

The Tsunami's Aftermath: Reconstruction or Economic Opportunism?

By Debayani Kar | June 23, 2005

"How agonised we are about how people die. How untroubled we are by how they live." - P. Sainath, "The Unbearable Lightness of Seeing," The Hindu, Feb. 10, 2005

Six months after the tsunami that struck the coastal communities of the Indian Ocean in December, affected people all over South and Southeast Asia continue the process of rebuilding their lives, their property and their communities.

Despite the generous worldwide outpouring of solidarity and assistance, there is a risk that in the coming months and years, reconstruction, especially in Indonesia and Sri Lanka, will be conducted in an undemocratic and unsustainable manner that will only add to the devastation. Detrimental economic policies such as increased trade liberalization, cut-backs in government spending, and privatization, which were being challenged by civil society groups before the tsunami, are on the post-tsunami reconstruction agenda of tsunami-country governments and international financial institutions.

Indonesia and Sri Lanka were hardest hit by the tidal wave. The tsunami killed almost 300,000 people, including more than an estimated 200,000 in Indonesia alone and displaced more than one million people in the region.

The main international actors in tsunami relief and reconstruction efforts are the International Monetary Fund (IMF), World Bank, Asian Development Bank, and the governments of the eight richest industrialized nations, known as the Group of Eight (G-8).

The IMF, World Bank, and Asian Development Bank announced more than \$2 billion primarily in new loans and some grants. The G-8 governments pledged between \$3 and \$4 billion (whether these pledges will be delivered remains to be seen) and their Paris Club of creditors announced a debt payment moratorium for 2005 though interest on this debt will still come due next year. To put this in perspective, consider that the tsunami-affected countries made \$38 billion in debt payments to their creditors last year.

G-8 governments must expand their June 100% debt cancellation agreement to include the tsunami-affected countries that have substantial debt burdens.

Much of the aid pledged by international donors has failed to reach its intended recipients; as an example, the Financial Times reported in May that many shipments of physical aid donations have remained at ports in Indonesia and Sri Lanka, due to confusion over paperwork. A May UN conference calculated that of the \$6.7 billion in aid pledged globally, just \$2.5 billion had so far been actually committed or paid.

International Financial Institutions

Beyond the issue of aid delivery, there is concern over the role of international financial institutions in tsunami reconstruction efforts. The IMF, World Bank, and Asian Development Bank were already troubling Indonesian and Sri Lankan civil society groups before the tsunami. In both countries, there is widespread opposition to the economic policies of these institutions due to their flawed and unsustainable policies, such as weaker labor market protections and privatization of necessary government services. Farmers' organizations, women's groups, fisherfolk, and trade unionists also oppose the undemocratic means by which those policies have attempted to be carried out by their governments under pressure from international institutions.

It's unclear what useful role the IMF in particular can play in this situation. Its economic policy prescriptions are especially ill-suited for emergencies given that their overarching economic advice is always one of limited government spending and low inflation through high interest rates. This is evidenced by a recent IMF staff report: "[IMF] Staff has advised the authorities to be mindful of the limits to implementation capacity and potential inflationary pressures as

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reconstruction efforts proceed." In other words, in the midst of this immense tragedy the IMF is warning against higher levels of government spending because this may lead to increased inflation in the future.

The combination of misguided policy and undemocratic implementation explain why civil society coalitions have long opposed IMF, World Bank, and Asian Development Bank policy in Indonesia and Sri Lanka. These policies have encouraged cuts in government spending on health care, education, and food and farm subsidies, privatization of essential services including water, and reduction of government revenue from tariffs. In Indonesia, the civil society alliance, the Anti-Debt Coalition, has been campaigning to compel their government to not continue with IMF programs.

According to recent reports by the Movement for National Land and Agricultural Reform (MONLAR) and Alliance for Protection of National Resources and Human Rights in Sri Lanka, since the disaster, policies that were already being pushed for by the government and international institutions beforehand amid public opposition are now being rushed through.

Water Privatization

The Sri Lankan government intends to include the construction of a highway between Colombo and Matara opposed by affected communities in its rebuilding program. According to those affected communities, the proposed route will run through productive small-scale farmers' lands, displaces more than a thousand families, and has had many cost overruns. A water privatization bill that had previously been withdrawn due to public opposition was reintroduced on December 30 (four days after the tsunami struck, to comply with an Asian Development Bank deadline) and approved by the cabinet. Similar stories abound in Indonesia, Thailand, and India.

Movements in Sri Lanka and elsewhere in Asia, where the Asian Development Bank is financing water privatization, are concerned about increased costs resulting from private companies getting involved in water marketing and delivery.

MONLAR finds that "about 1.2 million families in Sri Lanka have incomes of less than \$15 per month. Almost all small farmers in Sri Lanka are extremely poor and indebted. The overwhelming majority of the fisherpeople whose lives were completely washed out by the tsunami and must therefore now begin their lives again, are also extremely poor. In the city of Colombo, 52% of the population live in slums and shanties." It is highly unlikely that these segments of the population will be able to afford the cost of privatized water.

The Sri Lankan government has so far prevented fisherfolk from returning to their coastal living areas. Instead there has been government discussion of building tourist hotels in their communities. Thomas Kocherry of the World Forum of Fisher People said: "Yes we agree that the victims have to be shifted to safer places beyond 200-300 (meters) away from the high tide line. ... But please do not bring tourism hotels instead of us. We will not allow this to happen any where in Asia where the tsunami disaster took place." A February conference in Medan, Indonesia reaffirmed fisherfolks' commitment to moving forward pro-people policies and blocking any efforts to usurp their land for other purposes.

U.S. Response

The U.S. approach to tsunami relief and reconstruction also merits monitoring. The approach, as laid out in Congressional hearings on January 26, entails two new factors outside the traditional aid route: use of the U.S. military and trade-based aid.

The U.S. initially deployed its military to Indonesia, Sri Lanka, and Thailand to deliver relief supplies and perform medical and other services. U.S. Defense Secretary Paul Wolfowitz (now World Bank president) announced at the end of January that the U.S. military's tsunami relief efforts had led to their decision to re-engage with the Indonesian military, despite their continuing offensive against separatists in Aceh, where the tsunami hit hardest. Thus it seems likely that the continuing presence of the U.S. military will exacerbate the Aceh conflict and interfere with sustainable and democratic reconstruction efforts. This is a concern in the current post-civil war climate in Sri Lanka

as well, where the central government based in the South is facing opposition to its tsunami aid sharing deal with the Tamil-controlled North.

The U.S. intends to use trade as another form of assistance. This entails relaxing tariffs and increasing market access for tsunami-affected countries. It is unclear the extent to which this will be beneficial. Trade liberalization policies have not been proven to improve per capita incomes as evidenced by the lack of growth in much of the global South and so any trade-based "aid" should be taken with a grain of salt.

Deliberate policy decisions encouraging tourism, aquaculture, and industrial-scale fishing, had the impact of destroying the region's mangrove forests, tidal marshes, and coral reefs, which would have acted as natural buffers against tidal surges. As the months go by and reconstruction efforts continue, affected populations will work to ensure that future policy decisions take their needs and such environmental assessments into account. Activists in the North should pressure their own governments to allow for the necessary political space for tsunami country civil society to have a voice in their own reconstruction and rehabilitation efforts.

International institutions need to listen to the voices of those affected peoples and formulate policies based on their needs assessments, not the needs assessments of Northern donor governments interested in entering new markets.

The slow progress being made in aid delivery combined with the lack of full participation of the communities most affected by the tsunami, demonstrate the undemocratic and unsustainable manner in which reconstruction efforts are being carried out, six months after a devastating tsunami ravaged the coastal communities of South and Southeast Asia. The main concerns regarding international financial institution efforts, U.S. military presence, use of trade assistance, and canceling foreign debt burdens, are relevant for all global South countries, not just those affected by the tsunami. Moving forward, activists should continue to monitor these processes and be active in solidarity efforts. Any public events or media commemorating the disaster must be informed by the

struggles of those communities directly affected, whose voices are not being adequately heard thus far.

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For more information:

<http://www.viacampesina.org/>

<http://www.wffp.org/>

<http://www.geocities.com/monlarslk/>

<http://www.foei.org/tsunami/index.html>

www.jubileeusa.org

www.globalizethis.org

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