil from the world. Since that is surely the most reliable and objective evidence

that can be imagined, it would be improper to express slight skepticism, let alone to react as we would to similar performances by others. The cynical Europeans, we are told, misinterpret Bush's purity of soul as "moral naiveté" - without a thought that the administration's PR specialists might have a hand in creating imagery that will sell. We are informed further that there is a great divide between world-weary Europe and the "idealistic New World bent on ending inhumanity." That this is the driving purpose of the idealistic New World we also know for certain, because so our leaders proclaim. What more in the way of proof could one seek ?

The rare mention of public opinion in the new Europe treats it as a problem of marketing ; the product being sold is necessarily right and honorable, given its source. The willingness of the leaders of the new Europe to prefer Washington to their own populations "threatens to isolate the Germans and French," who are exhibiting retrograde democratic tendencies, and shows that Germany and France cannot "say that they are speaking for Europe." They are merely speaking for the people of old and new Europe, who - the same commentators acknowledge -- express "strong opposition" to the policies of the new Europe.

The official pronouncements and the reaction to them are illuminating. They demonstrate with some clarity the contempt for democracy that is rather typical, historically, among those who feel that they rule the world by right.

There are many other illustrations. When German Chancellor Gerhard Schroeder dared to take the position of the overwhelming majority of voters in the last election, that was described as a shocking failure of leadership, a serious problem that Germany must overcome if it wants to be accepted in the civilized world. The problem lies with Germany, not elites of the Anglo-American democracies. Germany's problem is that "the government lives in fear of the voters, and that is causing it to make mistake after mistake" - the spokesperson for the right-wing Christian Social Union party, who understands the real nature of democracy.

The case of Turkey is even more revealing. As throughout the region, Turks are very strongly opposed to the war - about 90% according to the most recent polls. And so far the government has irresponsibly paid some attention to the people who

elected it. It has not bowed completely to the intense pressure and threats that Washington is exerting to compel it to heed the master's voice. This reluctance of the elected government to follow orders from on high proves that its leaders are not true democrats. For those who may be too dull to comprehend these subtleties, they are explained by former Ambassador to Turkey Morton Abramowitz, now a distinguished senior statesman and commentator. Ten years ago, he explained, Turkey was governed by a real democrat, Turgut Ozal, who "overrode his countrymen's pronounced preference to stay out of the Gulf war." But democracy has declined in Turkey. The current leadership "is following the people," revealing its lack of "democratic credentials." "Regrettably," he says, "for the US there is no Ozal around." So it will be necessary to bring authentic democracy to Turkey by economic strangulation and other coercive means - regrettably, but that is demanded by what the elite press calls our "yearning for democracy."

Brazil is witnessing another exercise of the real attitudes towards democracy among the masters of the universe. In the most free election in the hemisphere, a large majority voted for policies that are strongly opposed by international finance and investors, by the IMF and the US Treasury Department. In earlier years, that would have been the signal for a military coup installing a murderous National Security State, as in Brazil 40 years ago. Now that will not work; the populations of South and North have changed, and will not easily tolerate it. Furthermore, there are now simpler ways to undermine the will of the people, thanks to the neoliberal instruments that have been put in place: economic controls, capital flight, attacks on currency, privatization, and other devices that are well-designed to reduce the arena of popular choice. These, it is hoped, may compel the government to follow the dictates of what international economists call the "virtual parliament" of investors and lenders, who make the real decisions, coercing the population, an irrelevant nuisance according to the reigning principles of democracy.

When I was just about to leave for the airport I received another of the many inquiries from the press about why there is so little anti-war protest in the US. The impressions are instructive. In fact, protest in the US, as elsewhere, is also at levels that have no historical precedent. Not just demonstrations,

teach-ins, and other public events. To take an example of a different kind, last week the Chicago City Council passed an anti-war resolution, 46-1, joining 50 other cities and towns. The same is true in other sectors, including those that are the most highly trusted, as the WEF learned to its dismay: NGOs and religious organizations and figures, with few exceptions. Several months ago the biggest university in the country passed a strong antiwar resolution - the University of Texas, right next door to George W's ranch. And it's easy to continue.

So why the widespread judgment among elites that the tradition of dissent and protest has died? Invariably, comparisons are drawn to Vietnam, a very revealing fact. We have just passed the 40th anniversary of the public announcement that the Kennedy administration was sending the US Air Force to bomb South Vietnam, also initiating plans to drive millions of people into concentration camps and chemical warfare programs to destroy food crops. There was no pretext of defense, except in the sense of official rhetoric: defense against the "internal aggression" of South Vietnamese in South Vietnam and their "assault from the inside" (President Kennedy and his UN Ambassador, Adlai Stevenson). Protest was non-existent. It did not reach any meaningful level for several years. By that time hundreds of thousands of US troops had joined the occupying army, densely-populated areas were being demolished by saturation bombing, and the aggression had spread to the rest of Indochina. Protest among elite intellectuals kept primarily to "pragmatic grounds": the war was a "mistake" that was becoming too costly to the US. In sharp contrast, by the late 1960s the great majority of the public had come to oppose the war as "fundamentally wrong and immoral," not "a mistake," figures that hold steady until the present.

Today, in dramatic contrast to the 1960s, there is large-scale, committed, and principled popular protest all over the US before the war has been officially launched. That reflects a steady increase over these years in unwillingness to tolerate aggression and atrocities, one of many such changes, worldwide in fact. That's part of the background for what is taking place in Porto Alegre, and part of the reason for the gloom in Davos.

The political leadership is well aware of these developments. When a new administration comes into office, it receives a review of the world situation

compiled by the intelligence agencies. It is secret ; we learn about these things many years later. But when Bush #1 came into office in 1989, a small part of the review was leaked, a passage concerned with "cases where the U.S. confronts much weaker enemies" - the only kind one would think of fighting. Intelligence analysts advised that in conflicts with "much weaker enemies" the US must win "decisively and rapidly," or popular support will collapse. It's not like the 1960s, when the population would tolerate a murderous and destructive war for years without visible protest. That's no longer true. The activist movements of the past 40 years have had a significant civilizing effect. By now, the only way to attack a much weaker enemy is to construct a huge propaganda offensive depicting it as about to commit genocide, maybe even a threat to our very survival, then to celebrate a miraculous victory over the awesome foe, while chanting praises to the courageous leaders who came to the rescue just in time.

That is the current scenario in Iraq.

Polls reveal more support for the planned war in the US than elsewhere, but the numbers are misleading. It is important to bear in mind that the US is the only country outside Iraq where Saddam Hussein is not only reviled but also feared. There is a flood of lurid propaganda warning that if we do not stop him today he will destroy us tomorrow. The next evidence of his weapons of mass destruction may be a "mushroom cloud," so National Security Adviser Condoleezza Rice announced in September - presumably over New York. No one in Iraq's neighborhood seems overly concerned, much as they may hate the murderous tyrant. Perhaps that is because they know that as a result of the sanctions "the vast majority of the country's population has been on a semi-starvation diet for years," as the World Health Organization reported, and that Iraq is one of the weakest states in the region : its economy and military expenditures are a fraction of Kuwait's, which has 10% of Iraq's population, and much farther below others nearby.

But the US is different. When Congress granted the President authority to go to war last October, it was "to defend the national security of the United States against the continuing threat posed by Iraq." We must tremble in fear before this awesome threat, while countries nearby seek to reintegrate Iraq into the

region, including those who were attacked by Saddam when he was a friend and ally of those who now run the show in Washington -- and who were happily providing him with aid including the means to develop WMD, at a time when he was far more dangerous than today and had already committed by far his worst crimes.

A serious measure of support for war in the US would have to extricate this "fear factor," which is genuine, and unique to the US. The residue would give a more realistic measure of support for the resort to violence, and would show, I think, that it is about the same as elsewhere.

**It is also rather striking that strong opposition to the coming war extends right through the establishment. The current issues of the two major foreign policy journals feature articles opposing the war by leading figures of foreign policy elites. The very respectable American Academy of Arts and Sciences released a long monograph on the war, trying to give the most sympathetic possible account of the Bush administration position, then dismantling it point by point. One respected analyst they quote is a Senior Associate of the Carnegie Endowment for International Peace, who warns that the US is becoming "a menace to itself and to mankind" under its current leadership. There are no precedents for anything like this.**

We should recognize that these criticisms tend to be narrow. They are concerned with threats to the US and its allies. They do not take into account the likely effects on Iraqis : the warnings of the UN and aid agencies that millions may be at very serious risk in a country that is at the edge of survival after a terrible war that targeted its basic infrastructure - which amounts to biological warfare -- and a decade of devastating sanctions that have killed hundreds of thousands of people and blocked any reconstruction, while strengthening the brutal tyrant who rules Iraq. It is also interesting that the criticisms do not even take the trouble to mention the lofty rhetoric about democratization and liberation. Presumably, the critics take for granted that the rhetoric is intended for intellectuals and editorial writers - who are not supposed to notice that the drive to war is accompanied by a dramatic demonstration of hatred of democracy, just as they are supposed to forget the record of those who are leading the campaign.

That is also why none of this is ever brought up at the UN.

Nevertheless, the threats that do concern establishment critics are very real. They were surely not surprised when the CIA informed Congress last October that they know of no link between Iraq and al Qaeda-style terrorism, but that an attack on Iraq would probably increase the terrorist threat to the West, in many ways. It is likely to inspire a new generation of terrorists bent on revenge, and it might induce Iraq to carry out terrorist actions that are already in place, a possibility taken very seriously by US analysts. A high-level task force of the Council on Foreign Relations just released a report warning of likely terrorist attacks that could be far worse than 9-11, including possible use of WMD right within the US, dangers that become "more urgent by the prospect of the US going to war with Iraq." They provide many illustrations, virtually a cook-book for terrorists. It is not the first; similar ones were published by prominent strategic analysts long before 9-11.

It is also understood that an attack on Iraq may lead not just to more terror, but also to proliferation of WMD, for a simple reason: potential targets of the US recognize that there is no other way to deter the most powerful state in history, which is pursuing "America's Imperial Ambition," posing serious dangers to the US and the world, the author warns in the main establishment journal, *Foreign Affairs*. Prominent hawks warn that a war in Iraq might lead to the "greatest proliferation disaster in history." They know that if Iraq has chemical and biological weapons, the dictatorship keeps them under tight control. They understand further that except as a last resort if attacked, Iraq is highly unlikely to use any WMD it has, thus inviting instant incineration. And it is also highly unlikely to leak them to the Osama bin Laden of the world, which would be a terrible threat to Saddam Hussein himself, quite apart from the reaction if there is even a hint that this might take place. But under attack, the society would collapse, including the controls over WMD. These would be "privatized," terrorism experts point out, and offered to the huge "market for unconventional weapons, where they will have no trouble finding buyers." That really is a "nightmare scenario," just as the hawks warn.

Even before the Bush administration began beating the war drums about Iraq, there were plenty of

warnings that its adventurism was going to lead to proliferation of WMD, as well as terror, simply as a deterrent. Right now, Washington is teaching the world a very ugly and dangerous lesson: if you want to defend yourself from us, you had better mimic North Korea and pose a credible military threat, including WMD. Otherwise we will demolish you in pursuit of the new "grand strategy" that has caused shudders not only among the usual victims, and in "old Europe," but right at the heart of the US foreign policy elite, who recognize that "commitment of the US to active military confrontation for decisive national advantage will leave the world more dangerous and the US less secure" - again, quoting respected figures in elite journals.

Evidently, the likely increase of terror and proliferation of WMD is of limited concern to planners in Washington, in the context of their real priorities. Without too much difficulty, one can think of reasons why this might be the case, not very attractive ones.

The nature of the threats was dramatically underscored last October, at the summit meeting in Havana on the 40th anniversary of the Cuban missile crisis, attended by key participants from Russia, the US, and Cuba. Planners knew at the time that they had the fate of the world in their hands, but new information released at the Havana summit was truly startling. We learned that the world was saved from nuclear devastation by one Russian submarine captain, Vasily Arkhipov, who blocked an order to fire nuclear missiles when Russian submarines were attacked by US destroyers near Kennedy's "quarantine" line. Had Arkhipov agreed, the nuclear launch would have almost certainly set off an interchange that could have "destroyed the Northern hemisphere," as Eisenhower had warned.

The dreadful revelation is particularly timely because of the circumstances: the roots of the missile crisis lay in international terrorism aimed at "regime change," two concepts very much in the news today. US terrorist attacks against Cuba began shortly after Castro took power, and were sharply escalated by Kennedy, leading to a very plausible fear of invasion, as Robert McNamara has acknowledged. Kennedy resumed the terrorist war immediately after the crisis was over; terrorist actions against Cuba, based in the US, peaked in the late 1970s continued 20 years later. Putting aside any judgment about the behavior of the participants in the missile crisis, the new

discoveries demonstrate with brilliant clarity the terrible and unanticipated risks of attacks on a "much weaker enemy" aimed at "regime change" - risks to survival, it is no exaggeration to say.

As for the fate of the people of Iraq, no one can predict with any confidence : not the CIA, not Donald Rumsfeld, not those who claim to be experts on Iraq, no one. Possibilities range from the frightening prospects for which the aid agencies are preparing, to the delightful tales spun by administration PR specialists and their chorus. One never knows. These are among the many reasons why decent human beings do not contemplate the threat or use of violence, whether in personal life or international affairs, unless reasons have been offered that have overwhelming force. And surely nothing remotely like that has been offered in the present case, which is why opposition to the plans of Washington and London has reached such scale and intensity.

The timing of the Washington-London propaganda campaign was so transparent that it too has been a topic of discussion, and sometimes ridicule, right in the mainstream. The campaign began in September of last year. Before that, Saddam was a terrible guy, but not an imminent threat to the survival of the US. The "mushroom cloud" was announced in early September. Since then, fear that Saddam will attack the US has been running at about 60-70% of the population. "The desperate urgency about moving rapidly against Iraq that Bush expressed in October was not evident from anything he said two months before," the chief political analyst of United Press International observed, drawing the obvious conclusion : Sept ember marked the opening of the political campaign for the mid-term congressional elections. The administration, he continued, was "campaigning to sustain and increase its power on a policy of international adventurism, new radical preemptive military strategies, and a hunger for a politically convenient and perfectly timed confrontation with Iraq." As long as domestic issues were in the forefront, Bush and his cohorts were losing ground - naturally enough, because they are conducting a serious assault against the general population. "But lo and behold ! Though there have been no new terrorist attacks or credible indications of imminent threat, since the beginning of September, national security issues have been in the driver's seat," not just al Qaeda but an awesome and

threatening military power, Iraq.

The same observations have been made by many others. That's convenient for people like us : we can just quote the mainstream instead of giving controversial analyses. The Carnegie Endowment Senior Associate I quoted before writes that Bush and Co. are following "the classic modern strategy of an endangered right-wing oligarchy, which is to divert mass discontent into nationalism," inspired by fear of enemies about to destroy us. That strategy is of critical importance if the "radical nationalists" setting policy in Washington hope to advance their announced plan for "unilateral world domination through absolute military superiority," while conducting a major assault against the interests of the large majority of the domestic population.

For the elections, the strategy worked, barely. The Fall 2002 election was won by a small number of votes, but enough to hand Congress to the executive. Analyses of the election found that voters maintained their opposition to the administration on social and economic issues, but suppressed these issues in favor of security concerns, which typically lead to support for the figure in authority - the brave cowboy who must ride to our rescue, just in time.

**As history shows, it is all too easy for unscrupulous leaders to terrify the public, with consequences that have not been attractive. That is the natural method to divert attention from the fact that tax cuts for the rich and other devices are undermining prospects for a decent life for large majority of the population, and for future generations. When the presidential campaign begins, Republican strategists surely do not want people to be asking questions about their pensions, jobs, health care, and other such matters.**

Rather, they should be praising their heroic leader for rescuing them from imminent destruction by a foe of colossal power, and marching on to confront the next powerful force bent on our destruction. It could be Iran, or conflicts in the Andean countries : there are lots of good choices, as long as the targets are defenseless.

These ideas are second nature to the current political leaders, most of them recycled from the Reagan administration. They are replaying a familiar script : drive the country into deficit so as to be able to

undermine social programs, declare a "war on terror" (as they did in 1981) and conjure up one devil after another to frighten the population into obedience. In the `80s it was Libyan hit-men prowling the streets of Washington to assassinate our leader, then the Nicaraguan army only two-days march from Texas, a threat to survival so severe that Reagan had to declare a national emergency. Or an airfield in Grenada that the Russians were going to use to bomb us (if they could find it on a map) ; Arab terrorists seeking to kill Americans everywhere while Qaddafi plans to "expel America from the world," so Reagan wailed. Or Hispanic narcotraffickers seeking to destroy the youth; and on, and on.


Meanwhile the political leadership were able to carry out domestic policies that had generally poor economic outcomes but did create wealth for narrow sectors while harming a considerable majority of the population - the script that is being followed once again. And since the public knows it, they have to resort to "the classic modern strategy of an endangered right wing oligarchy" if they hope to carry out the domestic and international programs to which they are committed, perhaps even to institutionalize them so they will be hard to dismantle when they lose control.

Of course, there is much more to it than domestic considerations - which are of no slight importance in themselves. The September 11 terrorist atrocities provided an opportunity and pretext to implement long-standing plans to take control of Iraq's immense oil wealth, a central component of the Persian Gulf resources that the State Department, in 1945, described as "a stupendous source of strategic power, and one of the greatest material prizes in world history." US intelligence predicts that these will be of even greater significance in the years ahead. The issue has never been access. The same intelligence analyses anticipate that the US will rely on more secure supplies in the Western hemisphere and West Africa. The same was true after World War II. What matters is control over the "material prize," which funnels enormous wealth to the US in many ways, Britain as well, and the "stupendous source of strategic power," which translates into a lever of "unilateral world domination" -- the goal that is now openly proclaimed, and is frightening much of the world, including "old Europe" and the conservative establishment in the US.

I think a realistic look at the world gives a mixed picture. There are many reasons to be encouraged, but there will be a long hard road ahead.

*(courtesy: www.alternatives.ca)*





## War Against Terror US - Iraq Conflict

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# **For Struggles, Global and National**

*Interview with Samir Amin, political economist and director, Third World Forum*

**Samir Amin**, an intellectual who is regarded as one of the foremost thinkers on the changing dynamics of capitalism, was among those assembled at the "Anti-Davos in Davos". Since then he has been actively associated not only with the WSF but also the regional forums that have evolved as a challenge to imperialist globalisation. He is director, Third World Forum (TWF), located in Dakar (Senegal) and Cairo and in Belgium, a network of social scientists and intellectuals from developing countries. Amin has also played a key role in the formation of the World Forum for Alternatives, which was launched in 1997.

Amin's seminal work, *Accumulation on a World Scale*, first brought to the attention of the English-speaking world in 1970, came as a whiff of fresh air to the nascent field of development economics because it challenged the then-ruling orthodoxy propounded by the American economic historian W.W. Rostow in 1960. Rostow had argued that the economically backward countries could be on the road to development if there was infusion of capital, in the form of foreign investment or aid. Amin first propounded the concepts of "centers" and "peripheries", linking the issue of development to the nature of capitalism and imperialism. He turned the ruling orthodoxy on its head by pointing out that the problem of underdevelopment was itself a result of the nature and dynamics of capitalism on a global scale.

He spoke to V. Sridhar of Frontline magazine in Hyderabad, where he participated in the Asian Social Forum (ASF). Articulating an alternative vision for the peoples and countries of the South, he pointed out that the plurality of visions against globalisation is a positive feature in the search for social change. He argued that any alternative system must allow each country and society to negotiate the terms with which it engages with the rest of the world. We reproduce here excerpts from the interview:

*What is the significance of the WSF-ASF and the regional fora that have emerged in the last few years as a challenge to imperialist globalisation?*

I consider these events important. I do not mean that there are no problems with them. There are many, and growing, social movements around the world. They are very different in nature, struggling either on social fronts, for the defence of labour and of the rights of the popular classes, or on political fronts for

basic political rights. There are the feminist movements, ecological movements and many more. What is characteristic of the present time is that these movements are fragmented, in the sense that they are mostly national-based, or, in many cases, local-based. Most of them deal with a single issue or with a single dimension of the problem, without articulating it into an overall alternative political project.

This is the result of recent history... I am not only referring to the Soviet pattern of the alternative, but also what has happened and is happening in China, and the erosion of the social democratic pattern in the capitalistic West. I also refer to the erosion of the variety of what I call the 'national populist' alternatives in the South...

*You mean those such as the Nasserite and Nehruvite types...*

Yes. As a result of these developments we have moved into a period characterised by fragmentation. There will be no alternative to the present powerful system, neo-liberal globalisation or imperialist globalisation, which is a new phase of imperialism, unless these movements come together to articulate an overall alternative. You cannot fight on a single front. The alternative vision obviously has to have an economic dimension. But the political, social, and cultural dimensions will also have to be addressed.

The WSF is not an organisation with a common political platform for devising strategies. But it is also not a forum that is open to everybody. It has a charter to which participating organisations must adhere. They must make it clear that they are opposed to neo-liberalism, not necessarily to capitalism. They must also be opposed to militarisation of globalisation - not necessarily imperialism, which means much more.

I think that it is a duty of all people, who think they should articulate an alternative, to participate, and not to boycott... I saw some people calling for a boycott of the ASF. They are wrong and sectarian. There might be a number of NGOs [non-governmental organisations], about which I personally have doubts. Some may be corrupt and may also be manipulated by imperialism. Okay, but that is life. We must realise that such organisations do not represent a major force. The major forces are the popular organisations such as the trade unions, peasant organisations, organisations of professionals, feminist movements,

ecological movements and many other social groups. We have to respect diversity of concepts and views.

*You have said that a unified movement of the peoples of the South is a prerequisite for change in the present situation. What is the role of the people of the North in this?*

I am an internationalist. I am a Marxist, socialist, internationalist and a universalist. I am not a chauvinist, certainly not a Third Worldist. The world is one, but a very unequal one. Capitalist development, which has shaped the modern world, has done it on the basis of growing inequality among nations, and within them as well. For the last five centuries there have been countries at the centre and, there have been countries that have been at the periphery. Thus, one of the major elements of the global system is its imperialist dimension. Imperialism is synonymous with growing polarisation among nations. It is based on the rationality of capitalist profitability. The awareness of popular forces in the South, which is at the periphery of the global system, is a fundamental prerequisite for any change.

*How do you characterise the current phase of globalisation, in contrast to previous ones in history?*

Globalisation and imperialism are nothing new. The history of capitalism since the very beginning has been the history of imperialist expansion. And, the system was always global. The contention of some people that globalisation is something new is laughable. After all, what was the colonisation of India, if not globalisation? The building of the Americas since the 16th century was globalisation. The slave trade, which played a crucial role in the building of the Americas, was globalisation. Later, colonialism was globalisation. And globalisation has always been imperialist globalisation. It has never been achieved by peaceful and equal negotiations between peoples. That is history. But we would be wrong if we think that it is the same old story. We cannot develop an efficient counter-strategy if we do not focus on what is new.

The dominant discourse, the Rightist one, says: "Well, change is always for the better and happens spontaneously. Change is always painful, but it is only transitional. The market, that is, capitalism, will by itself solve the problem in the long run (when everybody is dead)." That is not even ideology. It is propaganda. But this is what is repeated daily by the politicians, written everyday in the newspapers, shown daily on television and even presented as There Is No Alternative (TINA).

We have to look at what is new in a different way. How can the popular forces reorganise to reduce the damage associated with global capitalist expansion? What can they do to impose their own agenda in the short run, to create the conditions for an alternative? The alternative, in my opinion, has a name. It is socialism. It had the same name in the past and will remain the same in the future too. But the way we imagine socialism will not be the same as our fathers imagined it to be.

*You said that the nature of imperialism today is different from that of the past. Has it anything to do with the way globalisation is different today?*

Yes. Imperialism had always been characterised by rivalry among the major powers. The Spanish and the Portuguese, against the Dutch in the 17th century; the British against the French later; and, the German-Japanese against the others, still later. Rivalry among the imperialist nations had been a major feature. It was on this basis that Lenin - correctly at the time before the First World War - thought the system must lead to a revolution because it will lead to war, which the proletariat, being the victims of the war, will revolt against. History proved Lenin right. There was a revolution. Whatever happened afterwards is another story, but there was a revolution.

After the Second World War, the U.S. and Japan became allies, Japan in a subaltern position. The U.S. and Western capitalist Europe came together after the Marshall Plan and the formation of the North Atlantic Treaty Organisation (NATO). At that time (after the Second World War), we had an explanation, an easy one, but one which was only partly true. The imperialist powers put an end to their rivalry because they had a common enemy, the Soviet Union. They paid more attention to their common interests rather than the rivalry among themselves. Since then, however, though the Soviet Union disappeared, these countries have not become rivals again. This is reflected in the economic management of the global system - the functioning of the G-7, a group of the most powerful nations, the World Bank, the International Monetary Fund and the WTO [World Trade Organisation]. These are not global organisations; these are organisations of the Global North - of the capitalist centre. We also do not see any major differences among these countries within these organisations. We ought to ask ourselves a number of questions. First, why are we in this situation? Second, does this mean there are no contradictions among these countries? Third, if there

are contradictions, in what ways are they different from contradictions of the earlier period, in which imperialist countries were in rivalry? Fourth, how do the contradictions relate to North-South relations?

I am suggesting - as I said at the WSF in Porto Allegre, at the Egyptian Social Forum in Cairo, and at the ASF - that capitalism has entered a new phase, of a higher level of centralisation of capital. This has laid the basis for the solidarity of capitalist interests at the global level. During Lenin's time, before the First World War, and continuing till about 30 to 40 years ago (I shall not put a date to it), monopoly capital needed a large market that could be accessed as an empire. A capitalist centre or metropolis with a number of colonies or areas of interests was thus the norm. That was the basis on which rivalries among the imperialist powers existed - on the sharing or re-shaping of colonies and the control of the global system. Now it is being said - not only by us, but also by the bosses of big business - that in order to be efficient, transnational corporations (TNC) need to access markets on a global scale. Therefore, the globe is the terrain on which competition among them is fought out.

But these monopolies also need a global system to operate. But in order to be efficient at the global political level, and in North-South relations, we have to take into account the basic fact that imperialism now operates collectively as a triad, represented by the U.S., the E.U. and Japan.

Does this mean that there are no contradictions among these powers? I say there are. We can see them developing, but the nature of the contradictions is different. Basically, there is no common state. And, capitalism cannot operate without a state. The claim that capitalism is ruled by markets, without a state, is complete nonsense. There is no single state, even confederal, of the North. Even Europe with its Union is built on national states, which in many cases have deep historical roots. Therefore, how is the political dimension of collective imperialism to be run? That is an unsolved question.

*You have said that there is a tendency for the "centres of gravity" of countries to fall outside the domain of nation states. What does this mean for the peoples of these nations, in terms of a search for an alternative? And, how does such a system operate and what are the contradictions in such a system?*

I would like to think I am right, without appearing to be arrogant. But yes, the centre of gravity has moved

from inside nations to somewhere else. This has happened to all the nations - to the U.S., the European nations, and to the big and small nations of the Third World. This change is related to the size of dominant capital, which is global in scale. Since these are major decision makers, they cannot be submitted to a national logic. That creates problems. The issue was discussed at the European Social Forum, in Florence. Many people felt that a new Europe should be built. They said that a political Europe was needed, not necessarily with a unified state because, for historical reasons, there are nations with a long history of a common language and culture. Some suggested a kind of confederation. The point is that such a Europe cannot be based only on a common market; it also has to have a common political reality. Another Europe, like another Asia, is possible. This new Europe ought to be based on a social compromise between capital (because we cannot imagine the end of capital immediately) and labour and other popular classes. But I also believe we cannot achieve this other Europe without changing its relationship to the South. Europe cannot change if it continues to be a partner in the collective imperialist system.

Regionalisation will enable the countries of the South to strengthen their capacities vis-a-vis the global system. This can be based on, for instance, history and culture, as in Latin America. The countries of Latin America have a lot in common. Two closely related languages, Spanish and Portuguese, link these countries together. The other common factor is a common enemy for over two centuries - the U.S. I do not think Islam can provide the basis for such regionalisation. But the Arab countries, with a common language, could be the basis for unity among nations. There has never been a history of these countries being unified by a single state, except in the imagination of the nationalists. But this alliance among countries must be based on politics, not merely common market.

Even the larger countries face the menace of imperialism. The Americans do not like large countries. China and India are too big. We need to recognise that there are differences within countries. Let me address frankly the case of India. There are different nationalities, languages and groups, apart from the fact that there are Hindus and Muslims. The way the power system is dealing with this diversity even in India - which is certainly not among the worst in the world (it is at least a semi-democracy) - there are problems such as the rise of communalism.

*What is the position of the nation-state in this*

*search for the alternative?*

The need for a common front does not negate the crucial importance of the nation-state. For a long time in the future, we will need the nation-state. Markets have to be regulated. But markets cannot be regulated at the global level or even at the regional level if they are not first regulated at the national level.

You have to fight on two fronts. I am of the opinion that the crucial front is the one at the national level. Nothing will change from above. Things will change only when the balance of political forces within countries creates the possibilities for changes at the regional and even at global levels. Change has to start from inside countries. That is why the nation-state is so important.

*What are the elements of an alternative to neo-liberal globalisation?*

I shall summarise the principles that could possibly govern another kind of global system. The first is the logic of the transition to socialism. This will combine the criterion of capitalism, that is, efficiency as measured by profitability; and, the criterion of social justice. Although the term social justice is very elastic, certain elements can be defined in concrete terms. I am sure any Indian citizen from the popular classes can tell you what he/she means by social justice. It would necessarily mean jobs, reasonable and decent wages, schools for his/her children and decent health care. That is social justice, not socialism. These are not going to be produced by the market, but these will be imposed on the market by a social policy of the state. This kind of system associates capitalistic criteria with social criteria, which will be in conflict. But the system recognises that they are conflicting and therefore must be managed without allowing the market to dominate society unilaterally. It also recognises the fact that the free play of markets creates problems for society. Therefore, society will solve the problem through the exercise of political power. If such a system obtains in several countries, then we can create the conditions for regional arrangements among them, and of changes in the global system.

The second condition that is needed for substantial

change is genuine democracy. Social change in the past - whether of the Soviet or Maoist type or of the national populist types in the Third World - had very little democracy or no democracy at all. But whatever their achievements, very little was left to the initiative of the popular classes. They were controlled and directed in many ways, with varying degrees of the negation of democracy. The fact that the people want progress but that they also want liberty is also progress from the earlier situation. We cannot have a remake of the Soviet Union or a remake of Nehru's India. There are no remakes in history. Democracy in the dominant discourse is based on delinking it from the issue of social justice. That does not work, because if democracy does not result in social progress, people no longer find it credible. The main reason for the move backwards towards religious fundamentalism, ethnic solidarities and so on is the failure of democracy.

*What is the role of religious and ethnic movements in the context of neo-liberalism and the search for an alternative?*

Imperialism and cultural fundamentalism go together. Market fundamentalism needs religious fundamentalism. Why is this so? Market fundamentalism says: Subvert the state and leave it to the market at the global level to run the system. How can such a system be run? It can be done only when states are disempowered completely; and, within states, if the popular classes (the victims) are disempowered by the negation of their class identity. Moreover, the system can be run politically if the South is completely divided, with nations and nationalities hating one another. Religious fundamentalism and ethnic fundamentalism - they are similar - are perfect instruments for ruling the political system. This is the reason why they are supported - ideologically, politically, even financially - by imperialism. The U.S. has always supported Islamic fundamentalism. It has always supported the Saudi Arabian regime, just as it has always supported Pakistan and the Taliban. It continues to support such regimes even today, though they are now compelled to do this in a covert manner. In Europe it uses ethnic movements to achieve its goals, as in Yugoslavia.

*(Courtesy: Frontline)*



## The Long March to Another World

By Jai Sen

It is now two years since the first World Social Forum was held in January 2001 and a year since we established the World Social Forum in India in January 2002. In my understanding, the formation of the World Social Forum (WSF), globally and then in India, has been a very important step since I believe that WSF is an extremely significant social and political intervention in world affairs. This significance alone demands critical reflection on a first year's involvement with this process both in India and internationally. The fact that as things stand, the plan is to hold the next global World Social Forum - in January 2004 – outside Brazil and in India, makes reflection even more necessary.

There have also been some very important developments during the last one-year, internationally and in both India and Brazil that have a direct relevance to the Forum in India and to its future. Internationally, even as the Forum has grown and global civil action has continued to nature, the USA – after devastating Afghanistan in its so-called 'war against terrorism' – is now relentlessly pursuing its plans to devastate and thereby 'liberate' Iraq.

Across the globe, capitalist globalisation is still riding triumphant even as the economy unravels within the United States, and 'security' and surveillance measures are equally being relentlessly tightened by nation-states, supposedly in defense against those labeled terrorists, but also against protestors. The self-styled leaders of the so-called 'free world' are increasingly meeting in increasingly remote parts of the world, walling themselves off from ordinary people, and defending themselves with their militia. Accompanying this, Europe seems to be moving steadily to the right, and Hindu, Islamic, Christian, and Jewish fundamentalisms are rampant in different parts of the world. The shadows of imperialism and authoritarianism are very evident.

Against this, the news from Brazil has been encouraging. The presidential elections have finally brought Lula (Luis Inacio Lula da Silva), the leader of the Worker's party to the Presidency after a long campaign and several attempts. This development would seem to potentially change the political landscape in significant ways in this major country, and therefore in the world.

The news from India, however, has been less encouraging. Here, we have experienced a brutal and chilling anti-Muslim pogrom in the state of Gujarat in March-April 2002. More recently, while the elections in the highly contested state of Kashmir yielded a fresh government, the state election in Gujarat have returned to power with a landslide the Bharatiya Janata Party (BJP), the party that is widely seen as having been responsible for the communal violence, and its neo-fascist Chief Minister. With the party and its allied organizations saying that Gujarat is a model for what should happen in the rest of the country, the shadows of fascism seem to threaten India.

This is only a fragment of what is happening in the world today. But given this broader background against which the Forum is taking shape, I believe that it is at a critical juncture, and needs urgently to take a step back and try and see the larger picture - but where the trees and the woods are of course deeply related. It is not merely useful but I believe also crucially important and necessary for all of us involved with or participating in the Forum - in India and in other countries, and internationally – to take stock about the WSF process within particular countries and to the extent we can, also globally, to see how – if at all – we are relating to these larger events, and how we could and should strategically relate to them. And especially given the proposal to hold the World Social Forum 2004 in India.

Perhaps the most important characteristic and contribution of the Forum is the 'open space' it offers for free exchange – an undirected space where a wide range of streams of thought and action can intermingle without feeling that any of them has to follow another. But this is a complex and new idea, as is the idea that it is not merely an annual event, but is – or needs to be – *more a process*. I have therefore also prepared this paper on the assumption that in something as complex and important as the WSF, it is extremely important to constantly critically reflect on it as we go along, and that reflection can only strengthen the organizing work that is the real work. The paper argues in much greater detail than is mentioned in this summary, that the two – organizing and reflection – need to be done closely together. To do this, it is important to also keep in

mind the achievements of the World Social Forum during this time both globally and in India:

### **Achievements: the WSF globally, and more generally**

In processual terms since 2001 the WSF has moved from being a major annual event each January in Porto Alegre, timed to polemically challenge the annual World *Economic* Forum held at Davos, Switzerland, to being an efflorescence and celebration across the world. Among other events, in 2002, a 'regional' Social Forum was held in Florence, Italy, in November – which was the scene of a march by some 5000,000-1 million people in a peace rally in protest against the threats of US-led war on Iraq; and in early 2003, before the next Forum in Porto Alegre in late January, *four* regional For a will have been held – the Asian Social Forum in Hyderabad, India, the Palestine Social Forum, an Africa Social Forum, and a Pan-Amazonian Social Forum, and also several national and city forums in various parts of the world.

The annual event in Porto Alegre is also changing. From the first meeting that was dominantly a challenge to economic globalisation in 2001, it moved to being a meeting that made a call for alternatives 'Another World Is Possible! In 2002 the third meeting in January 2003 focused on articulating the alternatives and beginning to spell out ways in which the alternatives can be achieved. These are crucial developments.

In terms of numbers, the relevance of the Forum is shown by growth – from 25-30,000 people at the first Forum, to 50-60,000 at the second, to 1000,000 at the third.

But it is not the numbers alone that count. Perhaps most importantly, the WSF has struck at the level of meaning. It has resonantly made clear that there *is* an alternative to economic capitalist globalisation, there *are* alternatives. And that people all over the world are now mobilizing to live those alternatives. In this way, the WSF – along with all the other forms of global civil action that are also taking place – is playing a profound role in freeing peoples all over the world of the shackles of the colonization of the mind.

### **Achievements: WSF in India**

One of the many reasons that the consultation in Delhi in January 2002 decided to take up the task

of building a WSF process in India was that the Forum could potentially provide a context where a broad secular, democratic, anti-fundamentalist, and internationalist platform could take shape where, most significantly, civil and political streams could come together. Crucially, it was seen to be a space where old movements and politics could meet and talk with new movements and politics.

The last year has seen a fairly active and broad-based World Social Forum process underway in the country. Following the two national consultations (in January and in April 2002) that involved a fairly wide range of organizations and groups in the country, a broad programme of action was agreed upon at the second consultation, held in Bhopal on April 19-20, 2002.

In January 2002, WSF India had offered to organize a regional Social Forum. But conscious of the limitations that single big meetings have in terms of 'reaching out' to and being accessible by the huge numbers of concerned people, in its early meetings WSF India placed great stress on seeing the World Social Forum not only as a major event but also as a mass *process* of open exchange of information and experience. And thereby as a political culture of openness which millions of people can gain access to and take part in. **In this context, the most visible – and in many ways most significant – development has been the successful organization of the Asian Social Forum in early January 2003, in Hyderabad in central India. In format similar to the World Social Forum in Porto Alegre, some 14-15,000 people attended and took part in six major conferences, dozens of seminars, and hundreds of workshops on a wide range of social, economic, and political themes.**

The Forum was however also criticized and even opposed and boycotted by some movements. For diverting attention from the real tasks of opposing capitalist globalisation – by being something of a carnival – and also for being organized in such a way that it has tended to exclude some popular grassroots movements.

In reality, the WSF India process during this past year was also much less extensive than planned. While several state meetings were held, to present and discuss the idea of the World Social Forum, to exchange experiences, and to develop a general plan of action for activities at more local/state levels and

how participants from the states would take part in the Asian Social Forum in January 2003, the broader mass process that was aimed for is still to develop. Some state meetings were also more successful than others; perhaps the most successful was the Kerala Forum, held during December 26-29 2002.

Even as some of us are trying to analyse these developments, WSF India has been working with the possibility that the Global WSF meeting in January 2004 may be held in India – the first time that this meeting will be held outside Brazil. This proposal speaks of the importance of the real and symbolic roles of both societies in world history and politics.

But given the context in which we are working today,

it seems necessary for both WSF India and WSF International Council to take serious stock of the grim political situation in the country and the world, and to re-examine the questions of how the World Social Forum should be developed as well as the immediate and more particular decision of whether they feel holding the global meeting in January 2004 in India is what WSF India should focus its attention on over this coming year.

*( Jai Sen is an Indian activist and an architect and urban designer by training. He is currently focussed on the internationalisation and globalisation of the civil movement. He is presently a member of the WSF India Working Committee and of its Co-ordination Team.)*



## **GATS and the World Development Report 2004 :The neo-liberal plot**

*By Adil Ali*

This note is to draw on the issues of the “participatory preparation” of the World Development Report 2004 and the process of signing off the new round of negotiations of the General Agreement on Trade in Services (GATS) under the World Trade Organization (WTO).

The World Bank produces an annual report on a particular theme. The chosen theme for 2004 is “Making Services Work for Poor People”. As part of the process, the Bank has, for the first time, initiated a process of public consultation on the preliminary drafts of the report. These drafts were put out in the beginning of September 2002 for public comments and the bank is currently in the process of holding public discussions in various parts of the world.

The timeframe required the draft report to be ready at the time of writing. The final version has to be published by September 2003. That is the time for the annual meetings of the World Bank and International Monetary Fund as well as the Cancun round of negotiations of WTO.

If we look at the timetable of GATS, we can see the interesting convergence of the WDR 2004 with the GATS timetable. **The GATS timetable for the**

**new round as set out in the Doha Ministerial Declaration was as follows:**

**30 June 2002:** Initial requests to open market access for service sectors to be tabled.

**31 March 2003:** Offers to incoming requests to be submitted.

**September 2003:** GATS negotiations, including stocktaking at the Cancun Meeting.

**1 January 2005:** Conclusion of the current round of GATS.

Now where is the issue, if any? Is one then looking for a smoking gun or is there something more to this? While we do know that both these international organizations are driven with the same underlying ideology and approaches, the consensus building approach of the WTO seems to have extended onto the World Bank in terms of engaging it for manufacturing consent for privatization of services, an issue close to the heart of that institution anyway.

### **GATS and the services sector**

The GATS agreement was signed off as an integral part of the WTO process in 1995. However, in 2000, a fresh round of negotiations were initiated that were given formal shape at the Doha Ministerial

Conference of WTO in 2001. Please see the timetable above. GATS, in its framework, does not cover services in the public domain, i.e. services seen to be provided for public good. These services usually pertain to issues such as basic education, health, water and sanitation, public security. These are services associated with the basic rights and is usually provisioned through the state. Thus GATS, in as much that these services are provided through the State, would not claim to have it under its jurisdiction. However, this is where the World Bank connection come in.

The World Bank, has been working towards liberalization of economies and privatization of production processes, whether goods or services. Its new rhetoric for the same is “private sector participation” where the service might be owned by the government but the provision is managed by a private agency. Let us now look at the contents of the draft WDR 2004.

“Among the various services that fall under public responsibility; that do not primarily work through income generation; and contribute directly or indirectly to health and education outcomes. This leads to a focus on health, education and water and sanitation services, with some treatment of rural transport, public security and social protection”.

While it would be too simplistic to claim that the WDR 2004 will have an immediate impact on the ongoing new round of GATS negotiations, but it will have significant impact on the way services under “public responsibility” will be made more and more open to private sector participation and eventual ownership.

Given the thrust of the third member of the trinity, the International Monetary Fund, towards forcing governments to reduce spending, privatization of hitherto government undertakings in manufacture or provision of services through fully owned public utilities has already been undertaken in most countries. Once such services are privatized, or as the WDR seems to recommend, contracted out to private enterprises, GATS rules can be brought into play. While the rules might look neutral, they are not. The earlier experience of Tourism and Insurance to be listed when Shipping and Construction (services dominated by developing countries) were not, demonstrates who holds effective power in

these negotiations.

Let us again look at the draft WDR 2004, which claims to generate options for dealing with the failure of essential services reaching the poor. Interestingly, all the options seem to work towards getting rid of the State.

The draft WDR 2004 seems to accept that centralised government provisioning has worked in cases where homogeneity is acceptable and linked with physical targets like expansion in quantity of education (more schools,...), or vaccination drives, but seem to fail in cases where basic services are not being delivered or where it is unable to move to the next stage (quality schooling, health,...). It looks at five possible points of making services work for the poor. These are: opening the budget processes to civil society, linking budgets to a poverty strategy, decentralisation, private-public partnerships and community-driven development. This prescription does not seem to allow any role for public sector reform and the innovative use of cross-subsidisation to finance these services.

WDR also goes on to explore the financing of these services through user fees. While accepting that the poorest might be excluded if user fees are used, it sees potential benefits in charging them in the water and health sector where income elasticities are high but are not so apparent in education with low income elasticities.

As Tim Kessler points out in his critique of the report **“When the World Bank validates user fees, it gives governments in borrowing countries two political incentives to persist in anti-poor policy making. First, by making the poor pay, it enables the government to continue spending scarce resources on the non-poor...Second, World Bank complicity in these policies helps governments escape political accountability for their actions. National leaders can get off the hook by blaming user fees on external pressure.**

Clearly, once measures such as contracting out and user fees are introduced and popularized through the WDR (which has significant policy influence), privatisation, or the Bank’s preferred usage “private sector participation”, of basic services and their eventual accession to the GATS negotiations will not be far.



### **Asia**

#### **Chinese Steel Workers Protest Over Medical Care**

More than 300 workers from the Wuhan Iron and Steel Group rallied outside the company's main office on February 24 to protest planned changes to the plant's medical health care scheme. The changes include a substantial increase in the employee contribution, which would put health care out of the reach of the majority, especially retired workers.

According to the China Labour Bulletin, unions covering workers at the plant instructed their members not to strike or join the protest. Union officials also visited workers' homes warning them against participating.

#### **Sri Lankan Public Sector Apprentices Demand Permanency**

Apprentice workers in Sri Lanka's public sector began an indefinite hunger strike in Independence Square in Colombo on February 26, to demand employment as permanent workers. The 400 apprentices had been attached to several government departments after completing their technical college study courses. Some have been employed on apprentice conditions for as long as eight years. Eleven of the hunger strikers have already been admitted to the hospital.

#### **Indian Hospital Workers Oppose Privatisation**

Ward boys and other auxiliary workers at Bombay's Lokmanya Tilak Hospital in Maharashtra stopped work on March 3. The strike erupted after hospital authorities contracted out food preparation in the nurses' kitchen and transferred two workers to the patients' kitchen.

The strike crippled hospital services. According to official reports, only 15 operations were performed on March 3 instead of the 100-odd procedures normally conducted.

Municipal commissioner Karun Srivastava has ordered the hospital administration to cut the salaries of employees who stayed away from work. He also threatened to invoke the Maharashtra Essential Services Maintenance Act, to prevent the workers from taking further strike action.

#### **Indonesian Workers Rally to Oppose Labour Bill**

Hundreds of workers demonstrating outside the House of Representatives in Jakarta on February 25 clashed with baton-wielding police. The protest was called to oppose the passage of controversial new labour legislation that will undermine workers' rights, including the right to strike, and restrict severance payments.

A government representative said the legislation, previously known as the labour protection and development bill, was aimed at creating a "positive investment climate in the country".

#### **Indian Workers Protest Attacks on Labour Rights**

Over 50,000 workers from a range of unions marched through New Delhi to the federal parliament on February 26. The workers were protesting against the government's Second National Commission of Labour legislation. One union declared that the legislation "dismantled all rights of workers and has facilitated hire and fire of employees, indiscriminate outsourcing of jobs and closure of industrial units".

The workers also denounced the sale of public sector enterprises. A union spokesman alleged that no single privatisation deal had been free of corruption. In speeches laced with nationalist rhetoric, union officials accused the government of the "surrender of the country's economic sovereignty to international financial institutions".

#### **Sri Lankan Bus Workers Demand Salary Arrears**

Workers employed at the New Eastern Bus Depot in Ampara, 200 kilometres from Colombo, struck on February 17. The 475 workers are demanding payment of their January wages, which the company promised on February 8.

Some 300 employees from the Kandy South Depot demonstrated the next day over the same issue. Workers complained that they were often not paid on time. Management blamed delays in state funding. The funding shortage has also resulted in a large number of bus breakdowns due to lack of regular maintenance.

