

The Bank's Tibet Troubles

PROVIDING A *DE FACTO* STAMP of approval to the Chinese government's highly controversial policy of promoting population transfer of Chinese settlers into traditionally Tibetan and Mongolian areas, a divided World Bank board of executive directors in June voted to approve a \$160 million loan for the China Western Poverty Reduction Project (CWPRP or China-Tibet project).

The project will resettle 57,775 people (mostly Chinese) into a Mongolian and Tibetan Autonomous Prefecture in Dulan County, Qinghai province. In order to make land and resources available to the newcomers, the project will transform the lives and livelihoods of 4,000 local people, including Mongolian and Tibetan pastoralists.

The project will convert fragile, wind-swept, arid lands from traditional use by nomads for grazing and migration to intensive agricultural production for benefit of the Chinese settlers. It will also finance the construction of a 40-meter dam and renovation of a smaller dam; the development of extensive irrigation networks covering 19,200 hectares; intensive agricultural development in Qinghai, Inner Mongolia, and Gansu provinces, including increased use of pesticides and fertilizers; rural roads; and labor mobility (encouraging migration from rural areas to the cities).

Human rights advocates argue that the Bank's involvement in this project makes the institution complicit in the attempted destruction of Tibetan culture. The Bank "should not be in the business of diluting or reconstructing ethnic indigenous populations," says John Ackerly, president of the Washington, D.C.-based International Campaign for Tibet.

Bank officials vigorously justified the project on the basis of reducing poverty for the people being moved. "The Western Poverty Reduction Project aims to help poor people have a better life," says Jean-Michel Severino, regional Bank vice president for East Asia and the Pacific.

"In Inner Mongolia and Gansu, we are able to do that by assisting them to grow more food and earn more income where they are," Severino says. "In Qinghai, that option does not exist, and the project will enable us to move a proportion of the many people who want to leave their present, unsustainable way of life, and start afresh on farms in what is now a barren desert area. We know of no alternative for these people, and to stay would mean continued malnourishment, even starvation."

But Tibet activists challenge the purported benefits for local people. Despite the dangers of speaking out, local Tibetans living in the project area have indicated in letters and in response to surveys that they fear that the project will exacerbate ethnic tension and conflict over scarce resources. The design of the project involves the diversion of scarce water resources and grasslands to the intensive agricultural settlement, at the expense of traditional uses of the lands.

Critics also see the China-Tibet project as a deliberate step by the Chinese government to develop the infrastructure and agricultural base needed to facilitate the exploitation of the area's rich mineral and oil deposits.

Much of the criticism of the project has revolved around the apparent failure of Bank staff to follow policies and procedures related to indigenous rights and the environment. Bank staff rushed the project to a vote, presumably to get the project approved by the Board before June 30, when China's eligibility for cheap money from the International Development Authority, an arm of the Bank, expired. Following many of the policies would have delayed approval of the project.

In violation of the Bank's information disclosure policy, there was no publicly available project documentation, except for a short project summary, until two weeks before the Board decision.

Similarly, Bank staff appeared to mis-categorize the project for purposes of Environmental Assessment, which

meant that it could escape scrutiny and avoid a thorough (and more time-consuming) environmental analysis and consultation process. The Bank's Environmental Assessment policy requires projects involving resettlement, land conversion, irrigation, pesticides and dams — all of which are included in the China-Tibet project — to receive the highest level of scrutiny, known as Category A. Instead, the project staff screened it as a B project, requiring less careful analysis; and they refused to release the environmental assessment to the public, despite a policy mandating such disclosure.

Bank staff seem to have completely ignored the institution's requirement to prepare an involuntary resettlement plan for the 4,000 herders and farmers who will be impacted by the 57,775 new settlers. The 5-page "plan" for these people was prepared only after the public controversy had erupted.

The Bank's indigenous policy requires Bank staff to examine the legal, institutional and policy framework of borrowing country governments towards their ethnic minorities. Following this policy presumably would have highlighted for staff China's stated objective of moving Chinese settlers into traditionally Tibetan and Mongolian areas, and alerted them to the political sensitivity of the project.

Concerned about both the political implications and the obvious violations of Bank policies, a global coalition of Tibet support organizations, environmental groups, human rights organizations, musicians, and politicians joined ranks to challenge the Bank's support of the China-Tibet project.

In the weeks leading up to the Board decision, the campaign generated more public concern, press coverage, and internal Bank turmoil than any other project in recent history. Fax machines in Wolfensohn's office, the executive directors' offices and various finance ministries broke down from the strain of incoming letters urging the Bank not to proceed with the project. Advocacy groups met with project staff, senior management, executive directors and their governments in an effort to block the project.

China, however, played hardball to ensure that the project would go through. News reports state that Chinese officials met with donor country ambassadors in Beijing and threatened economic consequences if their governments did not support the project. China, the World Bank's largest borrower, also threatened to "re-evaluate" its relationship with the Bank (i.e., pull out of the institution) if the loan was not approved.

The fact that the Board ultimately approved the project despite the protests is not surprising, given that it has never failed to approve a project sent by management. Concern about policy violations did, however, lead the United States and Germany to vote against the project. And the Board decided to withhold the release of the funding for the Qinghai portion of the project until after the citizen-triggered Inspection Panel process is carried out.

"This has been a particularly grueling project for all of us, in view of the criticisms that have been leveled at the Bank with regard to the handling of environmental and minority issues in China," says Wolfensohn. "I am very

happy that the government of China and the Bank have agreed that the Inspection Panel should be given a full opportunity to examine this controversial component."

The Inspection Panel is an independent body empowered to review Bank projects to ensure they comply with Bank policies. The International Campaign for Tibet, acting on behalf of local people affected by the project, filed a claim with the panel the week before the project was approved. The claim alleges that the Bank has violated its policies on information disclosure, environmental assessment, indigenous peoples, natural habitats, agricultural pest management, resettlement and additional policies on preparation of the Bank projects.

For critics of the China-Tibet project, the Inspection Panel is the last hope for institutional accountability. It seems to be the only part of the Bank that takes the Bank's policies and procedures seriously.

— Dana Clark

Dana Clark is an attorney with the Center for International Environmental Law in Washington, D.C.

million is not only a record fine in an antitrust case, but it is the largest fine the Justice Department has ever obtained in any criminal case."

Federal officials also charged Dr. Kuno Sommer, former director of worldwide marketing for Hoffmann-La Roche's Vitamins and Fine Chemicals Division, with participating in the vitamin cartel and for lying to Department investigators in 1997 in an attempt to cover up the conspiracy.

Dr. Sommer, a Swiss citizen, has agreed to submit to the jurisdiction of the U.S. District Court in Dallas, plead guilty to both charges, serve a four-month prison term and pay a \$100,000 fine.

"This conspiracy has affected more than five billion dollars of commerce in products found in every American household," says Joel Klein, assistant attorney general in charge of the Department's Antitrust Division. "During the life of the conspiracy, virtually every American consumer paid artificially inflated prices for vitamins and vitamin enriched foods in order to feed the greed of these defendants and their co-conspirators who reaped hundreds of millions of dollars in additional revenues."

There have been nine prosecutions in the ongoing investigation of the worldwide vitamin industry and the latest in a series of international conspiracy cases filed by the Department's Antitrust Division in the last several years. Hoffmann-La Roche, BASF and Sommer are cooperating with the investigation.

Rhone-Poulenc, SA, the French pharmaceutical company, has been cooperating with the investigation under the Antitrust Division's Corporate Leniency Program.

Under the Leniency Program, a company may qualify for protection from criminal prosecution if it voluntarily reports its involvement in a crime and satisfies other criteria.

"The cooperation of Rhone Poulenc, together with information being provided by others, led directly to the charges filed today and the decision of the defendants not to contest the charges and to cooperate with our

The Vitamin Fix

THE SWISS PHARMACEUTICAL GIANT F. Hoffmann-La Roche Ltd. pled guilty in May and will pay a record \$500 million criminal fine for leading a worldwide conspiracy to raise and fix prices and allocate market shares for certain vitamins sold in the United States and elsewhere.

A German firm, BASF Aktiengesellschaft, also will plead guilty and pay a \$225 million fine for its role in the same antitrust conspiracy.

In Dallas, the Department of Justice charged the corporations with conspiring to fix, raise and maintain prices, and allocate the sales volumes of vitamins sold by them and other unnamed co-conspirator companies in the United States and elsewhere.

Federal officials also allege that the companies allocated contracts for vitamin premixes for customers through-

out the United States and rigged the bids for those contracts.

The conspiracy lasted from January 1990 into February 1999 and affected the vitamins most commonly used as nutritional supplements or to enrich human food and animal feed — vitamins A, B2, B5, C, E and Beta Carotene.

Vitamin premixes, which are used to enrich breakfast cereals and numerous other processed foods, were also affected by the conspiracy, the Department said.

"These prosecutions demonstrate that we will not allow international cartels to prey on American consumers in our globalized economy," says Attorney General Janet Reno. "Those currently engaged in or contemplating similar conduct should take note of the high cost of getting caught — \$500

investigation," says Gary R. Spratling, the Antitrust Division's deputy assistant attorney general for criminal enforcement.

"Rhone Poulenc conspired with Hoffmann-La Roche and BASF, but the information provided by Rhone Poulenc was what the Division needed to crack the largest antitrust conspiracy uncovered to date," Spratling says.

According to the charges, Hoffmann-La Roche and BASF agreed with the world's other major vitamin manufacturers to suppress and eliminate competition in the United States and elsewhere. The criminal cases charge that Hoffmann-La Roche, BASF, and Sommer, with unnamed co-conspirators:

- Agreed to fix and raise prices on Vitamins A, B2, B5, C, E Beta Carotene and vitamin premixes;
- Agreed to allocate the volumes of sales and market shares of such vitamins;
- Agreed to divide contracts to supply vitamin premixes to customers in the United States by rigging the bids for those contracts; and,
- Participated in meetings and conversations to monitor and enforce adherence to the agreed-upon prices and market shares.

The two-count criminal case against Sommer charges him with participating in the same vitamin conspiracy and lying to the Department of Justice by providing false, fictitious and fraudulent information to investigators when he was questioned about the vitamin conspiracy.

"The prosecution of Dr. Sommer should send the message that foreign borders will not serve as a sanctuary from prosecution for individuals who conspire to steal from U.S. businesses and consumers," Klein says. "Those who lie, obstruct, and attempt to cover-up the truth in our investigations will be prosecuted and punished for those crimes as well."

The defendants in all three cases are charged with violating Section One of the Sherman Act, which carries a maximum fine of \$10 million for corporations, and a maximum penalty of three years imprisonment and a \$350,000 fine for individuals.

Sommer was also charged with providing false statements to a government official, a violation which carries a maximum penalty of five years imprisonment and a \$250,000 fine.

The maximum fine for both corporations and individuals may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if

either of those amounts is greater than the statutory maximum fine.

At sentencing, the court will determine the appropriate sentence to be imposed under the U.S. Sentencing Guidelines and make a decision about whether it should accept the plea agreements and impose the agreed-upon sentences.

— Russell Mokhiber

THE LAWRENCE SUMMERS MEMORIAL AWARD*

THE MAY 1999 Lawrence Summers Memorial Award* goes to Professor Kevin Warwick of Reading University, a leading cybernetics expert.

"It is pushing at the limits of what society will accept, but in a way it is not such a big deal," Warwick told Stephan Bevan of *The Sunday Times* (London). "Many employees already carry swipecards."

Warwick was referring to a proposal to implant microchips in workers to measure their timekeeping and whereabouts. According to Bevan's report, "the technology, which has been proven on pets and human volunteers, would enable firms to track staff. The data could enable them to draw up estimates of workers' efficiency and productivity."

Bevan reports that Warwick is in consultation with various British banks and technology companies, as well as the U.S. software company Blackbaud Inc.

"For a business, the potential is obvious," Warwick said. "You can tell when people clock into work and when they leave the building. You would know at all times exactly where they were and who they were with."

Bevan reports that "AT&T Laboratories in Cambridge have been working on 'smart badges' for two years. They use ultrasound to tell the main computer exactly where the wearer is, allowing their desktop computers and phone calls to 'follow' them around the building."

(Stephan Bevan, "Companies Seek Chip Implants to Control Staff," *Sunday Times* (London), May 9, 1999)

*In a 1991 internal memorandum, then-World Bank economist and current Deputy Secretary of Treasury Lawrence Summers argued for the transfer of waste and dirty industries from industrialized to developing countries. "Just between you and me, shouldn't the World Bank be encouraging more migration of the dirty industries to the LDCs (less developed countries)?" Summers wrote. "I think the economic logic behind dumping a load of toxic waste in the lowest wage country is impeccable and we should face up to that. ... I've always thought that underpopulated countries in Africa are vastly under polluted; their air quality is vastly inefficiently low [sic] compared to Los Angeles or Mexico City." Summers later said the memo was meant to be ironic.