WTO summit will deploy 'free trade' to destroy nations

by Marcia Merry Baker

From Nov. 30 to Dec. 3, the third ministerial-level conference of the World Trade Organization will meet in Seattle, Washington, where the goal will be to commit to a new "Millennium Round" of talks to further liberalize world trade, with negotiations running from the year 2000 to 2003 or beyond.

Representatives of 135 nations, and hundreds of other groupings—especially U.S. labor and farm contingents—will be on hand. More than 50,000 are expected. U.S. Trade Representative Charlene Barshevsky is chairman.

The record of North American Free Trade Agreement (NAFTA), the U.S.-Canada Trade Treaty, and similar pacts elsewhere shows that any government that commits itself to more free trade, will be further relinquishing its sovereign power and responsibility over its own national economy, just at the time when the world financial system itself, and also physical-economic structures, are in the process of breakdown, requiring actions and institutions for *national-economic build-up*. The graphics shown here highlight features of the breakdown process now under way. The accompanying report on the U.S. labor mobilization features the great potential to force governments to dump the free-trade doctrine, and act instead in their own national interest.

The best outcome of the Seattle mega-meeting would be *failure*—both for the talks, and for all "free-trade" thinking. The course of action required to really improve production and trade, is to initiate collaboration among the United States and a grouping of other nations, to bring about new international economic arrangements, based on the example of the best of the post-World War II commitments called the "Bretton Woods" agreements. What is required today, are such measures as stable, pegged-rate currencies, selective capital-flow controls, and agreements to conduct infrastructure projects and trade in the mutual interest of building up national economies. This approach has been led by Lyndon LaRouche, whose campaign for the Democratic Party nomination for President is called the Committee for a New Bretton Woods.

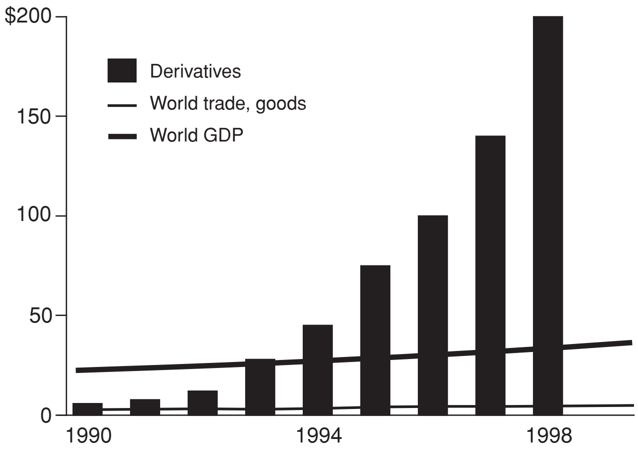
First Bretton Woods rejected free trade

In 1944, at the orginal Bretton Woods, New Hampshire, meeting of some 40 nations, a proposal came forward to create an International Trade Organization (ITO), with powers equivalent to today's WTO. It was sponsored by predecessors of the same London-centered financial interests that today back the WTO globalization drive. But the ITO was soundly defeated. To the way of thinking among most people then, it was still obvious that a sovereign nation must retain power over its own trade practices and policies. That is not an "anti-trade" view, but rather, the view that trade must be in the mutual interest of the trading partners, and not in the interest of some non-national cartel company, operating as a modern-day version of the British East India Company. Instead of the ITO, the Bretton Woods meeting set up the General Agreement on Tariffs and Trade (GATT), a limited agency.

However, over the ensuing decades, policy thinking deteriorated, to the point of the advent of the 1971 floating exchange rates, the "post-industrial" shift, and practices of the global "casino economy." Unheard-of rates and types of speculation produced unprecedented bubbles (debts, asset values, futures, derivatives), and the push for "free" (meaning rigged) trade, came on again.

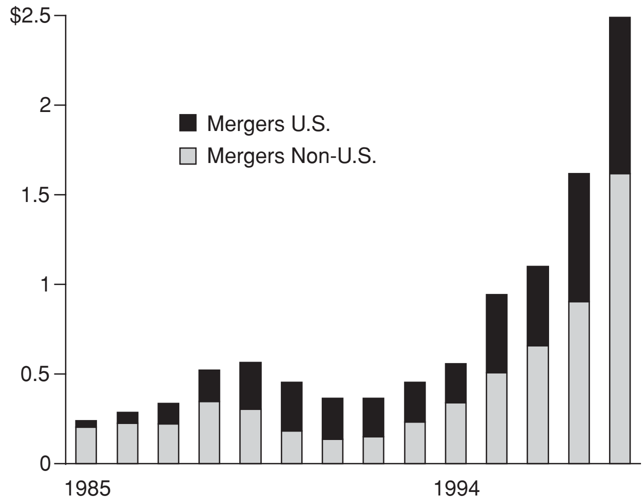
From 1986 to 1994, the Uruguay Round of the GATT took place, resulting in the agreement to set up the WTO in January 1995. Heading the agenda of the WTO Seattle conference will be two areas of economics that even eight years of the Uruguay Round could not induce nations to agree upon: surrendering their powers over agriculture and "services" such as credit, loans, and sovereign currency issues. The services topics are referred to, in WTO-speak, as GATS

FIGURE 1
Growth of the bubble: derivatives vs. world trade and output
($ trillions)



Sources: IMF, *EIR.*

FIGURE 2
Global cartelization
($ trillions)



Source: Thompson Financial Securities Data.

(General Agreement on Trade in Services). Beyond that, many other topics might also be put on the agenda in Seattle, from electronic commerce to fisheries.

WTO invokes 'rule of law'

The theme you will hear repeatedly from WTO officials and cohort agencies—the International Monetary Fund and the World Bank—is that nations may continue to exist, but they must be bound by a new system of international "rule of law." The new WTO Director General, Mike Moore, a New Zealander and a member of the British royal Privy Council, who took office on Sept. 1, motivates the need for liberalized trade rules, by saying that these will help poverty-stricken "lesser developed countries." In his Sept. 1 inaugural speech, Moore said: "The WTO has a vital role to play. Through a system of rules, agreed by consensus by our 134 member governments, the WTO has created a system where the little guy not only has a say, but where he can protect and defend his trading rights. . . . At our Ministerial Conference in Seattle it is vital that WTO member governments dedicate themselves to finding solutions to problems of the poorest countries."

To the New York Council on Foreign Relations, on Sept. 28, Moore said, "Our job is to advance the sovereignty of states by giving rules within which our ever more inter-dependent world can manage itself better. . . . This is a simple proposition. Do we want a world based on rules, or not?"

Behind the "rules" propaganda, and the malarkey about helping the poor, is the even bigger whopper, that the WTO and "open markets" exist for the good of any nations or peoples—whether classified as rich or poor. The reality is that the financial best described as the "British-American-Commonwealth" (BAC) interlock of companies and funds, have been using "free-market" arguments and global rules to institute a new form of 19th-century imperialism. The slogan of the GATT Uruguay Round was "One World, One Market," which meant, "One Imperial BAC." Since 1995, *EIR* has published detailed profiles of BAC cartel networks, beginning with our "House of Windsor" series (see "The Big Commodities Hoarding Crunch of 1995," Sept. 15, 1995).

Reality confronts WTO

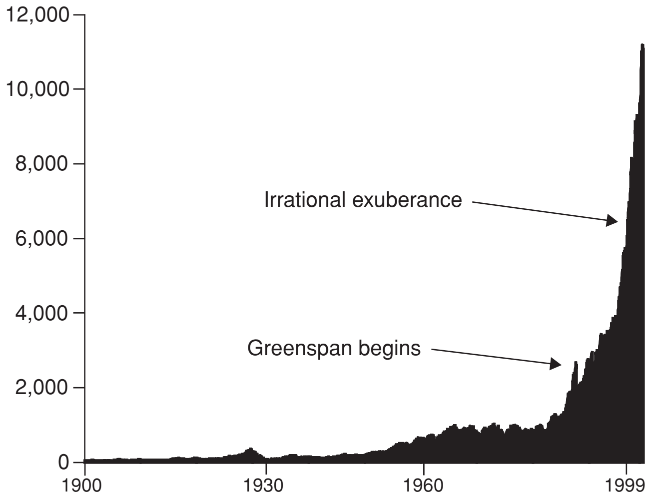
Among the thousands massing to protest the WTO in Seattle, are those who have experienced the destruction of farms and factories during the six years of NAFTA, and the GATT-WTO impact. As the United Auto Workers' October resolution states (see excerpts in next article), it's time to resume a manufacturing-based economy, not free-trade swindles. A growing mobilization of constituency leadership can contribute to halting the policies of national destruction. There is no way to make the WTO "fair."

The following figures indicate some of the key features of the present crisis.

Figure 1 depicts the growth of the global financial bubble, showing the soaring volume of outstanding global derivatives contracts (more than $150 trillion), while the values of international merchandise trade itself, and of world Gross Domestic Product (even if the accounting methods used are flawed), are going nowhere.

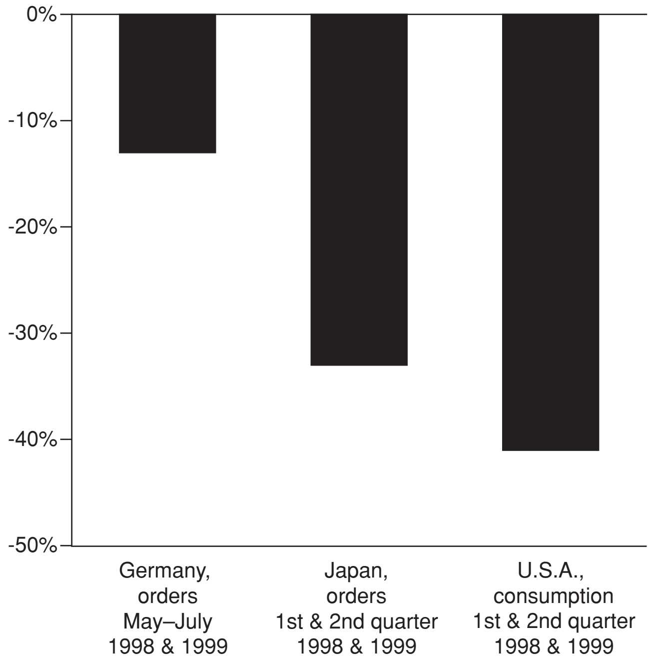
Figure 2 points up the other characteristic of world trade today: the merger mania. An ever-smaller number of mega-companies are now dominating every economic sector—

FIGURE 3
The Greenspan bubble
Dow Jones 'Industrial' Average



Source: Dow Jones.

FIGURE 4
Fall in big three world machine-tool production
(percent)



Sources: Association for Machine Tool Manufacture; VDMA, German Association of Machine Tool Builders; Japan Machine-Tool Builders' Association.

from medicines, to livestock feed, gasoline, telecommuncations, and even food and water. These are the BAC interests represented by the WTO.

Figure 3 shows the state of the U.S. economy, a bubble of inflated asset values, indicated here by the Dow Jones (formerly) Industrial Average index. Federal Reserve Chairman Alan Greenspan came into office in 1987; in 1996, he warned of "irrational exuberance" on the stock exchange. Since then, the Dow has soared into the stratosphere. The stock market valuation of shares has ballooned from under $3 trillion in 1990, to more than $15 trillion today.

But what does the WTO have to say about the performance of the U.S. economy? Lavish praise. On July 12 and 14, the WTO Trade Policy Review Body conducted its fifth review of the U.S. trade record. The chairman stated: "The U.S. economy is among the most open and transparent in the world. This openness and its recent impressive economic performance have meant that the United States has played a pivotal role in supporting the world economy in the wake of the Asian financial crisis. At the same time, imports, often at prices below cost of production, have served as an important safety valve for the U.S. economy, helping to meet domestic demand and subdue inflationary pressures that might otherwise have emerged. Further, foreign investment has enabled the U.S. economy to grow faster than would have been the case had it relied solely on domestic saving."

Now, back to reality: As **Figure 4** shows, by all key metrics, the U.S. economy is *declining* rapidly in production and consumption. Japan, Germany, and other industrialized countries are also declining. The drastic drop in machine-tool orders, production, and consumption makes the point.

The world food crisis

The world's food supply is in a state of declining production and consumption overall. Look at grains as a marker. **Tables 1** and **2** show that total world grain produced has never gone above an estimated 2 billion metric tons annually, which in turn means that per-capita levels and reserves are precarious. Moreover, these figures include China, where grain output has been rising. But elsewhere, such as in Africa, tonnage of food produced and consumed per capita is falling. In Mexico, output of corn, wheat, and beans has dropped drastically under NAFTA, and consumption per capita has declined. Imports are not making up the difference. These are the common patterns, not the exceptions. Total world tonnage of grain traded has remained in the range of 200 to 218 million tons a year for 15 years; tonnage of food aid is declining too, though the need is acute.

What about the one apparent "glut" on the world market—the new U.S. soybean harvest and large world supplies? True, there has been a bountiful, record harvest. Yet farmers are going bankrupt! The problem isn't over-supply. If traditional parity (fair return) farm price policies were still in effect in

TABLE 1

Decline in world grain production, 1997-99

(million metric tons)

World output	1997	1998	1999
Wheat	613	595	579
Coarse grains	905	905	891
Rice	387	382	387
Total	1,905	1,882	1,858

Source: UN Food and Agriculture Organization, June 1999.

TABLE 2

Decline in world grain output per capita, 1990s

	Total grain (millions metric tons)			
Year	Produced	Stocks	Population (billions)	Per capita (metric tons)
1990	1,780	352	5.279	0.34
1991	1,711	339	5.423	0.32
1992	1,794	383	5.480	0.33
1993	1,729	346	5.555	0.31
1994	1,781	318	5.610	0.32
1995	1,730	260	5.688	0.31
1996	1,893	303	5.772	0.33
1997	1,906	333	5.847	0.33
1998	1,877	330	5.927	0.32
1999	1,858*	315	6.003**	0.31

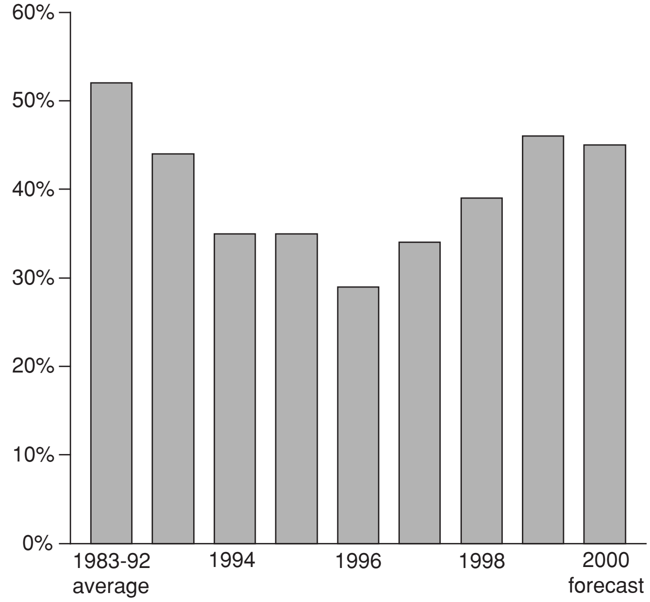
* UN FAO estimate, June 1999
** Estimated

Sources: UN Food and Agriculture Organization, U.S. Bureau of the Census.

FIGURE 5

Share of world cereal stocks held by major exporters

(percent)



Source: UN Food and Agriculture Organization, September 1999.

the United States and elsewhere, farmers would not face ruin from a good harvest!

Farmers the world over, with the exception of China, are facing low prices and ruinous financial conditions. In Berlin, 10,000 farmers protested on Oct. 26; earlier this year, 50,000 protested in Brussels. In Brazil, farmers ran a tractorcade, and staged a demonstration in Brasilia. In the United States, multibillion-dollar Federal farm aid was authorized for the second year in a row, because farm regions face an income loss of more than 50%. The implication of all these situations, unless changed, is famine.

Food shortages on that scale may seem unthinkable, but that is indeed the prospect and logic of continued, so-called "market-based" practices, if farmers go under. The myth that mega-factory food conglomerates can supply food, is equivalent to the stupidity of thinking that food "grows on the supermarket shelves."

Figure 5 shows how exportable grain (cereals) reserves are highly concentrated in a few countries, which in turn means that the stocks are dominated by the BAC commodity cartels that control the food chain. (In the mid-1990s, world cereal stocks were low in absolute volume.) Those represented as holding 45% of exportable grain right now, are the United States, Australia, Argentina, Brazil, Canada, the European Union, and few others. The following are a just few highlights of the extent and nature of control over the world food chain.

- *Grains*. U.S.-based Cargill, Inc.'s acquisition of Continental's grain division, now constitutes an operation controlling 60% of U.S. grain export stocks—the largest in the world—as well as large parts of the exports of the European Union, Argentina, and elsewhere. U.S.-based Archer Daniels Midland (ADM) is the largest soybean processor in the world, with control-lines in Brazil and Argentina, as well as North America and Europe. In October, Michael Andreas, former ADM top official and son of founder Dwayne Andreas, began serving a jail term for global price-fixing of corn-processing products. This was not an isolated case: Price and supply control typify BAC practices. Michael got caught.
- *Meats*. U.S.-based Smithfield Foods, the world's largest pork processor, accounts for 20% of the pork produced in the United States, and produces more than 20% of the hogs slaughtered. The company is acquiring Murphy Farms, and has bought Carroll Foods, formerly the largest U.S. hog factory operator. Smithfield has bought major market holdings in Poland for hams, in France for sausage, and now is setting up operations in Mexico.