

Japan's Meltdown: Will the World Follow?

dollars and SENSE

what's left in economics

Number 222
March/April 1999
U.S. \$3.95
Canada \$5.40

GREED *and* TAXES



CONSERVATIVE "REFORMS" & PROGRESSIVE ANTIDOTES



also

- ANARCHISTS IN THE '90S
- WALMART & SWEATSHOPS

trade treaties:
the threat
ahead

THE CONTINUING THREAT FROM TRADE NEGOTIATIONS

BY DANIEL KRAKER AND KRISTIN DAWKINS

In 1980, a health scandal erupted in Italy when a synthetic hormone used to promote weight gain and muscle development in cattle was linked to premature breast development and menstruation in young girls. In response the Europeans banned the use of synthetic hormones for any purpose, effectively banning both imports of hormone-treated beef and its trade within Europe.

The ban went into effect on January 1, 1989. In 1996 the European Parliament voted an astonishing 366-0 in favor of reauthorizing the ban, formally backing their citizens' and scientists' belief that hormones used in meat production increase cancer rates and may contribute to reductions in male fertility.

But the United States argued that the health concerns of the European Union (EU) were not based on sound science and acted as a barrier to trade. Less than four months after the European Parliament's vote, the United States requested that the World Trade Organization (WTO) determine whether the hormone ban complied with WTO rules. In early 1998 the WTO ruled in favor of the

Daniel Kraker writes on issues of globalization and community. Kristin Dawkins is Director of the Trade and Agriculture Program with the Institute for Agriculture and Trade Policy. Both are based in Minneapolis, Minnesota.

trade policy), the decision jeopardizes the right of nations to limit the risks to which their citizens will be exposed.

The decision warns the world that, consistent with its promotion of trade, the WTO will favor lower international standards over higher domestic standards. It also turns the traditional burden of proof standard on its head, placing it on countries seeking to protect human health rather than on those seeking to further liberalize trade. The decision confirmed the fears of free trade opponents: The WTO puts health, development and environmental policy decisions in the hands of international bankers, jurists and trade economists — decisions they clearly lack the expertise or accountability to make.

This is only one of the decisions rendered behind closed doors by the WTO in its four years of existence that have struck fear into the hearts of advocates for social justice, public health and consumer rights. Other controversial judgments included a decision against the United States' restrictions on importing shrimp from Asian countries that have inadequate conservation policies for endangered sea turtles; and a decision against the EU's preference for Caribbean banana producers, who are mostly small-scale farmers, over Latin American producers where corporate plantations dominate.



An environment has been created in which large, rich countries can run roughshod over the rights of small nations, and transnational corporations (TNCs) have their way with both. Authority, decision-making power and enforcement capabilities are now centralized in one institution, rules have been streamlined and made increasingly uniform from country to country, capital is mobile, and resources are easily attainable — in short, mega-corporations have been given virtually everything they could ask for to accelerate global trade and increase their profits. “We are writing the constitution of a new global economy,” boasted Renato Ruggiero, Director-General of the WTO in 1996, in a now famous statement.

With the WTO acting ever more as a legitimizer and backer of playground bullies, an international movement has risen to challenge its corporate-backed model of liberalized, harmonized trade and unfettered free markets. In late 1997, U.S. activists defeated “fast track” — legislation that would have enabled the Clinton Administration to sidestep Congress when negotiating new trade deals. And the once-secret Multilateral Agreement on Investment (MAI) — a proposal for eliminating governmental controls on foreign investors — has been stalled by a global coalition of activists.

But battles remain. Wealthy countries are trying to resurrect the MAI talks at the WTO, after failing in the Organization for Economic Cooperation and Development (OECD), which serves as a think-tank for the 29 most industrialized countries of the world. The WTO’s Agriculture and Intellectual Property Rights agreements will be renegotiated in the next year, with huge implications for addressing world hunger and food security (including whether communities will have the capacity to be

GLOSSARY

Liberalized Trade — The elimination of government regulations on imports, such as tariffs, quotas, health, and environmental policies — with the goal of increasing trade, supposedly leading to greater economic growth and prosperity.

Bretton Woods — The site, in New Hampshire, of the post-World War II discussions which led to the creation of the World Bank, the International Monetary Fund (IMF), and the GATT.

GATT — General Agreement on Tariffs and Trade, formed in 1947 to regulate international trade. Member countries met periodically to negotiate lower trade tariffs on goods and also, in later years, non-tariff barriers to trade such as quotas.

Uruguay Round — The most recent round of GATT negotiations (1986-1992), which expanded the agreement to include other issues such as intellectual property rights and the “harmonization” of regulatory standards for imports and exports. It also created the World Trade Organization (WTO), and gave the WTO executive, judicial and legislative functions.

World Trade Organization (WTO) — Created in January, 1995, to implement the Uruguay Round agreements and its new enforcement mechanism, which consists of a standing “appellate body” to render final decisions regarding disputes between WTO members.

NAFTA — North American Free Trade Agreement. A regional treaty established in 1994, liberalizing trade among Canada, Mexico and the United States. It established rules and institutions much like the WTO.

Fast Track — Legislation granting the U.S. president authority to negotiate trade agreements, and preventing Congress from amending any trade deal submitted by the executive branch. Fast track effectively restricts Congress to voting yes or no on an agreement — contrary to the U.S. Constitution.

Intellectual Property Rights — Legal rights (patents, copyrights, and trademarks) granting individuals or, more often, corporations the right to exclusively market products of the mind such as songs, drugs, and genetically engineered seeds.

TRIPs — Trade-Related Intellectual Property Rights. The agreement under which intellectual property rights were brought into the GATT/WTO during the Uruguay Round.

Harmonize — To make consistent the trade standards used by all countries, in order to ease and accelerate the flow of trade. In practice, harmonization has meant lowering regulatory standards to those of the least restrictive countries.

Multilateral, Bilateral, and Unilateral — In theory, the WTO fosters negotiations among all of its members (multilaterally). In reality, many decisions are still made bilaterally (between two countries), principally between the United States and the European Union (EU). And the United States tends to impose trade sanctions on its own (unilaterally), although doing so is illegal under GATT. But only recently has the EU objected, while other countries lack the economic power to object.

Dumping — When products are sold in a second country at prices below the cost of production in the home country. Exporters who do this seek to gain market share by wiping out their competitors.

Biodiversity — The awesome diversity of species on earth, and the genetic diversity within species. This diversity is essential to environmental protection and to the security of food supplies.

self-sufficient in food production), public health, biodiversity and environment. And the United States is seeking to introduce other new issues at the WTO, while developing countries are still reeling in response to the flood of new obligations mandated by the Uruguay Round.

A BRIEF HISTORY OF THE GATT/WTO

The WTO, successor of the old GATT, forms the trade arm of the triad of global economic institutions (including the World Bank and the International Monetary Fund, or IMF) that grew out of the multilateral discussions in the town of Bretton Woods, New Hampshire following World War II. The WTO's precursor, the General Agreement on Tariffs and Trade (GATT), was created out of these meetings. GATT met periodically to negotiate lower tariffs on imports, and in 1986 its Uruguay Round of negotiations commenced, the most recent of seven such rounds. The Uruguay Round greatly expanded GATT's purview to include issues that previously had been solely matters of domestic policy, including: investment; intellectual property rights; services such as banking and telecommunications; food, occupational and consumer safety standards; and product, health and environmental standards.

The WTO was created at the culmination of the Uruguay Round talks in 1994 to oversee and enforce the new global trade rules. Whereas the old GATT had no enforcement mechanisms (beyond encouraging bilateral settlements between nations), the WTO has the teeth necessary to implement its decisions. The nations that disagree appoint a dispute settlement panel consisting of three trade experts (in the case of disagreement, the WTO's Director-General appoints the third). The panel's judgments can be appealed once to a standing Appellate Body made up of seven trade experts appointed by the entire WTO, whose verdict is final. Any country that does not comply with a decision rendered by the WTO faces the threat of economic sanctions, such as a refusal of the other country involved to continue trading.

Because of its enforcement abilities the WTO has become the global institution of choice for transnational corporations and industrialized countries seeking to harmonize international standards and domestic regulations to maximize trade. Together with NAFTA, which bears similar enforcement teeth, the WTO has greatly increased the power and impact of globalization.

Prior to the Uruguay Round discussions the GATT was a relatively tame institution, essentially limited to negotiating tariff reductions among sovereign states. It emerged eight years later, however, with a hugely expanded mandate and scope, the enforcer of globalization with which all member countries must comply. To understand how the

metamorphosis came about, let's look at two sectors that featured contentious negotiations during the Uruguay Round: agriculture and intellectual property rights (IPRs).

AGRICULTURE AND INTELLECTUAL PROPERTY RIGHTS

President Reagan appointed a lifetime executive of Cargill — possibly the world's largest agricultural company — to draft the U.S.'s agriculture proposals and serve as its chief negotiator for the Uruguay Round. Not surprisingly, these proposals were crafted to favor the interests of multinational agribusinesses over producers everywhere, including family farmers.

The Uruguay Round's negotiation in agriculture was a bitter affair. The end agreement, hammered out bilaterally behind closed doors by the United States and European Union, and foisted upon other member countries, has done little to enhance food security. Below-cost prices and export subsidies in a few countries with industrialized production, primarily the United States and Europe, have continued to encourage overproduction. This leads to the dumping of commodities in developing countries at below-market prices, driving local farmers off the land in droves. The agreement is potentially devastating to developing countries which often lack the revenue necessary to import food and to support their own farmers in ways that increase local production. Liberalized agriculture benefits the traders — Cargill and other transnationals — rather than farmers or consumers throughout the world.

A coalition of corporations including Monsanto, DuPont, Merck and other giants drafted the U.S. position in the Uruguay Round of negotiations on TRIPs (Trade-Related Intellectual Property Rights). The TRIPs agreement applies to patents, copyrights and trademarks of all "products of the mind" including books, movies, graphic designs and so on — in each case, shifting the costs and benefits of cultural development in controversial ways. One of the most controversial segments obliges governments to offer patents on genetically engineered products such as medicines and seeds (whether or not plants are to be patented will be debated later this year).

Corporations desperately want TRIPs because by manipulating just one gene of a living organism a company can be declared the sole owner of an entire plant variety (and in some cases, an entire species!). The result is a boon to the biotech industry, giving agribusiness and the pharmaceutical industry a virtual monopoly anywhere they can market these products. U.S. Agriculture Secretary Dan Glickman has referred to the fight over genetically engineered foods and patents on life as the "battle royale of 21st century agriculture." Meanwhile,

Monsanto and other biotech giants are buying up seed companies like candy bars.

AGRICULTURE AND TRIPS RENEGOTIATIONS

There remains a small window of opportunity for opponents to this power grab. Both the agriculture and TRIPs agreements were temporary deals. They were so bitterly contested, nearly bringing the discussion to a standstill on a few occasions, that the European Union and United States agreed to temporary settlements and called a truce in which they promised not to challenge one another's farm programs. Renegotiations of both are scheduled under the WTO's built-in agenda: the patenting of the genetic code for particular life-forms in 1999, and the rest of TRIPs and the whole Agreement on Agriculture in 2000.

TRIPs critics have been busy gearing up for the talks. In July, 1998, over 7,000 protestors convened in Kabankalan City in the Philippines to voice their outrage over the patenting of life. They called on their governments to join India, Thailand and 50 African countries in working to remove biodiversity from the jurisdiction of the WTO, where the U.S. is leading the charge to allow transnational corporations to obtain legal monopoly rights over farmers' seeds without recognizing the farmers' rights. "Peoples' opposition to patenting life is not just the concern of countries whose national sovereignty and biodiversity are directly at stake," says Manny Yap, organizer of the Filipino rally and a leader in Masipag, a national network of peasant farmers there. "Anyone who is concerned about the integrity of our environment, of creation and of culture, not to mention the increasing power of [transnational corporations] over the world economy, is affected by TRIPs."

Likewise, the agriculture agreement affects everyone concerned about the decline of rural communities and the global increase in food insecurity, primarily in the developing world. In the upcoming talks the United States and EU will stake out their familiar positions, both seeking to expand their share of the global market by dumping surpluses overseas and obligating farmers to make the sacrifices necessary to do so. In many countries, farmers' groups are calling for the withdrawal of agriculture from the WTO altogether. They argue that agriculture is not

merely a system of production, as it is popularly viewed in most of the North, but a way of life. Further agricultural trade liberalization threatens the survival of rural communities as well as the food security of entire countries.

THE MULTILATERAL AGREEMENT ON INVESTMENT (MAI)

The MAI does to investment what the WTO does to trade. If enacted, investment rules will be liberalized and harmonized, accelerating the flow of investment capital around the world, principally from North to South. Countries will lose their ability to make sovereign decisions to regu-



"We are writing the constitution of a single global economy."
-Renato Ruggerio, director-general of the World Trade Organization

late investment, including speculative capital that can flee a country as fast as it enters, wreaking havoc — as recently happened in southeast Asia. "The treaty is a throw-back to colonial-era economics," says Martin Khor, Research Director of the Third World Network, based in Malaysia. "It cannot have a place in the present world where developing countries have the legitimate right to regulate investments, develop their own domestic economy and to strengthen their own enterprises."

The OECD began to discuss the once-secret agreement in 1995, and proceeded unchecked until a draft was leaked on the internet. The citizen response was so vehement and ensuing activist mobilization so effective that the agreement has been given up for dead by many, including the United States. But the EU has spurred a new initiative to negotiate the agreement through the WTO, forcing activists to remobilize.

You can already see the harmful effects of an MAI-style treaty in the three-nation NAFTA agreement. One of

Continued on page 36

TRADE PACT THREAT

continued from page 25

NAFTA's worst provisions allows corporations to sue governments that infringe on their "right" to make money. In one case, the California-based Ethyl Corporation sued the Canadian government on the grounds that its ban of one of their products, a carcinogenic gasoline additive already banned in the United States, was a trade barrier violating their rights. The suit was so intimidating that the Canadian government backed down, and allowed Ethyl to sell its carcinogen in Canada.

An identical provision — giving corporations the right to sue states — is intended for the MAI. It is a magna carta that would strengthen the access of transnationals to worldwide markets and resources — not an altruistic agreement to pour investment dollars into impoverished countries. An MAI, backed by the enforcement arm of the WTO, would likely lead to a major decline in local industry and a large outflow of financial resources into the coffers of transnationals — not to mention environmental degradation and human suffering.

ACTIVIST SUCCESSES AND CHALLENGES

The globalization train continues to rumble along, but it faces a number of potential stumbling blocks in the near future. One obstacle is that it no longer has a "fast track" in the United States, courtesy of an increasingly common coalition between Pat Buchanan-style isolationists and progressives who want to spread the benefits of trade to all participants, not just transnational corporate behemoths and the developing world's elite. The key to their success

lies in their ability to link the day-to-day concerns of people's lives — stagnant wages, the demise of the family farm and rural communities, the erosion of local decision-making authority, and environmental degradation — to the spread of liberalized, harmonized trade.

The task is being made easy for them. During the NAFTA and WTO debates activists opposing the treaties had no tangible proof that the weak labor, environmental and health protections in the agreements would fail to outweigh the benefits given to corporations and the restrictions placed on nations. Now, after five years of NAFTA and four years of the WTO, activists have such proof.

Countries worldwide, including the United States, are experiencing job losses and falling wages. The Economic Policy Institute estimated that the United States lost 420,000 jobs from 1993 to 1997 due to NAFTA. And the jobs created in the industrialized world are low-wage service-sector ones, while those created in the developing world tend to be even lower-wage sweatshop jobs.

This is precisely what a group of progressive representatives on the "Fair Trade or Bus Tour" found early in 1998 on a drive through Atlanta and neighboring communities to see first hand the effects of globalization on Americans. Organized by the Citizens Trade Campaign, a coalition that includes Ralph Nader's Public Citizen, the group, as described by Jim Hightower, was on "a journey to establish a new American policy of fair trade based on raising the world's labor, health, environmental and living standards — rather than knocking ours down."

Thus there is some momentum building for activists as trade bureaucrats prepare to descend on a major U.S. city — San Diego, Seattle, Chicago, and St. Louis have been mentioned as strong candidates to host the WTO's 3rd Ministerial in late November 1999. This will be the WTO Ministers' final gathering before the next talks gather steam in 2000. While the United States, the European Union and other major exporting countries are eager to negotiate, Third World governments are insisting that the talks stick to implementing the Uruguay Round and fulfilling promises made then, especially commitments to provide more lenient terms for less developed countries as they strive to comply with trade liberalization.

Participating governments are hoping for a less eventful meeting than the Second Ministerial in May 1998 in Geneva, where peaceful demonstrations staged by

Economy Connection

Speakers & Resources on Political Economics

a project of the Union for Radical Political Economics (URPE)



Has the economy been mystifying you lately?

We can provide a speaker for a political or educational event, or someone to discuss economic questions informally with members of your community organization, union or political group, or in your classroom. Our members speak and write about a wide range of domestic and international issues. Contact us and we will find someone who is right for you!

Economy Connection: (201) 792-7459 • soapbox@igc.org

URPE National Office, 37 Howe St., New Haven, CT 06511

tel: (203) 777-4605 • fax: (203) 777-1624

email: URPE@labornet.org • website: <http://www.urpe.org>

some ten thousand protestors by day disintegrated into riots by nightfall. The irony was obvious as delegates toasted the 50th anniversary of the GATT/WTO, while requiring security to protect them from the masses outside, protesting the very effects of the globalization they were touting.

Their security may be better prepared in 1999, as will the defenders of the international trade system. Northern leaders "recognize that... the greatest threat to the global system comes not from the difficulty of the negotiations but from the failure of public trust and the public suspicion of the system, the public mistrust of secretive organizations," in the words of U.S. Trade Representative Charlene Barshefsky. But Barshefsky's effort to win over labor unions and environmental groups through a handful of concessions will be accompanied by a "very aggressive market opening agenda" to win greater access to other countries for American corporations and industries. We can also expect to see the launching of a major public relations effort to win over the growing body of WTO skeptics.

Thus, while some gains have been made, the war is far from over. The challenge for activists is to harness the growing international backlash against the effects of trade liberalization to fight both the corporate free trade model and to present an alternative "fair trade" model. Such a model must be based on high international standards for

public health, wage and labor security, environmental protection and other social justice concerns; and allow individual countries to voluntarily exceed its provisions without fear of penalty.

To achieve such a vision, more democratic forms of international governance must be designed. Many advocates of global democracy believe that the old Bretton Woods institutions — the IMF, World Bank and the GATT/WTO — cannot serve humanity's needs. As the proponents of Bretton Woods are forced to acknowledge the need for "a new architecture" with which to correct the glaring economic failures of 1998, others who believe in a more democratic approach to international decision-making suggest that the global community turn to the United Nations framework. Flawed as the United Nations may be, at least its membership is universal, all members have a vote (except in the Security Council), and non-governmental organizations have access to its halls of power. ■

Resources: Institute for Agriculture and Trade Policy, 2105 First Avenue South, Minneapolis, MN 55404, 612-870-3410, kdawkins@iatp.org, www.iatp.org; Public Citizen Global Trade Watch, 215 Pennsylvania Avenue SE, Washington, DC 20003, 202-546-4996, mdolan@citizen.org, www.citizen.org; *The WTO Agreements: Deficiencies, Imbalances, and Required Changes*, Bhagirath Lal Das, Third World Network, 228 Macalister Rd., 10400 Penang, Malaysia, twn@igc.apc.org.

MANIFESTO MUSINGS

continued from page 7

committed to building a good society supposed to go?

Feeling that we aimed too high and fell too far, many of the left's best organizers eschew any analysis of both the past and the future, in exchange for the comforts of concretely local issues: running homeless and battered women's shelters, labor-community coalitions, grassroots environmental groups, and hundreds of other types of organizations. A second left, meanwhile, passes through graduate schools into university faculties, think tanks, government agencies, and the research/policy division of the labor movement, frequently substituting what they call "pragmatism" for hope.

Both groups are mired in debates over daily tactics and institutional reform, but rarely do they exchange *ideas*, let alone work together to acquire and exercise power. Many on the left want an identity, but not a history; a vision, but not an analysis. *We want change, but*

are afraid of power. The result is a long, cold, still night, when few actual leftists wield public power and influence.

Why? Let's go back to the Bible. It's no secret how Christianity has spread itself so far and wide, despite the difficulty and antiquity of its central text — not to mention a history of war, persecution, and corrupt bureaucracy. Countless missionaries preached almost two thousand years in every popular forum available, joining mind with body, ideas with action, mass with elite.

This understanding of the need to join ideas with action must be recaptured by those critical of capitalism, in the institutions and at the grassroots. If "ordinary" people can read, understand, and apply the Bible to their lives, we are certainly capable of doing the same with the *Communist Manifesto* and other alternative takes on capitalism. Successful left-wing movements all over the world have understood this simple fact, from the Social Democrats of Sweden to the Communists of South Africa to the Worker's Party of Brazil.

The *Manifesto* is *not* a Bible, how-

ever, and we can never read it that way again. While Marx remains the most time-tested, definitive analyst of capitalism, the real value of his work in 1999 is in the *questions he chose to ask* — questions which we must answer anew if we are to move beyond mere protest to actually governing our society.

Can nature and human community survive under capitalism? Is it necessary for the dispossessed to first acquire power through unions, parties, and civic organizations, before any justice is possible? Can capitalism eventually be displaced by another economic system in which the majority of people control industry and agriculture, as well as government? How can capital accumulation, technology, and growth be managed to liberate the majority of people, instead of oppress them?

To be made new, to be once again *useful*, the *Manifesto* must be read creatively, critically, doubtfully, with a sense of community and deep attachment to the world and people around us. The *Communist Manifesto* of Karl Marx and Frederick Engels is too powerful to be left to the stockbrokers. ■