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What's wrong with the GATT farm trade proposal

by William Engdahl

Chancellor Helmut Kohl's Bonn government has leaked reports that it will soon issue a "breakthrough" proposal on European Community reform of the Common Agriculture Policy, designed to satisfy Washington's demands in the ongoing Uruguay Round world trade reform talks. Far from positive news, the Bonn "breakthrough," as it reportedly is structured, would bring Europe and the world a large step closer to instability and economic insecurity. With huge grain deficits in certain new republics of the former U.S.S.R. a more pressing reality than ever, it is critical to examine what exactly the underlying premises and objectives of Washington trade policies are.

Last December, talks broke down in Geneva at the General Agreement on Tariffs and Trade (GATT), nominally because the world's second largest agriculture region, the 12-nation European Community, refused to agree to demands from the Bush administration for what is cynically termed a "zero option" agriculture subsidy. This would mean reduction of EC price supports to zero by the end of the decade.

Since the present agenda of the Uruguay Round was formally agreed to by 102 member nations of GATT in January 1987, Washington has placed ferocious pressures, combined with threats of trade war, to ram through a dismantling of some $36 billion in annual EC agriculture price supports. The Uruguay Round is the third major "round" of complex international GATT agreements held since the Bretton Woods trade body was established alongside the International Monetary Fund and World Bank after World War II. It brings world trade in agriculture under the proposed GATT "tariff reduction" for the first time. It is not accidental that today, four and a half years later, agriculture remains a central block for final GATT agreement in the Uruguay Round.

The Trilateral task force

The decision to place agriculture trade at the center of the Uruguay Round actually grew out of the earlier work of the little-publicized Task Force on Agricultural Policy and Trade of the Trilateral Commission, the influential private lobby created by David Rockefeller. In a series of conferences in 1985, this task force, chaired by former EC Agriculture Commissioner Pierre Lardinois and former consultant to the U.S. government on agriculture trade D. Gale Johnson, laid out the basic GATT agenda.

The fact that GATT, in the subsequent Uruguay Round talks in Montevideo a year later, adopted this Trilateral agenda, is not surprising when we see who participated in its work. In addition to Lardinois and Johnson, the Trilateral group included top executives of American grain companies including Central Soya (Ferruzzi); Quaker Oats Co.; Gilbert Salomon of the large French meat and food exporter Socopa; Clayton Yeutter (then president of the Chicago Mercantile Exchange and, until 1991, U.S. agriculture secretary); and Art de Zeeuw, chairman of the GATT Committee on Trade in Agriculture. In addition, leading executives of the American grain-trading companies Cargill and ADM/Töpfer, such as Dwayne Andreas, were on the elite membership list of the Trilateral Commission itself.

What the Trilateral task force did, was to lay out a five-year program to eliminate all agriculture subsidies by the United States, EC, and Japan. Specifically, its September 1985 report, "Agricultural Policy and Trade: Adjusting Domestic Programs in an International Framework," declared that "the next two or three years offer the best opportunity for progress of any period since World War II. The internal cost of farm programs in the trilateral countries have become

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more politically salient . . . domestic programs must become more *market oriented* . . . over time, the levels of *protection should be significantly reduced* and domestic producers faced with some degree of competition from the international markets" (emphasis added).

According to leading participants in the Trilateral task force, their report was the basis on which the Reagan administration introduced its agriculture demands into the Uruguay GATT agenda.

What is wrong here?

This Trilateral "market-oriented" demand for world agriculture trade, like most global "free trade" demands since the time of Adam Smith, is based on a clever and deliberate fraud. What actually is the "world market" to which the big American grain cartel companies such as Cargill and ADM/Töpfer want the farmers of the EC and rest of the world to orient themselves? It is the market of that share of world grain which is traded internationally, rather than being consumed domestically. But, as official EC data show, only a small portion of EC grain ever goes into international trade outside the EC market. The overwhelming bulk of EC grain is consumed by the EC internally. On average in recent years, at least 86-87% of all grain produced by the 12 member countries of the EC is consumed inside the EC. This means only 13-14% ever enters into "world markets." But on the basis of this 13%, GATT wants to dictate the price and economics of the other 87%! Why?

The reason is quite simple, but one of the politically best hidden secrets of U.S. and EC policy. Three major companies—Cargill Co. (Tradax AG), Continental Grain (Finagrain), Archer Daniels Midland/Töpfer—dominate and cartelize almost all grain imports (including soybeans) into the EC as well as all exports from the EC. Some 85-90% of the "international" grain trade is controlled by these American-based giants.

The world's largest grain trader, Cargill, is notorious for its control of U. S. government agriculture policy. In 1985, when Washington was preparing its agenda for the proposed GATT Uruguay Round, the agriculture demands, not surprisingly, modeled on the Trilateral task force's "market-oriented" free market proposal, were drafted by Assistant Secretary of Agriculture for International Trade Daniel Amstutz. Amstutz spent 25 years as a senior executive for Cargill before assuming his government post. At that time, the U. S. Special Trade Representative was Trilateral task force member Clayton Yeutter, later George Bush's agriculture secretary, and the chief White House architect of GATT demands on European agriculture.

According to former EC Agriculture Commissioner Sicco Mansholt, even EC policy on agriculture is "always determined by the big cartels—you know, Cargill, Continental. . . ."

The problem faced by these powerful U.S. grain trading companies in the mid-1980s was the success of a rival grain supplier large enough to threaten the influence of American grain on world markets. The political implications were enormous. Not only was Europe more than self-sufficient in grain and agriculture as a result of the modern technological and chemical innovations in agriculture science, but its generation of significant surpluses meant that more than one major source of grain for world grain-dependent countries was possible on a regular basis. That threatened the long-standing Washington policy, first elaborated in 1975 by Secretary of State Henry Kissinger (today a board member of Continental Grain), of using food as a "political weapon" of U. S. foreign policy. Moscow had become the major buyer of American grain under an agreement first negotiated by Kissinger in 1973.

But the emergence of EC surplus grain on world export markets not only undercut the political leverage Washington could exert; it also undercut world grain prices. This is what the GATT agenda was drafted to prevent.

How? By forcing such severe cuts in EC agriculture support that its grain surpluses would vanish. Töpfer, the Hamburg subsidiary of the American grain giant Archer Daniels Midland, confirmed this agenda in a February 1991 analysis of the latest "reform" proposal from EC headquarters in Brussels, to cut drastically grain prices and other farm support. Töpfer noted that the proposed "reform" of EC farm policy would reduce grain production by an estimated 23 million tons per year. This, they note, would conveniently eliminate the EC as the world's second largest grain exporter, leaving control of world grain trade to one country—the United States.

Also not insignificant is the fact that the person recently chosen by President Bush to become U.S. ambassador to Moscow—Texas lawyer Robert Strauss—was a member of the board of directors of Archer Daniels Midland/Töpfer at the time he was nominated as Moscow envoy.

The cost to Europe's farmers

Since the Brussels EC bureaucracy began imposing step-by-step price cuts in EC grain support prices in 1986, EC grain prices paid to farmers have been driven down by an estimated 15%. But this does not convey the full extent of the crisis which has pressed down upon European farmers in the past several years.

According to data prepared by COPA, the umbrella organization of European farmer unions, Europe's farmers have been squeezed in a kind of "scissors crisis," in which the costs of their production have risen dramatically, while the price they are able to gain for selling their product has fallen year after year. Analyzing per farmer average real income (adjusting for inflation) and comparing net farm income with that of the general wage-earning population, COPA reveals that average per capita farm income has fallen by 15% since the mid-1970s, while net per capita income of overall wage earners for the same period has steadily risen by 24%. By

1989, this produced a gap of just under 30% in income levels between the two groups.

The European Community has imposed a systematic price reduction formula especially targeting European grain farmer prices, since the Hanover EC summit in early 1988. At that meeting, under strong pressure from Britain's "free market" prime minister, Margaret Thatcher, the EC imposed a ceiling on its grain production of 160 million tons per annum. Any one pound produced over this ceiling triggers automatic and severe price cuts for all grains to the farmer for the coming crop year, the so-called "automatic stabilizers." In effect, the EC had been imposing, step-wise, the Trilateral "market-oriented" plan to slash farmer subsidies.

At the same time, while publicly blaming European "greedy farmers" and EC farm supports, the Bush administration has committed record sums for subsidizing export of U.S. grain and other farm products through aggressive dumping programs such as the Export Enhancement Program of the U.S. Department of Agriculture. The aim has been to push European grain exports out of third markets such as Algeria and Egypt, leaving the United States as the de facto dictator of world food supply, a political weapon perhaps even more awesome than Washington's control over world petroleum today.

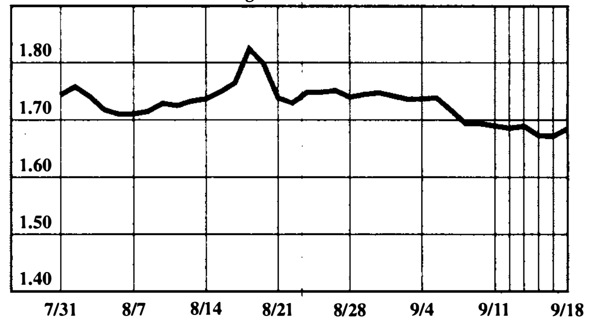
Now, under the argument that failure of the EC to agree to slash its remaining EC agriculture support was the reason that the GATT Uruguay Round did not reach a "successful" conclusion by the original deadline of December 1990, this summer the European Commission approved a slightly modified version of the proposal from Agriculture Commissioner Ray MacSharry for "CAP reform." According to a study just released by the Dutch Institute for Agricultural Economics, the MacSharry plan would be the death knell for entire sections of European economic life. The most severely hit would be the country most economically dependent on agriculture for its national production, Denmark, whose farmers stand to lose 41% in income. Losses to German, Dutch, British, and French farmers would range from −5% to −15% and a total EC reduction in farm income annually of more than 12 billion deutschemarks (about $7 billion)—a devastating prospect which recently prompted German Farmers Association chairman Constantin Heereman to call for large-scale farmer protest against the Brussels plan.

Better under these conditions to abandon the foolish GATT Uruguay Round and leave world trade and tariff agreements where they have been. The argument used, that a GATT "failure" would trigger trade war and retaliatory tariff blocs, and a world economic depression similar to the 1930s after the U.S. Smoot-Hawley Tariff, is based on a false idea of the real causes of the economic depression of the 1930s. Industrial production collapsed in the 1930s in Germany, Austria, France, and America. But it was because of the collapse of the rotten Anglo-American Versailles debt structures, not because of Smoot-Hawley.

Currency Rates

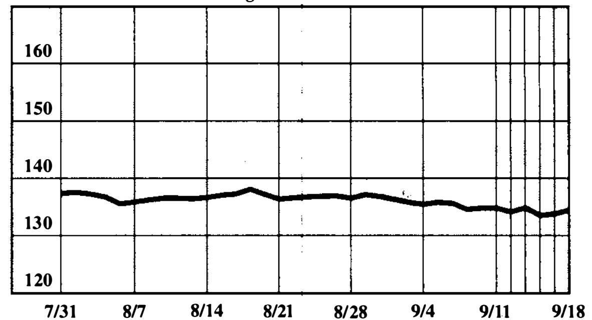
The dollar in deutschemarks

New York late afternoon fixing



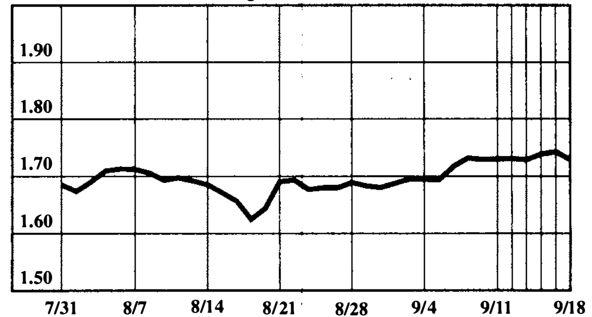
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing