

GATT

The Environment and the Third World

A Resource Guide

"I sympathize with those who would minimize, rather than those who would maximize, economic entanglements among nations. Ideas, knowledge, science, hospitality, travel – these are things which should of their nature be international. But let goods be home-spun whenever it is reasonable and conveniently possible and, above all, let finance be primarily national."

John Maynard Keynes

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1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. It emphasizes that this is crucial for ensuring transparency and accountability in the organization's operations.

2. The second part of the document outlines the various methods and tools used to collect and analyze data. It highlights the need for consistent and reliable data collection processes to support effective decision-making.

3. The third part of the document focuses on the importance of data security and privacy. It discusses the various risks associated with data breaches and the measures that should be taken to protect sensitive information.

4. The fourth part of the document discusses the importance of data governance. It outlines the various roles and responsibilities involved in ensuring that data is managed effectively and in compliance with relevant regulations.

5. The fifth part of the document discusses the importance of data literacy. It emphasizes that all employees should have a basic understanding of data and how to use it effectively. This is essential for ensuring that the organization can make the most of its data assets.

6. The sixth part of the document discusses the importance of data integration. It highlights the need for different data sources to be connected and shared across the organization to provide a comprehensive view of the business.

7. The seventh part of the document discusses the importance of data visualization. It outlines the various tools and techniques used to present data in a clear and concise manner, making it easier for decision-makers to understand and act on the information.

8. The eighth part of the document discusses the importance of data archiving. It emphasizes that data should be stored securely and for a long period of time to ensure that it is available when needed for legal or historical purposes.

9. The ninth part of the document discusses the importance of data backup and recovery. It outlines the various strategies used to ensure that data is protected from loss and can be restored in the event of a disaster.

10. The tenth part of the document discusses the importance of data compliance. It highlights the need for the organization to ensure that its data handling practices are in line with relevant laws and regulations.

Part 1: GATT Background

After World War II many of the industrialized economies lay in shambles. The General Agreement on Tariffs and Trade (GATT) was created in 1948 as the first step toward an International Trade Organization. The initiative came from the U.S., as part of its effort to extend the U.S. economic model of high volume, standardized production and aggressive expansion of markets to the rest of the world. The U.S. envisaged the establishment of an international trade organization within the United Nations system as the logical complement to the International Monetary Fund, which lends money to sovereign states, and the World Bank, which finances international projects. However, opposition in the U.S. Senate prevented ratification of the International Trade Organization's charter in 1950. GATT was left to set the code of conduct regulating the activities of importing and exporting around the world.

Since 1948 the countries that participate in the GATT have met seven times in meetings that are called Rounds. The objective of each of these Rounds has been to reduce tariffs and other trade barriers. The rules of trade established in the original GATT granted nations the right to establish health and safety standards; developing countries were allowed to impose tariffs or direct controls on imports in order to defend and nurture their domestic industries. In the current, eighth Round, which began in Uruguay in 1986, these rules are to be radically changed. The Round is scheduled to conclude in April, 1992.

In the years following GATT's creation, world trade soared, bringing prosperity to the industrialized world. However, the developing countries of the Third World did not share in that prosperity, even though industrialization and economic expansion has been fueled by Third World raw materials. Prices for its products have remained low. Julius Nyerere, former president of Tanzania, summed up the problem: "To an ever-increasing extent, Third World countries sell cheap and buy dear, which causes tens of billions

of dollars to flow every year from the Economic South to the Economic North."

Third World countries have supplied raw materials to industrialized countries for hundreds of years, first as European colonies and more recently as economically disadvantaged stepchildren in the family of nations. Since World War II they have been encouraged to develop their own resources and industry, following the path of the industrialized nations, where bigger and more are synonymous with better. They have been encouraged to assume heavy debts in order to finance huge development projects, such as dams, that have done little to improve, and often destroyed, the living conditions of their people. This increasing indebtedness has limited their ability to chart their own development future along lines more appropriate to the needs of their people and culture. Countries like Brazil and India have been forced to swallow increasingly harsh austerity measures – euphemistically known as "structural adjustments" – imposed by international banks as conditions for renewed loans. Their domestic economy has been, in effect, taken over by transnational corporations and international agencies that have also pressed them to reduce all government controls on trade and investment.

Dealings between the developed world and the developing countries of the Third World have never been characterized by equity. The situation will get worse if the U.S. and others succeed in getting the GATT rules changed in the current Uruguay Round without including social and environmental concerns. The U.S. negotiating position reflects the concerns of "big business," which has increasingly come to mean the big international business of transnational corporations.

Global Corporate Hegemony: The Bush Administration wants to completely deregulate international trade and eliminate the rights that participating countries currently have to protect their environment and their domestic industries. It also wants to extend GATT rules to cover ser-

vices, such as banking, and to intellectual property rights (patents and copyrights), giving big business carte blanche to dominate economies all over the world. These changes spell trouble for environmental, labor, and consumer interests. Small businesses, family farms and the economies of the poorer nations of the Third World will be particularly vulnerable if the drive for profit of the transnational corporations is not moderated.

The pressure to change GATT rules has been building since the 1980s when conservative governments in the U.S., West Germany, France, and Great Britain rose to power, leading to closer relationships between government and big business. Corporations pushed for deregulation and privatization, not only of the domestic economies in which they operated but also in the world economy.

In 1983, Harry Gray, CEO of United Technologies Corporation, said, "Such barriers as quotas, package and labeling requirements, local-content laws, inspection procedures, and discriminatory government procurement policies all inhibit world trade. We need conditions that are conducive to expanded trade. This means a worldwide business environment that's unfettered by government interference." That same year, the Reagan Administration proposed a new agenda for the next round of GATT talks, relying on executives of global corporations in the development of specific proposals. Daniel Amstutz of Cargill Corporation, one of the world's largest grain corporations, became Reagan's special negotiator for agriculture at the GATT.

The main point of contention in the Uruguay Round concerns the right of governments to try to protect and manage their countries' domestic industries through the use of subsidies. Talks stalled in December, 1990 over this issue. Any form of subsidy, such as those that stabilize farm prices to protect the livelihood of farmers, or ones that provide incentives to protect the environment or encourage recycling, are now being interpreted as "non-tariff barriers to trade." Non-tariff barriers are deemed to be discriminatory against the products of foreign companies that have not received equivalent subsidies but must comply with similar standards.

"Free trade" advocates ardently believe that economic efficiency results from the free flow of all resources and that the best managers of this free-wheeling economy are large corporations. The opening up of the world to the transnational corporations is viewed as an essential step in maintaining and expanding U.S. dominance in the global economy. But this raises serious questions: To whom do these giant corporations owe their allegiance? To the U.S. or to profits for their shareholders? And even if "free trade" does maintain and expand U.S. dominance, how long can, and should, such a one-way flow of wealth be sustained?

Indeed, connections between transnational corporations and the nations which have fostered their growth, with tax breaks and other incentives, have become increasingly tenuous. Communications and transportation advances have allowed international enterprises to have, for the first time, the management capacity to oversee thousands of productive assets in dozens of countries. National economies have become interconnected via the webs of hundreds of corporate branches. The international corporations are now more masters of national economies than their servants. Cyrill Siewaert of Colgate-Palmolive admits, "The United States does not have an automatic call on our resources. There is no mindset that puts this country first."

Fast-Track: Domestically, the Bush administration pushed to extend the "fast-track" procedure that allows Congress only to vote up or down on trade agreements the administration negotiates. No amendments are permitted. This fast-track process was started by then-president Richard Nixon in 1974, during the Tokyo GATT Round. Ralph Nader said that, "Fast-track limits the deliberative function of Congress and concentrates more power in the executive branch, eroding the U.S. democratic system of checks and balances." Under intense pressure from the White House and corporate lobbies, the House and Senate narrowly approved a two year extension of fast-track in May 1991. This was accomplished despite bipartisan opposition based on reservations about the impact on labor and the environment. The Bush victory is slightly weakened by a re-definition of fast-track to include a limited Congressional right to amend.

Proponents of fast-track said it was needed to keep "special interests" from blocking passage of trade agreements. In fact, multinational corporate special interests lobbied intensely for fast-track, lining up politicians and the press to work on their behalf. Almost all major U.S. newspapers published editorials urging Congress to accept the fast-track using highly rhetorical language to discredit those opposing fast-track, regardless of their affiliations, by labeling them "protectionists." A *Los Angeles Times* editorial (May 19, 1991) stated, "...in fact, as most economists could calmly explain if the naysayers would listen, a free trade pact in North America will bring a semblance of order to an emerging world financial system that is going to evolve – indeed, is already evolving – whether our modern-day Luddites like it or not."

New Issues: After breaking down in December, 1990, the talks resumed in January, 1991. On November 21, a U.S. trade official told the press that progress had been made "on textile, arbitration, patent and trademark issues, but differences persist in agriculture, telephone service and wine labeling..." and negotiators are hoping "the outstanding disputes can be substantially resolved by December 20" (NYT 11/25/91). The Bush administration hoped to get the Agreement signed by the end 1991, but the talks are still in progress. (See Uruguay Round Update)

Prior to the Uruguay Round, the GATT did not cover services, such as banking, transportation, telecommunications, insurance, or patent laws and other intellectual property rights. Nor were royalty payments and foreign investment addressed. Countries were allowed to impose restrictions on foreign investment. They could protect their farmland and industries from foreign takeover and could require foreign investors to take on a local partner. Under the old GATT rules, negotiators attempted to hold the balance between the objectives of increasing international trade by lowering border tariffs and the needs of governments to protect the interests of their citizens. In 1980, Third World countries met to address the inequities of world trade and regulation that are governed by GATT rules. But their concerns have not been addressed in the Uruguay Round by the U.S. and other industrialized nations. President Bush says that the new proposals

to the GATT must be passed and claims concern about emerging trade blocks. But the U.S. is negotiating a separate trade agreement with Mexico and Canada, the North American Free Trade Agreement (NAFTA), and intends to extend it to include all American nations.

These regional trade talks also highlight the problems of free trade agreements between developed and underdeveloped nations that don't have environmental and social charters. Mexico's President Salinas assures both Mexican and U.S. citizens that his government is committed to enforcing environmental regulation; it is unlikely to be able to afford the necessary training and staffing of regulatory agencies because it is the second largest debtor nation in the world. Mexico spends 48 cents per capita for environmental quality control, compared to the U.S.'s \$24.40. It has about as many environmental regulation inspectors as are employed by four counties in Southern California to monitor air quality violations alone. In April of 1991, a GM auto parts factory in Matamoros was shut down for violating Mexico's water pollution law. GM was forced to install a "pre-treatment" apparatus which had been mandated 19 years earlier for its U.S. plants. Such enterprises will not comply with laws in Third World countries unless the host country has enough trained inspectors to catch violations quickly.

Low wages and harsh suppression of labor organizing in Mexico already provide corporations with incentives to move their operations south of the border to reduce labor costs. A skilled metal worker in Tijuana receives one-fifth the pay he can receive in Los Angeles. And even children whose small wages are desperately needed by their families are employed in hazardous industries in Mexico. If large numbers of additional U.S. factories relocate in Mexico to avoid U.S. environmental regulations, it will displace farmers and small businesses there and accelerate that country's environmental degradation, as well as increase unemployment in the U.S. – a disaster for the people of Mexico and for workers in the U.S. who will lose their jobs.

The Bush Administration wants to extend this kind of social, economic and environmental exploitation throughout the world with its proposed changes to the GATT rules. It will give the

multinational corporations free rein to pit workers in one country against the workers in another. And it will turn Third World countries into little more than 20th Century colonies under the guise of "free trade."

Resources

"The General Agreement on Tariffs and Trade," David Woods, Head of Information for GATT, *GATT Briefing*.

"Recolonization: GATT in its Historical Content," Chakravarthi Raghavan, *The Ecologist*, Nov./Dec. 90.

"Democracy vs. Gattzilla," Michael Shuman, *Bulletin of Municipal Foreign Policy*, Autumn 90.

"Selling Free Trade," Doug Henwood, *Lies of Our Times*, Sept. 90

"The Perilous Fast-Track," *Multinational Monitor*, Nov. 90.

"Trading Our Future," David Morris, Briefing Paper from the Institute for Local Self-Reliance, St. Paul, MN;

and miscellaneous news clippings.

Ambassador addresses GATT concerns

by Tom Brown
Times Pacific Rim reporter

The Washington Fair Trade Coalition warned that U.S. consumers could wind up eating lettuce with 33 times more of the pesticide DDT, 3.3 times more Aldrin and Dieldrin and 5 times more Heptachlor than allowed by U.S. regulations.

Lawrence Kenney, president of the Washington State Labor Federation, wanted assurances that U.S. government negotiators weren't going to sign an agreement that would allow foreign insurance companies to intrude on Washington's state monopoly on workers' compensation insurance.

Former U.S. Rep. Don Bonker wanted to know what's likely to happen if efforts to overhaul the rules governing world trade collapse.

With workers worried about their jobs and working conditions, consumers about their health, business people about their companies and politicians about how to appease them all, some eyes are turning toward GATT.

GATT is shorthand for the General Agreement on Tariffs and Trade, the Geneva-based organization that sets the standards for world trade that its now 100-plus members have lived by more or less successfully since shortly after World War II.

For the past 5½ years, negotiators from all those countries have been meeting in Geneva, laboring to produce a massive overhaul of

GATT to bring its outdated provisions more into line with the realities of the new global economy.

The talks have ground on so inconclusively that Rufus Yerxa, the U.S. ambassador to the GATT talks, joked that when he went to Geneva three years ago his son was less than 2 years old "and now he's old enough to be cynical about the round."

But in talks yesterday at the Henry M. Jackson School of International Affairs at the University of Washington and at the annual meeting last night of the Washington Council on International Trade, Yerxa underscored what he believes is the critical importance of the negotiations.

If successful, they would bring agriculture — a touchy subject in almost every country — under GATT, regulate trade in services and investment, phase out textile quotas and, for the first time, offer some protection to such intellectual property rights as pharmaceuticals and computer software.

"I believe that American trade policy is very much at a crossroads," he said. The choice: To "move more aggressively to capitalize on the global economy" or to attempt to withdraw from a troubling and difficult international competitive environment.

After years of wrangling, a final GATT agreement may be in sight. Arthur Dunkel, the Swiss director general of the GATT bureaucracy, has produced a 450-page draft of a proposed final text. But if the GATT members do finally sign off on a new agreement, Dunkel may not be able to claim much pride of authorship.

The reasons were clear in the kinds of questions Yerxa fielded yesterday. As a possible agreement grows closer, advocates of various causes and positions become increasingly concerned that it may not protect their interests.

Before last night's Council on International Trade dinner at a downtown hotel, members of the Washington Fair Trade Coalition handed out leaflets similar to the official menu for the evening detailing the "GATT menu as things may be if Arthur Dunkel ... gets his way."

Listed on the "menu" were many pesticides and other chemicals that the group fears the U.S. may have to accept in imported foods under a new GATT agreement.

Kenney said organized labor was concerned that a new GATT agreement would allow private insurance companies to compete in Washington's workers' compensation insurance and that they would prove more responsive to the demands of employers who pay the premiums than to injured workers.

Multiply such concerns by about 100 or so countries and the difficulty of achieving a final GATT agreement becomes clear.

France doesn't want to cut export subsidies to its inefficient farmers, who have vandalized trucks carrying foreign agricultural products, burned foreign sheep alive and sprayed politicians with manure.

Japan doesn't want to lift its ban on imported rice even by the minimal 3 percent that has been suggested from time to time as a last-ditch concession.

But the question raised by Bonker — what happens if the whole thing collapses — could prove compelling enough to force an agreement.

In answer to a similar question by Nicholas Lardy, professor and head of the Jackson School, earlier in the day, Yerxa said, "It's not outside the realm of possibility that it could collapse."

Bush, Feeling the Pressure, Vows to Get Tough on Trade

■ **Economy:** He says he will tell Asian leaders on upcoming trip that the U.S. wants action.

By JAMES GERSTENZANG
TIMES STAFF WRITER

WASHINGTON—Under political pressure to demonstrate concern for the plight of U.S. workers, President Bush on Thursday unveiled a get-tough approach toward America's trading partners, saying the nation has "shown a lot of forbearance" and now wants action.

The President, after meeting with business leaders who will accompany him on a four-nation Asian tour in early January, said he will tell the foreign leaders: "We want markets that are fully open to American goods and services."

Criticism that he has neglected the nation's domestic problems prompted Bush to postpone the trip, originally scheduled for November. In discussing the agenda for his trip, he now insists the journey is about "American jobs" and economic prosperity at home.

With the presidential election campaign gearing up, Bush has joined Democrats in directing blame for the nation's economic problems at America's trading partners.

This morning, House Majority Leader Richard A. Gephardt (D-Mo.) and several other Democrats are scheduled to unveil proposed legislation that would impose economic sanctions on imported Japanese automobiles if the U.S. balance of trade with Japan does not improve.

Speaking at a press conference for foreign journalists, Bush also promised the people of Cuba that, if they can cast off Fidel Castro and his Communist system, U.S. economic assistance would begin flowing to their distressed nation.

Castro should "give the people the freedom that they want," Bush said. "Then you'll see the United States do exactly what we should:

go down, lift these people up and say, 'We want to help you.'"

Bush said that he spoke Wednesday with Venezuelan President Carlos Andres Perez, and recently with Canadian Prime Minister Brian Mulroney, about unresolved problems posed by the overthrow of Haitian President Jean-Bertrand Aristide.

But he insisted that only those Haitians seeking asylum in the United States for political reasons will be given refuge. "Those who leave for purely economic reasons are not entitled to harbor under our laws," he said.

The President's comments on foreign trade reflected increasing White House sensitivity as critics—such as conservative commentator Patrick J. Buchanan, who is challenging Bush for the Republican presidential nomination—complain that the President should tend to domestic problems before turning his focus overseas.

On his trip to Australia, Japan, South Korea and Singapore, Bush will be accompanied by, among others, the chairmen of General Motors, Ford Motor Co. and Chrysler Corp.

Chrysler Chairman Lee A. Iacocca said after the White House meeting that "the American public needs an answer" to the question of why the Japanese are expected to buy only 15,000 American-made cars this year, while an estimated 3.8 million Japanese vehicles are being shipped to the United States. "There's something wrong with that," Iacocca said.

After meeting with Bush, James Herr, chairman of Herr Foods, said, "We get promises, promises [from Japan], but no action."

A Commerce Department report on the nation's merchandise trade balance, meanwhile, confirmed fears that the persistent deficit with Japan, which reached \$41.1 billion last year, is heading higher.

The trade gap with Japan, which amounts to nearly two-thirds of the total U.S. trade deficit, was \$4.64 billion in October, the highest monthly reading in 32 months.

Speaking with the foreign reporters, Bush said that "our friends and allies" have benefited from the openness of U.S. markets, "and must share the responsibility for an open trading system."

In an opening statement aimed as much at his domestic critics as at his audience in a government auditorium next door to the White House, Bush said: "Engagements in the global marketplace affect the prices that we pay for goods and services. . . . We must stay engaged overseas because it matters so much right here at home."

He said that on the Asian trip, he will seek to make clear "what's at stake in terms of jobs for the American people. That message I will carry very, very forcefully. We have shown a lot of forbearance," he said. "I want to see fair play."

In another area, Bush expressed frustration with the snail-like pace of the now-interrupted Middle East peace talks. He promised that the United States will continue to try to play the role of "catalyst," without dictating solutions.

Bush also reaffirmed his long-held interest in reaching an agreement with Mexico to set up a North American free trade zone.

THE GENERAL AGREEMENT ON TARIFFS AND TRADE

BACKGROUND

The General Agreement on Tariffs and Trade (GATT), was a product of the negotiations for a post-war economic order¹ to replace the pre-war trade network which had been plagued by import quotas, high tariffs and other discriminatory measures. In 1946 the United States issued "Proposals for Expansion of World Trade and Employment", which called for the convening of a United Nations Conference on Trade and Employment to negotiate an international trade agreement and establish a permanent international trade organization.

In February of 1946 the first meeting of the UN Economic and Social Council designated a preparatory committee of eighteen countries to draft an agenda for the planned UN Conference which was to take place in Havana in the latter part of 1947. Within this committee, the US circulated a draft charter for an International Trade Organization (ITO), which became the basis of discussion for the committee. The US delegation also called for separate negotiations prior to the Conference to reduce tariffs and eliminate preference agreements.

At the second session of the Preparatory Committee during April-August 1947, these separate negotiations did indeed take place and resulted in the creation of the General Agreement on Tariffs and Trade (GATT). GATT's charter was based on the parts of the draft ITO charter² dealing with trade policies "and was provided with only minimum institutional arrangements because it was expected that responsibility for it would soon be assumed by the ITO" (GATT, 1988a: 1). GATT began operations in January of 1948 with 23 countries³ as signatories.

In November of 1947 the UN Conference opened in Havana with 56 countries meeting to consider the draft charter for the ITO. The Conference finished its work in March of 1948 with 53 countries signing the completed charter. However US participation in the ITO required US Congressional approval, and the Agreement soon ran into fierce opposition from members of the US Senate. In 1950 the US administration announced that it would not seek ratification of the Charter. At this point ITO was "effectively dead" (GATT, 1988b: 5), leaving GATT "as the only international instrument laying down trade rules accepted by nations responsible for most of the world's trade" (GATT, 1988a: 2). GATT now has 96 member countries, with another 28 countries applying the rules of GATT on a de-facto basis⁵. Of these 96 countries over three-quarters are developing countries.

ADMINISTRATION AND STRUCTURE

GATT's administration and structure is currently divided between the standing machinery of the General Agreement on Tariffs and Trade and the temporary machinery of the Uruguay Round of multilateral trade negotiations. The most senior body in GATT is the annual Session of Contracting Parties, which usually meets once a year. Between

Sessions, the Council of Representatives deals with the ongoing business of GATT and generally meets nine to twelve times a year. Both the Session and the Council are composed of all member governments. Most negotiations take place among the Contracting Parties themselves as "there is no executive body in GATT which can impose liberal trade policies or judgments on commercial practices" (GATT, 1988b: 14).

In addition to the Session and the Council, GATT has a number of standing councils and committees which examine the following issues: "the situation of countries using trade restrictions to protect their balance-of-payments; textiles and clothing trade; tariff concessions; anti-dumping practices; customs valuation; government procurement; subsidies and countervailing measures; import licensing; technical barriers to trade; trade in meat; trade in dairy products; trade in civil aircraft; and budget, financial and administrative questions" (GATT, 1988a: 7). Out of the Tokyo Rounds came the creation of the Committee on Trade and Development which "has the duty to follow all activities of GATT, ensuring that problems of concern to developing countries are given adequate attention" (Stone, 1985: 13).

Much of the work of GATT is concerned with the surveillance of trends in trade policies and the consistency of national policies with GATT obligations. A new trade policy review mechanism was established early in the current Uruguay Round which will allow the GATT Council to review collectively the trade and trade related policies of individual members.

GATT also sets up "working parties" to consider requests for GATT membership, verify that trade agreements are in conformity with GATT rules and study issues which members may later want to make agreements on.

The GATT Secretariat in Geneva is staffed by nearly 400 people and is headed by a Director-General⁶. GATT's budget for 1989 is about US\$39 million which is contributed by member countries in proportion to their share of world trade.

VOTING

Voting in GATT operates on the principle of one-country, one-vote, with most decisions decided by a simple majority, and a two thirds majority needed for "waivers", i.e., authorization to depart from the rules of GATT. In practice, votes are extremely rare. In GATT's words:

Everything has to be agreed by consensus in order, among other things, for GATT decisions to have maximum political viability. This approach to negotiations...makes them long and even tortuous....But when the results come, they have a far greater weight than had they been achieved much earlier through an artificial majority vote (GATT, 1988b: 14).

PRINCIPLES AND RULES

GATT's rules are embodied in the Agreement itself, which is currently composed of thirty-eight Articles, divided into four basic parts:

Part I

Part I contains GATT's first two Articles. The first, the "most-favored-nation" (MFN) clause, requires that all contracting parties grant each other treatment as favourable as they give any other in the application of import duties and other charges. Article II seeks to "bind" tariffs (which are allowed in GATT) through negotiations. These tariffs are then listed for each country in "tariff schedules" which form part of the General Agreement.

Part II

Part II is composed of twenty-two Articles which outline specific trade measures and practices which members may engage in. GATT members are required to apply the rules in Part II "to the fullest extent not inconsistent with" their own legislation which existed at the time of their joining GATT. These rules include: the prohibition of taxes which discriminate against imports, methods for customs valuation, the elimination of export subsidies, the application of duties as protection against dumping^a and the prohibition of quantitative import restrictions (unless specified in the General Agreement^b). They also allow developing countries to impose certain quantitative restrictions if this is necessary to "prevent an excessive drain on their foreign exchange reserves caused by the demand for imports generated by development, or because they are establishing or extending domestic production" (GATT, 1988b: 4-5).

There are cases where GATT allows exceptions to its own rules. Article XIX for example, which requires that safeguards to protect domestic industries be applied to all countries supplying similar products, has been applied selectively by the developed countries on clothing imports from developing countries. These controls have been in force since 1962, and were strengthened in 1974 under the Multi-Fibre Arrangement (MFA). They are of major concern to developing countries, for whom textiles and clothing often represent the first stages of industrialization.

Part II also lays out the rules for the settlement of trade disputes. GATT first attempts to settle trade disputes between Parties through bilateral consultations. If this fails the GATT Council may establish a panel. Panels are made up of three "experts" from countries without a direct interest in the dispute, who hear the case and then submit to the Council their recommendations based on their interpretation of the General Agreement. The violating party is then obligated to implement the recommendations of the panel. GATT has no real enforcement powers of its own. It relies on the Parties' need to "maintain negotiating credibility" in GATT, and the allowance in the General Agreement for the Council to permit retaliatory action by the aggrieved Party.

Part III

Part III has eleven Articles which detail waivers to the Agreement, the functioning of customs unions and free trade areas¹⁰ and the operations of GATT itself. Waivers to GATT obligations are granted to members under Article XXV with the approval of two-thirds of the Contracting Parties. Although the rules of GATT have been broken frequently, these have generally occurred without waivers. Part III also allows for the existence of customs unions and free trade areas if they do not result in increased trade barriers with countries outside of such bodies.

Part III also provides the rules and regulations of GATT. It details the procedures for admitting new members, the withdrawal and suspension of old ones and amending the Agreement itself.

Part IV

Part IV was added in 1965 during the Tokyo Rounds and contains three Articles which concern the developing countries. They call on the developed countries to assist the developing countries increase their export earnings by reducing or eliminating import barriers to the primary, processed and manufactured goods products of the developing countries.

THE ROUNDS

Major GATT agreements usually occur in the negotiating conferences, known as "Rounds". There have been seven such Rounds completed so far. Earlier Rounds were largely concerned with tariffs and took no more than a few months of negotiation among a relatively small number of countries. As they have moved into other areas, such as non-tariff barriers, they have become longer. The Tokyo Round for instance, lasted six years and involved over 100 contracting parties. Negotiators in the Rounds usually represent the ministries of trade and finance from their respective countries as well as from national missions in Geneva, though for specific negotiations countries will usually send experts from the departments concerned--agriculture or foreign affairs for example.

The eighth round, which is currently underway, was initiated by Trade Ministers at Punta del Este, Uruguay (thus the name the Uruguay Round) and is currently scheduled to be completed sometime in 1990¹¹. The goals of the GATT Secretariat for the Uruguay Round are as follows:

--bring about further liberalization and expansion of world trade through the reduction of tariffs and the reduction or elimination of non-tariff barriers;

--strengthen the role of GATT through a review of the Articles, enhance the surveillance of trade policies and improve the multilateral trading system by reviewing bilateral export restraints and strengthening the MFN rules;

--increase the responsiveness of GATT to the evolving international economic environment by improving the system of dispute resolution;

--bring to a standstill new trade measures inconsistent with GATT obligations and institute a rollback programme aimed at phasing out such measures (GATT, 1988a: 11).

GATT AND NGOS

Although GATT has no formal office for NGOs, the Information and Media Relations Division of GATT has overall responsibility for liaison work with NGOs. They provide background papers on current issues in the negotiating Rounds, and, where appropriate, can facilitate meetings between NGOs and member country delegations.
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Notes

1. Gardner (1969) provides a good overview of the post-war negotiations.
2. It did not incorporate the sections of the ITO charter which dealt with employment, restrictive business practices, and international commodity agreements.
3. Of the original 23 members, 11 were developing countries.
4. GATT members account for over 85% of world trade.
5. "GATT is not a club that anyone can join merely by paying a fee. Countries negotiate their way in through complex and sometimes lengthy negotiations--securing benefits but also offering them to the other contracting parties." GATT (1988b), p.2. For a list of Contracting Parties, see GATT (1988a).
6. The current Director-General is Arthur Dunkel of Switzerland.
7. For the complete text of the General Agreement see GATT (1986).
8. A recent phenomenon has been the emergence of "contingency protectionism", i.e. the imposition of anti-dumping duties when it is not clear that dumping, as defined by the Agreement, has in fact occurred.
9. Exceptions are made for Parties with serious balance-of-payments problems, whose domestic producers are seriously threatened, or for Parties who can demonstrate health, safety or security reasons.

10. Half of world trade now falls under regional or bilateral arrangements. While most cases are in keeping with GATT Article XXIV, there is a question as to whether they strengthen or undermine GATT, and whether a lack of progress in GATT will lead countries to establish inward-looking regional trading blocs from which developing countries may be excluded.

11. There are fifteen negotiating groups in the Uruguay Round that cover the following subject areas: tariffs; non-tariff measures; tropical products; natural-resource based products; textiles and clothing; agriculture; GATT articles; safeguards; MTN agreements and arrangements; subsidies and countervailing measures; dispute settlement; trade-related aspects of intellectual property protection, including trade in counterfeit goods; trade-related investment measures; functioning of the GATT system; and services.

Recolonization: GATT in its Historical Context

by
Chakravarthi Raghavan

The chief priority of the industrialized countries in the Uruguay Round is to extend their control over the global economy. In the past this was achieved through a mixture of colonialism and threats of military intervention. Today it is hoped that GATT and the threat of trade retaliation will serve the same purpose.

In the 17th and 18th centuries, the rights due to foreigners in the areas of trading, investment and property evolved from European practices and treaties, and were accepted by the US after its independence.¹ But these norms were imposed on the Third World without any pretence at reciprocity and were enforced through naked power and colonialism — with Britain and other Europeans flaunting racial superiority and asserting that “rights” evolved in Europe could not be applied to the colonized peoples. According to K.M. Panikkar:

“... the principle that the doctrines of international law did not apply outside Europe, that what would be barbarism in London or Paris is civilized conduct in Peking (for example, the burning of the Summer Palace) and that European nations had no moral obligations in dealing with Asian peoples (as for example when the British insisted on the opium trade against the laws of China, though opium smoking was prohibited by law in England itself) was part of the accepted creed of Europe’s relations with Asia. As late as 1870 the President of the Hong Kong Chamber of Commerce declared: ‘China can in no sense be considered a country entitled to all the same rights and privileges as civilized nations which are bound by international law’.”²

From the early part of the 19th century, when Britain was the dominant capital

exporting country, up until the First World War, these principles went virtually unchallenged. But, from 1918, and, more especially after the Second World War, there has been a steady erosion of the 19th century regime on international property rights. Through successive resolutions and declarations in the UN General Assembly, starting with the 1952 resolution on Permanent Sovereignty over Natural Resources and culminating in the 1974 Charter of Economic Rights and Duties of States, the supra-national rights of foreigners have had to give way to an assertion of national sovereignty and domestic law.³

Over the last two or three decades, the nature of interference with the property rights of foreign investors has changed — from simple expropriation to a variety of regulatory measures on investment, business, imports and exports. These have made the old norms irrelevant. The gunboat diplomacy of the 19th and early 20th centuries was replaced for a time by covert operations, such as those against the Mossadeq government in Iran and the coup against Allende in Chile. But even these have become increasingly difficult. The US and other capital-exporting industrial countries are thus trying to create new definitions of property, and create a new international regime which the Third World countries will subscribe to and which will use the threat of trade retaliation, rather than overt or covert use of force, to enforce compliance.

GATT Myths

One of the myths surrounding GATT is that its earlier seven trade rounds brought about the expansion of the world economy since 1945. It is perhaps more correct to say that the expansion of trade was

merely an effect of the post-War expansion of the world economy which was the result of a number of macro-economic processes including the application of Keynesian economics and state interventions to promote expansion. The GATT rounds and processes merely accommodated the TNCs’ demands for greater freedom for their operations around the world, dealing essentially with issues of “market access.”⁴ Third World countries did not benefit, by and large, from the tariff reductions or other trade liberalization measures. Side by side with these tendencies for trade liberalizations there were also contrary protectionist trends — resulting first in the “temporary” short-term, and then the long-term agreement in cotton textiles, followed by the Multi-Fibre Arrangement and its successive protocols of extension — all contrary to theories of free trade and comparative advantage (the lack of liberalization and the growth of protectionism in the textiles and clothing sector is largely due to the fact that TNCs are not a major force in this sector⁵).

Until the mid-1970s, the major effort of the countries of the South within the international system was to seek benefits through minor reforms of the structures which regulated economic relations, and through obtaining special treatment and exceptions in their favour. But this “reformist approach” gave way to the restructuring phase when the countries of the South realized that however hard they strove, and whatever the “special treatment” given to them in principle, they could not develop without changing the asymmetry in international economic relations. This led to the New International Economic Order declarations, and the North-South dialogue in various UN fora. By the end of the 1970s, however, the Third World still had nothing to show

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for its efforts which were then greatly set-back by the OECD policies of monetarism, high interest rates and the policy-induced recession, all of which greatly exacerbated the Third World debt crisis.

However, from the point of view of the US and other leading industrialized countries, checkmating the South over the New International Economic Order and maintaining the status quo were not

enough. In the economic arena, after the "adjustment" forced on the Third World via the IMF and World Bank, the US sought to restructure international economic relations on the basis of a US agenda. While there may be some conflicts of interest between the US, Europe and Japan, they have a shared interest in achieving changes to the trading system to stem rising competition from the Third

World. The US agenda in the Uruguay Round should also be seen against the background of the present state of the world economy and the predicament of the US which, after being in a position of dominance for well over four decades, now feels its hegemony threatened.

Double Standards

It is important to understand that not all economic sectors share the same view of liberalization in the US or other industrialized countries. The manufacturing sector, and particularly those older industries which are not involved in the new high technologies, has been suffering from rising competition from the Third World. Thus, industrial capital engaged in traditional sectors wants to draw up protectionist walls around its countries, but finance capital wants to expand by breaking down walls in other countries. This conflict is reflected in the approach to new themes and traditional ones: "free trade" in the new areas and "managed trade" in the traditional sectors.⁶

GATT was not chosen for this purpose by accident. Third World countries are weak inside GATT, where they only have a tenuous informal group of "less developed contracting parties" which meets from time to time to exchange information, and occasionally presents a joint paper or statement. This is in contrast with the major trading nations who, despite their mutual differences and trade quarrels, have always been aware of their general common interest against the South. The US, EC, Japan and Canada meet regularly to discuss trade issues at so-called quadrilateral meetings and industrialized countries as a whole co-ordinate their positions at the OECD.

With very rare exceptions for ceremonial purposes, all GATT meetings are behind closed doors, hidden away from the obtrusive presence of the media or consumer organizations and other public interest groups. However, major TNCs and their lobbying organizations often attend such meetings as "advisors" to their delegations.

In theory, all contracting parties to GATT are equal, and GATT's consensus decision-making process appears to be democratic. But in practice when the weaker trading countries have tried to assert themselves, they have been ignored or told that the countries with the largest share of world trade have more at stake in the trading system and its rules, and so their views should prevail.

GATT: A Brief History

On September 20, 1986, at the Uruguayan seaside resort of Punta del Este, ministers of contracting parties to the General Agreement on Tariffs and Trade (GATT) launched the Uruguay Round of Multilateral Trade Negotiations (MTNs), the eighth under GATT auspices.

GATT originally came into being as a temporary arrangement in 1948, largely on the initiative of the US which saw "free trade" as one of the pillars of the post-War order. The US envisaged the establishment of an International Trade Organization (ITO) within the UN system as a logical complement to the International Monetary Fund and the World Bank which were set up after the 1944 Bretton Woods conference. The ITO would have responsibility for applying "free trade" principles, laying down rules and arbitrating trade disputes. The "Havana Charter", drawn up at an international conference on Trade and Employment held on the instigation of the UN Economic and Social Council in Havana from November 1947 to March 1948, would have set up the ITO. But although signed by 56 countries, the Charter was never ratified. The US Congress saw the scope of the Havana Charter, which included provisions for the regulation of all restrictive trading practices, trade in staple commodities and the movement of capital, as infringing the rights of the US Government to decide US trade policy. Without the support of the US the Charter was still-born.

While the final form of the Havana Charter was still being discussed, a group of 23 countries met in Geneva at the Preparatory Commission of the UN Conference on Trade and Employment.¹ Following an initiative from the US, the 23 countries extracted the part of the Charter which provided for the establishment of the ITO which was rewritten to become the General Agreement on Tariffs and Trade. Today only GATT survives from these tortuous

trade negotiations. Recognized de facto as an independent body within the UN, GATT has remained for 40 years a provisional treaty — a contract among governments acceding to it, but not a definitive treaty with its own institutional arrangements. The 98 member countries ("contracting parties") of GATT control 90 per cent of the world's \$3 trillion annual trade.

The seven completed "rounds" of multilateral trade negotiations have had as their main objective "the substantial reduction of tariffs and other barriers to trade", one of the principle aims laid down in the General Agreement. The Uruguay Round negotiations, however, are much more ambitious than the previous rounds and encompass many issues beyond the traditional ones dealing with duties and tariffs. It involves renegotiating the rules and principles governing international production and trade, and includes the movement of capital, the rights of foreign investors, the development of technologies, and the trade in and production of services.

One hundred and five countries (including observers) have participated in the Uruguay Round negotiations, and 1,500 negotiation propositions and working documents have been presented. The Round will close with a ministerial conference to be held in Brussels from the 3rd to 7th December, 1990.

Patrick McCully

1. Australia, Belgium, Burma, Canada, Chile, China, Cuba, Czechoslovakia, France, India, Lebanon, Luxembourg, the Netherlands, New Zealand, Norway, Pakistan, South Africa, Sri Lanka, the United Kingdom, the United States and Syria.

Most of the information in this article is taken from 'On the GATT, Uruguay Round, and Agriculture', *GATT Briefing*, No. 1, June 1990. *GATT Briefing* is a series of 10 bulletins on the Uruguay Round produced by the European NGO network, RONGEAD, 14, rue A. Dumont, 69372 Lyon Cedex 08, France. Tel. 78.61.32.23. Fax. 78.69.86.96.

Transnationalization

Through the Uruguay Round, the US is attempting to incorporate into the GATT framework intellectual property rights, services and investments — areas of economic activity and relations that are not strictly “trade” issues and whose legitimacy for inclusion in GATT has been sought by prefixing the words “trade”, “trade in” or “trade-related” before them. If the US-led effort succeeds, Third World countries may find themselves obliged to reduce or eliminate conditions regulating the investments and operations of foreign companies on their territories — in mining, manufacturing, and services such as banking, insurance, transport, wholesale and retail trade and professional services like accounting, advertising and legal practices. Under penalty of retaliatory measures against their exports, Third World countries would also be obliged to introduce laws protecting and enhancing patents and other industrial property rights. As a result, Third World consumers could find themselves paying higher prices for products such as essential drugs.⁷ Even the traditional rights of their farmers to store seed from their harvest for the next season or to breed cattle could be in jeopardy.⁸

The Uruguay Round could advance the process of the transnationalization of the world economy to an extent where it

“In economic and social terms, Third World countries and their peoples could be said to be on the point of being rolled back to the colonial era.”

would not be easily reversible. It could divide the world between the “knowledge-rich” and “knowledge-poor”, with the latter permanently blocked from acquiring the knowledge and capacity to be rich. In economic and social terms, Third World countries and their peoples could be said to be on the point of being rolled back to the colonial era. Third World governments would not only be unable to act to advance the economic well-being of their peoples, but would be obliged to protect the interests of TNCs and foreign enterprises and foreign nationals against their own peoples. Governments of independent countries in the Third World would thus be left doing what the metropolitan powers did during the colonial days.

These far-reaching effects may not come about. Much still depends on how the Third World countries act in the remaining period of the negotiations, individually and collectively. But time is running out on them.

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7. The abuse of process and product monopolies in the area of drugs was brought out in the UK in an inquiry by the Monopolies Commission. Until the early 1970s, Italy provided no protection for drug patents, with the result that drug prices in Italy were lower than in the UK. The inquiry found that the British National Health Service was being charged about 40 times the prices at which alternatives could be bought in Italy for ingredients used in two commonly used tranquilizers, Librium and Valium. On the recommendation of the Monopolies Commission, the UK government ordered Roche Products, a British subsidiary of Hoffman La-Roche AG of Basel, to cut its selling prices by 60 to 75 per cent and refund \$27.5 million to the National Health Service for overcharging. (Cited in Patel, S.J., ‘Indian Patent’s Act: Implications of Controversy’, *Mainstream*, 18 February, 1989, pp.12-13).
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Decisions now being made by a handful of people in largely unreported negotiations in Geneva may affect the destiny of nations, and the meaning of democracy. The negotiations concern changes in the General Agreement on Trade and Tariffs(GATT), and they are creating a firestorm of protest and controversy around the world.

To understand why, we must step back 50 years. After World War II much of the industrialized economies lay in shambles. World leaders created an institutional framework to destroy the protectionist blocs that many thought had contributed to the depth and length of the Great Depression, and to revive a shattered world economy. The Bretton Woods agreement stabilized currencies. The World Bank and the International Monetary Fund provided countries needed temporary financing for balance of payments problems.

The General Agreement on Trade and Tariffs(GATT) GATT created the rules for international trade. GATT's rules, contained in 38 Articles, cover about 80 percent of world trade. The 25 original signators to GATT in 1947 have swelled to 96 today. Another 28 countries apply the rules of GATT on a de-facto basis.

The GATT is revised in negotiating conferences, called "Rounds". Seven Rounds have taken place since 1947. The eighth, the Uruguay Round, begun in 1986, is scheduled to end in December 1990.

GATT represented a balance between the needs of governments to be able to develop their own internal social and economic policies and the desire to lower barriers to expanded trade. For example, in the case of agriculture, GATT prohibits controls on imports or exports, but Article XI allows exceptions. Export controls of food or other essential items are permitted in times of "critical shortage". Thus in the case of domestic famine, a country could prohibit the export of food.

Import controls are permitted if they are a necessary component of a domestic farm policy. Canada's sophisticated supply management program for dairy, chickens, turkeys and eggs, developed in the 1960s and 1970s is a good example. Canada managed the supply by estimating internal demand, establishing domestic supply levels, and providing marketing certificates. To protect the system from a flood of cheap imports, Canada imposed import quotas. Supply management raises the retail price of farm products to Canadian consumers. But the farmers are guaranteed a fair price that covers their cost of production and provides an adequate income. And

Canadian taxpayers are saved the vast sums Americans use to finance farm support programs without supply management.

In fact, the U.S. agricultural programs operate under a waiver from Article XI's provisions. In the 1930s the U.S. Congress imposed import quotas on a wide range of farm products: cotton, dairy, tobacco, peanuts, beef. This was not done in conjunction with supply management programs. Thus these quotas violated GATT. In the mid 1950s the U.S. was granted a waiver from GATT. Many farm experts believe that the U.S. system of import quotas without domestic supply management gives us a hybrid system that may represent the worst of both worlds.

The GATT permitted all nations the right to establish health and safety standards they determined appropriate for their own situations.

With respect to manufacturing, only developing countries were allowed to impose tariffs or direct controls to defend and nurture domestic industries.

GATT did not cover services. Everything from royalty payments and patents to tourism and foreign investment remained unaddressed. Countries were allowed to impose any kind of restrictions, for example, on foreign investment. They could protect their farmland and key industries from foreign takeover, or could require that foreign investors take a local partner or purchase a certain amount of domestic goods for their internal operations, or export a certain amount of sales.

Thus GATT represented a balance between the desire to promote an efficient and productive world economy based on competition and the desire by people to control their own affairs through their local and federal governments.

In the 30 years following GATT's creation, world trade soared, growing at an annual rate of 8 percent from 1965-70, 4 percent from 1970-1975 and 5 percent 1975-1980. World economic output expanded even faster, and a growing proportion of the world population enjoyed higher living standards. Numerous studies have failed to prove any causal relationship between lower trade barriers and increased trade, or between increased trade and increased economic prosperity. Some economists believe the prosperity of the post war period was more the result of domestic Keynesian development strategies, or the enormous increase in the use of fossil fuels, or the rise in general levels of education, than as a result of world trade. Nevertheless, most observers assume that the associated rise in world trade and world prosperity implies a causal relationship.

Free traders ardently believe that economic efficiency derives from the free flow of all resources, and that the best managers of this free wheeling economy are corporations. George Ball, Undersecretary of State

for Economic Affairs in the Kennedy Administration, summed up this thinking in 1967, "In order to survive, man must use the world's resources in the most efficient manner. This can be achieved only when all the factors necessary for the production and use of goods--capital, labor, raw materials, plant facilities and distribution--are freely mobilized and deployed according to the most efficient patterns." Global corporations, he added, are "the best means yet devised for utilizing world-resources according to the criterion of profit: an objective standard of efficiency."

Economic Decoupling: The National Corporation Leaves Home

But the nature of the world economy has changed significantly since Ball uttered those words. Corporations have swelled in size and reach to the point where they have become less servants of national economies than masters of them. The tension between territorial political entities and the increasingly global corporation, have become ever-more pronounced. And as a result, the assumptions underlying classical economics may have changed.

International trade has increasingly become inter-corporate, and even intra-corporate trade. Goods and services are bought and sold among a handful of corporations, or even among the subsidiaries and branches of a single corporation. Consider the recent evolution of the world's largest economy, the United States. Until the 1960s American corporations produced in America and sold to Americans. Tentatively at first, and then with growing enthusiasm, they began to set up shop abroad. Still, those shops continued to sell the vast majority of their goods back to American markets.

But by the 1980s offshore facilities were selling to offshore markets. The decoupling of the American corporation from America had begun in earnest. By 1983 almost half of U.S. multinational corporate exports came from production facilities located outside the U.S., up from one third in 1960. Nearly a majority of the sales of America's biggest corporations were taking place abroad. By 1987 Gillette had 61 percent of its sales a broad, Eastman Kodak 40 percent, Digital Equipment 42 percent, 3M, 45 percent, Colgate-Palmolive 54 percent.

The relationship between the health of an "American" corporation and the health of the American economy weakened. The share of world exports of manufacturing by U.S. companies, for example, held steady at 17.7 percent from 1966 to 1983. But the territorial U.S. share of world manufacturing exports dropped sharply, from 17.5 percent to 13.9 percent. Thus the trade deficit of the U.S. increased while the trade competitiveness of U.S. corporations had steady.

The connection of the corporation to the nation that had given it birth and charter has become increasingly tenuous. The multinational corporation is becoming the no-nation corporation, a stateless corporation with few national loyalties. As Gilbert Williamson, president of NCR corporation, told

the New York Times in 1989, "I was asked the other day about United States competitiveness and I replied that I don't think about it at all." Cyrill Siewert, vice president for new business development and marketing at Colgate-Palmolive says, "The United States does not have an automatic call on our resources. There is no mindset that puts this country first." Dennis M. Bishop, head of GE Taiwan, "The U.S. trade deficit is not the most important thing in my life..running an effective business is."

The stateless corporation is still largely a U.S. phenomenon, but eventually the corporation that calls nowhere and everywhere home may become the rule. International joint ventures soared from 50 in 1979 to 400 in 1987. The 1989 U.S.-Canada free trade agreement has set off an unprecedented wave of cross border mergers and acquisitions, as has the Europe 1992 agreement. Just 250 corporations may control most world trade today. By the end of the century even that tiny number may be cut in half.

Trade increasingly occurs among branches or subsidiaries of the same corporation. As far back as 1977, as much as 50 percent of U.S. trade was already among related parties(defined as 5 percent ownership or more). Today estimates of the proportion of world trade consisting of transactions among units of the same corporation run as high as 40 percent. Transnational corporations control 80 percent the world's land cultivated for export oriented crops. These same corporations control the global sales, distribution and processing of these crops. Arms length trading transactions no longer exist.

A world of planetary corporations destroys many of our assumptions about free trade. George Ball's assumption that corporations allocate their resources according to some invisible hand has little validity today. Foreign owned companies allocate resources in a far different manner than domestically owned firms, even when operating in the same market. Foreign companies tend to act in ways that benefit local economies less than domestically owned firms. Their outward orientation leads them to import more goods and create fewer domestic jobs. In 1978-1984, for every billion dollars in profits, Canadian controlled companies in Canada created 5765 new jobs. U.S. controlled companies with an equal amount of profits created a paltry 17 jobs. Foreign companies operating in the U.S. in 1986 imported almost \$42,000 worth of merchandise for every worker employed. Domestic companies imported \$3000 for each worker.

By owning productive assets on several continents, planetary corporations can transfer these assets at will. The Economist magazine describes Honda's corporate vision, "The company talks of a not-too-distant day when it will switch its car production for the Japanese and American markets back and forth according to what country is cheaper at any one time." This internal transfer of assets rarely occurs because of differences in efficiency or productivity, but because of differences in costs. To lower costs corporations threaten to transfer assets to pressure unions to lower

benefit levels of local and state governments to reduce taxes.

The ability of global corporations to shift costs and revenues among subsidiaries on several continents allows them to engage in what is called "transfer pricing". This occurs when international branches of a corporation change the prices they charge one another and allocate overhead by different formula depending on the host country's tax structure. By raising prices for goods purchased in one country, for example, the corporation can lower its reported profits in that country and thus lower its taxes. The U.S. Internal Revenue Service estimates that foreign owned companies pay about 50 percent less taxes than U.S. companies in the same sector. The IRS has responded by developing its own shadow balance sheet for foreign owned companies. If the profits of one company lag by more than 25 percent those of another in the same sector, the IRS will consider this a prima facie case of transfer pricing to avoid taxes, and will impose a stiff tax on the company.

The Planetary Corporations Demand Center Stage: The Frenzy of World Wide Deregulation

In the 1980s, several events converged to provide the context for the current GATT negotiations. Communications and transportation advances allowed the new planetary business enterprises to have, for the first time, the management capacity to oversee thousands of productive assets in dozens of countries. National economies become interconnected via the webs of hundreds of corporate branches.

The severe recession resulted in the first contraction of world trade, which occurred in 1981-82, since the Great Depression. Commodity prices plunged, driving much of the Third World, and a portion of the developed world, into bankruptcy. The decline in commodity prices swelled taxpayer financed farm support programs in the United States. Both the United States and Europe began to offer gigantic export subsidies on key commodities like wheat and rice, reducing still further the world price of these commodities. This exacerbated the woes of the Third World by both undermining their incentive for domestic agriculture and shrinking their revenues from agricultural exports.

The indebtedness of the Third World forced them to become beggars to international banks, weakening their ability to develop their own development paths, and forcing them to accept the increasingly harsh conditions for renewed loans: privatization of the domestic economy and a reduction of all government controls on trade and investment. Meanwhile, the remarkable success of the newly industrialized export-oriented Asian countries in the 1980s, like Taiwan, South Korea, Singapore and Hong Kong, lent credence to export oriented development strategies for developing countries.

In Europe, the recession produced the era of "Euro-pessimism", and

spurred the European Commission to radically change the nature of the 1957 Treaty of Rome. Initially the European Common Market was viewed not only as a lowering of trade barriers, but the creation of a continent wide regulatory mechanism. In 1985 the European Commission outlined specific steps for a completely integrated United States of Europe by 1992. The deregulation of domestic economies replaced the search for continent wide regulations consistent with the cultures and histories of individual nations. Reporter James Markham of the New York Times accurately described Europe 1992 as "a deregulatory undertaking most enthusiastically championed by large corporations".

In northAmerica the 1980s saw an enormous expansion of the maquiladora program. This program, begun in the mid 1960s, created in effect a free trade zone between the U.S. and northern Mexico. The handful of plants and 3,000 workers swelled to half a million workers and 1500 corporations by 1988.

The recession in Canada, coupled with severe pressure by the U.S., led to the Canadian government's changing its position and signing a free trade agreement in 1989.

The rise to power of conservative governments in the U.S., West Germany, France and Britain in the 1980s led to much closer relationships between government and big business than had been the case in the 1970s. In the United States in particular, conservatives pushed with every means at their disposal the deregulation and privatization not only of the domestic economy, but the world economy. Through bilateral and multi-lateral trade negotiations, foreign aid, multilateral lending institutions, and in public forums they aggressively pursued a laissez faire agenda.

The stage was set for a radical change in the rules. Harry J. Gray, Chairman and CEO of United Technologies Corporation summed up the goals in 1983. "Such barriers as quotas, package and labelling requirements, local-content laws, inspection procedures, and discriminatory government procurement policies all inhibit world trade...we need conditions that are conducive to expanded trade...This means a worldwide business environment that's unfettered by government interference."

The same year Gray made that speech, the United States proposed a new round of GATT talks. Most nations resisted the radical agenda pursued by the United States, but eventually agreed to participate. In 1986 the first meeting to develop the basic framework for the talks took place in Uruguay, and thus this round is called the Uruguay Round.

In developing specific proposals for the GATT, the Reagan administration often relied on executives of global corporation. Thus, for example, Daniel Amstutz, a vice president for Cargill, became the Reagan administration's Undersecretary for International Affairs and Commodity Programs at the U.S. Department of Agriculture, where he designed

domestic farm programs and GATT positions. He then became our special negotiator for agriculture at GATT. President Bush replaced Amstutz with Dick Crowder, an executive at Pillsbury.

In May 1990, in a speech to the National Press Club, U.S. Trade Representative Carla Hills declared, "There is no question about it. This round of GATT talks is a bold and ambitious undertaking", she announced. James Robinson III, CEO of American Express, and the head of the U.S. Trade Representative's business advisory panel, declares, "Incrementalism will not suffice."

For the first time in GATT history, all aspects of trade, including services, are on the negotiating table.

The U.S. proposes to eliminate virtually all authority of national and local governments to control their commercial affairs. We propose to eliminate the right of nations to impose export or import controls on agricultural products, no matter what the domestic circumstances. "We want new rules governing investment", says Hills. We want corporations to be able to make "investments overseas without being required to take a local partner, to export a given percentage of their output, to use local parts, or to meet any of a dozen other restrictions". We want to end all curbs on the mobility of capital. We want to abolish the present exemption that allows developing countries to protect their infant industries. "(T)hey must assume responsibility", says Hills. We want to eliminate all domestic agricultural support programs and abolish the right of nations to impose health and safety standards more stringent than a minimal uniform world standard.

The U.S. administration has two objectives in the present GATT talks. One is to deregulate the global economy. The other is to deregulate and privatize domestic economies throughout the world. Hills' address to the National Press Club provided concrete evidence of how the U.S. government makes no distinction between laissez faire at home and reducing barriers to trade abroad. Hills repeatedly mixed examples of lowering tariffs and state privatization. "More and more nations around the globe are opening their orders to trade and investment and returning state run businesses to the private sector", she declared. Hungary and Brazil's sale of government run light bulb and steel plants, Uruguay's ending its state monopoly on insurance, Mexico's re-privatization of its banking system, were mentioned as signs that we are moving toward a freer trade era.

One of the Administration's objectives is to head off transnational regulatory efforts emerging from grassroots organizations. The Nestle boycott over infant formula sales in the Third World led, in 1981, to the first United Nations Code of Conduct on TransNational Corporations. Negotiations for an expanded Code of Conduct have been taking place for the last decade. On November 15, 1989 the U.S. House of Representatives Subcommittee on Human Rights and International Organizations of the Committee on Foreign Affairs held hearings on the proposed Code. Jane

Becker, Deputy Assistant Secretary of the Department of State criticized the Code as "steeped with the economic thought prevailing in many developing countries in the 1970s: Governments should set economic objectives and businesses should carry out those objectives." "In our view, the draft Code has fallen behind the times", she insisted.

In GATT's first 30 years the focus was on reducing tariffs. These are fees imposed on imports that, depending on their level, can serve as important revenue generators for governments or as protectionist barriers against imports. In this objective GATT has been highly successful. The average tariff on manufactured goods fell from 40 percent in 1947 to less than 4 percent today. In the last decade, non-tariff barriers to trade (NTBs) have become a key concern.

The problem is that many non-tariff barriers to trade were not developed to prevent imports but to address legitimate domestic concerns. For example, a key source of friction in the U.S.-Japan bilateral trade negotiations is Japan's Large Scale Retail Store law. This law prohibits large department stores from setting up near small shops. It is intended to protect the vast network of community based, family owned, small businesses in Japan. The U.S. considers this a trade barrier because it complicates the export of products to Japan, since large U.S. corporations must sell through thousands of retail distributors rather than through a few large department store chains. (Not surprisingly, large Japanese retailers have formed an alliance with U.S. exporters.) Yet for Americans struggling to save their neighborhood commercial strips from mega malls, the Japanese law may appear to be a reasonable exercise in democracy rather than a trade issue.

In the mid 1980s the Reagan administration suggested that Canada's national health insurance was an unfair trade practice. National health insurance, paid for out of the general fund, lowered the competitive price of Canadian corporate goods and services and therefore was a trade distorting subsidy.

Rigorous health and safety standards are also considered non-tariff trade barriers by the U.S. government. Even if applied equally to domestic and foreign businesses, the Reagan/Bush administration argues, they burden commerce by requiring corporations to produce goods to different standards and thus are forced to produce these goods in shorter production runs, thereby raising prices. When Europe banned the import of beef injected with growth stimulating hormones, Secretary of Agriculture Clayton Yeutter (previously the U.S. Trade Representative) lashed out, even though European producers were held to the same standards. When California enacted strict pesticide standards for food sold in that state, whether domestically grown or imported, Yeutter again exclaimed, "How can we get international harmonization when we can't get it here at home" and accused California of "going off on a tangent" by writing rules and regulations more stringent than federal standards. The GATT talks are

viewed as a way to pre-empt local and state authority in key areas by forcing a uniform, minimum world standard.

On the table at GATT is not only a discussion of its reach, but also its structure and authority. The GATT is less an institution than a collegial arrangement. Its contracting Parties agree to abide by its procedures and rules. GATT attempts to settle trade disputes through bilateral consultations. If this fails, the GATT Council may establish a panel, consisting of three "experts" from countries without a direct interest in the dispute. They hear the case and submit their recommendations to the Council. The violating party is then obligated to follow their recommendations. GATT has no real enforcement powers of its own. It relies on the Parties' need to "maintain negotiating credibility" in GATT and the allowance in the General Agreement for the Council to permit retaliatory action by the aggrieved Party. Retaliation is very rarely necessary. In 40 years over 100 cases have been handled and all but a handful have not been resolved.

Through negotiations on Functioning of the GATT System (FOGS) there has been a major attempt to make GATT, so far only a "contract" among signatories, into a gigantic "trade policy institution". GATT would then work in tandem with IMF and World Bank. For example, James Robinson III, wants to create an Institute for International Debt and Development(I2D2). It will buy loans from banks on maybe 40 cents on the dollar, and collect funds directly from industrialized country governments. In return for a big break on debt service countries agree to privatize their industries, and open doors wide to foreign trade and investment.

The issue of deregulation and privatization are usually decided in national elections. The Bush administration is hoping that GATT will pre-empt the ability of nations and their sub-national governments, from debating this issue in the future.

Free Traders Up The Ante While the Benefits of Freer Trade Disappear

An irony is that even while free traders are upping the ante on the bargaining table, the benefits of freer trade, even by their own calculations, are shrinking. After the brief slowdown in the early 1980s, world trade has soared in recent years. It is expected to increase in 1990 by more than 10 percent, and to continue at that high pace even without radical changes in GATT.

Free traders usually use only one criteria to measure success: a reduction in the price of goods. But even by their own studies, price reductions stemming from future trade liberalization efforts will be minimal. The Institute for International Economics, a free trade think tank, predicts a "relatively small size of the gains of the FTA(free trade agreement) to economic output in both the United States and Canada." The consulting firm, DRI, calculates that true technical harmonization will cut Europe's

production cost by a mere .05 percent. Citing DRI's analysis, one National Journal writer concluded, "the expected economic impact of these myriad changes is relatively small". The European Commission's own two year study of the impact of Europe 1992 found a best case scenario price reduction of only 4 percent and one percent gain to the 12 member economies after 5 years.

Secretary of Agriculture Clayton Yeutter asserts, "Virtually all studies done by numerous scientific and economic organizations confirm that agricultural trade liberalization will not only benefit farmers, but taxpayers and consumers as well." Yet the Center for Rural Affairs(CRA) examined the most important studies and found only one that predicted a gain for farmers. "The economic gain will be felt by developed as well as developing countries", Yeutter insists. But a World Bank study says the benefits will be distributed very unevenly among the developing countries. CRA concludes, "Most economists predict a net loss(producer gains minus consumer losses) to developing countries."

An astonishing oversight in virtually all free trade studies is that they analyze only one side of the balance sheet. There are no costs in freer trade, they assume, only benefits. The two year, massive study of the impact of Europe 1992 did not mention costs. Massive disruptions might occur in domestic economies, but these are assumed to be brief and therefore entailing no costs. The cost to the environment, or to democratic decisionmaking, of course, are difficult to quantify and therefore are excluded.

Free traders argue that opening up borders permits corporations to serve larger markets and therefore to scale up their factories. This in turn allows them to capture what engineers and economist call "economies of scale". The rule of thumb is that each doubling of production size reduces by 8 percent the cost per item produced. But there are many economists who think that economies of scale, while valid in principle, are largely achieved at relatively modest scales, and that huge corporations crowd out legitimate domestic competitors and achieve political and economic power that often makes the government their allies against smaller enterprises.

For these observers, competition, not the size of the producer, is the key element leading to lower prices and higher quality. In Canada, for example, the price of farm products regulated by supply management systems have risen more slowly than those not protected by import quotas. This is because the Canadian system encourages farmers to compete with one another to raise their productivity. The import quotas set on textiles by the United States since 1961 have not only helped preserve the industry, but have arguably aided the economy. Textile productivity has increase twice as fast as the U.S. industrial average since the quotas were put into effect, second only to electronics. Textile prices have increased only half as fast as the average for producer price index.

A PEOPLE'S GATT

Those who oppose the radical deregulatory changes pushed by the Reagan/Bush administrations are not necessarily content with the present system. Most believe it needs fixing, not to benefit a handful of executives who run the new planetary corporations, but to meet the needs of a world facing crucial environmental and social problems.

In part a People's GATT would address the inequities of the present trading system. Under GATT, for example, it is considered perfectly acceptable for a nation to create a competitive advantage by exploiting its natural resources or its workers. Exporting countries should not be able to "mine" their environment to have a competitive advantage over countries adopting environmental policies that promote sustainable development. Unfortunately, at present environmental subsidies are not considered unfair trade practices. Yet GATT staff insists, "It would not seem desirable for any country to adopt measures designed to stem such flows of investment and trade as might result from international differences in pollution control norms." GATT should not permit the oppression of workers to create a comparative advantage. As economist Howard Wachtel notes, differences in product cost due to restrictions on economic rights "reflect no natural or entrepreneurial advantage. The textbook doctrine of free trade is based either on natural endowments or productivity advantages that accrue from more advanced technology or superior management. It implicitly assumes comparable institutions among trading nations."

And finally, GATT should continue to permit nations to respond to their own unique situations, and to the will of their peoples, in fashioning regulatory and development policies. In the last five years more than half a billion people, from South Korea to the Philippines, from Eastern Europe to Chile, have thrown off tyrannies and begun to fashion democracies. Yet the right to vote is not synonymous with democracy unless it is a meaningful exercise, unless the right to vote means the right to influence a community's future.

Four key areas of GATT need improvement

1. Environmental Protection

Article XX of GATT allows "the adoption or enforcement by any contracting party of measures..necessary to protect human, animal or plant life or health". But, as Steven Shrybman, Counsel for the Canadian Environmental Law Association, points out, there are "a host of environmental and resource conservation measures that would be very difficult to defend as measures to protect human, animal or plant life." Moreover, there is no reported precedent under GATT that invokes this provision to justify environmental protection measures. Nor was this

provision intended for that purpose. Rather the legislative history makes clear that it was intended to protect "quarantine and other sanitary regulations". Environmental protection simply was not a public issue in 1947.

Many observers point to the recently enacted U.S.-Canada Free Trade Agreement(FTA) as a bilateral model for the multi-lateral GATT. With respect to the environment, the FTA gives Ottawa the right to overturn provincial legislation that violates the agreement, despite the fact that the Canadian Constitution explicitly reserves to provinces jurisdiction over conservation and the development of natural resources. Canada will no longer be able to prevent the export of its energy, timber, or water.

The Province of British Columbia recently abandoned reforestation programs. The U.S. claimed these were unfair subsidies to their timber industry.

As part of the FTA, Canada agrees to "work toward equivalence" with a risk-benefit regulatory model for pesticide registration. In Canada 20 percent fewer active pesticide ingredients and seven times fewer pesticide products have been registered. The move toward equivalency will weaken Canadian pesticide regulations.

The US coal industry has argued that Canadian provincial utilities enjoy an unfair advantage over U.S. utilities because they are crown corporations and pay no corporate tax. The coal industry's answer is to call for a weakening of U.s. environmental regulations to balance the scale. In submissions to the Senate Committee on Energy and Natural Resources on the Canada-U.S. trade pact, the National Coal Association has asked Congress to direct federal agencies to address these regulatory "disincentives".

At least one decision of the European Commission shows the problems inherent in favoring free trade over the environment. The Court of Justice of the European Community ruled last year in a case involving Denmark's returnable bottle law that although no actual restraint of trade had actually arisen, the reuse regulations could be more expensive for importers than domestic producers. The Court concluded, "There has to be a balancing of interests between the free movement of goods and environmental protection, even if in achieving the balance the high standard of the protection sought has to be reduced." In other words, free trade permits Denmark to have a returnable bottle bill, but not a refillable bottle bill.

With respect to health and safety standards, the U.S. administration proposes that these must comply with international scientific standards. Mentioned specifically in our proposal is the Codex Alimentarius, a United Nations food code. But that code permits DDT levels four times greater than existing U.S. standards, and would permit imported foods to avoid FDA restrictions on Alar or sulfa antibiotics.

As one administration source told Washington Post economics reporter Hobart Rowen, "It may be that some of our standards are too high".

We should remember that, in 1975, when the United States banned the sale of new cars that used leaded gasoline, Europe did not follow our lead. Their governments argued that our mountain of evidence linking lead with brain damage in inner city children was not conclusive. And in 1978, when the U.S. banned the use of chlorofluocarbons(CFC's) in aerosol spray cans because of their harmful effect on the atmospheric ozone layer, Europe and most of the rest of the world again refused to follow our lead. Recently Europe has adopted similar regulatory prohibitions.

Under the proposed U.S. guidelines, the U.S. ban on lead or on CFCs could be challenged by other nations and if a world scientific body did not yet agree with our conclusions, we could not prohibit the imports of cars that used leaded gasoline or spray cans with CFCs.

Allowing a world science court to decide on the validity of local, state or national health and safety standards, would severely dampen democratic initiatives. It is important to note, says Shrybman, that "The failure of a government to regulate has never been challenged as representing a subsidy, and there is no precedent for such a complaint". In other words, a citizen of the United States, or France, or Japan, could not go to the science court and ask for a prohibition on the sale of CFCs or leaded gasoline. He or she would have no standing to make such a suit. The GATT requires that disputes be forwarded to dispute resolution only by national governments. Thus the citizenry of a nation would have to organize politically on the domestic level to enact regulations, only to then be facing the possibility of a world science court undermining their effectiveness by permitting imports that violate such regulations.

A People's GATT would add specific language allowing countries to prohibit exports or imports for environmental reasons. Thus Brazil could prohibit the export of wood from its rainforests, and Denmark could prohibit the importation of containers that were not refillable. A People's GATT would embrace the thinking behind Representative James H. Scheuer's(D-NY) resolution calling on Congress to withhold approval of any changes in GATT until an environmental assessment of the whole package has been made. And would include his proposal to make international environmental standards "a floor, not a ceiling" for state and national standards. This is the way much (but not all) of U.S. national environmental legislation works. States and cities must comply with minimum federal standards, but are permitted to exceed these standards.

3. Worker Protection

As far back as the 1890s, the McKinley Tariff prohibited imports from convict labor. So did tariffs enacted in the 1920s, but none of these were never enforced.

The 1984 Trade and Tariff Act prohibited bilateral trade preferences for developing countries exporting to the U.S., if those countries refused to honor "internationally respected worker rights", including the "right of association", the right to organize and bargain collectively, a prohibition on the use of any form of forced or compulsory labor, a minimum age for employment of children, and acceptable conditions of work with respect to minimum wages, hours of work and occupational safety and health". Only four nations were denied trade benefits under GSP, however, and labor rights were not elevated to the status of an unfair trade practice.

The Omnibus Trade and Competitiveness Act of 1988 required that one of the "principal trade negotiating objectives" at GATT be worker rights. This included the adoption "as a principle of the GATT, that the denial of worker rights should not be a means for a country or its industries to gain competitive advantage in international trade". To date the Administration has done little in this area.

The issue of worker rights has already gained serious attention in Europe. As mentioned above, in 1985 the European Commission undertook a major deregulatory effort to complete a barrier-free internal European market. But in 1989 countries like France and Germany worried that if this new internal market lacked a "social dimension", it could erode the hard won social gains of their work forces when national corporations are allowed to freely move to countries whose workforces labor under worse conditions. The Economist magazine says of the new move toward equalizing social benefits, "The impetus for the plan is the fear of some governments that otherwise 1992 will bring a businessmen's community but not a citizens' one."

This movement proposes a "social harmonization" to equalize competition among Common Market members. Member countries that refuse to adopt policies that would equalize labor costs would be accused of "social dumping" and their products would be subject to sanctions.

Conservatives vehemently oppose this concept. They argue that a weak labor force, long working hours, and few benefits are a comparative advantage. "Lower wages and a less protected labour force are among the south's few advantages", says The Economist. Paul Craig Roberts, a key supply sider in Ronald Regan's administration, and a regular contributor to Business Week magazine, writes, "the Social Charter reintroduces protectionism in the guise of harmonization". "The original Common Market document--the Treaty of Rome--relies on market forces to harmonize national economic differences", he says.

When it comes to environmental protection or worker protection, the issue is the same. Conservatives want to "level down" environmental and worker rights. Progressives want to "level them" up. If

imposed equally on domestic and foreign producers, it doesn't matter in economic terms whether environmental standards are strict or lax, whether worker rights are protected or not. So long as there is a level playing field, the corporation that provides the best service at the lowest price will be the winner. But one could argue that the environmental, social and political costs of levelling down, a la Paul Craig Rogers' prescription, would be much greater than the modest increase in consumer prices suggested by levelling up.

The GATT should be amended to include worker oppression as an unfair trade practice and to allow countries to prohibit the import of goods exported from countries or companies that do not comply with equitable labor practices.

3. Third World Protection

In the 1980s, for the first time, world trade increased even while the standards of living of major sections of the globe declined. In 1980 a minimum wage worker in Peru needed to labor 17 minutes to buy a little over two pounds of rice, a staple of the Peruvian diet. By 1985 that same minimum wage worker needed 2 hours and 5 minutes to buy the same amount.

From 1970 to 1986 the overall rate of increase of export crops was 2.5 times greater than the rate of increase of basic food crops in Central America. Its exports of beef increased four fold, yet malnutrition increased. In Brazil the yields per acre rose substantially as these crops received better land and more credit for mechanization, while the yields per acre of crops for domestic consumption fell. Exports and malnutrition soared.

In the 1950s and 1960s developing countries followed an import substitution strategy. They focussed on building indigenous industries, based on making at home the intermediate manufacturing components for final product assembly plants. The meager results of this policy led to a shift to an export oriented strategy in the 1970s and 1980s. Yet, except for several Asian countries, export oriented development has also been a failure. Native industry has declined. Exports did increase, but at the expense of food for domestic consumption. Indebtedness has soared.

The result of these twin failures has led to the emergence of a new development strategy, called agricultural demand led strategies(ADLI). It relies on land redistribution, and building a mass market by improving productivity in agriculture and letting farmers share the fruits of the improved productivity. Industrial growth is oriented to meeting the needs of agriculture. Industry builds slowly toward heavy industry and exports. Computer models show that under an ADLI strategy imports are halved and a more equitable income structure results.

But the policies of the developed countries undermine such

Third World development strategies. The World Bank and other multi-lateral lending institutions force nations trying to refinance their debt to enact programs to spur exports. Yet export subsidies by the U.S. and Europe have driven down the world price of key commodities. For example, the 1985 Farm Act in the U.S. pushed price of rice down by 50 percent and corn by 25 percent. Flooding Third World markets with cheap grains from developed countries undermines their efforts to feed themselves and reduces their revenue from agricultural exports.

The current GATT round for the first time includes rules governing intellectual property and foreign investment. Intellectual property is portrayed by U.S. politicians solely as an issue of counterfeiting. That is a very minor issue. Third World commentators point out that of the more than 4 million worldwide patents, nationals of developing countries hold no more than 1 percent, although developing countries had 75 percent of the world population, 20-25 percent of world GDP and 15-20 percent of world industrial output.

Patent monopolies can lead to restrictive practices. Back in January 1974, the council of the Organization for Economic Cooperation and Development(OECD) recommended action by member governments against the abuse of patents in licensing agreements. These included "clauses concerning tied sales, obliging the licensee to obtain goods from the licensor or his designated sources, when the tied sales are not justified, for instance, by technical reasons concerning the quality of the goods manufactured under the licence." Grant back clauses require licensee to assign or grant back to licensor exclusively all improvements discovered in working the patents.

A People's GATT would continue to allow Third World countries to create development strategies tailored to their own unique situations. It would also prohibit export dumping of farm commodities by developed nations. And it would recognize Third World concerns that patents should not be used to control future domestic innovation and development.

4. A People's GATT

Chakravarthi Raghavan, chief editor of the Special United Nations Services, notes, "while all intergovernmental negotiations are in private, the GATT processes are the least transparent". This is particular harmful to the interests of the vast majority of peoples who live in the poorer countries.

"In theory, all contracting parties are equal and GATT's consensus decision-making process is the most democratic with the big and the small having the same equal voice", Raghavan writes. "But in practice when the small have tried to assert themselves, they have been ignored or sought to be overawed by arguments that the countries with the largest

share of the world trade have more at stake in the trading system and its rules, and hence their views should prevail. Real decisions are taken in the 'green room' consultations and other informal channels of negotiations... Participation in these consultations is by 'invitation' and those invited are selected by a non-transparent process, with a predominance of Industrial Nations."

Equally left out in the cold are citizen groups. GATT is an agreement among nations, and the interests of nations does not always coincide with the interests of the majority of its citizens. In democratic countries, citizens have access to the courts or to the ballot box to overturn governmental policies. But GATT has no provision for direct citizen participation. Trade disputes are almost always initiated by corporations, with the government acting as the intermediary to a GATT ruling. A citizen has no standing before GATT. Indeed, it is only at the pleasure of national governments that even the rulings related to cases handled by GATT are made public.

The 1980s has witnessed the emergence of transnational corporations but it has also seen the rise of transnational citizen movements. As noted above, one of the main American objectives in the current GATT round is to pre-empt the growing strength of this movement as signified by the first Code of Conduct for Transnational Corporations. The controversy about the use of growth stimulating hormones in Europe is an excellent example of this conflict. The European Commission banned the use of such hormones, as it said in its decision, not because of scientific information, but because of the rise of powerful environmental groups like the animal rights faction with the European Parliament. Indeed, in discussing this controversy, Business Week points out, "A pricklier issue, perhaps, is the increasing impact of consumer concerns on the decision of trade officials, who are more accustomed to brokering the competing interests of producer lobbies."

Trade officials are used to negotiating among producers, but now consumers are asking for, and gaining, a greater say in national and international affairs. A People's GATT would be more democratic. It would allow for more access by citizens' groups to its decisionmaking mechanisms, would give more weight to the Third World, and would allow nations, and their sub-national units to retain more authority over their own futures.

We must make clear that GATT deals with authority, not power. No matter what changes occur in GATT, it will not rectify the imbalance of power that occurs when a global corporation threatens to close a factory in one city unless that city provides tax breaks or the workers accept wage cuts. No matter what changes are made in GATT, it will not rectify the imbalance of power between big, powerful nations, and small, weak ones. Nicaragua, a member of GATT along with the United States, submitted a complaint about the U.S. imposition of a bilateral economic embargo on Nicaragua. The GATT ruled in Nicaragua's favor, citing the U.S. for violating

GATT principles. The U.S. ignored the ruling.

Nevertheless, authority is a necessary condition for the exercise of democracy. GATT could provide nations the authority to prohibit imports from runaway factories, or from factories whose production processes do not meet the environmental standards of the nation they are exporting to. It could permit subnational governments, like cities and states, to enact stringent environmental standards. Having the authority, citizens will still have to struggle against the woefully onesided struggle between community and global business enterprises. But without the authority the struggle cannot even begin.

Conclusion

The current GATT talks present the culmination of forces building up for more than a decade. The U.S. proposals represent a radical attempt to pre-empt the authority of its own citizens, and the citizenry of other countries, to regulate commerce in the pursuit of environmental and social ends. It is an attempt to impose a laissez faire philosophy on a world wide basis, to allow the global corporations unfettered ability to transfer capital, goods, services and raw materials across national boundaries.

In late July there will be a final negotiating session and by December the GATT process must be completed, unless the Contracting Parties agree to extend the deadline. Early next year that agreement, covering hundreds, perhaps thousands of different issues, will be submitted to national legislatures for ratification.

In the U.S. GATT is considered an executive agreement, not a treaty. Thus a majority, not two thirds majority is required for passage, although both houses of Congress must pass it. Congress authorized a so-called fast track ratification process. Congress will have only 90 days to vote on this complex agreement. No amendments will be permitted. Within 90 days Congress will be able to vote only yes or no on one of the most crucial documents of our time.

In February 1990 the Executive Council of the AFL-CIO made clear that it "will not support any multilateral trade agreement that does not carry out Congress' intentions" related to worker rights, and asked Congress to rescind the special fast track procedures and "substitute for them a procedure that provides Congress the appropriate opportunities for discussion and debate". Consumer, environmental and farm groups from U.S., Japan, Eastern and Western Europe met in Stuttgart recently and issued a joint statement opposing proposals "to take the power to set health and safety standards away from elected leaders". A coalition of citizen organizations has formed in the United States to fight for changes in the GATT that will enable future generations to make their own decisions about protecting the environment, and worker rights, and the proper manner to develop Third World economies.

"No GATT deal is better than a bad deal for agriculture" said George Bush in late May. A few days later Carla Hills broadened that declaration by saying, "No GATT agreement is better than a poor agreement". We agree. A world economy needs rules to govern the trading relationship between nations. The current GATT rules favor rich nations over poor and corporations over the environment and the workers. And the changes by the Bush administration would not only greatly worsen this situation, but would weaken the ability of peoples around the world to govern their own affairs.

THE PERILOUS FAST-TRACK

Citizens of the world beware. Negotiators are scrambling to hammer out a final revised version of the General Agreement on Tariffs and Trade (GATT) in early 1991 after a failed attempt in December 1990. The new GATT will primarily benefit multinational corporations. Consumers, the environment, workers and the Third World are unlikely to receive any of the purported benefits of GATT and will suffer significantly because of it.

The explicit, benevolent-sounding goal of GATT negotiators, working on an elaborate agreement to regulate trade among more than 100 nations, including the United States, is to liberalize world trade by reducing non-tariff trade barriers. What GATT negotiators, with the United States as the primary driving force, are actually pushing is an international deregulation agenda. Specifically, they hope to establish weak international consumer and environmental standards which no country could exceed, abolish programs in industrialized countries which protect workers and farmers on the grounds that they interfere with trade and pry open markets in the Third World, even at the cost of destroying domestic businesses in the world's poorest countries.

Because of its far-reaching effect, GATT deserves very careful examination by Congress, which must vote on whether to adopt the agreement. But GATT may not receive the scrutiny it deserves.

The Bush administration acquired enormous power to shape the U.S. negotiating position in GATT with the passage of the 1988 Trade Act. Although this legislation instructed the president to negotiate with certain broad goals in mind and required him to consult with Congress, Congress agreed to forfeit many of its legislative rights and responsibilities. In giving the president what is known as "fast-track authority," Congress agreed to vote on a GATT agreement within 90 days after it is presented by the president, with no amendments permitted. This removed Congress's only substantial role in the negotiation process — its right to examine and amend the agreement the president negotiates.

The limitations on Congressional involvement are intended to strengthen the administration's negotiating position. Proponents of the fast-track procedure argue that if Congress were able to amend an agreement — even to adjust it along the margins — U.S. negotiators would

not be credible. Other nations' negotiators would know that compromises and agreed-on texts would be subject to later alteration, and the negotiating process would break down.

The most significant effect of the fast-track legislation, however, is to concentrate power dangerously in the executive branch. While the U.S. government system of checks and balances does not function perfectly, it does tend to check the excesses of any one branch of government.

In the context of the GATT negotiations, Congress's shirking of its constitutional role intensifies the power of multinational corporations. Multinationals, led by companies such as American Express and Cargill and organized into the Multilateral Trade Negotiations (MTN) Coalition, are the dominant influence on the administration's negotiators.

Business groups also have tremendous sway in the legislature, but Congress is subject to more diffused influences and is more responsive to citizen pressure and concerns. Trade associations of domestic industries such as textiles, commodity farm groups and public interest organizations — all opposed to significant provisions of GATT — have much more pull in Congress than they do with the Bush administration.

The "fast-track" issue also has ramifications beyond GATT. The U.S.-Canada Free Trade Agreement (see *Multinational Monitor*, May 1990) was approved with the fast-track process, and the Bush administration is currently requesting fast-track authorization as it prepares to enter into negotiations for a free trade agreement with Mexico.

Belatedly, the Senate is considering rescinding the fast-track authorization for GATT. Citizens should contact their representatives and especially senators and tell them to support the resolution, S-342, introduced by Senator Kent Conrad, D-ND. If passed, the bill would revoke the Bush administration's fast-track authorization for GATT and subject a GATT agreement to the careful scrutiny it merits. Citizens should also demand that their elected legislators refuse to cede their authority to the President and that they vote against the Bush administration's request for fast-track authorization for its free-trade negotiations with Mexico. ■

Selling Free Trade

Doug Henwood

Before the armed lust for cheap oil obscured all else, there was some talk of creating a hemisphere-wide free trade zone. In June, the president announced his Enterprise for the Americas Initiative, "to help this hemisphere realize its untapped potential for progress." In its June 28, 1990, story on the announcement (p. D1), the *New York Times* highlighted Bush's stirring remark that "prosperity in our hemisphere depends on trade, not aid." After responsibly noting the contrast between "the soaring oratory of a major foreign policy initiative" and the initiative's apparent status as a mere extension of existing programs, *Times* writer Andrew Rosenthal quickly secured testimony from "international bankers and some other specialists" that Bush had indeed offered "a significant expansion" of existing programs. His experts also suggested that Bush's speech might calm those nervous Latins who fear that the U.S. is more interested in Eastern Europe than its southern neighbors. Rosenthal offered no evidence for his assumption that the U.S.-Latin relationship has been a nurturing one.

Bush's scheme offered \$300 million in new U.S. money, \$200 million of it in debt relief and a \$100 million grant to foster privatization and financial reform. The president hoped that Europe and Japan might contribute an equal amount to the grant pool. Rosenthal was too polite to note that \$500 million — assuming European and Japanese money is forthcoming — is 0.12 percent of the region's total debt, 0.86 percent of 1989's total debt service, and 0.06 percent of its GNP.

According to M. Peter McPherson — the Bank of America's VP for debt restructuring (and former Treasury official), and therefore the most disinterested of experts — debt relief is the most important part of the package, since it means that official money may be forthcoming to help ease the burden on our long-suffering banks.

Of course, no Latin sources were queried, which is too bad, since they might have livened up the discourse a bit. For example, a leftwing Argentinean legislator, Luis Zamora, told UPI that the Bush scheme was a relationship of "master and slave" that would bring "benefits to the United States and losses to Latin America."

The Enterprise for the Americas

As an official program, the Enterprise for the Americas Initiative means little; it simply ratifies what has been going on throughout the hemisphere for years now. The 1980 Republican platform called for a "North American Common Market"; in his final State of the Union message, Ronald Reagan called for a "free flow of trade from the tip of Tierra del Fuego to the Arctic Circle" — phrasing echoed in Bush's call for a free trade zone extending "from the port of Anchorage to the Tierra del

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Fuego.” (Other Republican publicists opt for a more modest zone “from the Yukon to the Yucatán.”) Under the weighty pressure of \$434 billion in foreign debt, Latin American governments have been

privatizing, deregulating, and otherwise pampering foreign capital, with Chile and Mexico in the lead. In fact, the Bush scheme was announced only a couple of weeks after a visit from Mexican president Carlos Salinas de Gortari, who was eager to begin negotiating a U.S.-Mexico free trade agreement (FTA).

Should such a bilateral deal ever come to pass, it would mark a neat symmetry with the 1987 U.S.-Canada free trade agreement, a document the *Times* loves — a love which certainly has nothing to do with the *Times*'s extensive investments in the Canadian paper industry (see *LOOT*, June 1990, p. 20). “Trade Pact Is Seen As Economic Spur By U.S. And Canada,” read the headline over Clyde H. Farnsworth's October 5, 1987, story, which reported as factual the notion that the deal would “stimulate economic activity in both countries.” This has set the tone for years of upbeat coverage.

Canadian Opposition

Perversely disagreeing with the *Times*, Canadian opponents of the FTA thought it would be a disaster for their country. So far events have matched their predictions: Plants have been closed, industrial jobs lost (100,000 according to union estimates), and the government of Prime Minister Brian Mulroney continues its assault on social spending. Free-traders point to a gain in service jobs, which is precisely what U.S. conservatives did as the U.S. deindustrialized, a process Canada now seems to be experiencing.

As a result of the FTA, Canada is becoming even more of a natural resource-based economy — one based on rocks and trees, as the Canadians say — and those resources are increasingly owned by U.S. multinationals. As the *Wall Street Journal* argued in a 1988 editorial (September 22, 1988, p. A38), “There is a natural synergy between the two countries. Canada is rich in natural resources; the U.S. is a plentiful source of capital for developing those resources” — a classically colonial relation, in other words, something even the *Journal* is not loony enough to say aloud. A Canadian business journalist told me that he thinks that his nation's elite has given up on sovereignty, choosing instead to become a comprador class. Needless to say, virtually none of this line of argument has been reported in the *Times*.

Canadian opponents of the FTA rightly dread bringing Mexico into the picture, which is something the U.S. and Canadian governments have already begun to do. As multinational corporations consolidate their North American operations on a continent-wide basis, they study the following list of manufacturing wages in U.S. dollars per hour: Canada, \$12.13; U.S., \$10.71; Mexico, \$.84. From that list, it is not hard to figure out where plants will be closed and where they will be opened.

The *Times* has run a couple of stories dutifully noting some of the problems with a U.S.-Mexico FTA, among them, the possibility of “a huge influx of Mexican labor and of wages in Mexico that are only a fraction of the American level,” as Larry Rohter put it in a June 12 story — though these are presented as “obsta-

Canada's elite has “given up on sovereignty, choosing instead to become a comprador class.”

cles” to the “cautious agreement” between the government, and not perfectly good reasons to oppose an undemocratic marriage of elites. No hint was offered of Mexican opposition, however, part of

the paper's consistent failure to report popular opposition to the technocrat Salinas and his program of “savage capitalism,” as it is often called in Mexico. The Mexican government's ongoing electoral fraud and human rights abuses are similarly undercovered; *Times* readers learn far more about pollution in Romania than they do about the one-party state to our immediate south — no doubt because Salinas is the best president of Mexico the U.S. ever had, as the Mexican opposition puts it.

News pages aside, *Times* editorialists love the idea of a U.S.-Mexico FTA. While admitting that U.S. workers might have to “scramble for new jobs” when exposed to Mexican competition, a June 16 item (p. A20) called “A Boost for Both Countries” suggested expansively that “this country can afford to provide its jobless with generous assistance.” Since the country can afford such assistance, it would be nice if the *Times* explained why it has never offered it. The paper also suggested that U.S. investment in Mexico would create “desperately needed jobs.”

The kind of jobs an FTA would create can be seen in the auto plants and maquiladora clustered in northern Mexico. (Maquiladora plants import components from the U.S., where \$.84/hr workers assemble them into products for almost duty-free export to the U.S.) This cluster of investment has created new cities with hardly any infrastructure — cardboard shacks unserved by plumbing, sewers, or schools. The mundane jobs it creates offer no skills transfer, and the plants generate massive amounts of toxic waste. (The *Times Magazine* deserves praise for a good story on maquiladora by Sandy Tolan in the July 1, 1990, issue; it would be nice to see more of this in the news and editorial pages.) According to Scott Sinclair of Common Frontiers, a Toronto-based group opposing a North American free trade zone, the cost of cleaning up this poisonous gunk could be more than the maquiladora program has earned.

Cheap Resources and Cheap Labor

The grand design of the continental free traders is simple, but rarely discussed openly, and never in any of the stories the *Times* and its peers have written on the issue. Canada will supply natural resources; Mexico, cheap labor; and the U.S. will enjoy the fruits of both. But only the more fortunate citizens of the U.S. will enjoy these fruits. Behind all the hype for the globalized post-industrial economy lies this reality: High-wage production jobs disappear; an affluent minority of managers, designers, lawyers, marketing specialists, propagandists, and financiers plan and administer the global economy; and an increasingly immiserated mass of janitors, nannies, manicurists, and clerks serve them. All hope for economic and social development in the sweatshop countries is doomed as long as this arrangement persists.

A trade deal with Mexico would facilitate this trend, so pleasing to our elite. No wonder the *Times*'s coverage is so spotty and superficial and its editorial endorsement so fervid. The Yukon is ours; on to the Yucatán and Tierra del Fuego. ●

Democracy vs. Gattzilla

An international treaty threatens to undermine efforts by municipalities to protect the environment and the health of their people.

by Michael Shuman

IMAGINE A FOREIGN DICTATOR TAKING OVER THE UNITED STATES, curbing local environmental and safety regulations, and ordering us to eat food heavily contaminated with pesticides, hormones, and other chemicals. Certainly a nation like ours that has proved its willingness to wage an all-out war in the Persian Gulf to keep gasoline prices low would be willing to take up arms against such an ominous threat. Yet this is essentially what our President has been proposing behind closed doors in Geneva, Switzerland.

The potential dictator is an international treaty, little under-

GATT currently regulates about 85 percent of the more than three trillion dollars of world trade that occurs annually.

stood by Americans, called the General Agreement on Trade and Tariffs, or GATT. Since its inception in 1948, GATT has been the principal vehicle through which 98 of the world's nations have sought to promote "freer and fairer trade" by ratcheting their tariffs and non-tariff trade barriers downward. Between 1950 and 1975 successive rounds of GATT negotiations increased merchandise trade for industrial nations at an average rate of eight percent per year, double the average growth rate for their gross national products. GATT currently regulates about 85 percent of the more than three trillion dollars of world trade that occurs annually.

Free trade is a laudable economic principle, but recently the Bush Administration has begun to redefine the mission of GATT as not just whittling away protectionist regulations but also quashing reasonable laws concerning public health and the environment. Over the past two years U.S. trade representatives have been proposing to GATT that local health and environmental laws relating to food and agricultural goods should be replaced by uniform international regulations. With the aim of "harmonizing"

these laws across the world, the Bush proposals would delegate the power to promulgate health and environmental standards to an agency in Rome called Codex Alimentarius, or Codex. This agency, largely dominated by executives from chemical and food companies, could suddenly have the authority to declare what levels of different chemicals in our food were safe. Any standards that were more stringent, whether they came from Congress, the states, or cities, might be preempted, because GATT procedures could brand them as "unfair trade practices" and U.S. law treats GATT as the supreme law of the land.

Take DDT, for example. The U.S. Congress has wisely banned food imports containing anything more than very low "background" levels. But if the worst of the Bush proposals was accepted, the Codex standard, which allows much higher levels of DDT, would suddenly become U.S. law. According to Anne Lindsay, Director of Pesticides Registration at the U.S. Environmental Protection Agency, about one out of every six pesticide standards set by Codex is weaker than those now set by U.S. law.

Besides chipping away at national standards, the Bush proposals could sweep away state and local protections. Even if California voters pass the "Big Green" Initiative (Prop. 128) this November, which would prohibit the use of any cancer-causing pesticides on food grown or sold in the state, GATT regulations might render it null and void. State and local governments could lose much of their legislating authority over food and agricultural products to Codex.

While Codex masquerades as an esteemed "scientific court" that issues only objective safety standards, its members are comprised almost entirely of government officials and corporate lobbyists. The U.S. delegation, for example, includes representatives from the American Association of Cereal Chemists, the American Frozen Food Institute, CPC International, Grocery Manufacturers of America, Hershey Foods, Kraft, Nestle Foods, PepsiCo, Ralston Purina, and Smith-Kline Beckman. Unlike governmental bodies, its members are not elected, its decisions are not openly debated, public testimony is not allowed, and review

by other legislative bodies or courts is impossible.

Consumer activist Ralph Nader has warned, "GATT is designed to circumvent democratic institutions and override local and state government efforts to protect consumers and the environment."

A GOVERNMENT OF, BY, AND FOR THE MULTINATIONALS?

ONE OF THE CHALLENGES FACING advocates of municipal foreign policy is how to check the growing power of multinational corporations. Many cities are now bidding away their control over multinationals in an effort to lure them. In Tokyo, Japan, nearly every U.S. state has a trade office offering up tax breaks, subsidies, union-busting practices, and lax

environmental and health standards to entice Japanese manufacturers to build factories in its jurisdiction, all for economic benefits that rarely materialize. As corporations become more internationally mobile, any city unwise enough to protect consumers, workers, and the environment risks losing jobs to other cities interested in only short-term profit.

If we want to have even a remote chance of putting reasonable checks on misbehavior by multinationals, we will need all the standards we can muster — local, state, national, and even international.

We could certainly benefit from global rules that prevent corporations from going anywhere on the planet and spewing carbon dioxide, CFCs, sulfur dioxide, or hundreds of other dangerous pollutants. And it would be helpful to have enforceable international laws that ban child and slave labor, grant workers basic protections, and set minimum global wages.

But international standards must become floors, not ceilings. National governments must remain free to implement more rigorous standards. And if local and state governments wish to implement more stringent controls, they should be able to do so. So long as local regulations are not targeted against foreign goods or any particular country, they should be regarded as trade-neutral.

Mainstream advocates of "free trade" have it all wrong. An



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unfair trade practice occurs, not when a country or city protects its environment, but when someone can exploit global ecosystems to manufacture cheap goods and undercut more responsible producers. Goods produced at the expense of workers' safety, public health, or environmental protection are the ones that should be

We must make it clear to the President now, while negotiations are still under way, that international agreements preempting municipal creativity are unacceptable.

branded as unfair.

The Commerce Clause in the U.S. Constitution provides a reasonable model for how to balance the benefits of free trade with democratic virtues of allowing diverse localities to pass their own health, safety, and environmental regulations. Basically, if U.S. courts find that regulatory measures are protecting local industries, they will strike them down. But if the regulations are reasonably serving the public's welfare and equally burdening locally and nationally produced goods, courts will uphold them.

An analogous system could operate within the framework of GATT, empowering the courts of different nations to scrutinize national, state, and local regulations with these kinds of standards. Regulations that draw no distinction between locally produced and foreign goods should be presumed legitimate. A heavy burden should be put on a challenger to show that there is absolutely no reasonable basis for the regulation.

Congressman James Scheuer of New York now has a resolution pending (HR 336) calling on the President's representatives at GATT to initiate special consultations "to ensure that the implementation of the GATT does not undermine national environmental protection measures and health and safety standards...". This is a good beginning. But in all likelihood, even if it is passed, the Bush Administration cannot be trusted to implement it. Thus far, despite paying occasional lip service to states' rights, the Bush Administration has shown remarkable disdain for local and state initiatives in protecting the environment and public health. It took a heroic local organizing effort to con-

vince Congress to rescind Bush-sponsored provisions in the Clean Air Act that would have preempted municipal and state laws banning CFC emissions.

We must make it clear to the President now, while negotiations are still under way, that international agreements preempting municipal creativity are unacceptable. Faced with a simple, thumbs-up-or-down vote in which no amendments are possible, Congress rarely disapproves a GATT agreement. And a number of Democratic heavyweights are already lining up behind the President. According to *Food Chemical News*, House Speaker Tom Foley is "not happy with the trend toward states taking the lead in health, safety, and environment areas, adding that it can have serious consequences for trade and commerce in the U.S. and internationally."

It will take a massive public campaign to approve the Scheuer resolution and to send the President's representatives back to the negotiation table. Mounting pressure by environmental and consumer groups has already caused some favorable changes in the Bush proposals in just the last few months, but unless that pressure continues the final GATT agreement could ultimately stomp out creative municipal policy-making.

We can have both a healthy system of global commerce and vigorous local environmental and health initiatives if we act now. But if the President insists on our choosing between "free trade" or democracy, and if "freedom" means the freedom of corporations to exploit the environment and ruin public health without fear of national or local regulation, then let us always choose democracy.

Michael Shuman is President of the Center for Innovative Diplomacy and a visiting scholar at the Institute for Policy Studies in Washington, D.C.

BE A GATFLY

If you want to make sure that GATT does not preempt local environmental and public health regulations, write to the following people immediately:

The Honorable Carla Hills
U.S. Trade Representative
600 17th St., NW
Washington, DC 20506
FAX: 202-395-3911

President Jacques Delors
European Community
Rue de la Loi 2001049
Brussels, Belgium
FAX: 32-2-236-3115

Arthur Dunkel, Director General
GATT
154, rue de Lausanne
CH-1211, Geneva 21, Switzerland
FAX: 41-22-7-31-42-06

Ambassador Tran Van Thinh
European Community
37-39 Rue de Vermont 1211
Geneva 20 Switzerland
FAX: 41-22-73-42-236

CIA to Increase Scrutiny of Allies' Trade Moves

■ **Espionage: New**
Director Gates says the
agency hopes to safeguard
U.S. commercial interests.

By JOHN M. BRODER
 TIMES STAFF WRITER

WASHINGTON—The CIA will intensify scrutiny of the trade and economic policies of America's major allies to assure that they do not violate international agreements or harm U.S. commercial interests, CIA Director Robert M. Gates said Thursday.

While rejecting outright spying on foreign corporations, Gates said that foreign governments—even friendly governments—colluding with their industries to the detriment of American interests are “fair game” for U.S. espionage efforts.

“The basic message to others around the world is: If you intend to cheat the United States, we’re going to be looking,” Gates said.

He said the agency has uncovered cases in which foreign governments have made foreign policy concessions to other governments, in exchange for purchases of products of private corporations. But he declined to name any countries guilty of such “collusion.”

In a 90-minute interview with editors and reporters of The Times' Washington bureau, his first since moving into the post six weeks ago after a stormy confirmation process, the director explored various topics, from nuclear proliferation to the future of the new Russian-led commonwealth to changes within the CIA because of the end of the Cold War.

He said the dialogue is part of a new “openness” he intended to bring to the agency.

Gates said the CIA has not yet seen evidence that Soviet nuclear technology and know-how are being leaked to other nations, although the possibility of that remains a concern. Nor has U.S. intelligence detected efforts by rogue nations to recruit Soviet weapons scientists, he said.

But he said that thousands of Soviet experts on nuclear, chemical and biological weapons are facing unemployment and food shortages and may feel compelled to market their expertise to Third World nations seeking unconventional weapons capabilities.

The spy chief said that the end of the Cold War means that the number and size of U.S. covert operations overseas will diminish. But secret foreign operations remain “an instrument of foreign policy that is available to the government. I think there will continue to be some selective use of it but I think it will be very selective.”

He said the U.S. government is unlikely any time soon to mount large-scale paramilitary operations like those in Afghanistan, Nicaragua and Angola in the 1980s.

Gates expressed optimism about the progress, so far, toward devising a new form of government in the dissolving Soviet Union, praising Russian Federation President Boris N. Yeltsin's courage and political skill.

But he said the outlook for democratization and economic reform in the new commonwealth “depends on what happens during the winter.” While not predicting widespread famine, Gates said a poor Soviet harvest and a broken food and fuel distribution system will produce “severe local shortages.”

His assessment of the situation in Russia and the other former Soviet republics was noticeably more upbeat than in recent speeches and congressional testimony. As recently as last week he had predicted that the crumbling Soviet Union would experience “the most significant civil disorder since the Bolsheviks consolidated power” in 1917.

He said he was encouraged by the formation of the Commonwealth of Independent States and most of the public statements made by the leaders of the newly independent republics.

“It's clear that all of these republics are very interested in both sovereignty and independence but the commonwealth evinces a willingness on their part to collaborate on those issues . . . where they . . . have a concern or an interest in common,” Gates said. “No one should underestimate the challenges and the problems that these guys are going to face getting through the winter and so on. But I think it's a really encouraging step forward.”

Gates expressed some optimism

about the future of the new commonwealth, saying: “This is the last great multinational colonial empire that has collapsed. It has collapsed virtually overnight. Seeing their way through to the development of real democracy and a market economy is going to be a long path for them and it's going to be a tough path. . . . There's going to be instability, there's going to be some violence.”

“But I think the key for the West is to pay attention to the overall direction in which they're headed. I think in light of their past in which there is very little experience with either democracy or market economics, that what they already have achieved is marvelous.”

While Gates, a longtime hardliner on the Soviet Union, was relatively sanguine on developments in the fallen empire, he gave a more sober assessment of emerging problems elsewhere.

He said North Korea and Iran continue to work toward building atomic bombs, that several other Third World nations are aggressively pursuing unconventional weapons and missile technology and that Iraqi President Saddam Hussein remains firmly in power in Baghdad.

Concerning Iraq, Gates said that his agency has indirect evidence of growing discontent among the population and “some other signs of possible difficulty within the family, within the closed circle.”

Some in the government and Congress have urged the Administration to move aggressively to exploit that disaffection and encourage a coup attempt. Gates said he believes a coup could succeed without outside help, but he declined to elaborate.

Herald INTERNATIONAL Tribune

Published With The New York Times and The Washington Post

THE HAGUE, TUESDAY, JUNE 19, 1990

Top-Secret U.S. Agency Now May Target Trade

By Michael Wines
New York Times Service

WASHINGTON — As the Soviet military threat declines, the National Security Agency is debating a shift in the targets of its global electronic eavesdropping network to such activities as spying on world trade and financial transactions, government officials and intelligence experts say.

The agency is already considering reducing some of its Soviet operations, but any further shift would mark a basic change of mission for an organization whose foremost duty since its formation 38 years ago has been to warn of a Soviet military strike.

The National Security Agency, the largest of the nation's intelligence agencies, gathers all the intelligence derived from radio signals, telephones, and other electronic communications. It is formally an agency of the Pentagon, but it coordinates its activities with the Central Intelligence Agency, whose director reports to the president and the cabinet.

Senior officials of the National Security Agency, led by its director, Vice Admiral William O. Studeman, began this spring to draft a proposal to redefine its activities in

light of the political and military upheaval in the Soviet Union and Eastern Europe, government officials and private experts said.

Officials emphasized that the agency must continue to monitor Soviet military and political developments as long as the Soviet Union remains a nuclear superpower and maintains the largest military force in Asia. In fact, some eavesdropping may well increase as instability mounts in Russia and nearby republics, they said.

But the officials said the emerging battles for economic primacy among Western nations and multinational companies — rather than military rivalries — offer by far the most promising prospects for the agency's future activities.

Among both senior intelligence officials and those in Congress who oversee their activities, the Soviet military retreat has given rise to a belief that American security now rests more in economic strength than in armed might. The temptation to use espionage as a weapon in the world's trade wars is fast becoming the hottest issue in intelligence circles.

Officials say the National Security Agency
See SPY, Page 2

SPY: Agency Seeks Target

(Continued from page 1)

ty Agency's discussions raise fundamental questions about the fairness of such tactics and their practicality. Even if the United States could set aside its ethical objections to industrial espionage, there are legal barriers to disclosing such information and serious questions of which American companies should receive it — if, in fact, major companies with factories worldwide and joint ventures abroad can be any longer identified as American.

The issue is especially delicate because some of the most attractive targets of economic espionage could well be companies or government agencies of nations militarily allied with the United States, both in Western Europe and in Asia, notably Japan. Many of those nations are believed now to spy on American corporations.

"The real issue is, do you want United States intelligence to steal the proprietary secrets of foreign nations," a government official said. "It's fundamentally anathema to our way of life. We don't do business this way."

Industrialized nations, including the United States, routinely collect economic intelligence on their allies. The National Security Agency gathers data on financial and stock transactions and foreign govern-

ment strategies that are useful in trade negotiations and other government decisions, like the approval of foreign purchases of American companies dealing in restricted technologies, officials said.

There is a consensus among intelligence officials that the agency should gather more economic data, to assist government bodies involved in commerce and to detect coming economic disruptions that could affect U.S. interests.

Agency eavesdropping outposts are also said to stumble routinely across foreign corporate trade secrets and national industrial strategies that could be of immense value to American companies competing abroad.

That information is not now sought or distributed within the government, much less among private companies. Among the issues now being discussed by top intelligence officials are whether the agency and other government organizations should make a deliberate effort to collect such information, and who should benefit from it.

Neither the agency nor other intelligence bodies could decide to gather such specific information on their own. Decisions on the kinds of data that agencies collect are made by panels of intelligence experts and government policymakers.

Among intelligence officials, there is an issue even more serious than ethics and practicality in economic espionage: whether such secrets could be shared without compromising the exotic means by which they were plucked from the airwaves, or disclosing the particular frequencies or telephone lines from which they were acquired.

"NSA would go bananas if it collected data that wound up being shared with GE," said a former intelligence official who is an expert on economic intelligence. "In their business, you don't disclose sources and methods, or your sources start to dry up."

Part 2: GATT and the Environment

When the General Agreement on Tariffs and Trade (GATT) was first formulated more than 40 years ago environmental considerations were not taken into account. Today, preservation of our environment must be addressed in this global trade agreement because of the gravity of global environmental problems, such as the destruction of rainforests, desertification, ozone depletion and global warming. However, the Bush administration's negotiators claim that the GATT is an inappropriate forum for discussion of these issues. They refuse to acknowledge the relationship between trade policy and environmental problems and are pressing instead for changes in trading rules which benefit only huge transnational corporations.

Trade practices play a key role in determining the scale and character of resource exploitation. The proposed changes to the GATT do not consider how ecological limits affect "free markets." The ability to control the export of resources is vital to any country seeking to establish conservation policies to protect its natural resources. This ability will be undermined if export controls that now limit resource exploitation are eliminated. It could then be "GATT illegal" for a country to take any measures to preserve scarce resources, if they are judged to be in restraint of trade. Limiting the right of nation states to restrict the export of their resources will be of greatest benefit to transnational corporations from the industrialized countries who want to ensure that that world's natural resources remain freely and cheaply available.

Loss of Existing Protections: The 1989 U.S./Canada Free Trade Agreement illustrates how environmental setbacks can result from such agreements. It is a bilateral model for the multilateral GATT. The Province of British Columbia had to abandon its tree-planting programs because the U.S. claimed these were unfair subsidies to the Canadian timber industry. Canada can no longer regulate the export of its energy or timber to the U.S., has been forced to abandon measures to

protect endangered species, such as the Pacific salmon, and been prevented from restricting sale of its water resources to the U.S., even in times of local water scarcity.

U.S. industry has also used the pact as a means to cripple this country's environmental laws. The coal industry has argued that Canadian provincial utilities enjoy an unfair advantage over U.S. utilities because the Canadian companies are Crown corporations and pay no corporate tax. The U.S. coal industry wants to weaken U.S. environmental regulations to balance the scale.

The proposed changes to the GATT undermine certain import and export restrictions within the U.S. that limit log exports in the Pacific Northwest – home of most of this country's remaining old growth forests. Increased cutting of these ancient forests will result if those restrictions are lifted. Since 1975, the U.S. has banned the sale of new cars that use leaded gasoline because of evidence linking lead with brain damage in inner city children. In 1978, the U.S. banned the use of chlorofluorocarbons (CFCs) in aerosol spray cans because of their harmful effect on the atmosphere's ozone layer. If the proposed changes to the GATT are accepted as formulated, the bans on lead and CFCs could be challenged by other nations, and the U.S. may not be able to prohibit the imports of cars that use leaded gasoline or spray cans with CFCs. Individual states' recycling laws could also be challenged by international traders under such a new GATT.

In Europe, the experience of "free trade" within the Common Market has raised similar problems. When Denmark passed legislation requiring that all beer and soft drinks be sold in returnable containers, other member states of the European Community objected. The European court acknowledged the fact that no restraint of trade had actually arisen, yet it found Denmark in breach of its obligations. The Court reasoned that re-use regulations could be more expensive for importers than for domestic producers and concluded: "There has to be a balancing of interests

between the free movement of goods and environmental protection, even if in achieving the balance the high standard of the protection sought has to be reduced."

For the Third World, import-export deregulation will benefit their corporations who produce goods primarily for export, not the majority of their own people. The destruction of rainforests is a good example. Foreign demand from fast food restaurant chains for vast amounts of beef stimulates the clear-cutting of rainforest land and its conversion to cattle grazing and single crop export agriculture. Little is grown for local use. And resources vital for the preservation of global and local ecological balance are put in ever greater jeopardy. If Third World countries cannot limit exports, it will be harder for any government to remove vulnerable, eroding land out of agricultural production or to curb the destruction of the forests.

Perhaps the most universally damaging aspect of "free trade" would be the subsequent lowering of the world's commodity prices. Cutting world prices puts pressure on natural resources in several ways. Farmers are forced to intensify their production in an attempt to make up in volume what they lose due to lower prices. The only quick way to do this is to use more agricultural chemicals, to clear more forest and open up more land. Chemical corporations and large agricultural machinery manufacturers are strong supporters of the current U.S. "free trade" proposals. It would eliminate farmers all over the world who could not afford their expensive products.

An additional threat is that lowering of commodity prices will force underdeveloped countries to increase their food imports at the expense of their own self-reliance. A rise in imports requires additional foreign currency in order to pay for those goods, speeding up the exploitation of finite resources such as the hardwoods in tropical rainforests, a ready source of cash.

Global trade also consumes oil and other natural resources and produces pollution. Expansion of shipping and other transport means increased use of petroleum and other energy resources. Global trade in perishable foods will also result in the increased use of chemical additives

and nuclear irradiation to extend the shelf life of food products.

The proposed changes to the GATT highlight two opposing major trends in contemporary economic thought: the 'green' trend which calls for environmental regulation of businesses in order to avert ecological crisis; and the 'trade liberalization' trend which seeks to open borders for all trade, including hazardous substances and technologies, whose long-term detrimental effects we are only beginning to understand. Such trade will encourage disastrous, unregulated development which undermines both social and ecological balances. As Steven Shrybman, senior policy adviser in the Cabinet Office of the Government of Ontario, points out, "the task before us is to define the relationships between trade and the environment, and having done so, to develop trade agreements that will sustain our ecosystem, rather than destroy it."

President Bush has split the environmental movement in the U.S. by convincing some that the U.S. negotiators can be trusted to take care of these issues after the agreements are signed. But other groups remain convinced that the environment must be an integral part of any trade agreement.

Resources

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Gatt issues warning against environmental imperialism

Gatt says rainforest 'services' should be paid for

By David Dodwell
in London

INDUSTRIAL countries should pay countries such as Brazil and Indonesia for the "carbon absorption services" provided by their rainforests, a report published today argues.

The report on trade and the environment from the secretariat of the Geneva-based General Agreement on Tariffs and Trade (Gatt) says that this would be more effective in curbing deforestation than attempts to ban trade in logs.

The proposal illustrates a broader concern in the report that trade measures - whether tariff walls, export bans or countervailing duties - are seldom effective in tackling environmental problems.

This concern challenges what Gatt regards as a worrying tendency - that environmental causes are being used to cloak protectionist interests.

The report also criticises what it sees as self-appointed arbiters - ranging from governments to lobbying groups - in the industrial world for threatening trade sanctions against countries which do not mirror its environmental priorities.

The report is published four months ahead of the Rio "earth summit", and is intended to provide a focus for what is expected to be a heated debate on trade and the environment.

It says that rainforest states are "effectively exporting, free of charge, "carbon absorption services" to the rest of the world.

Gatt says an export ban on timber would do nothing to halt deforestation: log and processed timber exports account for less than 1 per cent of trees felled in developing countries, whereas 80 per cent are felled as fuel for people too poor to afford other fuels.

It says that 80 per cent of "greenhouse gas" emissions come from industrial countries, "so it is those countries which should look to solutions, rather than ask lower-income countries to provide a solution."

It calls for international agreement on plans to halt deforestation, which would include compensation to countries that are home to large rainforests and improved access to industrial markets for their exports.

BEWARE protectionists who disguise themselves in environmentalists' clothing: beware the temptation to assume the role of global environmental vigilante; and don't forget that a set of effective environmental protection laws will always be better than - and will normally preempt the need for - trade weapons in defence of the environment.

These siren calls provide a haunting chorus throughout the 35-page report on trade and the environment published today by the Geneva-based secretariat to the General Agreement on Tariffs and Trade (Gatt).

The long-awaited report, delayed by hectic but so far fruitless efforts to complete the

By David Dodwell,
World Trade Editor

Uruguay Round of talks on world trade liberalisation, is intended to trigger debate in this controversial area in the run-up to June's "earth summit" in Brazil.

Mr Arthur Dunkel, Gatt director-general, said yesterday these were "not Gatt's first words on the subject, nor the last". They are nevertheless expected to shape a debate in which advocates of free trade try to persuade increasingly militant environmental groups that free trade is not synonymous with providing a licence to pollute the globe.

Among the points made most forcefully by the report are:

● The European Community's fiercely protectionist Common Agricultural Policy (CAP) is inflicting serious environmental damage on the globe.

● Countries with large forest areas are currently providing "carbon absorption services" free of charge. Instead of imposing trade sanctions on them for exporting logs, they should be properly paid for these carbon absorption services.

● Countries are not clones of each other. They have a sovereign right to declare different environmental priorities and policies.

● Gatt's rules and dispute settlement procedures will not frustrate any country's efforts to improve domestic environmental standards. While they might frustrate unilateral "vigilante" action by one country against another, they provide a working framework for winning multilateral agreement.

● There is a close link between wealth and improved environmental protection. Trade barriers that frustrate developing countries' ability to improve living standards will at the same time frustrate efforts to raise standards of environmental protection.

● Tariff walls are no more justified to protect the competitiveness of companies that have incurred the cost of meeting strict environmental standards than they are to protect companies that pay more corporation tax or spend more on research and development. On the contrary, such companies are likely to become market leaders as a result of such investment.

The report's fiercest language is reserved for protectionists in general and US and European farm policymakers in particular: "Existing agricultural protection not only fails to help the environment, but almost certainly is an important source of environmental degradation," the report says.

US land set-aside programmes have prompted farmers to aim for higher yields on remaining land, "which almost certainly has involved increased per-acre use of chemicals". High support prices in land-scarce countries, backed up by tariff walls, have a similar effect, the report argues. It notes that countries like Argentina, Australia and Thailand use less than 10 per cent of the chemical fertiliser per hectare used by Europe's farmers.

The report accuses "particular producer groups" of having succeeded in the past "in manipulating domestic environmental policies to benefit themselves at the expense of both the rest of the economy and ultimately even the environment". It warns environmental groups to be wary of efforts by protectionist lobbies to draw them into "implicit or explicit alliances".

The report queries whether trade measures are ever likely to be the most effective means of achieving environmental improvements. In a clear call for the Rio summit in June to gain more multilateral consensus on policies intended to protect the environment, the report notes: "If all countries participated in all international environmental agreements, there would be nothing more to add."

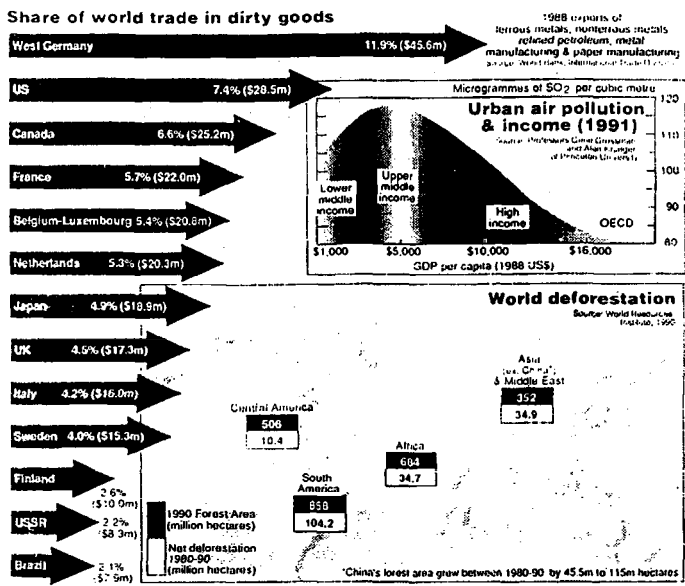
There are repeated warnings against unilateral action by governments to export domestic environmental policies - a clear measure of the Gatt's anxiety over a tendency, particularly in the US, to resort to trade weapons to force good environmental practice on other countries.

In a reference to a recent controversial ruling against a US decision to ban imports of Mexican yellowfin tuna because fishing methods led to the killing of dolphin that swim above tuna shoals, the report recalled: "A country may not restrict imports of a product solely because it originates in a country whose environmental policies are different."

If allowed, this would create a loophole allowing any country "unilaterally to apply trade restrictions not for the purpose of enforcing its own laws within its own jurisdiction, but to impose the standards set out in its laws on other countries". Such environmental imperialism would be a fast track to trade chaos and conflict, it argues.

It is in its defence of a country's sovereign right to set its own environmental priorities that the Gatt wades into deepest controversy: "Countries are not clones of each other," it argues. This lays open the danger that a country might condone poor environmental standards, encourage the migration of polluting industries - a

Trade and the environment



problem that should be tackled by open debate in multinational forums, not by vigilante action by self-appointed guardians of self-defined environmental imperatives.

The Gatt accepts that when pollution does not remain inside a country's borders, or affects the "global commons" like the ozone layer or deforestation, then "inter-governmental co-operation is likely to be essential". It nevertheless insists that unilateral action must be resisted, and that the cost of action should be skewed both towards those who pollute, and those who have the ability to pay.

The report is anyway sceptical about the effectiveness of present trade weapons aimed at tackling problems like deforestation and the uncontrolled slaughter of elephants to fuel the trade in ivory.

A close examination of efforts to restrict the trade in tropical timber argues that a ban would do nothing to reduce deforestation: instead it proposes that the advanced industrial countries, whose carbon dioxide emissions account for most global warming, should compensate forested countries for their "carbon absorption services". Non-payment for these services means a country like Brazil "has little or no incentive to take such services into account in deciding on the optimal management of its forest resource".

While the Gatt is not so brash as to claim that free trade provides a panacea for solving environmental problems, it contests the view that liberal trade is a villainous contributor to degradation: "Conceivably, an expansion of trade could produce negative environmental effects so large that they outweigh the conventional benefits from open mar-

kets (increased specialisation, more competition and so forth).

"However, this is possible only if a country lacks a domestic environmental policy that reflects its environmental values and priorities," the report argues. Also, failure to place a proper value on environmental resources would undermine sustainable development even in a completely closed economy, it says. Trade could be no more than a "magnifier".

Much more likely, expanded trade will lead to greater wealth and a diffusion of technology - both of which enhance a society's ability to protect and upgrade its environment. The principal challenge, it concludes, is to exploit those ways in which open international trade can contribute, in conjunction with appropriate national environmental policies, to the improvement and protection of the environment".

WITH THE environment a high international priority, trade policies can be no more exempt from environmentalist scrutiny than any others. But the dangers of that scrutiny must not be ignored. Well-meaning environmentalists could find themselves in an unholy alliance with hypocritical protectionist lobbies. The outcome would not only be slower growth than is desirable, but postponement of the day when governments forge the needed global consensus on environmental policy.

The Secretariat of the General Agreement on Tariffs and Trade has today published a report on trade and the environment intended to limit the potential damage. Its fear is that environmentalist pressure to bar exports from countries that do not meet what are deemed suitable environmental standards, or to restrain imports that are not made in environmentally suitable ways, would play into the hands of domestic protectionist lobbies.

The secretariat argues persuasively that trade weapons - be they tariff walls, trade bans, or countervailing duties - can rarely be more than palliatives for the problems that concern environmentalists. Worse, where such measures are not being exploited by industries anxious to fend off foreign competition, they are being used by rich countries to force weaker ones to mirror their policies.

The use of trade sanctions for environmental reasons is bound to alienate developing countries. Furthermore, the imposition of environmental standards can be an unjustifiable intrusion into the right of countries to set their own priorities. Countries are not clones of each other. Their environmental priorities may differ for valid reasons.

Multilateral action

Where such policies result in degradation of a country's domestic environment, without international or global spillovers, two options remain. One is to leave the country to wallow in its blighted policies, until it discovers the error of its way. The other is to galvanise multilateral action. A parallel would be international agreement to impose sanctions on South Africa. Naturally, such action would have to be exceptional to be acceptable.

Where policies have a spill-

over effect on to nearby countries - like acid rain or river pollution - or, worse still, where they threaten the "global commons", like the ozone layer or the world's forests, international action becomes necessary. But even then trade sanctions would rarely be the "first best" strategy. Unilateral "vigilante" action is likely to be self-defeating. Multilateral agreement would be far better.

Vast bulk

Above all, the cost of repairing the environment ought to fall on those responsible for the lion's share of the environmental damage, who are also those with the wealth and the technology to deal with it. Industrial countries should remember, as they preach the "environmentally correct" path to developing countries, that they have no claim to the moral high ground. They, not the poor, are responsible for the vast bulk of the world's pollution, especially for those problems - global warming and damage to the ozone layer - with worldwide effects.

Since there is a link between rising incomes per head and enhanced environmental standards, the rich industrial countries should also adopt policies that will accelerate economic growth among developing countries. Claims of European and American companies for compensation for the costs incurred in cleaning up their manufacturing processes, and for protection against Third World manufacturers who gain comparative advantage by maintaining cheaper, but dirtier technologies, must also be rejected. Those differences in preferences are sources of comparative advantage. Compensation is no more appropriate than it would be for different tax rates, salary levels, land costs and so on.

The secretariat is convinced that the Gatt is ill-suited to settlement of genuine environmental problems or disputes. Its report, published just four months ahead of the Rio "Earth Summit", is intended to press the case for a multilateral agreement on environmental policies, instead. The environment is important. But this concern should not be allowed to pollute the course of world trade, so denying those who are poor the opportunity to enjoy what the rich take for granted.

Commentary

PERSPECTIVE ON FREE TRADE

Who's Afraid of Mexican Trade?



Bush can have the job-creating pact quickly if he'll take a more vigorous approach to environmental protections.

By **BRUCE BABBITT**
and **RON WYDEN**

The outline of a North American free-trade agreement that could be consummated this year is at hand. Negotiators from the United States, Mexico and Canada are about to exchange their first drafts. But growing support for protectionism may spook the President from pushing the agreement in an election year.

It need not be such a gamble. It's still possible to write an agreement that would promote job growth and improve the environment more satisfactorily than the quick fixes proposed so far in Washington.

Exports have driven our economic growth in recent years, and without stronger links to the global economy, we will find it difficult to compete with regional trading blocs in Asia and Europe—regardless of tax cuts or Japanese trade concessions.

A successful North American free-trade agreement would immediately expand U.S. access to Mexico, a rapidly growing market. The unilateral reforms that Mexico has undertaken since joining the General Agreement on Tariffs and Trade in 1986 have triggered an investment boom and energized Mexican entrepreneurs. They now have the money to buy American heavy equipment, such as trucks, tractors and earth movers, high-technology products, environmental cleanup services and products, finished paper products and agricultural products, including wheat, fruit, nuts and potatoes.

In addition, a free-trade agreement would enable all North American companies to develop the kind of regional

links that help make German and Japanese competitors so formidable. The old model of huge, integrated, monolithic companies launching exports from a single national base no longer reflects reality. Most production now comes from what Harvard Prof. Robert Reich calls a "web" of trade and investment flows, in which products and services are created out of flexible, ever-shifting combinations of joint ventures, target-specific alliances and specialized service providers.

European and Asian companies have already spun such webs in their regions. North American companies should have similar opportunities.

But to be successful, a North American free-trade "web" must include explicit provisions to protect the environment and public health. Without such rules, free-trade pressures would induce companies to cut short-term costs by skirting laws intended to protect health and the environment. And without such protections, long-term economic growth could not be sustained, because business can't operate with a work force suffering the effects of air and water pollution.

This question of negotiating environmental protections has polarized political debate on the free-trade agreement. From the outset, the Bush Administra-

'The thinking of the Administration is that free trade and environmental protection are not related.'

tion has seemed to favor an approach that pushes Mexico hard for concessions on intellectual property and investment rules, but backs off when it comes to clean water, clean air and safe food.

There has been serious opposition in some quarters to almost any treaty that would expose the U.S. economy to additional competition, even though refusing free trade with Mexico would sacrifice economic growth and leave major existing environmental problems to fester untreated.

The key votes in Congress, however, seem to be held by a group that falls in neither camp. These pro-trade Democrats and pro-environment Republicans suggest another path: Negotiate a job-creating trade agreement but include the cleanup of pollution along the U.S.-Mexico border and require that new

investment in Mexico pay up front for basic environmental protection infrastructure.

This swing group of policy-makers wants an environmental protection program built around strong rules, adequate resources and tough enforcement.

Serious environmental protection would require rules to ensure high standards on both sides of the border, with the costs based on the "polluter pays" principle.

Serious environmental protection would provide for a binational bond program to raise the \$5 billion to \$9 billion needed to clean up existing pollution along the border and a small levy on new investment to be set aside for future environmental protection.

Serious environmental protection would include a mandatory enforcement program, based on a binational enforcement agency that would be supported by a provision to allow citizens of either country access to the other's legal systems.

The current thinking of the Administration, unfortunately, is that free trade and environmental protection are not related and should not be linked. It has asked for less money to protect the border environment than Mexico plans to spend, even though the U.S. economy is 25 times larger than Mexico's. It maintains that free trade will provide resources for environmental protection, but will not say when such resources might be available nor commit to actually spending them on the environment.

In fact, the Administration's central position is that it will be enough to rely on voluntary agreements with Mexico and voluntary compliance by the very businesses that created the environmental problems in the first place. It has said only that it will conduct additional regulatory enforcement "as appropriate"—whatever that means.

A North American free-trade agreement built around the principles we advocate would bring this country more jobs and a cleaner environment. Unlike the short-term tax breaks and subsidy programs being bandied about Washington, it would help generate prosperity—even after the election.

Bruce Babbitt, former governor of Arizona, is president of the League of Conservation Voters. Ron Wyden (D-Ore.) is a member of the House subcommittee on health and the environment.

That's progress — for big business



Beatriz

Hernandez

No doubt about it. A Free Trade Agreement with Mexico will be our bridge to progress, our competitive edge.

Yessirree, Gov. Pete Wilson says, "The more cross-border economic activity we can generate between California and Mexico, the more wealth, the more jobs, the more business opportunities we can create on both sides of the border."

A dream come true for a hurt and humiliated economy.

But don't get your hopes up. A free trade pact between the United States and Mexico is just being negotiated. And Republican congressmen are trying to sidetrack it until after the presidential elections. An FTA presents ticklish issues voters shouldn't be too concerned with in an election year.

The FTA would eliminate the tariffs businesses pay at the border to get their goods across. It would also give each country a chance to complement each other. Mexico needs rich consumers for its products and U.S. dollar investments in its economy. And the United States needs cheap labor.

The elimination of tariffs will give U.S. businesses an itch to run south.

With an FTA, there will be no stopping modernity and progress from visiting our doorstep. Which means, of course, that we — on both sides of the border — must do away with things of the past.

Mexico's President Carlitos Salinas de Gortari is racing to modernize the Mexican economy before a Free Trade Agreement is signed. No society can be modern without electricity, so he's making dams.

One of these, the one planned for a town 50 miles from Acapulco, would flood the lands of more than 30,000 Nahua Indians who have lived in the region for more than 700 years. That done, it will wash away the Palace of the Jaguars, the oldest city in North America.

The tombs and the cave paintings of the ancients will be drowned, their platforms and plazas interred under tons of progress.

Hey, I know, the Olmecs should have been buried a long time ago. Dios mio, they didn't even know they would be known as mother civilization of America when they built that city around 1300 B.C.

Mexican campesinos, the men and women with sombreros who till little parcels of land throughout Mexico, will also be a thing of the past. So too what they eat: beans and corn, the very staples that define Mexicans to themselves.

U.S. and Mexican agribusiness will roll in with their efficiency, their money, and very little need for workers, to plant the more profitable broccoli, flowers and strawberries for export to the United States.

Yep, 15 million campesinos are shaking. One shoe fell with Salinas' recent decree that their land be available to private interests. The land had been their exclusive domain, won over with the 1910 revolution. The other shoe will fall with the FTA, when agribusiness descends on their fertile valleys.

Fifteen million campesinos, a fifth of the Mexican population, will flood the cities and wash away a past when Mexico City had only 20 million people and the Los Angeles elementary school system was only 63 percent Latino.

Oh, but I'm touching on the "I" word, Spanish for ay ay ay: IMMIGRATION. Those ticklish immigration issues are being evaded because the borders will be opened for business, not for people.

But you never know. It might be history when tens of millions of American workers punched the clock within their national borders, especially if they're in electronics, automotive, steel and textile work. These industries are itching for a free trade pact to run for the border, where they can get a day's work for \$3.

Also washed away will be the notion that free trade is a win-win situation. Canada lost out after its FTA with the United States went into effect in 1989. Canada's companies fled to the United States where social benefits aren't so varied, and prices and taxes so high.

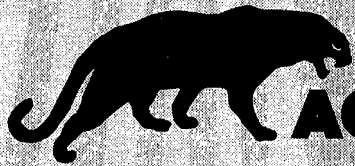
If that points out the future, U.S. companies will choose Mexico over the United States.

So Mexico turns out the winner? Not for the campesinos, or for the Mexican industrial workers — they can't make a living on \$3 a day. Nor for Mexican small business that can't compete with U.S. goods. So we must win because of the cheap labor. Did Green Giant lower its prices after replacing 400 Watsonville workers with ones at Irapuato, Guanajuato, last year? Not a penny.

That's progress — for big business.

A Free Trade Agreement won't be great for just plain folks. The good of the people and their history, it seems, will be a thing of the past.

Beatriz Hernandez' column appears on Tuesdays.



International Trade Agreement Threatens Rainforests



Photo: Glen Barry; Report: Victor Menotti.

RAN is joining the efforts of environmental, consumer and labor groups from around the world to stop a proposed international trade agreement that could radically undermine U.S. and international environmental policies. Over 100 countries are now preparing to sign the General Agreement on Tariffs and Trade, or GATT (see *Alert 63*), which could grossly accelerate rainforest destruction. Several fundamentally flawed measures designed to deregulate the trade of thousands of items (particularly timber) will subvert efforts to encourage sustainable development and expand massive agricultural production into tropical rainforests.

GATT, which regulates over 90% of world trade, was established after WWII to gradually remove barriers that impede global trade through rounds of negotiations every few years. Yet the GATT is still unprepared to assess the environmental implications of several newly introduced trade laws.

By liberalizing rules in the trade of agricultural and tropical products, plus a host of other industries whose deregulation will subvert conservation measures, the present Uruguay Round will systematically change the global economy and increase environmental destruction in a number of areas.

- A fundamental rule of the new agreement will prevent any country from discriminating against the products of another country for their "method of production." According to GATT rules, the method in which things are produced, regardless of their ecological impact, can neither be encouraged nor discouraged because such measures will act as barriers to free trade. If approved this will force nations to open their markets to everything from unsustainably harvested timber to produce grown with 50 times the EPA's acceptable level of DDT. This will undermine efforts to establish ecologically sustainable development, the purpose of the Earth Summit to be held in Rio de Janeiro in June 1992, where heads of state will gather to sign agreements to protect our planet.

- The proposed agreement also seeks to eliminate agricultural subsidies worldwide. This will intensify global competition for agricultural output, forcing countries like Brazil, Indonesia and Malaysia to use more land to increase export production so they can compete with falling prices. By causing farmers to expand their crops into tropical rainforests, millions of landless peasants will be further displaced into primary forest, slashing and burning for subsistence farming, a major cause of tropical deforestation.

- GATT throws a blanket of disapproval on any restriction of natural resource-based products, even if the intention is to protect endangered species. The Philippines and Indonesia, who have implemented bans on the export of whole logs intended to slow rainforest destruction, will have these measures overturned under the new GATT rules.

- Another agricultural proposal is to open U.S. and other countries' borders to unlimited imports of beef, sugar and other products often grown on cleared rainforest. Any further opening for beef will encourage more grazing and cropping.

The negotiation of trade agreements are kept out of the public eye by the President's "fast-track authority" to limit public debate. Fast-track authority is a power granted to the President that allows him to present Congress a trade agreement which they have no power to amend.

GATT formed a Working Group to address environmental issues in 1972, but it has yet to convene and the process is now viewed as "too far along" to consider environmental matters. As the GATT is currently proposed, the agenda of multinational corporations takes priority over environmental and consumer-safety. Meanwhile, the mainstream press continues to ignore the controversy, reporting only the business news of the negotiations.

What You Can Do

Please write to George Bush and say that any trade agreement must encourage rainforest conservation.

The White House, 1600 Pennsylvania Ave.
Washington D.C., 20500

Dear President Bush,

When considering GATT, your primary concern needs to be the health of our planet, especially endangered tropical rainforests. Removing the measures that encourage sustainable forestry will exacerbate the loss of habitat for millions of plants, animals and indigenous peoples. I oppose any final agreement that threatens rainforests.

Source: Draft Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, GATT Secretariat UR-90-0834/Dec. 3, 1990.

Free-Trade Talks Raise Questions That Alarm Environmentalists

■ **Commerce:** Activists are concerned that the byproducts of such an agreement could be filthy air, foul water and toxic contamination.

By KAREN TUMULTY
TIMES STAFF WRITER

WASHINGTON—Are filthy air, foul water and rampant toxic contamination the inevitable byproducts of free trade?

Or do lower trade barriers offer people in poorer countries their best hope of ever being able to better their economic standard of living without destroying their environments?

The ongoing talks toward a free-trade agreement with Mexico mark the first time such questions have made their way to the political fore in international trade negotiations.

Even many who were active in the environmental movement admit they were slow to pick up on the link between trade and the environment.

"This is a new issue for us," Sierra Club Chairman Michael McCloskey said. "But the more we got into it, the more alarmed we became, and the more we came to see there were profound implications."

Now, environmentalists are saying they hope to make the North American Free-Trade Agreement with Mexico and Canada a model for "sustainable development," which is the idea of channeling economic growth so the world's poorer countries can take advantage of economic growth to improve their citizens' lives without wrecking the air, land and water.

But in the five months since some environmental groups went to President Bush's aid in his hard-fought battle for congressional authority to begin the talks, political tensions have been building. Without at least some support from environmentalists, the Administration will find it far more difficult to win final approval of any trade package it presents on Capitol Hill.

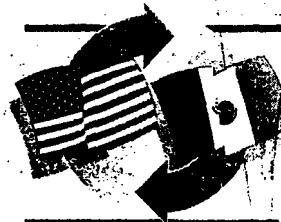
Although the President has vowed that the free-trade agreement will improve rather than harm the quality of the environment, activists say they are unimpressed with the progress they have seen thus far.

One of the few concrete proposals to emerge to date—a draft of the U.S. and Mexican governments' much-touted border environmental plan—"is a big disappointment all around," said Justin Ward, senior resource specialist for the Natural Resources Defense Council, an organization that has supported the talks.

Technically, that document is not directly connected to the free-trade talks, but is widely viewed as an indicator of how seriously the Administration is weighing the environment as a factor in the negotiations.

Activists say the plan was little more than a description of problems and the programs under way. It contains no new initiatives of funding commitments. "It's a document of shoulds, coulds, woulds and maybes," said Alex Hittle of Friends of the Earth. "There are no real teeth in it."

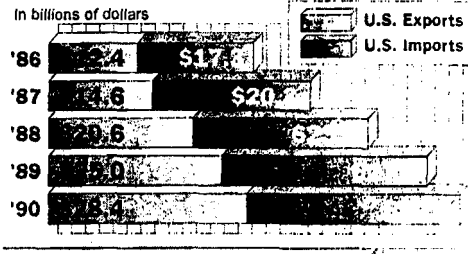
Indeed, even as William K. Reilly, U.S. Environmental Protection Agency administrator, was unveiling the border plan draft in August, three groups—Friends of the Earth, Sierra Club and Public Citizen—were announcing a lawsuit against the U.S. trade representative's office over its refusal to file an environmental impact statement with regard to the trade talks.



U.S.-MEXICO TRADE

IMPORTS AND EXPORTS BETWEEN U.S. AND MEXICO

Trade between the United States and Mexico has almost doubled since 1986, reaching more than \$58 billion in 1990.



GROWTH / DECLINE IN STATE EXPORTS

Below are the top 10 states in terms of exports to Mexico, ranked by dollar value of exports in 1990. Chart also tracks growth or decline in those states' exports since 1987.

State	1987	1988	1989	1990	Percentage Change, 1987-90
Texas	\$6,465,123	\$9,334,029	\$11,010,627	\$13,287,116	105.5
California	2,257,263	3,241,765	4,172,918	4,670,518	100.9
Michigan	1,007,870	1,317,396	1,720,558	1,432,058	32.9
Illinois	278,373	444,166	569,203	880,814	216.4
Arizona	644,677	761,786	759,494	850,613	31.9
New York	512,368	821,631	834,284	801,299	56.4
Louisiana	377,426	530,149	671,019	735,554	94.9
Pennsylvania	184,128	337,393	474,687	582,604	221.7
Florida	218,998	326,336	424,199	494,089	125.6
Ohio	245,232	381,331	464,034	444,690	81.3

PERCENT OF STATES' EXPORTS GOING TO MEXICO

Here are the percentages of those top 10 states' exports that went to Mexico each year since 1987.

State	1987	1988	1989	1990
Texas	25.5%	27.0%	28.9%	32.1%
California	6.0%	6.8%	7.8%	8.0%
Michigan	6.0%	6.3%	8.1%	6.8%
Illinois	3.2%	3.9%	4.3%	5.6%
Arizona	21.5%	21.5%	18.7%	17.8%
New York	2.6%	3.1%	3.1%	2.0%
Louisiana	2.8%	3.6%	3.8%	4.4%
Pennsylvania	3.0%	4.3%	5.8%	5.6%
Florida	2.1%	2.4%	2.9%	3.0%
Ohio	2.4%	3.1%	3.5%	2.4%

Sources: Massachusetts Institute for Social & Economic Research and Mexican Embassy, Washington D.C.

The Justice Department insists that no such statement is needed because the trade talks are not covered by the National Environmental Protection Act. That act mandates that federal agencies file voluminous impact statements whenever they undertake actions that could significantly affect the quality of the environment.

The closest the government came to an environmental impact statement is a 199-page draft review of the environmental effects of the trade agreement, released last month by the EPA and the trade representative's office. It asserted that, in the worst case, the trade pact might worsen annual industrial growth along the border by a mere 1% or 2%. But it put far more emphasis on the beneficial effects that free trade might have.

Ward conceded that it is "difficult at this stage to fully elaborate all the alternatives." But he complained that the review was little more than "a long version of the argument that the Administration has made all along."

"What is missing," he said, "is any credible explanation of the kinds of programs that will be instituted in the area of funding and the area of regulatory enforcement to make sure that becomes a reality."

"We want alternatives," said Hittle, of Friends of the Earth. He said that if the free-trade agreement is certain to increase truck traffic along the border, the review should spell out options for reducing air

pollution, such as building more railroads or tightening air pollution standards.

Meanwhile, Administration officials contend that some opponents of the free-trade talks are using the environmental issue as a politically popular cover for their real concern, which is a fear of losing high-paying union jobs if industry moves south.

"For many people, [the environment] is merely a red herring and it always has been," says one source close to the talks. "The reality of it is that congressmen in Michigan don't [care] about the border environment."

Both sides agree that the most delicate negotiations will be over the issue of reconciling the two nations' vastly different standards for protecting the environment.

Administration officials insist that the United States will try to make sure that a free-trade agreement does not set off a stampede of U.S. businesses moving to Mexico to duck this country's stricter regulations.

However, they say that environmental arguments will not become a cover for economic concerns such as the prospect of lost jobs.

This means that U.S. negotiators want to make sure that Mexican farmers are not allowed to use pesticides banned in the United States on products they plan to ship to this country.

But they do not want to venture into less clear-cut areas—requiring, for example, that furniture makers along the California-Mexico border be required to operate within California's air-pollution restrictions, which are higher—and costlier to meet—than U.S. federal standards. Otherwise, they say, the number of furniture makers moving out of the Los Angeles Basin will accelerate.

To go in that direction, one U.S. official said, would be "to fight the issue on competitiveness grounds. . . . We're trying to stick strictly to the environmental issues."

In virtually every speech he makes on free trade, President Bush touts it as Mexico's best environmental hope. Although Mexican President Carlos Salinas de Gortari has taken some important steps, including passage of strict laws, the country lacks the resources to adequately enforce its regulations, Bush argues.

"Poverty and environmental improvement do not coexist," said EPA's Reilly.

Bush pledged last May that environmental issues would play a major role in shaping the final agreement with Mexico and Canada. Specifically, the President promised:

- To build on existing programs under way between the two governments, such as the recently released border environmental plan that would "parallel and complement" the free-trade agreement.

- To increase environmentalists' input by appointing their representatives to several influential advisory panels, which already include members from business and labor.

- To produce a separate review of the potential environmental consequences of a free-trade agreement.

- To assure that the agreement will not allow the weakening of existing U.S. health and environmental laws, including standards governing pesticides, energy conservation and toxic waste.

Some environmentalists hailed the President's commitments as a turning point. "From now on, free trade pacts are inherently statements of environmental policy," National Wildlife Federation President Jay D. Hair wrote in a New York Times Op-Ed article.

"Mr. Bush has adopted this concept. His embrace is tentative, but that is less important than the precedent he has set," Hair said. "He has made the commitment that for the first time in free-trade history, an environmental review will be part of the negotiations."

A number of other groups sided with the National Wildlife Federation: The Administration had earned the benefit of their doubt.

Other environmentalists disagreed, and some of that friction lingers. "We were disappointed that other groups came to see it differently," said the Sierra Club's McCloskey, whose organization has been critical of the free-trade talks. "As they study it further, I think they will come to regret that position."

With the environmental lobby split, Bush was able to overcome a formidable coalition of labor, agricultural and consumer groups to win congressional authorization—the so-called "fast track" vote—that made it possible to begin the trade talks in earnest in July.

"In political terms, it was very important that the environmental movement not be perceived as a monolith against us," one of the Administration's leading trade negotiators recalled, speaking on the condition that he not be identified.

But if Bush wants to build on that support, environmental groups say, the time for mere rhetoric is quickly passing. "At this point," the NRDC's Ward said, "things have to translate into serious and concrete action to clean up existing problems, as well as prevent new ones from occurring."

THE FREE-TRADE DILEMMA

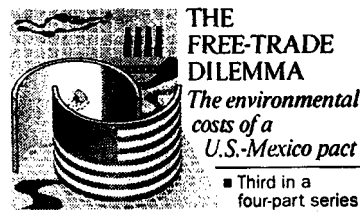
Firms Find a Haven From U.S. Environmental Rules

■ **Commerce:** Hundreds of companies set up shop in Mexico, where regulation is less strict and wages are low.

LA TIMES NOV. 19, 1991

By JUDY PASTERNAK
TIMES STAFF WRITER

TIJUANA—It's not easy to make the trip every week. But for David Finegood, 71, it's well worth



the trouble to drive three hours from Los Angeles and pass through a border checkpoint from the First World to the Third.

His destination is his furniture factory on the southeast end of town, the replacement for plants he closed in Compton and Carson within the last 20 months. He employs 600 people, the same number he laid off in the United States.

Wages are much lower here—about 13% of U.S. pay. There is virtually no workers' compensation expense. Best of all, in Finegood's mind, he no longer must deal with the constant intrusions of air quality inspectors, emissions monitors, lawyers and ever-strict rules, rules, rules.

In the United States, his company paid tens of thousands of dollars in environmental fines and penalties in only two years. Lawsuits blamed his operations for incidents ranging from sawdust lodged in someone's eye to the spontaneous combustion of solvent-soaked rags that forced the evacuation of 2,000 people.

Looming restrictions on polluting paints and varnishes promised to be more costly. So Finegood decided to go. "We're not trying to evade anything," he said. "We're trying to live with reality."

Reality these days is *Muebles Fino Buenos*, a literal translation of Fine Good Furniture. In many ways, it is the embodiment of environmental fears about a pending free-trade pact between the United States and Mexico. Environmental activists say they believe that a free-trade pact will create a Mexican haven for many companies with tainted records in the United States and a desire to lower the costs of controlling contamination.

The Tijuana incarnation of Finegood's factories appears to abide by Mexican laws, or at least follow practices accepted by the government. This is more than most U.S.-owned companies here can claim, regulators on both sides of the border say.

Yet, even *Muebles Fino Buenos* pollutes more than the two U.S. plants did. Gases pour from the stacks for longer hours. Shifting winds carry the sharp tang of solvents to surrounding homes. "It makes me dizzy and my throat is sore," said Elodia Montano, a 50-year-old mother who lives near the plant's front gate.

Diesel trucks spew smog-forming exhaust during long-distance trips to a warehouse that was close to the U.S. plants. The Tijuana factory's jobs are part of the attraction fueling the city's explosive growth, outpacing the government's ability to treat sewage or provide drinking water.

The experience of *Muebles Fino Buenos* underscores the vagueness of Mexico's environmental rules, the regulators' lack of resources, the shortage of precise information about conditions here and the many years it will take, even for a government intent on change, to clean up the crisis.

One company may not have much impact, but there are nearly 2,000 foreign-owned firms, known as *maquiladoras*, allowed in Mexico under special trade rules since 1965. The largest concentration, about 530, is in Tijuana. Cumulatively, the industries have significantly fouled the water, air and soil.

Finegood is a transplanted Canadian, but his Los Angeles roots go deep. The Saskatchewan native started manufacturing furniture in Bell in 1956 as an employer of 10. By the mid-1980s, he had a staff of 700 making tables in Carson, bedroom sets in Compton and working in his distribution center.

Environmental awareness also had grown, and for Finegood that meant trouble. Though he invested in new technology, his companies started showing up in the violation logs of the South Coast Air Quality Management District.

The Compton factory exceeded solvent emissions limits in 1988; AQMD agreed to accept an out-of-court settlement of \$17,500. The Carson plant paid \$400 for sending out too much sawdust in 1988 and \$1,000 in 1990 because neighbors complained about odors and dust. The inspectors "couldn't find an odor themselves," Finegood said, still softly seething, "but they called us a public nuisance."

In May, 1989, a waste hauler picked up a load from the Carson factory and headed for a hazardous materials dump in Santa Barbara County. In the Ventura County town of Fillmore, the driver pulled over for a nap. A sheriff's deputy woke him, saying, "your truck's on fire."

Fear of toxic smoke led authorities to evacuate 2,000 people, more than 10% of Fillmore's residents, for about five hours. Prosecutors charged Finegood's firm with improperly preparing and marking the solvent-soaked rags in the drums, which made it more difficult for the hauler to take precautions and for firefighters to battle the flames. After a no-contest plea, the penalty was \$2,350 plus \$10,730 for cleanup costs.

Documents show that plant manager Tom Pliner told investigators that the company had called the Fire Department two years earlier because a drum full of rags spontaneously burst into flames inside the Compton plant. A forklift driver told authorities that another drum had started smoking three days before the incident in Fillmore. In April, 1990, nearly a year after the truck fire, a state health inspector cited Finegood's Carson operation because drums of waste at the factory still bore none of the identifying details required by law.

More problems lay ahead. The AQMD had passed a rule requiring furniture makers to cut down pollution by switching from solvent-based coatings to water-based coatings—likely to be more expensive—by 1996.

"We could see what was coming," Finegood said. "It was not economically possible."

He knew that other furniture companies were leaving the area. Indeed, a UCLA survey shows that 15% of the furniture industry's work force departed Southern California between 1987 and 1989, when the AQMD coating measure was passed.

Finegood wanted to stay near his customers in the West. But he did not want to risk going to another part of the United States that might follow the AQMD's lead. San Diego, for example, also is restricting use of solvent-based coatings.

The Compton plant closed in February, 1990. The Carson operation shut down last March.

Pliner transferred to a rambling new building in the heart of *La Cienega*, a working-class district here. Employees can get clean in the company shower room and healthy at the company doctor's office. For 75 cents, they can buy lunch, with unlimited tortillas, in the company cafeteria.

On Fridays, a guard rolls a cart onto the factory floor with individual cash-stuffed envelopes containing an average wage of \$43 a week.

A block away, Montano's symptoms ebb and flow with the breezes. In 25 years, she has watched the site at the end of *Calle Primera* change from a wheat field to a cement mixing facility, then the *maquiladora*. Until production geared up and odors started seeping out, she had no health problems, she said. She recovers a few hours after the fumes recede.

In the opposite direction, on a rise overlooking the back of the plant, Daniel Saavedra and seven relatives rarely venture out of their cramped quarters. Their home's walls blunt the olfactory assault of "tiner"—paint thinner—the Lutheran pastor said. "From 8 to 4, we smell it all day long."

Below, by the factory wall, lies a onetime elementary school. For years, church volunteers from the United States have leased the building as a campsite, sleeping in bedrolls on the floors. This past summer, for the first time, many suffered headaches and nausea.

On Texas Border, Outlook for Air Quality Is Murky

By J. MICHAEL KENNEDY
TIMES STAFF WRITER

EL PASO—There is first the klunker factor.

The cars are old here, twice as old as the U.S. average, and that is part of the story of the air. Car dealers go to places like Phoenix and Dallas and Albuquerque to buy junkers and bring them back to El Paso.

The people who live here—the poorest large city in the nation—buy those cars. And when they have used them up, the next stop is across the border in Juarez, where the emission-control devices are often discarded. The cars wheeze along until they die. So the air is fouled even more.

And then there are the people, mostly on the Mexican side, who have no heaters or electricity but have to keep their children warm.

So they burn fires, thousands of



them, that send plumes of smoke into the air. They burn wood or cardboard or anything else to generate heat. Even old railroad ties. Each day, trucks filled with cardboard and other burnable materials head south on El Paso's Paisano Drive toward Juarez. American trash is used to heat Mexican homes.

The city's dumps regularly catch fire, sending up more black smoke. In winter, the air often is so thick with smoke and grit that it is difficult to see the basin in which El Paso sits from the surrounding mountains.

The small brick factories of Juarez, hundreds of them, burn things like old rubber tires to bake their wares. And that smoke drifts over to El Paso. So does the dirt kicked up on the miles of dirt roads in Juarez.

Finally, there are the *maquiladoras*, the factories that have operated along the border for two decades, taking advantage of cheap Mexican labor. The monitoring of what they put into the air and the ground has been insignificant for lack of funding on the Mexican side.

Put all that together and it adds up to an American city that rivals Los Angeles and New York in air quality problems. And then include another factor: the North American Free-Trade Agreement.

Things are going to change even more along the border if the free-trade agreement goes into effect. More businesses are expected to move here and set up shop. That means more cars and people and those open fires in the El Paso Basin, where the Juarez and Franklin mountains keep the pollution from dispersing.

It also means more trucks waiting to cross the border, engines idling for hours. This in a city where polluted air has already been cited by the U.S. Environmental Protection Agency as posing a health risk to the people who live here. Indeed, the El Paso area exceeded federal pollution standards for carbon monoxide, ozone and inhalable dust 15 days last year, earning it a "serious" rating from the EPA.

There are other places along the border with air quality problems. The EPA has said that improving air quality in the Tijuana-San Diego area and the Mexicali-Imperial County corridor need to be given priority status as the United States and Mexico work to clean up the environment along the border. Pollution has even affected some of the most pristine areas along the border. The spectacular Big Bend National Park of West Texas is, often veiled in a haze blown in from Monterrey, hundreds of miles to the south.

But nowhere is air quality worse than in El Paso and in Juarez, where 240 *maquiladoras* employ 185,000 people. The possibility of an increase in air pollution after free trade is causing concern among city officials and environmentalists who have watched the continued fouling of El Paso's air despite the implementation of strict air quality laws on both sides of the border—laws that are enforced on the U.S. side but rarely in Mexico.

"Environmentally, I think it's going to be a disaster," said Howard Applegate, an environmental consultant who has studied border problems for more than 20 years.

Jesus Reynoso, the city-county supervisor for air pollution control, is equally worried that the pollution will come far in advance of any solutions to the border's well-documented environmental problems, which also involve the dumping of toxic materials. Juarez does not even have a sewer system.

"When new industry comes into the border area, you're going to have all these companies coming in with little or no control over their emissions," Reynoso said.

There is little argument that many companies relocating to Mexico do so because of strict environmental controls on the U.S. side of the border. For instance, the General Accounting Office, Congress' investigative arm, issued a report last April showing that 78% of the furniture manufacturers relocating from Los Angeles to Mexico did so because of California's stringent pollution-control laws.

And even with recent improvements, the ability to monitor and test emissions on the Mexican side is woefully inefficient.

"I don't think Juarez even owns a street sweeper," Reynoso said.

How the problems in the El Paso-Juarez corridor evolved can be directly equated to the success of the *maquiladora* programs. Twenty years ago, Juarez was a sleepy little border town whose principal industry was tourism. Soldiers from nearby Ft. Bliss would drink away the evenings in Juarez's many bars.

As the *maquiladora* concept grew, Mexicans living in the interior border in hopes of landing a job.

That worked at first because there were enough jobs. In the early 1980s, however, the bottom fell out of the Mexican economy. The exchange rate went from 12 pesos to the dollar to more than 3,000 pesos per dollar today.

But the flagging economy only drove more people to the border in search of work. They built shanties of cardboard and anything else they could find, with no electricity and no running water. The huts were lined up along dirt roads that flooded often because there was no drainage. In time, the huts covered vast tracts of land and now, according to unofficial estimates, between 1.2 million and 1.8 million people live in Juarez. Combined with El Paso, the population now equals that of Houston.

So intense is the squalor that the *colonias*, as they are called, bear a strong resemblance to a Palestinian refugee camp. Many are inside this country, 350 in El Paso County alone.

"American and other international industries must be held accountable and responsible for these environmental problems on both sides of the border—not just the north," Dr. Laurence Nickey, El Paso County health director, told a congressional subcommittee last April. "The U.S.-Mexico border is burning and the flames need to be extinguished before they consume us.

Welcome to the other America and the forgotten Texas. I might also say the forgotten Mexico."

The border problems may have long been overlooked, but the free-trade agreement has brought them into focus. The United States and Mexico are negotiating an environmental plan for the two countries. The EPA is now circulating a rough draft of what it calls the "Integrated Environmental Plan for the Mexico-U.S. Border Area." The EPA found that air quality in the El Paso area had worsened during the past 10 years and that controlling emissions in Juarez "cannot occur without an ambitious quantification of all Juarez emissions and mitigating those that have a large-scale impact."

President Carlos Salinas de Gortari has made a name for himself as the first Mexican head of state to give the environment a high billing.

In El Paso, the Mexican equivalent of the EPA, SEDUE, has been upgraded from a field office to a regional office with 15 new inspectors. But Reynoso said there was only one problem: They did not get the other things that generally would go with a manpower increase, such as vehicles, furniture or office supplies.

Still, there are small signs of progress, such as a joint effort by El Paso and Juarez to test auto emissions on both sides of the border. While that may seem insignificant, a sense of national pride on the Mexican side has worked to keep American assistance at bay until now. But having discovered the obvious—that cars on the Mexican side are fouling the air more than they should—there is little that can be done because of the grinding poverty in Juarez.

"To buy a set of points and plugs is a week's wages in Mexico," Applegate said. "You can't expect them to spend a week's wages to meet our standards."

What success will be had in cleaning up the border air is clearly a project that will take years. Don Michie, a *maquiladora* expert at the University of Texas at El Paso said he believes the free-trade agreement may be a means to an end

because debate has focused so heavily on the environment.

"It's a way to focus resources on the problem," he said. "The public attention is focused."

Mexicans Fear Plant Could Cause 'Next Bhopal'

By PATRICK J. McDONNELL
TIMES STAFF WRITER

MATAMOROS, Mexico—Here, in a densely populated border city across the Rio Grande from Brownsville, Tex., the name of an infamous locale in India is heard with stunning frequency. "We don't want to be the next Bhopal," said Erasmo Lucio Garza, referring to the site of the 1984 toxic gas leak at a Union Carbide subsidiary that left almost 3,000 dead and 200,000 injured in the world's worst industrial accident.

Garza, a farmer, lives across the road from a vast multinational chemical production complex, Quimica Fluor, an imposing tangle of pipes, tanks, storage spheres and smokestacks that rises above the subtropical flatlands.

The plant is one of the Americas' largest producers of hydrofluoric acid, also known as hydrogen fluoride. It is a highly corrosive substance boasting multiple modern-day applications, among them the making of refrigerants and the refining of gasoline.

Most of the acid produced here is shipped via rail for sale in the United States, a production and marketing stratagem likely to broaden to many industries should the two nations sign a free-trade agreement.

Hydrofluoric acid also is highly toxic—it can burn through skin and

bone and lead to fatal internal damage if inhaled. Accidental releases have caused injuries, deaths and evacuations in and around various U.S. refineries in recent years. (However, there have been no serious acid leaks here since a release killed two workers and injured five others in 1980, according to Quimica Fluor.)

This plant is two-thirds owned by Compania Minera Frisco, a Mexico City company, and one-third the property of E.I. Du Pont de Nemours & Co., the Delaware-based giant.

Despite assurances from the owners that the plant is safe, the Mexican government was so concerned about the possibility of a Bhopal-style disaster that President Carlos Salinas de Gortari signed a decree last January creating Mexico's first-ever "Intermediate Safeguard Zone." The decree halts additional settlements within a 1¼-mile radius of Quimica Fluor's central smokestack.

For many of the tens of thousands of mostly poor inhabitants within the belt and adjacent communities, the action has sinister overtones. It is widely viewed as the precursor of an attempt to

expropriate their hard-earned properties. Residents fear that the government would like to create a free-trade industrial corridor where companies can conduct cross-border commerce without fear of liability and bad publicity associated with a catastrophe.

Neighboring communities have struck back, calling instead for a relocation of the Quimica Fluor facility and other nearby, mostly foreign-owned chemical plants. Quimica Fluor has been in operation since 1975, but neighbors—many of whom have lived here for 20 years or more—say they only learned of the severity of the prospective threat since the presidential decree in January.

"We fought for everything we have—our land, our roads, our schools—and we're not going to let a foreign factory throw us out," vowed María Isabel García de Caramillo, a 67-year-old grandmother of 28 who lives in the area and is one of a number of working-class women active in the campaign. "It's the foreign plants that should go, not us."

That rallying cry could echo elsewhere in Mexico, particularly along the northern border, if a free-trade agreement is signed and even more U.S. and multinational companies seek to set up operations in Mexico.

"We are afraid that it is we and our children who will be paying the price of progress. My question is this: Whose progress are we paying for?" asked María Teresa Méndez García, who was among a group that traveled to New York in June to protest the United Nations decision to award President Salinas an Earth Prize, honoring his environmental accomplishments. "We don't understand how relocating thousands of poor people to protect a chemical company can merit an environmental prize."

Added her sister, Emma Méndez García, "We're living in a time bomb here."

Neighborhood dwellers, many of whom have found employment in the mostly U.S.-owned factories that are clustered throughout the city, say they favor industry and foreign investment. However, they contend that hazardous facilities should be sited in industrial zones, not spotted haphazardly amid populated districts, as is so common along the northern border and elsewhere in Mexico. (An explosion at a petroleum storage facility in Mexico City in November, 1984, transformed an adjoining community into an inferno, killing at least 334, according to official figures.)

However, activists from Mexico and the United States point to evidence demonstrating that a 1¼-mile safety belt—an area that Mexican authorities say they arrived at after constructing models based on data provided by Du Pont and other sources—may do little good.

Industry-sponsored tests conducted in the Nevada desert in 1986 show that escaping hydrofluoric acid can become an aerosol of droplets, form a toxic plume and move downwind at lethal levels for about five miles. (A five-mile radius around the plant would include most of the populations of Brownsville and Matamoros, home to more than 500,000 people.)

"The potential for a Bhopal-like toxic gas cloud traveling five miles or more is there," said Fred Millar, director of the toxics project of Friends of the Earth, a Washington-based public policy research and lobbying group. Millar traveled to Matamoros and joined in calling for the relocation of Quimica Fluor and other area chemical plants.

While hydrofluoric acid is not as toxic as methyl isocyanate, the insecticide ingredient released at Bhopal, Millar noted that the acid is produced and stored in much larger volumes. The Matamoros plant produces about 140 million pounds of hydrofluoric acid annually.

Executives at Du Pont and Quimica Fluor say moving the plant is not economically viable—or necessary. Meteorological conditions, especially prevailing winds and high humidity, would make any acid leak unlikely to drift beyond 1¼ miles, said Enrique Castillo Peña, the plant's general manager, during an interview at offices on the 360-acre site on the northwestern outskirts of Matamoros.

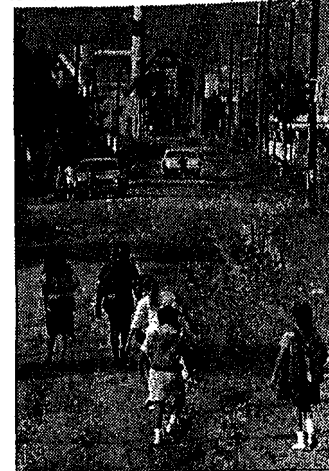
"This facility is safe, and we are always making it safer," declared Castillo, who noted that the plant has been outfitted with more than \$15 million in safety equipment during the past decade, including computerized early detection devices, automatic shut-off valves, video monitoring apparatus and water cannons designed to halt dispersal of leaks.

At Du Pont, representatives say safety measures at the Matamoros facility are comparable to those at a fully owned Du Pont hydrofluoric acid production complex in La Porte, Tex., which is roughly the same size as the Mexican site. The Texas facility does not have large neighboring residential communities.

"I don't think the Bhopal analogy really fits here," said Carolyn S. Seringer, fluorochemicals safety manager at Du Pont's corporate headquarters in Wilmington, Del. "I think we're a victim of circumstances. The free-trade agreement has focused a lot of attention on the border, and the plant happens to be in the border area. . . . That plant is a state-of-the-art facility, and we continually upgrade it."

Such efforts have not quelled the fears of Erasmo Lucio Garza and other residents of the Ejido Las Rusias, a residential farming community that begins about 100 yards from Quimica Fluor's front gate. Children here are well-schooled in emergency reaction: Be alert for sirens signaling a release of the acid, don't panic, determine the direction of the wind and flee in the opposite direction.

"To them it's a game," said María Inez Alvarado, director of a neighborhood preschool. "The problem is, we'll never know until the last second when there is a real toxic leak. Do you really think little children like these will know what to do?"



DAVID McNEW / Los Angeles Times

Walk to school takes children near chemical plant in Mexico.

Mexican authorities and executives of Du Pont and Quimica Fluor say they do not seek the expulsion of residents. Rather, they portray the decree as a pioneering effort to reduce the threat of human injury or death in case of an accidental release of hydrofluoric acid.

"The resource we are most concerned about protecting is our human resource," said Sergio Reyes Luján, ecology undersecretary in the Secretariat of Urban Development and Ecology, known as Sedue, Mexico's environmental ministry.

HAVEN: Firms Set Up Business South of Border

The strength of the vapors varied from day to day. But most of the campers felt worse at "the mission," as they call the school, than they did at the drug recovery center where they planted trees or the convalescent home where they took orphans to visit the elderly.

"It was terrible to wake up to that smell," said Heidi Hyland, a Chicago seminary student who was a counselor during July. The first morning, she led a Bible study session outdoors until "this one girl in my group said . . . 'I just can't stand it. It's making me sick.'"

Often, a fine dust coated the group's three vans overnight. "It was lacquer," said Rob Lochner, another counselor. "I know it was. I've worked spraying at a carpentry shop."

The neighbors' complaints are consistent with exposure to solvents used in furniture making, said Paul Papanek, who heads the toxics program for the Los Angeles County Department of Health Services.

In the suburbs of Los Angeles, clean air rules set a strict daily cap on how much pollutant can escape from each plant's stacks. The limit forced Finegood's U.S. workers to stop painting and varnishing by mid-afternoon.

Here, employees start a half hour earlier and spray later, at least till 5 p.m. There is a small night shift too.

Workers aim nozzles of paint and lacquer at furniture passing by on a conveyor belt. A free-standing wall of pads is positioned on the other side—a setup designed to absorb the extra spray.

The pads are changed every two weeks, Pliner said. In the Los Angeles area, most companies install clean pads more often, anywhere from once a day to once a week, said Bill Kelly, an AQMD spokesman.

The factory tests its emissions every six months, Pliner said, declining to divulge the results. In the United States, the company monitored and logged them every hour.

Though Mexico adopted a General Ecology Law in 1988, giving environmental regulators authority over *maquiladoras*, the country has no measures limiting air pollu-

tion from furniture factories. "We are working on many other standards that are much more important," said Sergio Reyes Lujan, undersecretary for the environment. "The production of electricity, cement, textiles, chemicals."

He added that he is concerned about the health problems such fumes could cause, from mere irritation to long-term damage from smog. New factories, he said, will have to comply with whatever standard is the tightest in the world, until Mexico can frame its own.

As for existing companies, Reyes said, "I don't know if it's this week, next week, next month, or even next year, but with or without a standard, we will stop situations like that."

Meanwhile, plant manager Pliner said: "I haven't had any complaints."

But then the residents of *La Cienega* have not complained, except among themselves, about any of the contamination they suspect comes from *maquiladoras* in Tijuana.

That is a common reaction, said Laura Durazo, a social anthropologist who helped form one of the city's nascent environmental groups.

"They simply accept," she said, "that this is part of Tijuana's progress."

In the yards of *La Cienega* stand empty 55-gallon drums purchased from used furniture stores or roving trucks—price: about \$3.50. Most now serve as trash receptacles, but some hold water for washing or flushing toilets. "This container will be hazardous when emptied," one warns in English. "Residues will be explosive or flammable."

An outfall spills directly into a shallow stream where dogs splash and drink. In poorer neighborhoods, squatters use such canals for bathing. Water samples analyzed for *The Times* in August by a San Diego laboratory show levels of two suspected carcinogens, perchloroethylene and bis (2-ethylhexyl) phthalate, at 18 to 24 times the drinking water standards of the

Factory on the Move

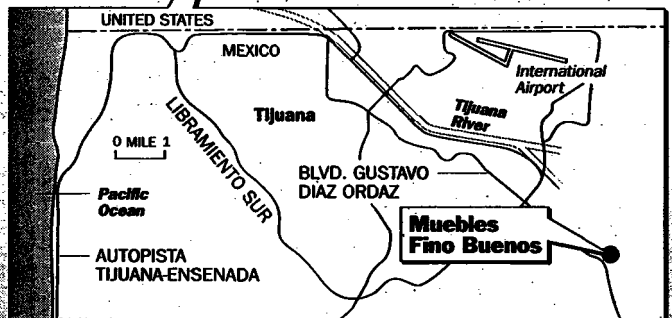
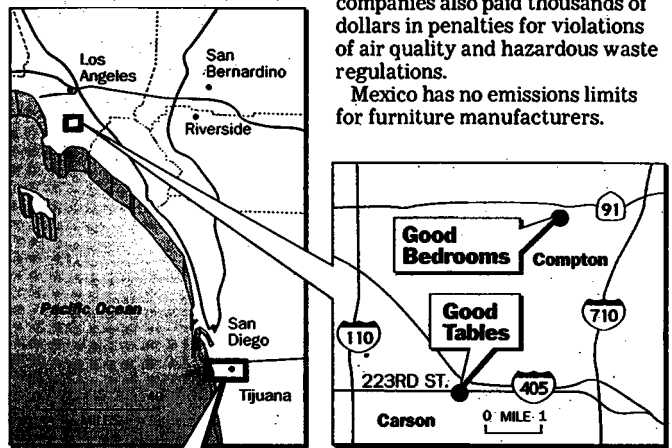
The Good Bedrooms factory in Compton closed in February of 1990. The Good Tables plant in Carson shut down last March. Both were owned by David Finegood, who replaced the manufacturing operations with *Muebles Fino Buenos*—a literal translation of Fine Good Furniture—which opened in southeast Tijuana in March of 1990.

Wages are much lower in Mexico and there is virtually no workers' compensation expense, but Finegood says the main reason he left was increasing environmental regulation.

"We had no intention of moving; it never entered my mind," Finegood says, "until we started getting rulings from the (South Coast Air Quality Management District)." He cites AQMD's passage in 1988 of Rule 1136, which gives furniture makers until 1996 to replace solvent-based coatings, which contain pollutants that evaporate into the air, with water-based coatings. Finegood's

companies also paid thousands of dollars in penalties for violations of air quality and hazardous waste regulations.

Mexico has no emissions limits for furniture manufacturers.



Facts and Figures

- Products:** Laminated particleboard tables and bedroom sets; ready-to-assemble furniture line called Good Ideas.
- Employees:** Good Bedrooms had 350 employees, as did Good Tables. One hundred employees still work preparing raw materials at the distribution center in Carson.
- Muebles Fino Buenos:** 600 employees.
- Production:** Currently at 85% of production of the combined U.S. factories.
- Factory space:** 286,000 square feet.
- Employee turnover:** 4% to 6% a week.
- Average wage:** \$43 a week, as compared to \$330 a week in the U.S.

U.S. Environmental Protection Agency.

The concrete pipe emerges from a steep rise next to *Muebles Fino Buenos*. The company has told Mexican regulators that it sends its waste water into the city sewage system, in an area where there is no treatment. This particular pipe may also carry residues from any number of sites further southwest, where two more *maquiladoras* make magnetic heads and baby furniture. Perchloroethylene is used in both industries. Bis (2-ethylhexyl) phthalate is used to soften plastics.

Where do the chemicals come from? Mexican regulators are in no position to unravel mysteries like these.

Even with recent budget increases, there is little money for analyses and few staffers are available for investigations. For the foreseeable future, the government will simply have to trust industry, said Diane Perry, a UCLA analyst who has studied the border region for the past five years. U.S. and other foreign owners "will have to do it on their own, knowing that the enforcement's not going to be there," she said.

In a widely publicized move this summer, border-area inspectors, with their ranks doubled to 100, visited 1,000 *maquiladoras* to check the firms' documents. They found that in 1990, less than a third of the companies had applied for the required environmental operating license; by 1991, after a series of well-publicized crackdowns, 55% had. In 1990, only 14.5% had proof that they sent hazardous wastes back to the United States for disposal as required; in 1991, 31% had.

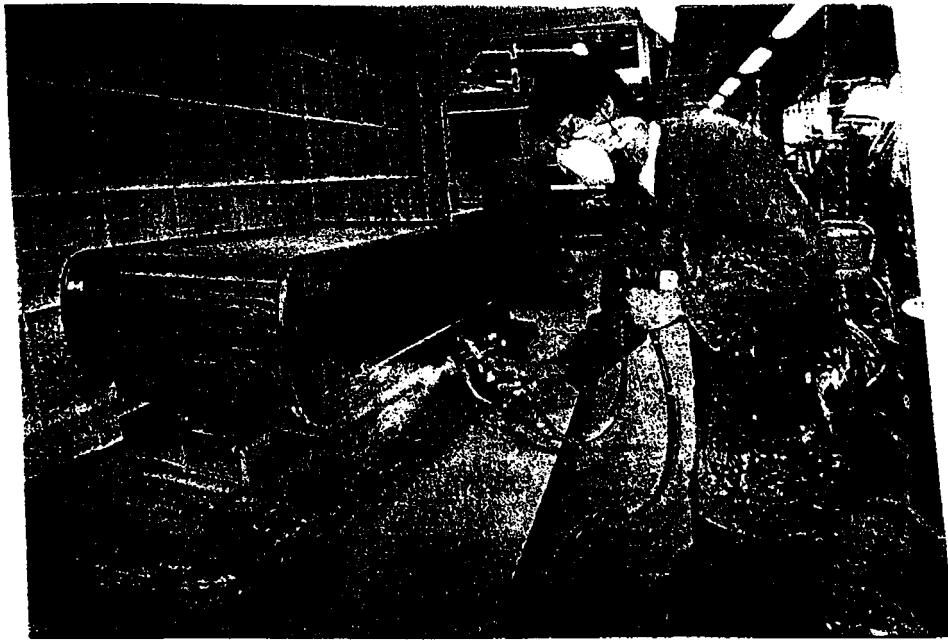
The new figures show major progress, but Reyes conceded that they are still abysmal. "We will improve them further," he promised. To that end, inspectors are being hired to double the number along the border again in 1992.

Muebles Fino Buenos is one of the positive statistics. The environmental inspector who arrived Aug. 13 was the first ever to pay a formal visit. (One had dropped by briefly before). Pliner produced a notebook containing the factory's application. A stamp acknowledged its receipt on Sept. 27, 1990, by SEDUE—the Spanish acronym for the federal ministry that includes the environmental office.

The EPA also had been notified that about 325 drums of hazardous waste would be shipped back across the border in 1991.

The SEDUE inspector pronounced himself satisfied.

The license documents were submitted late—six months after opening for assembly of furniture and four months after spraying had



A worker in the *Muebles Fino Buenos* factory in Tijuana, Mexico, sprays a finish. Furniture plant was previously located in the United States.

begun. This was illegal, according to Reyes, but the government will not punish for the offense because it shows more effort than other firms have made. He added, that from now on, new industries will face penalties.

Because the license was pending, the company was churning out bedroom sets and tables without a permit. Operating under such circumstances also was not strictly legal; since 1990, every new business must have its license before even starting construction of its facility.

But environmental officials admit that it is partly their fault. More than a year after *Muebles Fino Buenos* submitted its papers, overworked regulators have not gotten around to reviewing the documents. The wait is typical. And until the application is examined, SEDUE cannot decide what changes, if any, to require.

"We are trying to respond very, very rapidly," Reyes said. "They are going to receive a written answer."

"We are rewriting history here. It was only recently that anyone here started to care about the environment. It will take time."

The backlog troubles EPA officials who deal regularly with SEDUE. Said one, who spoke on the condition of anonymity: "This is a situation where the economic activity has gotten way ahead of the regulatory activity."

The EPA official also worries about SEDUE's emphasis on documents: "I would like to put SEDUE [inspectors] in respirators and have them look at what's really going on. They're afraid to take the bull by the horns. . . . They just deal with the paperwork."

There also has been little attention paid to the indirect pollution caused by *maquiladoras*.

Finegood's warehouse is at what was once the Carson plant—just a few miles from what was once the Compton factory. Diesel trucks, the owner said, make 20 round-trip treks each weekday between Tijuana and the distribution center. In a year, that means about 13.9 tons of carbon monoxide is added to the air along the way. The trucks also discharge about 20 tons of nitrogen oxides and 4.2 tons of hydrocarbons, the two main building blocks of smog.

An overall increase in cross-border traffic—from 12.4 million crossings in 1987 to 16.9 million in 1990—concerns air pollution authorities in San Diego and the Los Angeles region. One problem is the Customs stations themselves, where hundreds of idling vehicles sometimes wait as long as an hour. Nearly half the cars and trucks are Mexican-registered and not subject to smog checks.

The jobs offered by *Muebles Fino Buenos* and the other *maquiladoras* also lure newcomers from the rural interior. Tijuana grew from about 429,500 people in 1980 to about 743,000 in 1990—and these official census numbers are widely assumed to be low.

The city's skyrocketing population has outstripped the government's ability to provide basic services. In response to complaints about a proposed border environmental plan, SEDUE recently announced that 24,000 houses will be connected to Tijuana's sewers next year. By 1995, an international treatment plant is scheduled to open, but financing arrangements

are not complete. For now, 12 million gallons of raw sewage flow into the Tijuana River each day.

The operators of *Muebles Fino Buenos* know firsthand about the infrastructure problems. Raw sewage spilled across the property when pipes overflowed during a winter storm. And the company did not plan on constructing its own water reservoir and electric generating substation. But it had to be done.

Finegood does not mind. He sees himself protecting a 35-year investment. "I've spent much of my life in this company," he said. "I'm not a young kid anymore. But I couldn't get anything for the company there. Nobody's going to buy a furniture company in Los Angeles now."

THE FREE-TRADE DILEMMA

COLUMN ONE

Can Mexico Clean Up Its Act?

■ Pursuing a free-trade pact, President Salinas has taken some dramatic steps on the environment. But laws are ignored, enforcement is weak and the problems are massive.

MEXICO CITY—In the penthouse of the modernistic Pemex Tower one morning in May, two governments worked hard to orchestrate praise for Mexico's new crackdown on pollution.

At the behest of the U.S. Embassy here, experts had traveled from California and New Mexico to lend their voices to the chorus. Mexico contributed city and federal regulators, as well as an official from the national oil monopoly.

The timing was hardly coincidental. The U.S. Congress was about to vote on initiating negotiations for a free-trade treaty with its southern neighbor. Strong opposition had surfaced on Capitol Hill, based in part on fears that

This story was reported and written by Times staff writers Juanita Darling in Mexico City and Larry B. Stammer and Judy Pasternak in Los Angeles.

increased industrialization would aggravate Mexico's environmental crisis.

This gathering was meant to soothe Mexico, each speaker noted to an audience of U.S. correspondents, was setting up its own tough controls.

But the message was undermined by the view out the picture windows on three sides of the room. The vista consisted solely of smog. Nothing was visible through the toxic gray haze, not even the sidewalk 45 floors below.

Now, with free-trade negotiations well under way, many legislators, activists and scholars on both sides of the border say they are more worried than ever about Mexico's ability to conduct a signif-

icant cleanup, much less cope with an added burden.

Mixed signals from the Mexican government are less than reassuring, they say, and safeguards proposed by both countries are too weak. And they fear that Mexico could become a polluter's haven—a sanctuary from the high costs of environmental regulations north of the border.

Never has the potential for ecological damage been so closely examined during trade talks, which traditionally focus on issues such as import quotas and tariffs. These negotiations are seen as a test case.

Mexican President Carlos Salinas de Gortari does not want environmental issues to scuttle the prospect of a \$6-trillion market—the world's largest—stretching from the Yukon to the Yucatan. In a recent barnstorming tour of California, he prominently mentioned the environment in every pitch he made for the trade agreement.

Salinas sees a trade pact as his best weapon for fighting Mexico's nagging inflation rate, widespread unemployment, poverty and mounting trade imbalance. U.S. leaders say that a pact would open up lucrative new investment opportunities for U.S. businesses.

Spurred by a heightened environmental awareness at home and growing alarm abroad, Salinas has taken some dramatic steps to address the concerns.

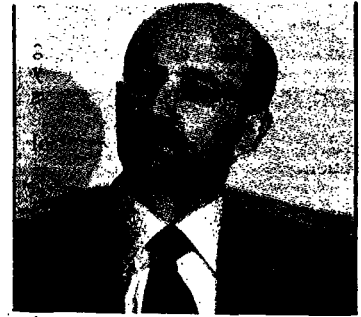
In March, he shut down a government oil refinery in the middle of Mexico City, the most smog-choked metropolis in the world. The closure meant spending \$500 million to dismantle the plant. Some operations also were halted at another 140 Mexico City businesses that were deemed to be polluters.

In September, Salinas unveiled a 10-point program to protect dolphins from his country's tuna-fishing fleet.

Last month, the Mexican government announced that it will spend about \$460 million along the border by 1994 to build new sewage and water treatment plants and hire more environmental inspectors.

But consider the problems Salinas still faces.

In northern Mexico along the nearly 2,000-mile border with California, Arizona, New Mexico and Texas, factories for years have dumped toxic wastes into canals and spewed hazardous fumes into the air. Most of the companies, known as *maquiladoras*, are U.S.-owned



'[There] is a new . . . environmentalist culture in Mexico. It's a very strong force [that will] make these policies permanent.'

CARLOS SALINAS DE GORTARI
Mexican president

They have lured hundreds of thousands to a region without adequate sewage treatment, leading the American Medical Assn. to brand the area "a virtual cesspool." U.S. Border Patrol agents don rubber gloves to guard against infection whenever they frisk detainees wet from river crossings.

In Mexico's midsection, cities, factories and farmers have diverted river water that feeds the nation's largest lake, Chapala. This year, the lake has risen for the first time in a decade, but Chapala is still one-third of its original size. Once famed for its whitefish, it is too polluted to support any fish more delicate than carp.

In the mountains of Veracruz, creeks run brown with residue from coffee-processing plants. With international prices at their lowest level in 15 years, growers cannot afford to change to cleaner methods.

Still farther south and east, oil fields and refineries dump chemicals into the Coatzacoalcos River, which empties into the Gulf of Mexico, poisoning once-rich shrimp beds under the blackened waves.

Lush tropical forests are protected only on paper. Mexico loses more than 965 square miles of forests annually to cultivation, overgrazing and fire.

Why should U.S. residents care about the fate of Mexico's environment under a free-trade system?

Please see MEXICO, A18

He does not know, he said, how many companies might move to Mexico or expand operations as a result of free trade. Nonetheless, Altamirano and his supervisor, Reyes Lujan, say they are confident that growth under free trade would not further jeopardize Mexico's ravaged environment. "New companies will have to meet the highest standards. They will have to be reviewed by us," said Reyes Lujan.

But, he added, SEDUE has a staff of only seven to assess the environmental impact of an estimated 700 to 900 construction projects in 1992. Much of the work will have to be done by outside consultants, he said.

Politically, the Mexican government must avoid the appearance of responding to U.S. pressure on enforcement. Sovereignty is important in this nation, which lost half its territory to the United States in the 19th Century.

"Observing the same health and environmental laws is not under discussion," Commerce Minister Jaime Serra Puche told the Mexican Congressional Committee on Trade in August.

Instead, President Salinas and U.S. President Bush called last year for a joint plan to improve the quality of the environment 60 miles on either side of the border.

But EPA officials involved in the process said the draft is little more than a list of projects that were already in the planning stages, mostly to gather information on the scope of air, water and hazardous-waste problems.

As the plan was being drawn up, EPA officials said, the U.S. State Department offered constant reminders that Mexico is a sovereign nation and cannot be told what to do. Proposals for binational inspections and for coordinating budgets were weakened or dropped.

"It doesn't really look like a plan," said Roberto A. Sanchez, an environmental expert at Border College in Tijuana. "It looks like a book to avoid a plan."

A revised plan is scheduled for completion before Presidents Salinas and Bush hold their next summit meeting, expected sometime in December.

Mexican and U.S. officials bill their latest environmental collaborations as an extension of the La Paz agreements, a series of initiatives begun in 1983, well before any talk of free trade.

The La Paz provisions met with mixed success. On the plus side, they are notable for their landmark attempts at fostering cooperation

MEXICO: Many Voice Strong Concern Over Environmental Controls

Free-Trade Agreements

A look at free-trade agreements and the proposal being considered by the United States, Mexico and Canada.

- **Free-trade agreements—what they are:** Under a free-trade agreement, virtually all barriers to trade between participating countries are eliminated or lowered, including tariffs and other restrictions.
- **How they are negotiated:** Although negotiated by trade representatives appointed by the governments, other interests that would be affected are closely consulted, including business, organized labor and agriculture. Agreements by the United States must be approved by Congress. The North American Free-Trade Agreement must be approved by Congress, the Mexican Senate and Canada's House of Commons and Senate.
- **How a U.S.-Mexico-Canada pact would benefit the countries:** Backers of a North American Free-Trade Agreement among the United States, Canada and Mexico say that it will offer benefits to each. For the United States, it will increase investment opportunities for U.S. businesses in Mexico and allow U.S. firms to step up manufacturing in Mexico where labor and other costs are lower. The same would be true for Canadian business, but on a smaller scale. For Mexico, a free-trade pact would infuse badly needed capital into the Mexican economy and provide jobs for Mexicans.
- **Problems such a pact could create:** Some Mexicans are suspicious of undue American influence over and dominance of their economy. Environmentalists in both nations worry that stepped-up industrialization could worsen environmental problems, despite assurances to the contrary by both governments. In the United States, organized labor fears that American jobs will be lost to cheaper Mexican labor. Mexican firms are concerned that without trade barriers and other protections, they will not be able to compete with U.S. firms.

on several specific shared environmental problems.

One was known as "the gray triangle," between Douglas, Ariz., and Agua Prieta and Nacoziari in Sonora. There was one copper smelter on the U.S. side and another on the Mexican side. A third smelter was being built in Mexico.

Children in Agua Prieta timed their outdoor play by the U.S. smelter schedule. At sunset, as the wind shifted south toward Mexico and away from the U.S. monitors that checked emissions, they would sniff the rotten-egg smell. Then they would taste the bitter, chalky flavor. Finally, when they felt a tickle in their throats, they went

inside.

After two years of pressure from citizens, the smelters were included in the La Paz accords. As a result, one Mexican smelter installed \$50 million in pollution-control equipment, another canceled expansion plans and the U.S. smelter closed down.

In another joint effort, a long-delayed international sewage treatment plant will be built in San Diego, but the governments are still haggling over money. The United States is contributing \$100 million for construction. Another \$60 million is needed, but Mexico has not said how much it will pay.

Meanwhile, EPA officials worry

that toxic substances illegally dumped in the Tijuana River could reduce the plant's effectiveness.

The La Paz accords also called for a joint contingency plan to alert communities across the border of hazardous spills and to coordinate responses.

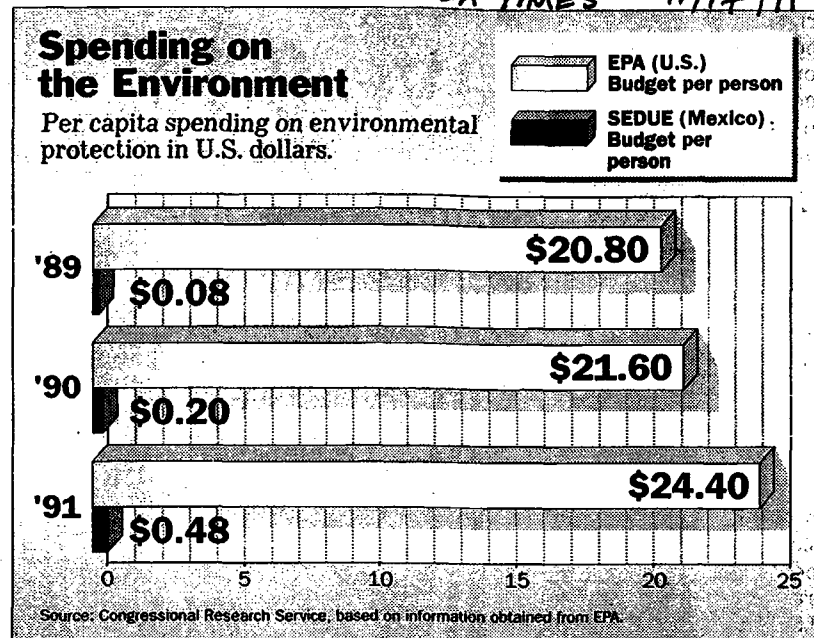
But no one on the U.S. side was immediately notified when the Química Orgánica plant in Mexicali released a plume of mixed sulfuric and hydrochloric acid in July, 1990. Thousands were evacuated in Mexico. A 45 m.p.h. wind blew the toxic cloud northeast toward the border, less than 10 miles away. Fortunately, it dissipated in an unpopulated area. The EPA was not informed for months.

Another common concern among environmentalists is the focus on the border and on Mexico City's smog. All of the new SEDUE inspectors have been assigned to those two locations. Even Kamp, of Arizona's Border Ecology Project, who lives near the smelters, said: "There are a million problems in Mexico more serious than the border."

Other parts of the country may not attract the same environmental scrutiny. A Mexican stock analyst shrugged when asked whether pollution-control expenditures will affect the financial performance of mining companies. "Most mines are in remote areas," he said. "No one will notice what they do."

Lack of basic information and community involvement hampers the improvement effort. Mexico's few environmental success stories have shown that both are important.

Last year, after installing monitors, Monterrey officials learned that their air was laden with sulfur dioxide and lead. They used the data to pressure the government oil monopoly to substitute cleaner natural gas and diesel fuel, replacing the high-sulfur oil that powered most of the city's factories. Sulfur dioxide levels dropped 80% that year. Factories emitting lead were forced to develop plans to



ANDERS RAMBERG / Los Angeles Times

control it.

Residents in the "gray triangle" say that they are the ones who are keeping the emission limits alive. While federal agencies of both countries accept smelter emission reports without question, local activists visit once a month.

"Years of experience mean that we can immediately identify that smell and the sensation in the throat," said Gildardo Acosta, a member of the border group *Enlace Ecologico*.

In Tepoztlan, a picturesque town south of Mexico City, residents won a court order temporarily halting the construction of a scenic rail line from the capital to Cuernavaca. The government had neglected to get its SEDUE permit for the railroad. In August, nearly 1,000 townspeople celebrated in the main plaza under a banner declaring: "We Won't Be a Trash Dump for Mexico City or Its Bedroom Communities."

Much of the emerging activity is because of Salinas' promise to democratize Mexico's notoriously centralized government.

Environmental issues have be-

come a part of Mexican political discourse. Environmental groups have proliferated since the early 1980s, forcing the long-entrenched Institutional Revolutionary Party (PRI) to respond.

But observers have one more troubling question: With all Mexican officials limited to one term, can they expect Salinas' commitments to last when his six years as president end?

There are nagging doubts. "His word is absolutely not binding on his successor," said Stephen P. Mumme, a political science professor at Colorado State University who has written extensively about border issues.

But Salinas maintains that ecological awareness will not wither away. "[There] is a new . . . environmentalist culture in Mexico," he said. "It's a very strong force [that will] make these policies permanent. They will not only come from the political will of a president, but mostly as a permanent demand from society."

Next: Are U.S.-Mexico border industries poisoning the environment?

MEXICO: Plan for Free-Trade Pact Raises Fears

Mexico's pollution does not respect boundaries. The people of Nogales, Ariz., know this firsthand. They inhale carcinogenic smoke from dump fires that have burned intermittently for years in their twin city, Nogales, Sonora. Beachgoers in San Diego County know too. They are warned against swimming at a state park where raw sewage flows north from Tijuana.

Free trade is expected to make relocation to Mexico much easier for U.S. firms. If lower pollution control costs make moving profitable, U.S. employees may be laid off.

Alternatively, some environmentalists believe that the United States will feel pressure to compete for business by weakening its own environmental laws.

Keeping Mexico poor is no solution, both governments say. Indeed, poverty and foreign debt force developing countries to over-exploit natural resources, accelerating degradation.

Even so, free trade is not seen as a quick fix. "The reality is [Mexico] will continue to have environmental problems for some time to come irrespective of what we do on trade," said William K. Reilly, administrator of the U.S. Environmental Protection Agency.

"But the economic promise of free trade eventually will allow us to give a much higher priority to the environment," he added. "It will also, I think, raise expectations on the part of [Mexicans] about the quality of life they will insist on."

Many environmental activists agree, viewing the talks as an unparalleled opportunity to use economic leverage to force change. They see Mexico's recent commitment of hundreds of millions to fight border pollution as a significant first step, though they are still wary.

"The amount of monies needed to do the job down there is many magnitudes higher," said J. Michael McCloskey, chairman of the Sierra Club. "It will be interesting to see whether the money really flows or if this is one of the grand announcements that disappears into the mist."

Enrique Flores, a meteorologist at the University of Guadalajara, thinks his country eventually will stop forcing companies to comply with tough new rules. "If Mexico tries to enforce environmental standards used in industrial countries," he said, "companies will go elsewhere, to Thailand or Malaysia."

For now, there are no mechanisms to ensure that a portion of the anticipated bonanza from free trade is earmarked for environmental protection. The National Wildlife Federation has proposed a so-called "green tax" on investment in Mexico, of perhaps 1%, to be earmarked for ecological budgets.

The extent of Mexico's environmental commitment remains a question mark.

A case in point is the antiquated Mexico City refinery that was torn down amid great fanfare. It is being reassembled in Salamanca, another industrial city to the northeast. No new pollution controls are planned.

When the United States banned Mexican tuna imports on the grounds that the fleet was killing more dolphins than allowed by U.S. law, Mexico filed a complaint accusing the United States of using conservation law as a mask for violating international trade agreements.

Mexico won its case in August before a panel of the General Agreement on Tariffs and Trade and then, after anguished howls from environmentalists, tabled the issue before it could be ratified. But there is nothing to stop Mexico from resurrecting the matter.

The panel ruling was the first time that trade treaties came so close to preempting national environmental laws. "This has sent a shudder of fear through American conservationists," EPA chief Reilly said.

Environmental organizations are not the only ones who see problems. Mexican authorities privately acknowledge that the competitive pressures of free trade will encourage domestic companies to cut costs at the expense of sound environmental practices.

And, as the developing world's second-largest debtor nation, Mexico is also under pressure to reduce government spending.

Over the last decade, the federal budget deficit has been slashed

from 16% of the economy to less than 1%, with cuts in social services, as well as the sale of government-owned industries to the private sector.

From this shrunken budget, now \$78 billion, the government is paying \$100 million for public relations to promote the free-trade treaty.

It also has increased its environmental budget sixfold from 1990 to 1991. But that infusion of money brings the total to only \$39.5 million a year, said Sergio Reyes Lujan, Mexico's undersecretary for environmental affairs, whose office is part of a department known by its Spanish acronym, SEDUE.

SEDUE's per capita environmental budget is 48 cents, compared to the EPA's \$24.40.

Even with recent and prospective hirings, manpower is spread woefully thin. This year, Mexico hired 100 inspectors to help enforce environmental rules, posting 50 in Mexico City and 50 at the border. That brought the number available to monitor the entire nation's factories to 255. That is roughly the same number fielded by the South Coast Air Quality Management District, which regulates air quality in four counties in the Los Angeles area. Next year, Mexico expects to hire another 100 inspectors, bringing the total along the border to 200.

"I'm not reassured at all," said Richard Kamp, director of the Border Ecology Project, based in Arizona. "They'll need much more training than they're getting. It's like having 200 secretaries who are able to process paper."

And so, though Mexico has been strengthening its laws—requiring environmental impact reviews and issuing technical standards for air, water and hazardous waste—many businesses flout the rules, apparently figuring that the risk of getting caught is lower than the cost of complying.

Even state-owned factories fail to pay attention to the new regulations. Officials preparing government steel and fertilizer works for sale to raise cash for the national treasury say they found that pollution control equipment had been so poorly maintained that it no longer functioned.

"I'm concerned now and if it's possible to be more concerned, I will be after [a free-trade agreement] is signed," said Rene Altamirano, SEDUE's director general of pollution control. "We can't work any harder."

THE FREE-TRADE DILEMMA

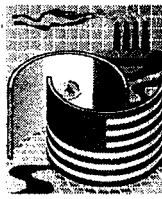
Foreign-Owned Companies Add to Mexico's Pollution

LA TIMES, Nov. 18, 1991

■ **Environment:** Some fear that free-trade pact will increase the number of firms depositing toxic wastes.

By PATRICK J. McDONNELL
TIMES STAFF WRITER

TIJUANA—Carmen Parra has a message for the cluster of foreign-owned factories, mostly of U.S.



THE
FREE-TRADE
DILEMMA
*The environmental
costs of a
U.S.-Mexico pact*

■ Second in a
four-part series

origin, atop the mesa northeast of her Tijuana neighborhood, *Fraccionamiento Murua*.

"Let them send their wastes

back to their side of the border!" Parra, a mother of three, declared from her front yard, which faces the fetid Rio Alamar, a stream choked with household and industrial effluent.

A mile upstream from Parra's home, water pouring from a concrete outfall below the heavily industrialized mesa showed levels of mercury almost five times the maximum freshwater health standards of U.S. and California law, according to independent testing by *The Times* in August. Mercury is a highly toxic metal linked to brain damage and birth defects that is still used in some manufacturing processes. The outfall flows into the Rio Alamar.

A nearby well, its acrid-smelling water widely used for household washing, had elevated levels of methylene chloride, an industrial solvent that is a suspected carcinogen. *The Times* tests showed. High readings of 1,1,1 trichloroethane, a less toxic solvent, also were present. Both substances are used in the electronics industry well-represented on the mesa.

Here, and in scores of other communities along Mexico's northern frontier, is what some fear is a disquieting portent of a free-trade future: The degeneration of an ecosystem already ravaged by refuse dumped by U.S. subsidiaries gone south in search of cheap labor and relaxed environmental and work-safety standards.

Authorities in both nations have long acknowledged that some of the proliferating numbers of multinational firms, known as *maquiladoras*, have illicitly deposited toxic waste—no one knows how much—at Mexican dump sites and into border waterways, such as the channel flowing sluggishly past Parra's home. But quantifiable data is hard to come by, part of a monumental information void on the scope of the problem.

One thing is clear: Only a small portion of the hazardous waste generated by the estimated 2,000 *maquiladora* plants, throughout Mexico is being disposed of in accordance with Mexican law, which requires that most be returned to the nation of origin, usually the United States. Shipping north to licensed landfills is an expensive process, costing as much as \$500 a barrel, and paperwork monitored by the U.S. Environmental Protection Agency shows that only a fraction of the waste crosses the border.

Some of the rest is being stockpiled in Mexico, often illegally, regulators say. Only a small percentage of *maquiladora* toxic by-products are recycled in the handful of authorized facilities south of the border.

Recent analyses of samples culled from waterways and sewage pipes from Tijuana on the Pacific Coast to Matamoros on the Gulf of Mexico strongly suggest that many have become dumping venues for a volatile mix of untreated effluent from the *maquiladora* industry.

• Extensive EPA-sponsored testing last year of Tijuana sewage and of the murky waters of the Tijuana River documented surges of a wide range of hazardous chemicals used in *maquiladoras*, including solvents and heavy metals. The industrial waste problem is so serious that engineers fear the toxins could hamper operations of a \$200-million binational sewage treatment plant expected to be completed by 1995.

• More than 100 miles east of Tijuana, the New River flows from Mexicali into Imperial County, its sudsy waters conveying solvents and other industrial byproducts, along with pesticides and domestic sewage, according to periodic analyses since 1983 by the California Regional Water Quality Control Board. The river empties into Salton Sea, California's largest lake and the site of a national wildlife refuge. "I worry that the poisons in the river may do harm to our children," said Maria de Los Angeles Canett, a 24-year-old mother of two who lives in an impoverished Mexicali squatter's neighborhood constructed atop a former

dump bisected by the Rio Nuevo, as it is known here.

• In Nogales, Ariz., and El Paso, Tex., there is fear that discharges from *maquiladoras*, already detected in area waterways, may be tainting ground-water supplies. Along the Rio Grande, the international boundary for about 1,200 miles between Texas and Mexico and a prime source of water for drinking, irrigation and recreation, deformed fish are an indication of widespread befouling.

Below Tijuana's Mesa de Otay, home to dozens of *maquiladoras*, complaints from Parra and other residents prompted *The Times* to test waters from a well and an outfall leading from the mesa into

an arroyo. Neighbors blame rashes, hair loss, persistent sore throats and sundry other ailments on the malodorous tributaries. "This is a contaminated zone," said Juan Manuel Sanchez Leon, a physician who practices down the street from Parra's home. "People here have complained about it, but no one listens."

Although Mexican industry likely contributes to the toxic brew found in border channels, experts say that the volume and type of industrial pollutants point toward the overwhelmingly U.S.-owned *maquiladoras*.

"It is apparent that some corporations have ignored environmental concerns in the construction

MEXICO: Foreign-Owned Firms Dump Toxic Materials

and operation of their *maquiladora* facilities," John Hall, chairman of the Texas Water Commission, stated in a recent letter to the EPA. "Consequently, tons and tons of toxic materials are being improperly disposed of along the border."

Industry officials scoff at the notion that the *maquiladoras* are illicitly disposing large volumes of hazardous refuse, insisting that the bulk is returned north. "I would say most of it is going back to the United States," said Guillermo A. Jiron, a consultant who heads the Tijuana Maquiladora Assn.'s environmental committee. "Our industry is a clean one and we show extreme compliance with the law."

Jiron theorized that a confusing maze of paperwork had baffled U.S. and Mexican regulators attempting to determine how much waste is being shipped to the United States.

Although authorities in both nations say they have put considerable effort into tracking the document trail, they have unearthed little evidence that the expected volume of *maquiladora* byproducts is leaving Mexico.

During the first six months of 1991, only 63 firms in Mexico reported sending wastes to California and Arizona, according to the EPA. That figure continues an upward trend; only 37 reported shipments to California and Arizona during all of 1990. But it remains

"a minuscule number" compared to the almost 1,000 *maquiladoras* in the neighboring Mexican states of Baja California and Sonora, including more than 500 in Tijuana, said Kathleen Shimmin, chief of health emergency planning in the EPA's San Francisco office.

But Mexican inspectors who visited some 1,000 *maquiladora* facilities nationwide this year found that about one-third could provide proof that waste was being returned to its country of origin, said Sergio Reyes Lujan, ecology undersecretary for the Mexican Secretariat of Urban Development and Ecology, the nation's environmental ministry (known by its Spanish acronym SEDUE). A year earlier, Reyes said, fewer than 15% of the plants possessed the paperwork.

While Mexican authorities have embarked on a much-publicized crackdown—"SEDUE will shut down any plant that continues to contaminate the environment," Reyes vowed during a recent interview—officials acknowledge that only slightly more than half of the *maquiladoras* producing toxic byproducts likely qualify for environmental operating licenses. The officials could not say how many even have the licenses. The volume of toxic waste produced also remains a mystery.

"We need to have an inventory," said Rene Altamirano, SEDUE's director general of prevention and control of environmental pollution, who said that the agency was conducting an industry-wide survey to answer this and other questions. "It's important that we have the numbers."

In both nations, environmentalists and others fearful of a free-trade regimen say Mexico does not possess adequate regulatory funds, sufficient landfills, waste removal expertise and technology needed to regulate polluters and properly dispose of ever-expanding waste flows. The much-ballyhooed recent enhanced enforcement, critics suggest, is largely designed to craft a get-tough public relations image to win over skeptics to the free-trade cause.

"Our laws are good, but the government doesn't possess the will and the resources to apply them," said Naachiely Lopez Hurtado, a representative in Tijuana of the recently formed Ecologist Party of Mexico.

To Lopez and others, it seems unlikely that a national leadership facing a decade-long economic crisis will risk antagonizing investors, foreign or domestic, no matter how grievously they may sully air, land and water. The *maquiladoras* generate about \$4 billion annually, making the industry Mexico's second-largest cash provider, after oil.

Only in the past few years has Mexico begun to enact comprehensive environmental laws, often based on U.S. statutes. This year, Mexican regulators say they have temporarily shut down dozens of domestic and foreign industrial polluters in the border region and dispatched 50 new inspectors to the northernmost states.

In all, about 100 inspectors now cover the massive area, a number everyone admits is woefully inadequate, though it represents a near-quadrupling of 1990 enforcement staff levels. Simultaneously, Mexican authorities are seeking to eliminate the wholesale trading and sale of junked U.S.-made chemical drums that once contained hazardous material used in the *maquiladoras* and other factories. (Residents commonly use the drums for storing water.)

"If companies want to be polluters and violate our laws, we don't want them here," said SEDUE's Altamirano.

While a free-trade pact would presumably sweep away the preferential tariff and duty provisions that spawned the *maquiladoras* a quarter-century ago, experts expect that unfettered trade will translate into a further boom in such production facilities, drawn principally by Mexico's low prevailing wage rates and proximity to lucrative U.S. markets. That will mean more toxic trash—an unnerving prospect for the border region's more than 6 million inhabitants.

While *maquiladora* executives boast that theirs is a "clean industry," the factories, which produce a wide range of products almost exclusively for U.S. markets—including auto and aircraft parts, furniture, toys, computers, televisions, clothing and foodstuffs—consume and produce vast quantities of unsafe materials. Solvents, acids, resins, paints, plastics, oils, varnishes, heavy metals and pesticides are among toxins left over after production.

MEXICO: Some Waste Dumped Illicitly

Although methods of handling, transporting and disposing of such waste are delineated in Mexican and U.S. law, transborder industrialists complain that the phalanx of statutes and regulations in the two nations stymies compliance.

"The administrative policies and the documentation of the United States and Mexico governing shipments of dangerous materials are so voluminous, complicated, and at times redundant, that even the most conscientious company can have problems complying with the regulations," said Mario Gutierrez, who heads the environmental committee of the Matamoros Maquiladora Assn., a trade group representing transnational firms in that border city.

In April, Mexican inspectors briefly shut down a General Motors auto parts facility in Matamoros for improper handling of waste. Soon afterward, the U.S. company announced that, where necessary, it would refit its Mexican operations with pollution abatement equipment—the kind of "pre-treatment" apparatus mandated in the United States since the Clean Water Act of 1972.

That landmark statute generally requires that industries cleanse effluent before discharging it into sewers or waterways. Such pre-treatment—considered by U.S. authorities to be a seminal tool in moderating water pollution—remains embryonic in Mexico, experts say, even though Mexican law theoretically requires that industrial wastes undergo a similar regimen.

"I don't know personally of any pre-treatment that's going on in maquiladoras, though it could be under way on a small scale with specific facilities," said Diahn Perry, director of international programs at UCLA's Center of Occupational and Environmental Health, which conducts periodic training sessions for Mexican regulators.

Some see a double standard: Corporations pre-treat their industrial wastes in the United States, but in their Mexican operations, the same companies deposit the by-products directly into sewage systems and waterways. "You operate under the rules and regulations of the country in which you're a guest doing business," said Jerry Bishop, a GM spokesman.

General Motors' decision to install the kind of pre-treatment equipment long present at its U.S. facilities came after environmental advocacy groups publicly accused a separate GM auto components

plant of dumping xylene—a common solvent linked to lung, liver and kidney damage and other ill effects—into a Matamoros canal. GM executives heatedly deny the charge. Only minuscule amounts of xylene may have been released, they said.

Before reaching the GM facility, the canal meanders behind several chemical and pesticide firms, mostly U.S.-owned, and along the fringes of a densely populated neighborhood known as *Colonia Chorizo*. "Sometimes there's a rancid odor and we all run inside," said Juana Sifuentes, a mother of three who lives in a wooden shack about 50 yards from the canal.

The scene is not dissimilar along fetid rivulets coursing through fast-growing eastern Tijuana and other border metropolises.

Salvador Sanchez, who has kept pigs along the Rio Alamar in eastern Tijuana for two decades, said he has seen firsthand what the toxic mix regularly ingested by his swine has wrought: The average weight of 4½-month-old piglets has plummeted by almost one-third during the past six years, while sows have suffered diminished fertility, miscarriages or

greatly reduced numbers of offspring. Those increasingly are born with deformities and terminal liver damage.

"It's the stuff they're dumping in from the American factories," Sanchez, 69, and the father of 12, contends. "This water has acid in it. It has chemicals. Sometimes it's yellow, sometimes it's green. Unfortunately, I can't keep my pigs out of it."

Further downstream in the Tijuana River, the channel that is the drainage destination of the Rio Alamar and much of the sewage generated by Tijuana's growing population and industries, EPA tests showed high levels of various industrial discharges. In April, 1990, levels of lead—a highly toxic metal that can attack the brain and nervous system—were recorded on the U.S. side of the Tijuana River at 768 parts per billion, almost 100 times the U.S. maximum standard for human health purposes.

U.S. and Mexican officials downplay the potential health consequences of the Tijuana River's industrial pollutants, noting that the channel is not a source of drinking water, fish or other edible aquatic life. However, the river has long been a depository of pathogens found in residential sewage, a health threat so severe that California this spring declared a state of emergency in the Tijuana River Valley.

In Tijuana, thousands of people reside near the banks of the river and its tributaries, regularly collecting the water for washing, livestock and irrigation. Inhabitants also make liberal use of adjacent wells, which are periodically recharged with river flows. Environmentalists and others in both nations worry that the industrial toxins being discharged may be linked to long-term health problems even more insidious than those produced by the residential sewage.

"I don't want to be alarmist here, but what is happening is that people are being exposed to a toxic soup in their everyday activities," said Marco Kaltofen, laboratory director at the National Toxic Campaign Fund, a Boston-based environmental advocacy group, who reviewed the findings of the EPA tests from the Tijuana area. "There's no way we can predict what risk people are running for increased cancer, liver and kidney diseases, for other problems. All we know is that the outcome will be bad."

Once in San Diego, the Tijuana River winds through an agricul-

tural strip before emptying into sensitive Pacific coastal wetlands—a thriving habitat for various endangered bird species. Some fear that the toxins could work their way up the food chain from here. An adjacent two miles of state beach have been quarantined for almost a decade because of high bacteria counts.

Near the international boundary, thousands of illegal immigrants heading north on foot regularly traverse the Tijuana River and adjoining channels, swamps and ponds. Despite their haste and lack of funds, many pause and invest 50 cents in a pair of clear plastic bags hawked by enterprising salespersons who urge northbound travelers to yank the sacks over their shoes.

"This river can make you sick," said Ismael Alvarado, a 28-year-old border vendor from Mexico City, who said he has experienced headaches and rashes because of the fumes and contact with the waters of the foul, cement-lined channel where he daily sells chewing gum, sandwiches and other foods to migrants en route north. "We're being poisoned here."

Next: A U.S. factory moves south seeking fewer environmental restrictions.

The Border Environment

A look at factors in the troubled environment along the U.S.-Mexico border.

MAQUILADORAS: ENVIRONMENTAL CULPRITS?

What They Are:

Maquiladoras are factories and assembly plants, mostly U.S.-owned, that have set up shop in Mexico since 1965, when Mexico City and Washington established a kind of free trade zone along

the border. The concept proved attractive to firms seeking cheap labor, relaxed environmental and worker-safety standards, and quick access to the U.S. consumer market.

The Numbers: There are now about 2,000 such facilities, employing 500,000 workers, mostly in fast-growing cities along

Mexico's northern border.

The Products: The so-called *maquilas*—after a word used in colonial times for a grain-milling fee—produce everything from televisions to toys, furniture to foodstuffs, almost exclusively for export to the United States.

The Environmental Factor: The industries utilize vast quantities

of toxic materials, including solvents, heavy metals and a wide array of dangerous chemicals. What happens to the huge volume of hazardous waste generated is somewhat of a mystery, but there is suspicion that much is being deposited into sewage systems, waterways, arroyos, dumps and unauthorized storage sites in Mexico.

PROBLEMS AND TROUBLE SPOTS

Fouled Waterways

Various U.S.-Mexico border channels are polluted with sewage, industrial wastes or agricultural runoff:

A Tijuana River: Flows from Tijuana to San Diego, emptying into the Pacific at sensitive wetlands area. Daily carries up to 12 million gallons of raw sewage, spiked with industrial wastes, into the San Diego area, where the river flows through a residential and agricultural zone and into a U.S.-protected wetlands habitat, next to a state beach. In Mexico, thousands live alongside the river and its tributaries, often using its waters for washing.

B New River: Long considered one of North America's most polluted waterways, the river carries agricultural, industrial and domestic wastes from Mexicali, Mexico, to Imperial County, Calif. Flows through densely populated residential areas in Mexicali, capital of the Mexican state of Baja California. The river empties into the Salton Sea, California's largest lake, a popular resort area and site of a national wildlife refuge.

C Nogales Wash: Flows from Nogales, Sonora, in Mexico, to Nogales, Ariz., emptying into the Santa Cruz River. There is evidence of some pollution of ground water drinking wells on U.S. side.

D Rio Grande: Flows south from Colorado, joining the border at El Paso, Tex., and Ciudad Juárez, Mexico, and defining the international boundary until emptying into the Gulf of Mexico at the Brownsville,

Tex./Matamoros, Mexico, area. Raw sewage and industrial contaminants have sullied the once-majestic river, which has long been tamed with dams and, in the El Paso-Ciudad Juárez area, concrete flood-control banks. The river is a major source of water for drinking and irrigation in the two nations.

Tainted Air

Smoke and other emissions belching from vehicles, factories, smelters and open fires have combined to create significant air pollution in various U.S.-Mexico "sister cities," where most of the border zone's population is concentrated. Ports of entry, characterized by huge traffic backups, contribute mightily to the photochemical haze. A look at areas where tainted air is a major problem:

A San Diego/Tijuana: San Diego has severe air pollution; ozone is

the most significant pollutant, as it is elsewhere in California, but inhalable particulates, sulfur dioxide, carbon monoxide and nitrogen dioxide are also sometimes present in high concentrations. There is sparse data for Tijuana, but the city shares an atmospheric basin—and smog—with San Diego.

B Mexicali/Imperial County: Inhalable particulate concentrations have exceeded standards on U.S. side and probably reach unhealthy levels in neighboring Mexican city of Mexicali.

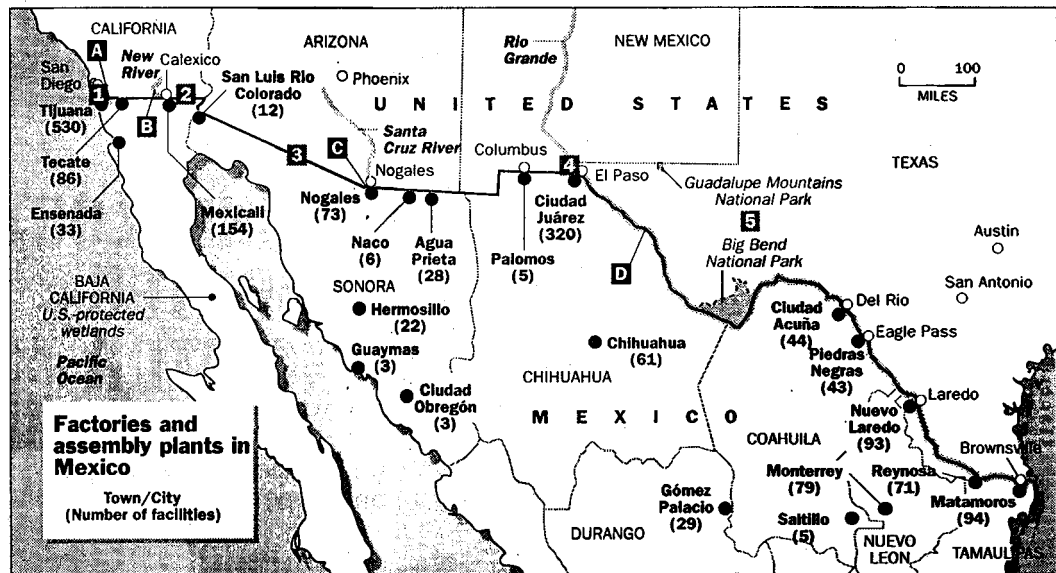
C Southern Arizona/Northern Sonora, Mexico: Large-scale emissions of sulfur dioxide—a noxious gas that can cause respiratory difficulties and even lung failure—have long been associated with copper smelters on both sides of the border. The problem eased considerably after January 1987, following signing of

a binational agreement designed to reduce the offending fumes. The Phelps Dodge smelter in Douglas, Ariz., was shut down and other U.S. and Mexican smelters pledged to control sulfur dioxide and particulate emissions.

D Ciudad Juárez, Mexico/El Paso, Tex.: El Paso and the adjoining community of Sunland Park, N.M., have long failed to meet U.S. standards for various pollutants, including ozone, inhalable particulates and carbon monoxide. The two U.S. cities and Ciudad Juárez, Mexico, share a basin cupped by mountains that act as a trap for the smog.

E Big Bend National Park and Guadalupe Mountains National Park in Texas: Occasional visibility problems in these two mostly pristine parks in rural west Texas have been linked to border-area air pollution.

NOTE: Generally, a lack of monitoring on the Mexican side makes it difficult to quantify air pollution south of the border.



LA Times 9/23/91

A Decision That Rocks the Boat

■ **Imports:** Global trade rules become a threat to environmental sensibility.

By **GEORGE H. MITCHELL JR.**
and **J. PATRICK ADCOCK**

In response to a complaint by Mexico, a panel of the General Agreement on Tariffs and Trade (GATT) has determined that a U.S. law banning the import of tuna harvested by methods that result in the excessive killing of marine mammals violates the principles, norms and rules—in short, the laws—of the international trading system.

While this ruling is not of the magnitude of the fall of communism, it is nonetheless a portentous decision that will be cited in the recounting of events that helped define the new world order.

According to inside accounts of the as-yet-undisclosed finding, the GATT panel based its verdict on the principle that it is inappropriate for one country to dictate how others produce goods for export. Since this decision flies in the face

of what Daniel Yergin calls the Third Wave of environmental activism, whose watchword is *sustainability*—a term meant to convey the notion of environmentally responsible production—it makes GATT appear largely irrelevant but nevertheless an obstacle to a rapidly evolving new global society.

The ruling also creates a dilemma for the United States. The Bush Administration appears to face a choice between violating GATT, which it is understandably loath to do, or abandoning a trade measure that supports sustainability. The latter course could anger Congress, which last May granted the Administration fast-track negotiating authority for a U.S.-Mexico-Canada free-trade agreement only after the President promised to address environmental concerns.

GATT's Mexican tuna decision was not an isolated event but the opening round of a battle between environmental leaders and laggards, which will end only when international rules are adopted regarding the way products are produced or harvested. This will take years, at least on a global scale, if for no other reason than U.S.

resistance to such rules.

In the meantime, advocates of sustainability will insist that environmentally responsible production and development be achieved worldwide by any means necessary. As a result, the GATT ruling will either be reversed or ignored. Thus, a sharp increase seems inevitable in the rate at which states resort to enviro-economic diplomacy—the use of trade, aid and other economic instruments to promote sustainable production in other countries.

The United States, under pressure from Congress and domestic environmental groups, will be a major practitioner of such diplomacy. It will also be a target of it.

There is ample reason to expect that other countries will increasingly use trade measures to pressure the United States into adopting environmentally responsible production processes and consumption patterns. If the Bush Administration thinks that GATT will provide a fig leaf big enough to cover America's environmental sins, it should think again.

George H. Mitchell Jr., a former Foreign Service officer, is assistant professor of international political economy at Tufts University. J. Patrick Adcock is a research fellow at the Fletcher School of Law and Diplomacy.

Trade-Environment Linkage Gathers Increasing Interest in GATT Circles

By JOHN ZAROCOSTAS

Journal of Commerce Special

GENEVA — The environment will be an increasingly important trade issue in this decade and into the next century as rich and poor nations come to grips with a problem that has been ignored for years.

This message was strongly conveyed in a long debate last week at a council meeting of the General Agreement on Tariffs and Trade, the Geneva-based body that governs most trade.

A series of environmental disasters has triggered a dramatic increase in public awareness and given prominence to a host of well-organized pressure groups that have propelled environment issues to the top of the global agenda.

GATT's 102 member nations are now trying to come to grips with the trade and environment agenda through forceful "reactive diplomacy."

Although GATT established a body on environmental measures and international trade in 1971, no contracting party called for it to convene until February of this year.

Now envoys to GATT are warning forcefully of dangers to come if the issue is ignored any longer.

Rufus Yerxa, the U.S. ambassador to GATT, warned that the body would be ignored as a forum on the environment if it "does not forthrightly discuss and deal with both

ANALYSIS

perceived and actual linkages between trade and the environment."

Mr. Yerxa said there is no doubt in his mind that these linkages exist and that the policies "are intersecting with greater frequency."

Ambassador Franz Ceska of Austria, speaking on behalf of the seven-nation European Free Trade Association, pointed out that "other organizations are taking up the trade issue, because the GATT so far has failed to do so in this context."

The Austrian official said GATT risked losing credibility if it could not come up with commonly accepted solutions.

A number of delegates said the green lobby's view that GATT and free trade are harmful to the environment was inaccurate and dangerous.

Others defended GATT's record on the environment, saying the organization's 1979 code on technical barriers to trade and the working group on the export of domestically prohibited goods and other hazardous substances were evidence of the body's sensitivity to the issue.

However, participants listed many issues that could lead to an escalation of disputes, overloading an already crowded agenda.

Ambassador Paul Tran of the European Community said: "GATT neither could nor should be turned into

a forum for the harmonization of development of global environment policies."

Many delegates indicated that environmental concerns should neither lead to "unnecessary barriers or non-tariff barriers to international trade" nor to a new excuse for "eco-protectionism."

However, contrary to the sudden interest shown by Western countries, developing countries are calling for a go-slow approach and are counseling "step-by-step diplomacy."

A large number of developing countries favor handling by specialized multilateral agencies, such as the U.N. Conference on the Environment and Development, which will be held in Brazil in 1992.

A forceful statement by Malaysian Ambassador Mohd Yusof bin Hitam on behalf of the Association of Southeast Asian Nations was a clear signal that developing countries are not prepared to have the rich nations set the agenda.

Mr. bin Hitam said many rich nations were reacting to pressures from domestic groups and resorting to the arbitrary use of trade instruments as a means of addressing environmental concerns.

Since the industrial countries were responsible for the most pollution, he said, cooperation in resolving the problems must be in accordance with the principles of responsibility, justice, equity, capacity and needs.

"Free" trade - the Earth Can't Afford It

By Daniel Stone

"Free trade" usually gets better press than motherhood, or even Madonna. Liberals and conservatives alike claim that unrestricted international trade is the only path to healthy economies and higher standards of living.

In reality, free trade is a deceptive slogan — multinational corporations get the freedom to buy and sell, but local communities lose all control over their resources and their environment.

Now, through the Global Agreement on Trade and Tariffs (GATT) and Free Trade Agreements (FTAs) with Canada and Mexico, U.S.-based multinationals seek to expand free trade in new and destructive ways.

Free trade will cause increased desertification and pollution around the world. And, once again, the people whose lives will be greatly affected (everyone on the planet) are being left out of the decision-making process.

The transnationals don't want any-

one or anything standing in their way when they seek to expand. That includes governments, safety and health considerations, the poor, and environmental regulations.

In the words of Harry Gray, CEO of United Technologies Corporation, "Such barriers as . . . package and labelling requirements, local-content laws, inspection procedures . . . all inhibit world trade. We need conditions that are conducive to expanded trade . . . This means a world-wide business environment that's unfettered by government interference."

Lack of representation

One of the worst things about the GATT and the FTAs is the complete lack of representation for the poor and the environment. Environmentalists are not invited to the closed-door sessions, even the word "environment" does not appear in these

agreements, and there are no environmental stipulations to be found except those that work against the environment. There has been almost no public discussion, debate or media coverage of the extensive ecological and social implications of free trade.

GATT is on the back burner right now — its deadline was just extended for two years after talks collapsed, so the bilateral FTA between the U.S. and Mexico is perhaps one of the most

important items on the environmental scene in North America.

The proposed U.S.-Mexico FTA would be an important step toward a North American Economic Community (Canada-U.S.-Mexico) and toward a world in which transnational corporations could operate freely around the globe without being hampered by environmental, health, or safety regulations.

Canada's forests feel trade axe

To get an idea of the ecological damage the Mexican FTA would cause, it is only necessary to look at the FTA pushed through with Canada in 1989. It was pushed by transnational corporations in both the U.S. and Canada who lusted for expansion. The environment has suffered and will continue

to suffer.

British Columbia stopped reforestation because the U.S. declared that reforestation was an unfair subsidy to the Canadian logging industry. Under the FTA, Canadians cannot refuse to sell water to the U.S. even if the Canadians are short of water. And, under the FTA, Canada can no longer prevent the export of timber or energy to the U.S.

As a result, there has been a new flurry of energy mega-projects in Canada designed to serve U.S. markets. Guaranteed access to Canada's energy resources will perpetuate the inefficient use of non-renewable resources, hinder energy conservation and efficiency, and seriously increase carbon emissions to the atmosphere.

On the other side of the border, the U.S. coal industry has called for a weakening of U.S. environmental regulations to make up for the alleged unfair advantage that Canadian utilities enjoy because they pay no corporate tax.

British Columbia stopped reforestation because the U.S. called reforestation an unfair subsidy to the Canadian logging industry.

"Harmony" and exploitation

It is unfortunate that one of the few times the word "harmony" escaped the lips of George Bush, it was in reference to a device by which environmental regulations can be weakened around the world. In the interests of free trade, environmental regulations would be "harmonized" or standardized, presumably at the lowest levels.

In other words, more stringent and hard-won pesticide regulations in California would be altered (weakened) so that they would average out ("harmonize" or "balance") with looser regulations not only around the U.S. but around the world.

Agencies such as the Codex Alimentarius Commission, a tiny UN group based in Rome, would be given authority for formulating global standards. And since Codex sets extremely loose standards, food safety would be compromised.

For example, current Codex standards allow 10 to 50 times more DDT residue on fruits and vegetables than does the FDA. Imported foods would be exempted from FDA restrictions on Alar or sulfa antibiotics. If California sought to raise standards or limit the import of food contaminated with pesticides now prohibited in the U.S., foreign governments could file suit against the U.S. for establishing non-tariff barriers to trade.

Third World pays for free trade

The international economic system is oblivious to the needs and interests of anyone or anything without money — namely, the poor and the environment. Because the poor and the environment have not been consulted nor even considered in the decision-making process, the masses of landless peasants have swelled over the decades and environmental degradation

continued next page

has increased.

Although some countries have substantial new sectors of middle-class people, those same countries, (i.e. Brazil,) also have growing ranks of landless peasants, forced off their land by both the dynamics of the international economic system and the drive towards modern wealth of their city cousins. The Third World is in the same economic position relative to the developed world as it was decades ago.

The U.S. is trying to update its image and treatment of the Third World with tough demands on poor countries to take responsibility for themselves in the world marketplace. This may seem reasonable on the surface, but it ignores the fact that billions of people are in no position to become good little consumers and producers anytime soon. Their lives will only be made worse by the machinations of free trade as proposed by the U.S.

Especially disturbing is the U.S. proposal to abolish export restrictions on food. Thus, countries would have to export food even if they had a short supply for their own people. Keeping food to feed one's own people would constitute a blockage of free trade. Any country that sets limits on foreign corporations for environmental or social reasons can be retaliated against for creating a restraint of trade.

The GATT and FTAs infringe on — in fact, they abrogate — the sovereignty of local, state and even federal governments and nations. Some have termed them nothing less than "recolonization" — a way to institutionalize the flow of resources and wealth from the poor countries to the rich.

FTAs on the fast track

At the present time, the military/industrial/scientific complex is controlling the global agenda with very little resistance, and the environmental and social constituencies are off balance and not united. If people really want to preserve the environment, they must seize the national and world agenda, start making the plans and proposals and let the economic interests do the responding.

Since the latest GATT round began in 1986, negotiations have been secretly directed from the White House, without public input or comment. Opposition to free trade is even considered a threat to national security.

The President currently has the authority to "fast track" (read "railroad") the Free Trade Agreements through Congress. This means a Congressman only gets to say "Aye" or "Nay" to the agreement. No discussion. No hearings. No compromise. No modification of or amendment to the agreement.

A bill before Congress — S342 — would remove the President's authority to "fast track" FTAs through Congress and open them up for discussion. According to Michelle Syverson of the Environmental News Network, "we are still trying to get co-sponsors. We only need a simple majority."

What You Can Do

Espouse "fair trade" rather than "free trade". Call or write to your Senators, especially Senator Alan Cranston, to urge them to co-sponsor S-342, which would restore the right to amend the final GATT.

Write to President Bush (The White House, 1600 Pennsylvania Ave., D.C. 20500) and U.S. Trade Ambassador Carla A. Hills (600 17th Street, D.C. 20506), urging them to open up the GATT and the FTAs to broader representation, including environmentalists, work safety and health experts, and Third World representatives. At present, poor countries have only a few representatives to cover many complicated meetings, while the developed countries have hundreds.

Groups to Contact for More Info on GATT, Free Trade and Fair Trade

Institute for Agriculture and Trade Policy, 212 Third Avenue N #300, Minneapolis, MN 55401; (612) 339-0586.

Fair Trade Campaign, 425 Mississippi St., SF 94107; (415) 826-6314.

Environmental News Network, 1442-A Walnut Street, Suite 81, Berkeley, CA 94709. ■

2.25

GATT begins discussion on environment and trade

GENEVA: Informal consultations at the GATT on the issues of environment and trade participants reported on 15 February.

The European Free Trade Association (EFTA) countries have asked for the revival of the working group to study the exact interlinkages between environmental policies and trade policies and leading to laying down clear rules of the game for this area. (Members of the EFTA are Austria, Finland, Iceland, Norway, Sweden, Switzerland and Liechtenstein).

This request put forward at the GATT Council earlier met with opposition and reservations from many Third World countries and ultimately the Chairman of the GATT CPs, Amb. Rubens Ricupero was asked to conduct consultations. (see TWE No. 12)

The first such consultations were held on 14 February, with a large number of countries and delegates partici-

pating and expressing their views.

The discussions centered around the idea of setting up a new working group, reviving the old working group with perhaps an expanded mandated and making it open-ended and the idea of a GATT contribution to the 1992 World Conference on Environment and Development (WCED).

Third World countries with some nuances showed their considerable reserve over the issue of revival of the working group and on GATT work at this stage on environment and trade or studying 'trade-related' aspects of environment and laying down rules.

The basic concern of the Third World countries was their fears of this being used as an additional instrument against their exports that would hurt their trade and development.

The experiences of the Third World in the Uruguay Round in the areas of so-

called 'trade-related' investment measures and 'trade-related' intellectual property rights weighed heavily on most of the countries, one participant said.

While sharing these concerns, Argentina and Brazil appeared to feel that the working group could be used to provide a GATT input for the World Conference on Environment and Development to take place in 1992 at Rio de Janeiro at summit level.

The consultations were incomplete and would be pursued at a later date, perhaps in a couple of weeks, GATT sources said.

The EFTA proposals, participants said, were supported by most of the Industrial Countries and particularly Canada and the European Community.

The US too supported the idea.

But most of the Third World countries took a negative attitude, with India repeating its position, stated in the GATT Council, that it was not prepared to accept GATT tackling all subjects that might have a linkage with trade.

The Indian view was supported with varying emphasis by Asean, African countries like Nigeria and Tanzania, Jamaica, Peru and Mexico which has already filed a complaint against US for using environment arguments to ban imports of Mexican tuna products.

Some of the Third World countries like Peru and Chile spoke of the Environment/Trade issue having to be looked at from a wider perspective,

namely the foreign debt, and Third World development.

Argentina referred to the tendency to use environment issue bilaterally as a trade barrier and stressed the need for multilateral approach and understanding to prevent its being made an instrument of trade barrier.

With Brazil, Argentina seemed to think that the working group could be used to make a GATT contribution for the 1992 WCED meeting. But Argentina and Brazil agreed that beyond making the contribution, work in the GATT should wait the actions or decisions of the 1992 meeting on the wider and complex issues of environment and development.— C Raghavan/SUNS 2546

EDITORIAL/OPINION

Global Trade Turns 'Green'

By PATTI PETESCH
And STUART K. TUCKER

Environmental concerns are permeating one more corner of international diplomacy — the powerful arena of global trade policy. Unfortunately, the new nexus is simplistically being cast as "trade vs. green." Yet, applying an environmental test to trade policies may contribute to a more efficient and fair trading system. Sensitizing the global marketplace to environmental objectives also offers an unprecedented opportunity to promote more sustainable development.

Environmentalists fear that current multilateral and regional proposals for a more open international trading system will seriously erode their hard-won national environmental regulations. Indeed, 17 members of the House just sent a letter to President Bush warning that they will oppose an extension of trade negotiating authority unless such environmental protection concerns are included in the upcoming negotiations for a North America free trade agreement with Mexico and Canada.

The general counsel for the Office of the U.S. Trade Representative, Joshua Bolten, already conceded at a Washington workshop on trade and the environment that environmental factors would have to be considered in the U.S.-Mexico-Canada free trade talks. Mr. Bolten further attempted to allay environmentalists' worries by stating that, "We are not prepared in this agreement to see in any respect the U.S. environmental standards relaxed."

Trade officials preferred in the past to keep their agendas more narrowly focused on knocking down the barriers to trade. They often suggested that separate bargains be crafted for managing related problems such as labor standards, pollution controls or migration flows. In fact, environmental issues never made it onto the substantive agenda for the current round of talks on the General Agreement on Tariffs and Trade, the global organization that sets trade rules. Environmentalists only began making noises about the

current Uruguay Round of GATT talks after nearly four years of painstaking negotiations were drawing to a close.

Nevertheless, GATT Secretary General Arthur Dunkel has announced that the next round of negotiations among its 101 member governments will have to contend with the rising number of environment-related trade frictions. These in-

volve national environmental policies such as import quality standards, anti-pollution subsidies, recycling laws and export bans that many believe are being used with rising frequency to serve protectionist objectives.

Trade doctrine calls for a "level playing field," where producers from all nations compete on equal terms. The United States spearheaded efforts in the Uruguay Round to foster greater harmony among countries, especially in the abused area of agricultural subsidies but also on trade issues such as intellectual property and food safety.

When examined through an environmental lens, aspects of these proposals, which are seen as possibly leading to an erosion of environmental standards, seem troubling and merit much closer scrutiny by public officials. Still, the anti-trade posture that some environmentalists are adopting will do little to serve their objectives.

The food safety debate illustrates this dilemma. The U.S. proposal has two goals: to reduce the gray area between genuine food safety standards and not-so-genuine safety regulations that nations are using simply to block competitors' food imports; and to set up a more viable process for dispute resolution. Accordingly, the minimum standards for such things as pesticide residues on fruits and vegetables would be set by an existing scientific U.N. body known as the Codex Alimentarius Commission, and all nations would be encouraged to raise standards where necessary.

Environmentalists worry that if these rules go into effect, international pesticide standards — often lower than U.S. or state laws — would be reduced to the least common denominator. The United States, for example, could be challenged in GATT to change its import standards (or California's) and accept foods with higher levels of pes-

ticides, such as DDT, than are currently allowed under national law.

U.S. agricultural exporters contributed directly to efforts to standardize the regulations internationally. On the one hand, they want more reliable access to foreign markets; on the other hand, lower standards in other markets puts them at a competitive disadvantage. The developing countries signed on to these objectives, too. They are betting that

the benefits of more predictable markets will outweigh their added production costs when their standards must rise.

More generally, developing countries argue that massive poverty, rather than trade, is exacting the highest environmental toll.

The challenge for environmentalists lies not in resisting efforts to harmonize trade. Rather, it is to ensure that trade policies do not weaken U.S. domestic standards but instead exercise a salutary effect on international standards. First, the skilled input of environmentalists will be needed to develop criteria for adopting appropriately vigorous standards on environmental grounds rather than on protectionist grounds. Second, their continued vigilance will be required to prevent efforts to roll back the standards.

Environmentalists began sounding alarms over the potentially harmful impact of some of the Uruguay Round proposals much too late to affect the course of negotiations. Yet, other opportunities exist. Most immediately, the upcoming North American trade talks present an historic opportunity to deepen the environmental agenda. Now that environmentalists have captured the attention of trade officials, it is to their advantage to support legitimate trade liberalization efforts and to work within those negotiations toward the adoption of sound environmental standards.

Patti Petesch is an associate and Stuart K. Tucker is a fellow of the Overseas Development Council, a non-profit research organization in Washington.

INTERVIEW

■ 'The transnationals are pushing governments to the wall and saying that [they] want "more flexibility," [which means] more monopoly powers.'

■ 'All logging and all development activities in the remaining primary rain forests must be stopped.'

■ 'The small firms, the small countries, the small consumers—they are being asked to sacrifice their interests at the altar of "free trade."'

Martin Khor

Fighting to Save Rain Forests and the World Environment

By Jane Ayers

HOUSTON

Martin Khor's unpretentious and calm demeanor belie his fearful message: "The Earth is in great danger" because of deforestation, global warming and government inaction in the face of such threats. Yet in urging the industrialized nations to change the production and consumption habits that endanger the global environment, he notes, "We all have a little Imelda Marcos in us. We all have our walking shoes, our Sunday shoes, our play shoes, and tennis shoes."

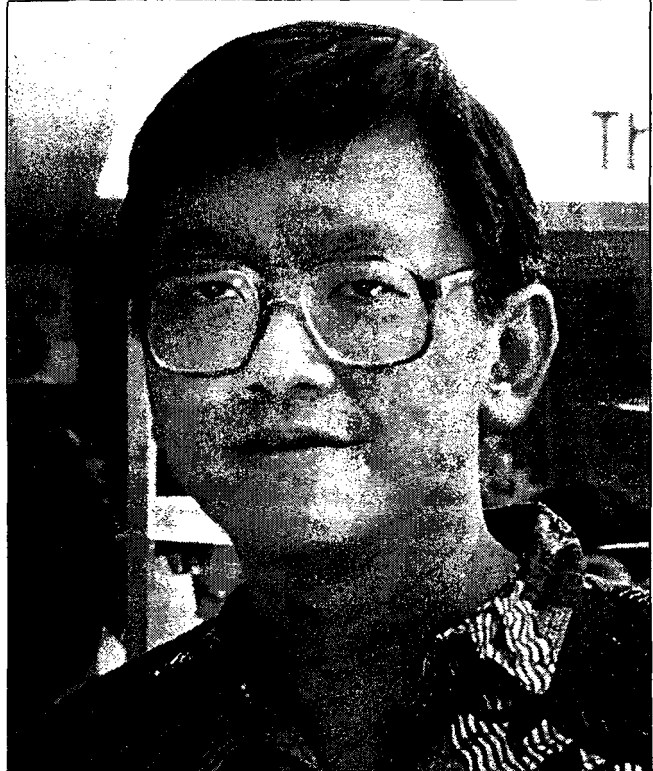
At 39, Khor is director of the World Rainforest Movement, based in Penang, Malaysia, and Third World Network, a coalition of more than 200 non-governmental organizations. Recently, he was a primary speaker at the Other Economic Summit in Houston, where he eloquently spoke on the negative implications of the General Agreement on Tariffs and Trade on the environment and the Third World.

Khor, a widely respected economist and environmentalist, was a representative and speaker at the EnviroSummit, which coincided with the summit of the seven leaders of the highly industrialized countries in Houston. The result of the meeting, attended by more than 150 international environmental groups, was a six-point plan of critical actions that world leaders must take if they are true to their environmental promises of last year in Paris. The proposals dealt with global warming, energy, ocean pollution, biodiversity protection and assistance for sustainable economic development in Third World countries.

In presenting the Third World perspective on trade, development and North-South relations, Khor, a Malaysian, eschews the "us against them" approach. Instead, he gently, but firmly, pushes for acceptance of a new standard: that "Third World peoples need to be represented because the decisions of the richer nations affect them tremendously."

In Malaysia, Khor is research director of Consumers Assn. of Penang, a nonprofit organization that fights for the rights and interests of Malaysian consumers. He is also vice president of the Friends of the Earth, which, in 1988, was awarded the Right Livelihood Award (the "alternative Nobel Prize") for its environmental work in Malaysia, especially its battle to save tropical forests, including the world's oldest, in Sarawak.

Khor is married to anthropologist Evelynne Hong, who has lived with the Kayan tribe of Sarawak. They have a 10-year-old daughter. Although he harbors a desire to be a poet, Martin's writing priority is to educate the rest of the world on the problems of the Malaysian rain forests.



ALAN FOGUE / for The Times



KATHLEEN HENDRIX / Los Angeles Times

Question: You have said that certain aspects of the General Agreement on Tariffs and Trade, currently being negotiated in Geneva, are destructive to the Third World. What do you mean?

Answer: The Uruguay Round would like to restructure GATT to magnify its powers to include such services as banking, electronics, telecommunications and insurance. . . . to become the enforcement agency for investments of companies worldwide . . . plus protector of the intellectual property rights of the transnational companies. If these proposals go through, and the industrial countries persuade the Third World countries to agree, what we are going to see is the transformation of GATT into a charter for transnational corporations. . . . What is happening at the GATT talks is that the industrial countries—representing the transnational companies' viewpoint—are saying that we must remove the regulatory powers that governments now have over the transnational companies.

Q: Are you saying that the transnationals will be not be accountable to the countries they conduct business in?

A: Yes. The small man and the small woman, the small farmers, the small firms, the small countries, the small consumers, the environmentalists—they are being asked to sacrifice their interests at the altar of "free trade," which actually means increasing the rights of the transnationals.

Q: The advocates of the GATT agreement say that it will allow freer trade among Third World countries and, in the long run, help Third World countries. Why do you disagree?

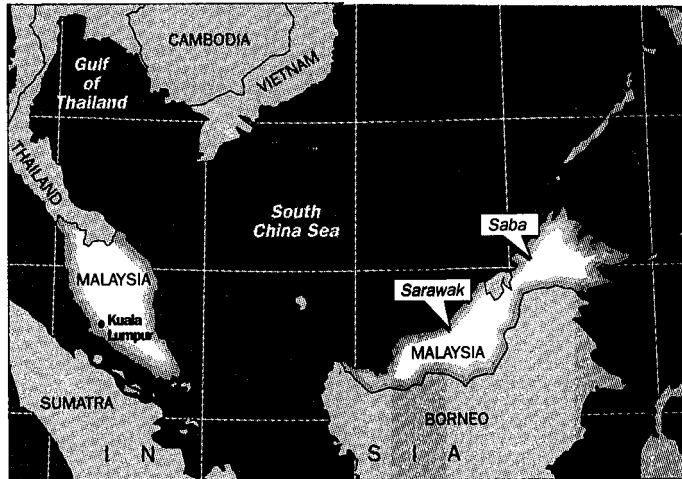
A: Of course, if trade is conducted in a fair manner, it will mutually benefit all partners. But when you have partners who are not equal—when you have one partner who is very strong and another who is very weak—then you apply the principles of free trade. A sports analogy would be to have Carl Lewis and a 3-year-old African child compete in a

race . . . without giving a handicap to the African child. That might be free trade, but it is not fair trade. Fair trade would benefit both partners only if you had a Carl Lewis running against a Ben Johnson.

What needs to be recognized is that Third World countries, because of colonial rule and so on, have very weak domestic capacities—very weak local companies—that will not be able to compete on fair terms with the transnational companies. These Third World countries must thus get certain handicaps or privileges until such time that they are

An abandoned timber road in the Sarawak rain forest in Malaysia. The provincial government refuses to stop the logging.

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PATRICIA MITCHELL/Los Angeles Times

able to compete fairly on the world market.

Q: In what way would a liberalized GATT hamper environmental efforts within the Third World countries?

A: If a government wants to stop the export of the country's very precious natural resources—tropical wood, for example—it might be accused of being against the principles of free trade. If a government would like to ban the import of toxic waste or of food considered dangerous because of excessive pesticides, it might be similarly accused. . . .

A few years ago, for example, Indonesia proposed to ban the export of rattan, an important tropical-forest product that is getting scarce. The U.S. and the European Community raised objections in GATT, saying Indonesia's action was against GATT principles and free trade. . . .

What is happening is that the transnationals are pushing governments to the wall and saying that [they] want "more flexibility" in order that "free trade" can be unhampered. . . . In reality, "flexibility" means more powers, more monopoly powers. . . . For free trade, they actually mean more freedom to operate as they want to. . . . So as the Cold War winds down. . . what we are going to see is an intensification of the competition among the multinational companies and the multinational companies with other sectors of

society such as governments, legislatures, the public, the small firms and medium-size firms.

Q: You live in Malaysia, the home of the Sarawak rain forest. It is the oldest living rain forest, with the highest concentration of plant-specie varieties. What is happening to it?

A: I think Malaysia is the largest exporter of tropical woods in the world—about 70% of the world's supply of raw logs.

We are currently facing a very severe deforestation problem. Every year, about 800,000 hectares of our forests are being depleted, the majority primary forests. So it is a very serious situation. We are looking at very serious ecological consequences—the tremendous loss of biodiversity, the pollution of the river systems, the erosion of the soil, the destruction of the forces of livelihood of half a million native people. It's really an ecological—and economic—catastrophe that is now occurring.

Q: Why is the Malaysian government allowing such massive deforestation to take place?

A: It appears the federal government is unhappy with the Sarawak rate of deforestation, especially since most of the logs are exported raw, thus earning the country minimal income. It recently an-

nounced its intentions to ban raw-log exports from Sarawak and Sabah [another Malaysian state in Borneo]. But, constitutionally, the Sarawak state government has jurisdiction over the forests, and it has resisted any logging slowdown. In fact, it has allowed logging to speed up despite native and environmental protests. Besides timber being a major state revenue earner and job generator, there are vested interests who obviously benefit from continued logging.

Q: So the issue of sovereignty is also important in the struggle against deforestation?

A: If we define sovereignty as the right of peoples to determine their own culture, their way of life, the way in which they would like to participate with and communicate with other people, these native peoples, many of whom are living in or near the forest areas, are finding that their way of life, their cultures, their livelihoods are being decimated. . . . by people coming from the outside world and removing lands and forests that have been theirs for thousands of years. Most adversely affected are the 10,000 Penan people who live in the forests. Most of them are nomads or seminomads; they have been in the forefront of a very big battle to defend the forests by setting up barricades on the roads or the trails that lead into the forests. So far, their plight is worsened. [Their action] has not managed to stop logging in any significant way. But it has made the world aware of the problems, the human problems, as well as the ecological problems, of deforestation.

Q: What do you propose the world leaders do about the alarmingly fast rate of deforestation in Malaysia's and other countries' rain forests?

A: It is very important that all logging and all development activities in the remaining primary rain forests be stopped. In secondary rain forests and in the degraded rain forests, we could have reforestation programs. We could even have tree plantations, but they must be of tree species native to the areas so that they do not disrupt the environment. . . . This [should] be done as soon as possible; otherwise, the forests will be wiped out in maybe 20 years.

For this to become practical and real, two conditions have to be met. First, the developing countries need to recognize that the Third World countries are being asked to save the forests on behalf of all humanity and not only on behalf of themselves. For this to happen, the Third World countries—I think quite fairly and justly—are asking for some kind of compensation mechanism on the ground that the developed countries have already harvested or wiped out their own primary forests and, therefore, contributed to the greenhouse effect. . . .

So if we want the tropical countries to preserve their rain forests, there has to be some kind of mechanism through which the developed countries compensate the tropical countries for preserving their forests. Once this principle is accepted—as the principle of compensating or funding the Third World for transfer of technology on reducing chlorofluorocarbons in the CFC protocol—we can work out a formula of compensation.

The second condition is that the developing countries take pressure off the forests by giving more land to the landless farmers. One of the causes of deforestation is . . . the burning of the forests by poor settlers who have no land because of the very unequal distribution of land resources in their country. Some kind of redistribution of land or the provision of land to poor farmers through land reform or other means will . . . remove pressure from the forests and still give the poor a livelihood of agriculture—but not on lands that are now planted with forests.

In other words, we have to evolve principles for sustainable development. That we have development in the Third World that is ecologically viable and, at the same time, economically satisfies the basic needs of people. It is even more important to have sustainable development in the industrialized countries, where their system of production is now no longer viable—it is already obsolete.

In the context of the survival of Earth, you have to restructure your economy, your type of development and your consumption patterns so that the race for production and the race for consumption is very much reduced. This is the key to solving the problems of the greenhouse effect, and of all the other ecological problems like toxic waste and so on. At the same time, I think the world would be a happier place to live in.

Q: Are you saying that environmental issues are tied to the trade issues to be covered in the new GATT?

A: Trade and economy issues are very integrally linked to environment issues. If, for instance, we would like to save the rain forests along the lines proposed [above] . . . It would call for strong regulations on the part of governments. This is against the principles of the Uruguay Round and the new GATT talks, which calls for minimal government participation in economic decision-making. So we have to actually make a very important decision: Is the survival of Earth and the rights of the majority of people on this Earth important?

In which case we need strong action by government to control the bad activities that are destroying the rain forests and are causing all the other problems of climatic change and toxic waste, etc. Strong governmental action to regulate companies and people who have an impact on the economy and the environment is also needed. Now, this seems to be counter to what the GATT talks are aiming to do—to remove the powers of government to regulate economic activity.

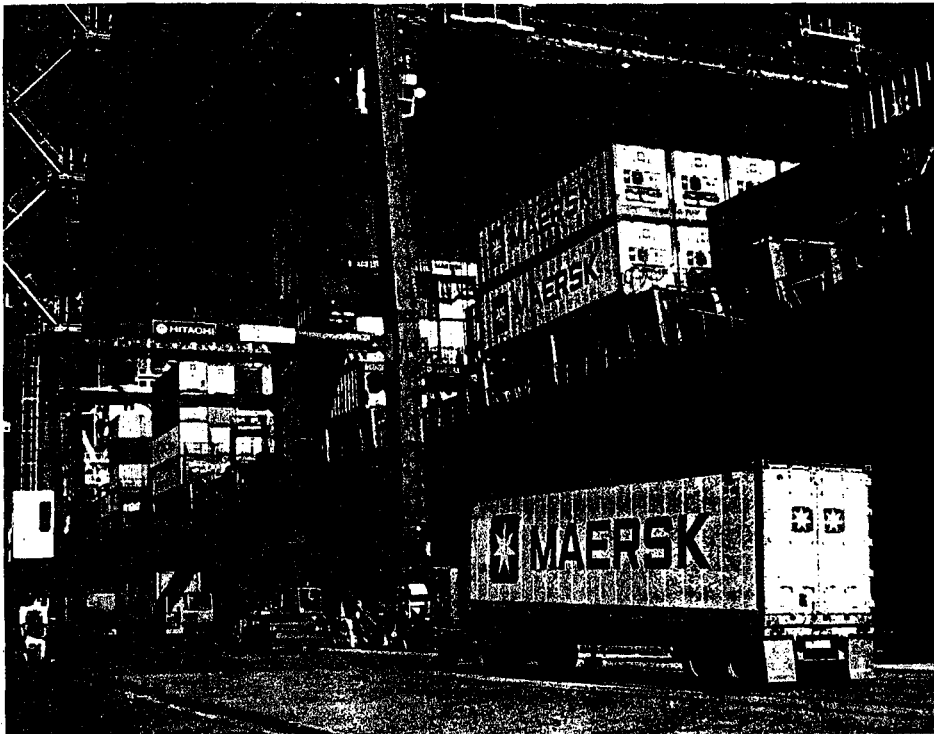
We have come to a crossroads in these last 10 years of our century. Will the environmental movement and the consciousness that we have to save the Earth—and, therefore, the right of peoples and governments to take action—win? Or will the multinationals, which are asking for more and more powers to operate in an environment in which there are minimal regulations from governments, be the trend that succeeds? . . .

These two trends are contradictory. . . . Both are very strong. One is a public trend, and one is very important for the public to make up its mind about. And for our government and legislators to be aware of them and to play a balancing role so that the right choice is made. □

Jane Ayers, a free-lance writer based in Austin, Tex., is the author of "Hearts of Charity," to be published by this fall. She interviewed Khor in Houston.

International Trade: In Search of an Environmental Conscience

by Steven Shrybman



Maryland Port Administration photo.

Trade agreements can substantially undermine national and international efforts to address ecological problems by ignoring the environmental implications of the economic forces they put into play or by deliberately subordinating environmental concerns to economic objectives. For much of the world, trade practices determine the scale and character of resource exploitation and use. This is particularly true for many developing countries where export of basic commodities and resources often represents more than 50 percent of Gross Domestic Product.

(Shrybman is Counsel for the Canadian Environmental Law Association.)

Shipping—a symbol of international trade. The Maersk shipping line, headquartered in Denmark, is a weekly visitor at Dundalk Marine Terminal in Baltimore, Maryland.

Unfortunately, these and other trade-environment linkages are poorly understood and rarely recognized. The outmoded notion persists that the economy and the environment somehow exist independently of each other.

The rules that govern most world trade are set out in the General Agreement on Tariffs and Trade (GATT), which is currently being renegotiated. Other important trade negotiations have either just concluded, like those between Canada and the United States, or are underway—between the United States and Mexico, and among the member

nations of the European Community. The results of these negotiations will greatly influence global economic activity for the 1990s, the decade that will, from an ecological perspective, be the most critical in human history.

Nowhere is the failure to integrate the environment and the economy clearer than in the GATT negotiations in which, with only limited exceptions, evaluating the environmental implications of trade proposals is not even on the table. To make matters worse, the negotiations are veiled in secrecy, and virtually no opportunity exists for public comment or debate. Since environmental organizations, in particular, are excluded from the process, trade proposals are routinely put forward without any consideration whatsoever of their potential environmental effects. The most likely outcome of such a process is trade agreements which enshrine economic principles that are often at odds with environmental objectives.

There are some bright spots on the horizon. Governments are beginning to heed calls from the Brundtland Commission and others to integrate environmental and economic policy, development, and planning.

The G-7 economic summit in July 1989, for example, placed an unprecedented emphasis on environmental issues. The final communique from Paris addressed the "urgent need to safeguard the environment for future generations" and recognized that "environmental protection is integral to issues such as trade . . ." More recently, at a meeting on sustainable development in Bergen, Norway, ministers from the Economic Commission for Europe, representing Eastern and Western European and North American countries, agreed to "accelerate . . . the dialogue on the inter-linkages between environmental and trade policies . . . to ensure that trade does not bring about harmful

environmental consequences.”

However, while the need to integrate environmental and economic planning is gaining acceptance in theory, only tentative efforts are being made to actually put the principle into practice. While governments proclaim the principles of sustainable development, many important national and international “economic” institutions remain largely unaware of or indifferent to them.

Ignoring The Environment

Having considered the overall situation, let's examine some specific examples. In the language of multilateral trade, the agenda of current negotiations is to “liberalize” international trade by reducing import and export controls and by eliminating “non-tariff trade barriers.” Let's consider each aspect of this trade agenda from an environmental point of view.

Export Controls and Sustainable Resource-Management Policies: For countries seeking to conserve non-renewable resources, the ability to control exports is often critical. Just as import controls, such as tariffs, can be used to protect local manufacturers, export limitations, such as quotas, can be used to protect indigenous resources. However, the GATT currently restricts the right of governments to control exports, and the objective of ongoing GATT talks is to further limit that right.

Not surprisingly, eliminating natural resource export controls is of considerable interest to developed countries that have co-opted the largest share of those resources and would like to ensure that such resources remain freely and cheaply available. North America, for example, which represents 6 percent of the world's population, consumes 25 percent of its energy resources. Developed nations as a whole, representing approximately 20 percent of the world's population, consume 80 percent of its natural resources.

To fully appreciate why controlling exports is critical to developing countries, it is important to note that

international trade is carried out largely by private corporations, not national governments. For example, according to a survey by the United Nations Center on Transnational Corporations:

Eighty to 90 percent of the trade in tea, coffee, cocoa, cotton, forest products, tobacco, jute, copper, iron ore, and bauxite is controlled in the case of each commodity by the three to six largest transnationals.

Transnational corporations also control “80 percent of the world's land cultivated for export-oriented crops.” In exercising this control in the developing world, they have encouraged the

Recent developments in Eastern Europe and the plight of many countries in the Third World underscore the need to reconsider current trade policies and agreements

expansion of agricultural and resource production to serve export markets, rather than the needs of local people. The impacts can be appalling. For example, the Brundtland Commission has noted that during the 1980s, when drought and hunger were taking hold in the Sahel region of Africa, five countries in the region produced record amounts of cotton.

Less apparent, but probably even more destructive over the long term, are the ecological consequences of such policies. As the Worldwatch Institute points out, the wholesale export of vital resources from countries that are not self-sufficient in food or other essential resources has often lead local peoples to over-exploit remaining resources, such as rain forests, simply to eke out the barest existence.

Import Controls and Environmental Regulation: The most familiar type of import control is the tariff, and another objective of the GATT talks is to achieve “a substantial reduction or, as appropriate, elimination of tariffs by all participants.” Eliminating import

controls is likely to undermine environmental initiatives in several ways.

To begin with, there is growing evidence that the developed world is transferring its polluting industries and wasteful “resource-management” practices to the developing world. While quantification is difficult, a study undertaken for the Brundtland Commission estimates that in 1980 developing nations would have incurred over \$14 billion in pollution-control costs had they been required to meet the prevailing U.S. environmental standards. For an industry able to export goods to the United States free from tariff restrictions, the absence of pollution-control costs can be an attractive incentive to relocate or establish new operations. This not only discourages environmental regulation in the developing world, it pressures developed countries to weaken standards, or avoid new ones, in order to keep industry at home.

The same dynamics have encouraged a flourishing trade in hazardous waste. As documented by the Worldwatch Institute, disposal costs in some developing countries are as low as \$40 for wastes that would cost as much as \$250 to \$300 to dispose of in the United States. Specific instances have been documented of hazardous enterprises associated with the asbestos, smelting, and chemical industries being transferred to developing countries. Often desperate for economic growth, these countries have simply been willing to accept risks of environmental, public, and occupational health consequences. While efforts are under way to negotiate treaties to control the trade in hazardous waste, the thrust of current policies to weaken controls runs counter to them.

Subordinating Environmental Objectives

Environmental Regulation as Non-tariff Barrier: Another way in which trade agreements can defeat environmental regulations is to attack them as non-tariff barriers. A recent decision by

the Court of Justice of the European Community illustrates how environmental programs can be forced to take a back seat to a country's trade obligations.

The case before the European Court concerned Danish laws that required all beer and soft drinks to be sold in refillable containers. As noted by the Court, Danish regulations were "highly effective" and made no distinction between beverages bottled in Denmark and those imported to the country. Nevertheless, other member states of the European Community objected, as did retail trade associations. Both complained about the costs of collecting used bottles and argued for the right to sell disposable containers.

In considering these complaints, the Court took into account the European Community treaty which imposes a duty on all member states to preserve, protect, and improve the quality of the environment. (No similar obligation exists under GATT.) It found the Danish regulations to be just such measures and accepted them as genuine and successful. However, the Court went on to find that Denmark had failed to prove that its reuse laws were "not disproportionate to achieve a legitimate aim." While Denmark could require a deposit on all beverage containers, the Court reasoned that it could not require them to be reusable.

Even though it acknowledged that no actual restraint of trade had occurred, the Court concluded that:

There has to be a balancing of interests between the free movement of goods and environmental protection, even if in achieving the balance the high standard of the protection sought has to be reduced.

This case illustrates that when environmental laws are characterized as non-tariff barriers to trade, legitimate environmental programs can be relegated to second-class status and subordinated to trade objectives. Opponents of environmental regulation now have an important new tool to challenge environmental initiatives.

The Lowest Common Denominator: The U.S. government has proposed to

harmonize certain standards under GATT so that food safety standards governing pesticide residues and food additives would have to conform to international norms. Clearly, the development of international agreements around environmental standards is desirable. However, there are reasons to suspect that the intent of the proposals is to lower environmental standards to a common denominator.

First, harmonization proposals are being promoted by those who are often outspoken critics of efforts to strengthen food safety standards in the United States and Europe. For example, the U.S. Department of Agriculture is a principle advocate for harmonization.

If trade policies continue to be advanced without regard for their environmental consequences, the result will be agreements that inhibit or defeat much-needed progress on the environment.

The department describes harmonization as an answer to regulatory initiatives that it considers unjustified, including Europe's ban on bovine-growth hormone and California's rigorous pesticide initiatives.

Second, harmonization proposals would give the responsibility for setting food-safety and environmental standards to international scientific panels. Ethical and social considerations could be ignored, and the role of elected and democratic bodies, like the U.S. Congress, would be weakened.

Finally, and perhaps most telling, the proposed harmonized standards would operate as a ceiling but not as a floor for environmental regulation. To illustrate: Any country that established food-safety standards tougher than international norms, and applied those standards to imports as well as domestic products, would risk suffering retaliatory trade sanctions; on the other hand, a country that failed to live up to international standards might lose access to certain markets but would not be subject to GATT sanctions.

New Imperatives

Recent developments in Eastern Europe and the plight of many countries in the Third World underscore the need to reconsider current trade policies and agreements and to hammer out new, equitable policies that promote sustainable patterns of development. GATT initiatives must be developed quickly to make environmental protection and sustainable resource management explicit and central themes of any new or renegotiated trade agreement.

It is not too late to inject these imperatives into current trade negotiations. While the details will need considerable work, several general principles can be identified:

- The right of all countries to determine, in good faith, their own environmental and resource policies free from the threat of trade sanctions
- The right of all countries to protect domestic producers from competition in which advantage is gained at the expense of the environment
- The need for international environmental standards to operate as a floor rather than as a ceiling: They should set a minimum level of environmental regulation that all must meet
- The need for a new approach to trade negotiations and dispute resolution that is more open, democratic, and accountable
- The imperative to thoroughly consider the environmental consequences of trade proposals before commitments are made to them.

If trade policies continue to be advanced without regard for their environmental consequences, the result will be agreements that inhibit or defeat much-needed progress on the environment. The task before us is to define the relationships between trade and the environment, and having done so, to develop trade agreements that will sustain our ecosystem, rather than destroy it. □

TRADING AWAY THE PLANET

B Y R O B E R T S C H A E F F E R

POLITICIANS AND ACTIVISTS
AROUND THE WORLD ARE
BEING KEPT IN THE DARK
ON A NEW ROUND OF
INTERNATIONAL TRADE
NEGOTIATIONS THAT COULD
SET ENVIRONMENTAL PRO
TECTION BACK 20 YEARS

MEETING IN SECRET, U.S. GOVERNMENT NEGOTIATORS are revising the rules of international trade. If they persuade the 98 members of the General Agreement on Tariffs and Trade (GATT) to adopt their radical proposals, environmental protection could suffer for years to come.

Since 1948, international trade has been governed in part by the GATT agreement. GATT is a rule book that establishes how companies in different countries should buy and sell their products. About once every five years, the world's trade ministers meet, usually at the urging of the United States, to renegotiate the rules of the agreement. For the most part, these reforms have been restricted to encouraging nations to stop placing taxes on foreign goods.

Four years ago, the world's trade ministers met at a posh seaside resort to begin the "Uruguay Round" of negotiations. This time, the United States is pushing for a bigger prize. They want the rule book to be rewritten and expanded to permit international corporations to set up shop in any corner of the world with as little government interference as possible. This means free access to natural resources with the minimum of social and environmental "strings" attached—few regulations, emissions standards or other hedges against pollution, habitat loss or exploitation of labor. Any nation that decides to impose limits on the rights of foreign companies, for environmental or social reasons, can be retaliated against for creating a "restraint on trade."

The Bush administration will present the new GATT as a more perfect realization of "free trade." Through arrangements like the recent trade agreement between Canada and the United States and the "borderless Europe" of 1992, national governments are organizing the global economy around this definition of free trade. It is a concept that meets with either blank stares or unquestioning approval from most people in the developed world. Because the news media has focussed narrowly or not at all on the implications of rewriting the rules of international business, few Americans are well-informed enough to comment.

But many scholars, environmentalists, labor and human rights activists and Third World leaders are strongly opposed to the notion of free trade as defined by corporate

interests and their allies in the U.S. government. If the United States gets its way in the Uruguay Round, they contend, much of the authority to protect the environment, food, labor and small businesses will be taken from communities, states and nations and put in the hands of government-appointed trade ministers, multinational corporations and obscure international agencies.



**"UNDER GATT RULES, THE
NATION THAT EXPLOITS
THE MOST, WHETHER IT
BE THE ENVIRONMENT
OR THE WORKER, WINS"**
—MARTIN KOME

ILLUSTRATION: KEN KRAFCHEK

IN 1981, IN RESPONSE TO A GROWING GARBAGE crisis, Denmark passed a law requiring that beer and soft drinks be sold only in returnable bottles. In 1987, the European Commission took Denmark to the European Court of Justice, arguing that the law was an unfair restraint on free trade because it imposed, in the words of the *Economist*, a "disproportionate level of envi-

WHO'S IN CHARGE HERE?

When ambitious plans to turn GATT into an international trading authority fell apart in 1948, GATT attained an unusual status as an international "agreement." While treaties require approval by two-thirds of the U.S. Senate, both houses of Congress, under special "fast-track" legislation, have just 90 days after negotiations end to either approve or sink GATT by a simple majority. Our elected officials cannot amend or modify the agreement; a simple yea or nay must suffice.

Since the Uruguay Round began in 1986, GATT negotiations have been directed from the White House in secret, and without public input or comment. Any opposition to Washington's strict carrot-and-stick trade strategy is considered a threat to national security. In 1988 Europe boycotted U.S. beef because of the high levels of hormones used to fatten the cattle. In retaliation, U.S. trade officials slapped stiff duties on a variety of European food in an effort to persuade them to abandon their concerns for human health.

When Texas Agriculture Commissioner Jim Hightower unveiled a plan to send hormone-free Texas beef to Europe, U.S. Secretary of Agriculture Clayton Yeutter publicly raised the possibility of prosecuting Hightower under the Logan Act, which prohibits "any correspondence... with any foreign government... to defeat the measures of the United States." When Mark Ritchie, a trade analyst with the Minnesota Department of Agriculture, circulated to members of Congress the Bush administration's submission to GATT about soybean subsidies, conservative columnist Warren Brookes, considered an informal spokesperson for the White House, suggested that the junior analyst "deserved to go to jail."

Despite the increasing "statelessness" of multinational corporations, U.S. trade policy is emerging as a national security issue. It is replacing the Cold War as the new "good fight," a battle that this time is being fought solely in the interests of big business. According to the *New York Times*, the super-secret National Security Agency, the U.S. government's \$10-billion-a-year international eavesdropping apparatus, has drafted a plan to shift its efforts from monitoring the Soviet Union to spying on world trade. "When trade policy becomes a U.S. national security issue," says Ritchie, "then countries that try to defend their workers or their environment become the enemy, and the people who fight for their rights here are labeled criminals or spies."

ronmental protection." This year the court backed Denmark, but only on returnable bottles. A plan to demand refillable bottles from industry was struck down as a restraint on trade.

Canada's western forests are also victims of free trade. After being pushed by the Bush administration, British Columbia ended a government-funded tree-planting program. Planting trees, the United States argued, was an "unfair subsidy" to Canada's timber industry.

This is how free trade can destroy the environment. The examples from Canada and Denmark are just the beginning of what may well become a full-scale trade war on the planet's natural resources if U.S. GATT proposals are accepted. "GATT represents an unprecedented abolition of national sovereignty on the part of nations around the world," says David Morris of the Institute for Local Self-Reliance. "Under the new GATT rules," says Martin Kohr, an analyst with the Malaysia-based Third World Network, "the country that exploits most, whether it be the environment or the worker, wins." These proposed reforms will affect all aspects of national policy. Some examples:

HEALTH STANDARDS

In recent years, California voters approved the anti-toxic Proposition 65 initiative, state legislators have passed air-quality and waste-disposal regulations that are more stringent than federal law, and European governments have adopted measures that prohibit the import of beef contaminated with artificial hormones.

U.S. negotiators are proposing to "harmonize" standards governing food safety to eliminate what they call "nontariff" barriers to trade, such as food-labeling or recycling requirements. Instead of allowing local, state or national governments to set standards, U.S. negotiators would make international standard-setting bodies, such as the U.N.'s Codex Alimentarius Commission, responsible for creating uniform global food standards.

Because this tiny agency based in Rome sets extremely low standards for some commodities, the proposal to make Codex responsible for food safety would degrade protection for consumers and the environment. Current Codex standards, for example, would allow the import of bananas containing up to 50 times

the amount of DDT permitted by the U.S. Food and Drug Administration. It would allow a 10-fold increase of DDT residues in imported carrots and potatoes, a 20-fold increase in strawberries and grapes, and a 33-fold increase in pineapple, broccoli and lettuce. Under GATT rules, if California, for example, attempted to set higher standards or restrict the import of food contaminated with pesticides now banned in the United States, foreign governments could sue the United States for establishing nontariff barriers to trade. When trade barriers come down in Europe in 1992, West Germany faces the prospect of being forced to import captan, the toxic fungicide banned by Bonn but used freely in Denmark and Great Britain.

Under the new GATT rules, U.S. efforts to label tuna as dolphin-safe, Denmark's ban on the use of polyvinylchloride food containers, British rules on labeling irradiated food, and the West German law requiring beverage containers to be recyclable could all be attacked as nontariff trade barriers by governments at the behest of corporations that consider themselves disadvantaged.

NATURAL RESOURCES

U.S. negotiators are eager to prevent countries from restricting food exports for any reason, even when they are facing food shortages at home. In addition, they want to eliminate export restrictions on natural resources, such as the raw log export bans adopted by Asian and Pacific nations to slow the destruction of rainforests. GATT rules could make it extremely difficult for countries anywhere to develop their raw materials and natural resources on a sustainable basis. Proposed GATT rules could also prevent countries from restricting the import of goods, such as hazardous wastes, simply because they apply higher environmental standards than other countries.

SUBSIDIES

U.S. negotiators want to eliminate agricultural subsidies. U.S. family farmers annually receive about \$40 billion in aid from the federal government, most of it to support commodity prices, but some of it to promote soil and water conservation. This includes land set-aside programs designed to allow the soil to recover its natural fertility. All of this would go out the

WHO ARE THESE PEOPLE?

If the U.S. GATT amendments are accepted and the U.S. Congress gives the deal its approval, private international corporations will take a big step toward gaining free access to the markets and the natural resources of the entire world. The people pushing these proposals, the Bush Administration's negotiators and trade representatives, are said to have the United State's interests in mind.

Perhaps not. The problem is that the allegiance of the multinational corporation to its "headquarters" can no longer be assumed. The world's biggest companies are in fact stateless. Roughly half of the production and sales of many major "U.S." corporations takes place overseas. Ford owns 25 percent of Mazda; General Motors, 34 percent of Isuzu and 5 percent of Suzuki; Chrysler, 25 percent of Mitsubishi. Toyota recently announced it had hired five large U.S. semi-conductor firms to develop computerized auto parts. Last year, Sony bought Columbia Pictures. "The United States does not have an automatic call on our resources," says Cyril Siewert, a vice-president at Colgate-Palmolive. "There is no mind-set that puts this country first."

So who are these people? Before Carla Hills was confirmed as U.S. Trade Representative (and therefore chief GATT negotiator) in 1989, she registered in 1985-86 as a foreign agent for Daewoo Industrial, a giant South Korean conglomerate that pled guilty in 1985 to steel-dumping charges. Daewoo hired Hills and her husband Roderick to defend it from fraud and conspiracy charges and paid their law firm \$1.3 million in fees during 1985-86.

Roderick Hills also has registered as a foreign agent for C. Itoh, a huge Japanese trading company with annual sales greater than the total domestic product of Denmark. Mr. Hills aggressively lobbied against congressional sanctions aimed at Toshiba, a C. Itoh subsidiary, for selling military technology to the Soviet Union. The Hills' daughter Laura has been a trade lawyer for a Washington firm that represents Toshiba America and Sony Corporation.

RESOURCES

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Stewart Hudson, National Wildlife Federation, 1400 16th Street, NW, Washington, DC 20036, 202-797-6800.

Chakravarthi Raghavan's *Recolonization: GATT, the Uruguay Round and the Third World*, is perhaps the best Third World perspective on GATT. Send a \$17.00 check to Environmental News Network, 1442A Walnut Street, Suite 81, Berkeley CA, 94709.

window if price supports were withdrawn and support for conservation-related farm activities were treated as "trade-distorting subsidies."

By changing GATT to prohibit government-funded agricultural programs, more land would be put to the plow. Commodity prices would fall, family farmers would be ruined, and land would be consolidated in the hands of corporate farmers. Under these conditions, ground-water contamination and soil loss would become a serious problem. The conscientious family farmer may replenish or keep soil loss at a minimum, but the corporate farmer can lose up to 35-40 tons annually.

T E C H N O L O G Y
U.S. and European negotiators want patents, trademarks and other "intellectual property rights" to be recognized internationally. While the reforms are advertised as an effort to stop bootlegging of U.S. and European products such as watches, luggage and audio recordings, the implications are considerably more far-reaching. Drugs that are produced cheaply for distribution to the poor in India would suddenly become too expensive to offer. Even worse, as corporate-controlled biotechnology advances, a poor Mexican farmer might find himself unable to afford seeds for drought-resistant tomatoes because the patent on the seeds is held by a U.S.-based chemical corporation. This despite the fact that the genetic material that established the plant's resistance to drought could well have originated in Mexico.

THE UNITED STATES IS ASKING NATIONS AROUND the world to surrender the authority to protect their environment, their workers and their small businesses in pursuit of the notion of "free trade." The unquestioned assumption of this demand is that the unfettered access of major corporations to every corner of the world will produce a host of mutual benefits.

Contemporary free traders argue that GATT is responsible for the 10-fold increase in the volume of world trade since 1950. This may or may not be true (some economists argue that the increase in international trade is more the effect than the cause of the general increase in global wealth). But it is also beside the point. Trade has expanded, but it has not made poor nations rich.

According to Giovanni Arrighi, an Italian economist who measured the Gross National Product per capita of countries around the world from 1938 to 1979, the global distribution of wealth has been rigidly stable, despite the expansion of trade. Arrighi's research found that the small number of rich countries stayed rich, the large number of impoverished countries remained poor by comparison, and a small group of intermediate-strata nations stayed where they were.

To put it simply, Guatemala was poor, and despite free trade it still is. When tariffs were averaging 40 percent in the 1940s, the United States was extremely rich. Today they average four percent, but the gulf between the world's poor countries and the United States remains as wide as it was in 1940. The only upwardly mobile countries during this period were Japan, South Korea and Taiwan. But their success, Arrighi says, had more to do with internal economic policies and a special relationship with the United States than with the effects of free trade.

Nor has free trade made the distribution of wealth *within* countries more equitable. The richest 20 percent of the population in Mexico earns 18 times the wealth of the poorest 20 percent; in Brazil 28 times as much. Opening up Third World nations to unregulated foreign investment and services, as the new GATT would do, could just make things worse.

GATT would make it difficult for any nation to protect its local businesses. Japan, for example, has long-standing protections making it possible for small shopkeepers to survive against national chains. As a result, Japan has more small shopkeepers per capita than any other industrialized nations. Under GATT, any effort to protect the small entrepreneur becomes a restraint of trade, a change that will devastate local economies in the Third World. "Pitting these enormous multinationals against the fledgling businesses in developing nations is like putting Arnold Schwarzenegger in the ring with a three-year-old," says Martin Kohr. "They will be wiped out."

It is also questionable whether the consumers in rich countries benefit from any new freedoms granted multinational corporations. Concentrating power over markets in the hands of a few leads just as often to price-gouging

monopolization as it does to trickle-down savings. In the 1980s, cocoa prices plummeted along with those of other basic Third World commodities, further impoverishing less-developed nations. But the price of a chocolate bar did not. The only thing that changed was the profit margin of the three companies that control the world cocoa market: Hershey's, Mars and Nestle.

FOR THE SAKE OF SIMPLICITY, ANY ANALYSIS OF any major international development should ask the question, "Who will benefit?" In the case of the proposals to reform GATT, it is clear that the main beneficiaries will be a collection of international corporations that have no national loyalties. At risk are the global environment and the rights of people in California, Denmark or Mexico to set policies protecting their health and their natural wealth.

Consumer advocate Ralph Nader accuses GATT "of imposing a mega-corporate view of the world. It is designed to circumvent democratic institutions and override local and state government efforts to protect consumers and the environment." As the 20th century closes, the power that corporations wield over the workings of the planet is growing. At the same time, the power of people to assert their right to decide how to husband their natural resources and control their economic future is also on the rise.

The fight over GATT is really a fight over who will write the rules of international commerce—the corporations on behalf of their profits, or the people on behalf of the environment and the needs of the individual and the community. Speaking on behalf of a coalition of environmental groups, Lynn Greenwalt of the National Wildlife Federation said, "We have come together to note, and perhaps to prevent, the passing of an era—an era when local communities had a say in how their natural resources were used, and when state and federal governments could take steps to stop the destruction of our environment. These basic rights may be sacrificed by U.S. negotiators in the name of free trade." □

Andre Carothers and Nini Sarmiento contributed to this article.

RAVAGING RESOURCES: GATT and the World's Forests

By Emily Schwartz

GENERAL AGREEMENT ON Tariffs and Trade (GATT) negotiators claim that their work does not affect the environment and that their efforts address trade matters only. The claim is false. Negotiators for major economic powers denounce environmental protection, conservation and economic development measures as "trade distortions," and want to use GATT to eliminate natural resource management programs.

Most notably, Japan has used GATT to attack national bans on the export of unprocessed timber. Indonesia, Malaysia, Brazil, Thailand and the United States have enacted bans on the export of unprocessed timber from within their borders.

The Third World countries argue export bans will enable them to develop domestic log processing industries, fostering economic development and lessening their need to overexploit natural resources.

The United States prohibits the export of raw logs from most public land, though it does not restrict tree cutting for domestic use. While touted as an environmental measure, the export ban, initiated by Senator Robert Packwood, D-Oreg., also has the potential to create domestic lumber mill jobs. In signing Packwood's bill in August 1990, Bush probably hoped to quell unemployment fears within the log processing industry arising from his earlier designation of the spotted owl as an endangered species and the decision to prohibit logging in the bird's Oregon forest habitat.

The Bush administration, however, has little regard

for the bans enacted by other countries. At hearings of the Oversight and Investigative Subcommittee of the House Energy and Commerce Committee, U.S. Trade Representative Carla Hills told Representative James Scheuer, D-NY, that she opposes bans on raw log exports enacted by developing countries in order to protect and nurture domestic logging industries because they would be "trade restricting." She added, "it's precisely the kind of thing that we have urged our trading partners to refrain from doing."

After Bush signed the Packwood bill, Japan introduced a proposal in the GATT working group on Rules and Discipline which called on GATT to declare impermissible export bans on raw logs which are not extended to processed forestry products. Japan's proposal accused "certain countries" of disguising protectionist measures as conservation initiatives.

Japan claims its objection stems from a commitment to free trade. GATT observers argue, however, that the Japanese are "not objecting in principle." Chee Yoke Ling, an attorney with the Malaysia-based Third World Network, says they only care "because this affects their market." Stewart Hudson, an international policy analyst with the National Wildlife Federation in Washington, D.C., points out that while making these claims, Japan is seeking to maintain its import ban on rice. "Japan is crying out for free trade while trying to get an agreement running exactly counter to it—for food security." Japan's rice ban cannot be squared with efforts to prevent other countries from protecting their national interests.

Simple economic self-interest seems to be underlying the Japanese objection. Masayuki Yamashita, first secre-

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tary at the Japanese embassy in the United States, says "Japan is trying to protect Japanese economic interests" in the GATT negotiations. The diplomat says the U.S. export ban threatens Japan's 17,500 saw mills, which rely on imports for 70 percent of the raw logs they process. The United States was Japan's largest log supplier; in the first half of 1990, Japan imported more than \$868 million worth of logs from the United States, according to the U.S. Department of Commerce.

Environmentalists concede that log export bans are an inadequate solution to the problem of deforestation, since they do not address the issue of domestic companies' responsibility for unrestrained tree cutting. Chee notes that overcutting has continued in Malaysia despite that country's ban. She emphasizes that only setting aside areas of national forest from logging will guarantee the forests' preservation.

But Richard Forrest, National Wildlife Federation Eastern Asian representative, who shares Chee's criticisms of raw log export bans, worries that the Japanese effort to curtail export restrictions "could undermine the few steps politicians have been willing to take to conserve

old growth" woods.

While the GATT working group on Rules and Disciplines rejected the Japanese proposal to characterize log export bans as trade discriminatory, the Packwood ban could still be reversed. Assistant U.S. Trade Representative Don Phillips says Japan "is considering taking this issue to the GATT panel in Geneva to reverse the Packwood actions."

If Japan persuades a GATT panel to reverse the U.S. ban or if new GATT provisions are adopted which would eliminate raw log export restrictions, countries' ability to manage their natural resources to protect the environment and promote national interests would be seriously eroded.

Noting that GATT will strengthen the big countries' control of weaker countries' resources, critics call it the modern-day version of gunboat diplomacy. Focusing on Japan's initiative to overturn the U.S. log export ban, Hudson asserts that "Japan wants to dismantle any protective means that countries have to protect resources. In the late twentieth century, you don't fight wars to achieve this. You fight it on an economic front at GATT." ■



Workers in Rio Branco in the Brazilian state of Acre, load Brazil nuts onto a barge for export. Making rainforest inhabitants dependent on the fickle tastes of First World consumers could be a double-edged sword. (Photo: Kit Miller)

Indigenous Peoples and the Marketing of the Rainforest

by
Andrew Gray

The marketing of "sustainably-produced" rainforest products is being touted by environment and development organizations as a key to saving the rainforests. However, as so often in the past, there is a danger that the opinions of the indigenous inhabitants of the forests will be ignored. If these people do not have control over the marketing of rainforest products, they will become dependent on outside forces over which they have no control; outside forces which will inevitably lead to the destruction both of the indigenous societies and the rainforests.

The idea of marketing rainforest products gathered by the forest's inhabitants initially appears as an ingenious blending of conservation and development. On the one hand, the forest is protected by extractive or indigenous reserves, while on the other, forest peoples can produce a sustainable income to ensure their subsistence needs and long-term survival.

The argument for encouraging marketing is as follows: Indigenous peoples are in trouble; they need cash resources to defend their lives and futures; this money can come from marketing their forest products which have been extracted sustainably from their lands. This argument emphasizes the urgency of the case. People who disagree are often termed "romantics" who want to keep indigenous peoples in some time-warped protected reserve under the supervision of paternalistic do-gooders. However those who make such accusations ignore years of experience, years of discussions on development questions and, above all, the voice of indigenous

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peoples themselves. This article concentrates on the concerns of the indigenous peoples of Amazonia, but many of the same issues apply to the other forest-dwelling peoples around the world.

Traditional Patterns of Trade

Indigenous peoples have been trading and bartering for centuries. The exchange of extracted forest resources over long distances is nothing new. The history of the Amazon has shown that chains of exchange are the most usual routes for the introduction of exotic goods. Inca-style axes in the Peruvian Madre de Dios demonstrate the likelihood of such trading taking place in Inca times when metal axes were exchanged for forest products.¹ Archaeological finds in Bolivia also show that, long before the Spanish conquest, highland peoples received medicinal plants from rainforest peoples.

Evidence from different parts of the Amazon shows indigenous peoples still looking for goods from outside. In the northwest Amazon, indigenous peoples receive trade goods by

"A common assumption is that the market is a changeless phenomenon. Indigenous peoples are presented as a unified standard community-based entity which, when plugged together with the international economy, switch on a cash flow like switching on a light."

barter which are exchanged within and between communities.² A detailed study of the spread of colonialism among indigenous peoples by Eric Wolf demonstrates clearly the inter-relationship between internal and external trading practices and how these were bound up with the spread of the colonizing frontier throughout the world.³

Indigenous Priorities

There are hardly any indigenous peoples in the Amazon who are completely isolated from the market economy and who would not like to take advantage of its resources. But rainforest marketing is a double-edged sword. As history shows, industrial society has taken forest products to make healthy profits and in return has contributed generously to the devastation and destruction of indigenous peoples throughout the world.

In spite of the importance attached to marketing rainforest products by companies in industrial societies, many indigenous peoples do not share this priority. The Co-ordinadora of the Amazon Basin (COICA), the indigenous international organization for the South American rainforest, gives priority to issues other than encouraging marketing:

"The best defence of the Amazonian biosphere is the defence of the territories recognized as homelands by indigenous peoples, and the promotion of our models for living within that biosphere and for managing its resources."⁴

The priority for indigenous peoples is to gain a secure land and resource base and to ensure that all marketing and recognition of intellectual property rights should be firmly under their control and implemented according to their ways of life.

Control of Resources

The territories of indigenous peoples are constantly under the threat of invasion. Throughout the Amazon, less than 30 per cent of the lands belonging to the nearly 500 indigenous nations are "titled", while the rainforest surrounding them is being destroyed at a rate of some 142,000 km² a year.⁵ The primary problem for indigenous peoples is the securing and defence of their land base, without which they cannot carry out their sustainable mixed economy of hunting, gathering, fishing, horticulture and other activities.

However, land in itself is not the answer. Nation states which recognize areas that are too small to provide a sustainable resource base produce pockets of poverty, like the "homelands" of South Africa, which leave indigenous peoples as a surplus pool of labour. Alternatively, dividing up territories into individual plots leads to land mortgages, debt and the destruction of culture and community, as has been clearly shown in the allotment system in the United States, in the Bolivian agrarian reform programme and in Chile under Pinochet.

Until indigenous peoples obtain recognition of their inalienable rights to their territories, any form of survival will remain precarious, and the production of surplus commodities will be unstable because of the threat of invasion, deforestation and resource depletion. Thus, to discuss marketing without discussing the control of the resources which will provide that market with goods is an inversion of sound economics. "Control" here means that indigenous peoples must be able to make free and informed decisions for themselves and also to receive the backing and technical support to create and strengthen their own indigenous organizations.

A common assumption of those who see indigenous peoples and the rainforest being saved through the market economy, is that the market is a changeless phenomenon. Indigenous peoples are presented as a unified standard community-based entity which, when plugged together with the international economy, switch on a cash flow like switching on a light. But marketing is a part of exchange activities between and within communities. It has several aspects, often co-existing, based on the extent to which the community is independent of, or integrated into, the broader industrial market economy.⁶ These features include:

- Exchange between communities of goods, such as resources found in specific areas, trade goods obtained from outside the area or other commodities;
- Local markets existing in the form of trading posts, or nearby towns, where indigenous and other forest peoples can bring their produce to a central place and sell or exchange it for other goods;
- Chains of exchange which link the indigenous community to the national and international economy. Here goods which are found naturally in the forest — such as rubber, gold, wood or other products — are sold or exchanged to middlemen or merchants who sell them to outsiders, usually at considerable profit.

When the marketing of rainforest products is discussed, it usually concerns this third aspect of the market economy. Indigenous peoples provide markets with three potential products: the surplus of their subsistence economy; products which they discover are valuable (such as gold or rubber); or their labour.⁷ In the models of marketing extractive resources, indigenous peoples provide a mixture of their labour time, subsistence goods and new products for the market.⁸

The following examples show the range of effects the market economy can have on indigenous peoples in the Amazon from the genocidal and ethnocidal to the less disruptive and potentially beneficial.

The most bitter example of the impact of the market on the Amazonian peoples came during the rubber boom of 1894 to 1914, particularly in the Upper Amazon. In order to meet the increasing demand for rubber to provide tyres for bicycles and motor vehicles, indigenous peoples were forced into slavery or debt-bondage. The most notorious and well documented ex-

ample was in the Putumayo region, now in Colombia, where the Casa Arana (a Peruvian concern which later became established as the British-based Peruvian Amazon Company) was condemned internationally for its maltreatment of the Indians.⁹ Considering the scale of the work, the environmental destruction wrought by the rubber boom was not as severe as the appalling effect on the indigenous peoples of the area, many of whom lost up to 90 per cent of their population through displacement, disease and murder.

Less intense, but by no means less destructive, has been the impact on Indians of being brought into contact with the market economy by development projects. The effects of highways in Brazil have been particularly damaging. A report referring to the Parakanan Indians, for example, states: "Since the pacification and resettlement team reported, these Indians had sold their cultural possessions to outsiders in exchange for guns and ammunition and were living off the dole of highway workers along the Trans-Amazon Highway."¹⁰ This episode is typical of many cases in Brazil and elsewhere in the Amazon.

There are examples, however, of Amazonian peoples who have managed to deal with the market economy on their own terms. According to Paul Henly, the Panare who have refused to replace their subsistence economy with cash-cropping, and instead exchange handicrafts with the local Criollos, are still able to continue with their subsistence economy.¹¹ In Peru, the Amarakaeri have developed their gold economy on a sustainable basis. By controlling their territories with recognized land titles and emphasizing their subsistence economy, they have largely escaped the devastating impact of the market economy.¹² However there have been some difficulties: the effect of buying commodities, particularly alcohol, has affected the traditional activities and prestige of the Amarakaeri women. Even where marketing appears not to be so destructive, the introduction of the cash economy can severely disrupt the community.

Examples of indigenous peoples controlling their own marketing are hard to find. In the Pichis of Peru and the Rio Negro of Brazil, indigenous peoples are looking at marketing as a process rather than as the selling of produce. They are trying to gain control of transportation, thereby cutting out the middlemen who gain so much profit. COICA believes that it is vital to establish community control of both marketing channels and transport systems. These are ideals towards which indigenous peoples are moving, but unless they have the time and space to develop these mechanisms at their own rhythm, they will be drawn into a system which will control them.

Dependency: The Root of Destruction

Markets need not necessarily destroy indigenous cultures, but they can and do. When indigenous peoples do not control the market process, they become dependent on outside bodies and lose the ability to control their own lives and futures. No matter whether their dependency is upon unscrupulous middlemen or well-meaning NGOs, the end result is the same — the destruction of indigenous cultures and society. Indeed, as one commentator has recently said: "The solution must surely lie not in surrendering further to the lure of the market, but in systematically disentangling ourselves from its clutches".¹³ This need not mean that indigenous peoples should avoid the market for ever, but rather that they should control and determine their relationship with it.

Indigenous economies are renowned for being based on the



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Indians enslaved on a Putumayo rubber estate in the early twentieth century. Tens of thousands of the indigenous inhabitants of the Upper Amazon were enslaved, tortured and murdered during the rubber boom before 1914.

principles of reciprocity and redistribution which are firmly embedded in the social and cultural relations of the people concerned.¹⁴ Production and consumption are therefore under their control.¹⁵ However, when indigenous peoples enter the market economy their subsistence orientation encounters other needs — the demands of outside interests. The effect is to take the economy out of the social control of the indigenous peoples and so greatly to transform their society.¹⁶

“Sustainability” controlled by consumer demand contains a fundamental contradiction between limiting and increasing demand. Who will have the upper hand in this conflict of interests — the consumers or the producers? Anthropological work in Africa has demonstrated that domestic production can supply social and economic subsistence needs but, as demands for profit increase, the needs of consumers lead to increasing control over indigenous labour. The resulting dependency threatens the very domestic production unit which supports the labour.¹⁷

Control of the Market Process

Clearly, marketing among indigenous peoples is not an easy matter. The Union of Indigenous Nations in Brazil have outlined the areas over which indigenous peoples must have control if they are to avoid dependency.¹⁸ They include:

- Control over the processing of products before they go to the market;
- Control over the transportation of commodities to market;
- The use of their own contacts through their national and international organizations to gain marketing outlets.

In addition to these conditions, some mention must be made of the importance of indigenous peoples’ intellectual property rights. This issue, raised particularly by Darrell Posey, is becoming increasingly important as indigenous peoples lose control of their knowledge to unscrupulous business interests who market their ideas for medicines and products for an

annual turnover of as much as \$43 billion a year.¹⁹

If indigenous peoples do not have control over these aspects of the marketing process, they will speedily find themselves dependent on the outside whims of the international market. Merchants and middlemen will syphon off the profits. Middlemen do not have to be local traders — multinational middlemen touting for trade have been a feature of oil, rubber and coca booms.

The relationships of dependency described here are directly analogous to those between the countries of the North and the South. The situation of indigenous peoples presents a microcosm of the inequalities and exploitation which takes place between nation states. Thus indigenous peoples stand to lose not only as members of nation states of the South, but also as exploited enclaves within those states.

Utilizing Resources

One of the main themes of the ‘Biodiversity Conservation Strategy’ of the World Resources Institute (WRI), and the strategies advocated by other mainstream conservation organizations, is that the resources of threatened areas should be utilized and thus given an economic value:

“Many actions that can be taken to stem the loss of biodiversity do provide short term economic benefits — say, maintaining natural forests so that wild species can be harvested for food, medicines, and industrial products or establishing protected areas so that tourists will visit.”²⁰

However, “giving a value” to the environment is not only extremely difficult, but it actively encourages new speculation in products which can be extracted from the rainforest. The Biodiversity Conservation Strategy, for example, presents the peoples of the rainforest as passive recipients of the benefits of “green capitalism”. However, there are no guidelines to provide locally controlled production methods and marketing. On the contrary, the approach is based on the needs of Northern consumers, who once again will dictate their demands and desires to the local producers. After initially taking advantage of a few limited benefits, these producers will, as in the past, find themselves dependent on the development models of outsiders.

The WRI hopes to wed “development” to biological diversity conservation. Economic utilization of biological diversity will be able to contribute to national development goals. Development is largely seen as a question of cash flows which automatically solve the problems facing indigenous peoples.

This conventional approach ignores two factors which are possibly even more important than economic questions.²¹ The first is that “sustainable development” in itself is not necessarily culturally appropriate. Prohibitions, social production patterns and cosmological questions could all affect how a community reacts to being persuaded to sell rainforest produce. Here, the experience of a community of Ashaninka rice growers in the rainforest of Peru is instructive. Part of the community decided to increase production and develop sales nationally and internationally, and they therefore turned themselves over exclusively to rice growing. This was an “economic” success, but it was achieved at the expense of community harmony and their respect for their traditions. After several major conflicts, the community threw the rice mill into the river,

"The peoples of the rainforest are presented as passive recipients of the benefits of 'green capitalism'. Once again, it will be Northern consumers who dictate the terms."

curtailed their profits and returned to making subsistence agriculture their priority.²²

The second element is the "political dimension of development". It is mistakenly believed that indigenous peoples organized in communities naturally tend to form co-operatives. Over the past ten years of working gold, the Amaraeri of south-eastern Peru have worked as communities, as clans, as extended families and even individually, choosing whatever strategy suits them best at any one time. The imposition of co-operatives from outside could be disastrous to the unity of the community, which is frequently kept together by respecting internal divisions. The other aspect of the "political dimension" is the top-down approach to development, where sustainability is but a cloak for encouraging the integration of indigenous peoples into the market economy, aided and abetted by the general public and unwitting companies.

Commercial Side-Show?

As the Yanomami die of malaria in Roraima, Brazil, the Ashaninka of Peru are emerging from years of slavery. In Venezuela, pollution of the rainforest, and in Paraguay, encroachment on indigenous lands, all show that for many of the indigenous peoples of the Amazon, marketing is not their top priority. We must not force our priorities onto them. The days when indigenous peoples' problems are solved paternalistically should be over. They are capable of facing these difficulties themselves and we should be listening to their voices. If we do not, we will turn the marketing of rainforest products into a commercial side-show as we witness the destruction of the rainforest and the extinction and assimilation of the indigenous and forest peoples who have been custodians of the diversity of species there for thousands of years.

An indigenous leader once told the story of an elephant and a duck who was sitting on her eggs. He likened the elephant to environmentalists (in this case, "green capitalists") and the duck to indigenous peoples. The duck was killed by an encroaching colonist, leaving her eggs unattended. The kind-hearted elephant decided to do his friend the duck a favour. He sat on the eggs.²³

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Part 3: GATT and the Third World

Two centuries of accelerating world trade have not evened up disparities in world living standards, but have instead exacerbated them. According to Swiss economist Paul Bairoch, per capita GNP in 1750 was approximately the same in what are now the developed countries as in the undeveloped ones. In 1930, it was about four times higher in the developed nations. Today it is eight times higher. In 1980, a minimum-wage worker in Peru needed to work 17 minutes to buy a little over two pounds of rice, a staple of the Peruvian diet. By 1985, that same laborer needed to work two hours to buy the same amount of rice.

In the mid-1970's economists in the Third World began to address imbalances in trade, pointing out that one of the main contributing factors was an unequal income distribution. Third World countries appealed to the GATT, during the Uruguay Round and requested a complete reform of the international economic system and its rules. Southern countries were not only competing with subsidized agriculture in the U.S. but were also subject to import restrictions for its textiles. These requests were, in part, prompted by the 1974 U.S. introduction of the Multifibre Arrangement to the GATT. This Multifibre Arrangement protects the textile industry of the North from competition from the South by imposing quotas on imports of textiles and clothing from these emerging new Third World industries.

In a major challenge to the business practices of the transnational corporations, the U.N. Conference on Trade and Development compiled a "Restrictive Business Practices" list of actions by these corporations. These included actions such as price fixing, excessive prices for imports, low exports prices, import and export prohibitions. Southern countries' governments pointed out that if gains from trade continued to be unequally distributed, they would be unable to compete in the global marketplace.

Surplus vs. Starvation: An initiative by the Non-Aligned Movement for a New International

Economic Order proposed that global negotiations on trade be placed on the agenda of the U.N. General Assembly special session on development in 1980. Many Southern governments were frustrated by the fact that the GATT was seemingly incapable of promoting a better worldwide distribution of food. The system of subsidies and tariffs continued to create large surpluses of wheat and dairy products in the U.S. and Europe when citizens of large Third World countries were literally starving.

But the United Nations General Assembly was unable to begin negotiations because the U.S. was opposed to U.N. jurisdiction over the International Monetary Fund and GATT. Third World leaders, in a final attempt to bring about changes in the global trading system, met with leaders of the industrialized countries in Cancun, Mexico, in 1981. The negotiations were completely stalled when President Reagan and other Western leaders refused even to begin negotiations about these North-South issues. A year later the Reagan Administration began developing plans for a complete overhaul of the GATT by formulating the current proposals to the Uruguay Round.

Third World countries had created protected internal markets with the aim of spawning local industries so they could limit their reliance on imports. They were then enticed by the United States Agency for International Development (AID) and the World Bank to abandon that course and adopt a policy of "Export-Oriented Industrialization." Cheap labor would enable them to turn out low-tech goods primarily for export. They hastily developed industries to export goods at the expense of industries that served their own people. Even the so-called economic miracles, Taiwan and South Korea, are to a large extent, merely assembly sites for multinational industries which are now moving out of these countries because workers there are demanding more pay. They are going to China, Thailand, and Indonesia where workers are desperate for any income. The average hourly wage of a textile worker in Taiwan

is \$3.65. It's 23 cents in Indonesia.

The effects of policies like Export-Oriented Industrialization made both the industry and agriculture of Southern countries dependent on foreign markets, capital, and technology. In order to be successful at export-oriented industrialization, the World Bank advised Third World countries to undertake 'structural adjustment reforms.' This included devaluing their currency to make exports cheaper, allowing the entry of foreign investors, placing a ceiling on wages, eliminating import restrictions and reducing tariff barriers on the raw materials and goods that foreign export manufacturers needed when operating within their borders.

Industrialization Debt: In spite of these structural adjustments, the world market prices for primary products such as cotton, coffee, cocoa, and copper have continued to go down even though the cost increased for machinery, trucks, capital investment of all kinds, and most manufactured goods. The South had to buy from the industrialized countries in order to engage in this Export-Oriented Industrialization. Most "structural adjustment loans" (SAL's) for projects funded by the World Bank actually require governments to purchase goods and equipment from U.S. corporations rather than from their local businesses. The amount of business "kicked-back" to the U.S. from these contracts is actually larger than the original contribution to the World Bank/IMF – funded by tax-payers – in the name of humanitarian assistance to aid international development. From 1984 to 1990, the interest payments alone on foreign debt and the net transfer of financial resources from the Third World to the industrialized countries was \$155 billion.

Accelerating Starvation: Under "free trade," poor nations are forced to open their borders to large transnational corporations. Foreign agricultural products that are produced below the cost of domestic production can be sold more cheaply than local goods. That should benefit the poorest consumers because more people will be able to buy cheaper food. However, farming provides the primary means of livelihood for the majority of people in the Third World. When a country's domestic agriculture is destroyed, small farmers are thrown off their land. They then join the ranks

of the unemployed in the slums of swelling urban centers such as Bangkok. The small farms are bought up by agribusinesses and consolidated into huge corporate farms that produce cash crops for export, not food for local people. In short, the Uruguay Round proposals will eliminate the ability of developing countries to protect their domestic agriculture, maintain food independence to feed their own people, or stabilize their local markets and communities, and will accelerate starvation in Third World countries.

Services and Investment: The expanded GATT proposals apply international trading rules to Services such as banking, insurance, telecommunications, health, education, law, and construction. In most Third World countries, the Service Sector is the last remaining economic area still under the control of their governments, and to a large extent, protected from foreign multinational corporations. Some countries limit the number, as well as the activities, of foreign banks and insurance companies in order to enable local industries to emerge. If implemented, the expanded GATT will no longer allow these protections. Multinational companies will have the right to operate in all signatory countries with total freedom. Developed nations have suggested that the new GATT rules be approved and Third World problems be dealt with later, rather than incorporating their needs into the new Agreement. Developing countries also will not be able to prevent foreign investments in toxic waste dumps, food irradiation facilities, and destructive forestry enterprises, making these enterprises even harder to monitor than they are already.

Third World service companies will not be able to compete with these large multinational corporations, and will probably be overwhelmed within a few years. A look back 200 years or so ago reveals that major industrialized countries protected their manufacturing industries in their infancy allowing them to develop into industrial giants. Now these nations label Third World efforts to protect and develop their industries as 'unfair competition.' They have offered developing countries a transition period to allow them to get their domestic laws and policies in line with the proposed new rules. Such a transition period might make sense if developing nations were

given as much time as it took developed countries to complete their industrialization – about 150 years!

Carla Hills, U.S. Trade Representative to GATT, declares, "There is no question about it. This round of GATT talks is a bold and ambitious undertaking. We want new rules governing investment. We want corporations to be able to make investments overseas without being required to take a local partner, or export a given percentage of their output, to use local parts, or to meet any of a dozen other restrictions." The U.S. wants to abolish the present exemption that allows developing countries to protect their infant industries. "They must assume responsibility," says Hills.

Ambassador Rubens Ricupero of Brazil recently described the position the Third World finds itself in: "The situation is akin to one where the cook asks the chicken, "With which sauce would you like to be eaten?" The chicken answers, "I do not want to be eaten," and the cook responds, "I rule you out of order."

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IRIEVIIIEW

19 JANUARY 1992

IMAGINE a time when seeds, plants and animals can be patented. Then, a farmer using patented seeds would not be able to re-plant from the harvest on his own fields without paying a fee to the patent holder. Similarly, a dairy farmer could find that the

As the new year moves into its second month India will draw closer to a deadline imposed by the United States to change the country's patent laws. Should India fail to comply, the U.S. could initiate 'retaliatory' action by making it difficult — or even impossible — for Indians to do

business with the Superpower.

India is under the same pressure from the western powers en bloc in the multilateral forum of GATT — which will probably put finishing touches to its new avatar this month.

A cross-section of eminent Indians of all ideological hues

believe that if India succumbs to these pressures then its Republic Day will become virtually meaningless since the country will effectively cease to be a sovereign nation. The freedom to make its own laws and policies without direction from outside is basic to a country's sovereignty.

Sovereignty At Stake?

calf born to his hybrid cow belongs to the company which sold him the animal.

What if laws which make this possible now in many western countries were suddenly to apply all over the world? The result would be a 'GATTastrophe', say a rumbling of diverse voices in India.

A GATT-what? A situation related to the General Agreement of Tariffs and Trade (GATT) and the 'Uruguay Round' which has been in the news for the last year and more. Many newspaper readers, tripping over the cluster of GATT-related acronyms — TRIPs, TRIMs, GATS — feel justifiably confused especially since much of the coverage assumes a knowledge of just what GATT is. (See box.)

Most people find it difficult to relate to warnings about a catastrophe lurking behind the round of closed door meetings at the GATT secretariat in Geneva. Recent media coverage has mainly focussed on the stalemate in negotiations due to differences between the United States and the European Community over the issue of agricultural subsidies.

But what is at stake for the Third World in all this? And why is January such a crucial month for India in particular?

The freedom to make its own laws without external interference is basic to a nation's sovereignty. But for the last few years India has been pressurised by the United States, the dominant power in the multilateral forum of GATT (General Agreement of Tariffs and Trade), to change many of its laws pertaining to patents, investments and trade-related matters. The Americans have already issued India an 'or else' ultimatum for re-framing the Indian Patent Act. Failure to comply would lead to 'retaliatory' trade action. Is this then a re-colonisation of India?

The GATT negotiations are expected to be finalised this month. Could this result in a 'GATTastrophe'?

RAJNI BAKSHI examines the issue.

To clue in to what all this means, it is essential to return to the beginning. This takes us back to the years following World War II when western powers were building the structures of international trade and commerce in a world where more and more colonies were set to win freedom. The

General Agreement on Tariffs and Trade (GATT) made in 1948 was meant to be a temporary arrangement pending the establishment of the International Trade Organisation (ITO).

The idea was to build a multilateral institution that would allow countries to settle amicably who gets what share of world trade — by determining both tariff rates and quantitative restrictions on imports and exports globally.

But in order to protect its own sovereignty the U.S. withdrew from this plan and the ITO consequently never came into being. Thus, for 44 years GATT has remained a provisional treaty — a sort of contractual agreement — which allows for successive rounds of 'agreements' on tariff rates and other trade matters but has few institutional structures. The 102 countries in GATT are known as 'contracting parties' and not 'members'.

With few exceptions, GATT

meetings are usually held behind closed doors as informal 'green room consultations'. "This makes it easier to forge and strike deals which may be against the public interest before the public is fully aware of what is happening," writes Chakravarthi Raghavan, in his book *Recolonisation: GATT, the Uruguay Round and the Third World*.

The conventional western view holds that GATT has made the world a better place to do business in by allowing a more free and fruitful flow of goods and services across the seven seas. But 'free' and 'fruitful' for whom? By and large the developed countries have managed mutually to lower their tariff rates and other trade barriers but relatively much less so in the case of exports from the Third World.

Mr Raghavan, a former editor-in-chief of PTI and now editor of the daily, *South-North Development Monitor*, argues in his book that the 'contracting parties' in GATT are equal only in theory: "In practice when the small (countries) have tried to assert themselves they have been ignored or sought to be overawed by arguments that the countries with the largest share of the world trade have more at stake in the trading system and its rules, and hence their views should prevail."

When ministers of the contracting parties in GATT met at the sea side summer holiday resort of Punta del Este, Uruguay, in September 1986, most of the Third World representatives haplessly insisted that there was no need for this eighth round of GATT negotiations. But, as usual, the south was over-ruled by the north which also proceeded to build a negotiating agenda of its choice.

So far if two or more contracting parties in GATT had a dispute it was taken before a panel and settled by consensus. The new arrangement in GATT will allow direct retaliatory action among countries. Third World countries, with little or no leverage in the international market will then be much worse off.

Julius K. Nyerere, the former Tanzanian president who once vigorously worked for a New International Economic Order

A Guide To GATT

A familiarity with the 'insiders' jargon is necessary to make one's way through the quagmire of GATT technicalities:

GATS — General Agreement on Trade in Services in its present draft demands total freedom of movement for transnational corporations in the service sector, such as banking and insurance, without putting any demands on their behaviour.

TRIPs — Trade Related Intellectual Property Rights would create a globally uniform system on patents with the burden of proof shifted to the alleged violator of a patent law. It would also allow for 'product patents' in many areas, instead of process patents which have till now prevailed in most countries. A product patent prevents others from making the same product through any other process, thus giving the patent holder an absolute monopoly. The patent periods would also be almost doubled.

TRIMs — Trade Related Investment Measures would allow the developed countries to invest freely in the Third World without any sector restrictions or controls over how much equity is retained by the nationals of that country.

favourable to the Third World, and was chairman of the South Commission, has said that after the Uruguay Round, "There will be a New International Economic Order, but it will be more iniquitous and inimical to the development aspirations and needs of the poor developing countries than the Order against which they have been protesting for so many years."

And yet the heavy interdependency of the world economy makes walking out of GATT an impossibility for individual

For America, what is at stake is its ability to remain a Superpower at a time when it is the world's most indebted nation.

countries. Instead, those who are out are trying to get into GATT.

From the American point of view what is most at stake is their future ability to remain a Superpower. The end of the Cold War and victories in the Gulf apart, things are not quite 'hunky-

dory'. With a trade deficit of over \$100 billion dollars, the United States is the world's most indebted nation. So American business needs all the help and muscle power it can get.

Therefore, in 1988 the U.S. Congress enacted a law, the Omnibus Trade and Competitiveness Act, which gives the American government powers to 'investigate' trade and investment-related laws of other countries to check if they are to the detriment of U.S. interests. If, after a 'warning' period, the investigated country refuses to change its laws then the U.S. takes retaliatory action. The February deadline for India is under Special 301, the provision of the Omnibus Act which relates to intellectual property rights, copyrights and patent laws.

Carla Hills, the U.S. Trade Representative, breezed through India last October on a mission to convince all that the changes in India's patent laws 'recommended' by the U.S. would be a panacea for solving the ills of the Indian economy. The motley group of scientists, other professionals and political activists who gathered to demonstrate against these claims by Hills, argued that "the total package of Trade Related Intellectual Property Rights (TRIPs) when applied, would be a sure recipe for economic and technological subjugation of the country".

The demonstration was organised by the National Working Group on Patent Laws, formed in 1988 by a mixture of people from the drug industry, academia and non-governmental organisations.

"As per the current suggestions in GATT, India will not be able to give any kind of subsidies for the production of oil seeds or pulses, since the international prices of these commodities are lower than the domestic prices,"

says Usha Menon, a scientist at the National Institute for Science Technology and Development. Ms Menon, who has worked extensively on the issue of how the proposed changes in the patents laws will affect India's development, has written: "Foreign control over Indian agriculture which the multinational corporations want to establish through

the forum of GATT would be stronger than what existed during the colonial period."

Those struggling to preserve the Indian Patents Act of 1970 argue that this is important not only because it balances the rights of the inventor with the wider interests of society, but that it has a commitment to promoting Indian industrialisation as well as independent development and control of knowledge and technology.

Thus the campaign to resist the 'GATTastrophe' has also attracted support from members of the science and technology establishment. Prof M.G.K. Menon, former minister of state for science and technology, has bemoaned the fact that "India is in a worse and worse position because our whole attitude to self-reliance, our sense of pride in being able to do things ourselves, which has been the dominating feature through the '60s, through the '70s and some part of the '80s, is all gone."

Over 250 members of Parliament, cutting across party lines, from the CPM to the BJP, expressed their concern in a statement to the Prime Minister in September. They cautioned against submitting to any arrangement that would allow powerful foreign interests to "use crow-bar methods with impunity in a routine manner". The new GATT framework, the statement added,

"implies that not only our national objectives of self-reliance, competitiveness and development of technological capabilities are at

The Indian Patents Act of 1970 is important not only because it balances the rights of the inventor with the wider interests of society but also promotes Indian industrialisation.

stake but even our political sovereignty will be in jeopardy".

Eminent citizens of diverse ideological hues are continuously lobbying for this view in the corridors of power at Delhi.

Then there are small groups like the Allahabad-based Lok Swaraj Abhiyan, which is campaigning through posters and public meetings to raise public awareness about the negative role played by foreign multinational companies and now the GATT

threat. Numerous trade unions and political action groups are also campaigning, largely in the context of the IMF loan and the impact of its conditionalities on the poor. The National Working Group on Patent Laws is trying to coordinate its activities with such campaigns and raise awareness on the specific dangers of GATT.

Dinesh Abrol, co-convenor of the Working Group, says there is a need for all kinds of people to get involved in the campaign. (The Working Group can be contacted at 79, Nehru Place, New Delhi-19.) "The people of this country have not been moved yet," says Mr Abrol, "but if India is going to be recolonised through the forum of GATT the people will fight back."

If the government agrees to the current GATT draft and succumbs to the American demand for altering India's Patent Act, the matter will then go before Parliament. Therefore the battle will be far from over even if the Uruguay Round is finalised this month and the government concedes to it. As Justice Krishna Iyer says, "Eventually, the government will have to realise that it owes its office to the House (Parliament) *here*, and not to the White House."

◆

Columbus, GATT and the "Post-Natural" World

"We can send from here in the name of the Holy Trinity all the slaves and Brazil wood which could be sold... we can sell 4000 slaves who will be worth, at least, 20 millions."

— Cristóbal Colón, Letter on His First Voyage

Nearly 500 years after Christopher Columbus laid claim to "The New World," President George Bush proclaimed the dawn of the "New World Order." The two events are integrally connected.

Columbus' legacy has been 500 years of colonialism and exploitation, as the market economies of the Old World mined the natural resources of the "New" to provide fortunes for the crowned heads of Europe. Half a century later, the Bush Administration's advocacy of the General Agreement on Tariffs and Trade (GATT) would perpetuate the neo-colonial view that the natural world exists primarily as a source of raw materials to be manipulated for profit.

Columbus' world, like ours, knew two extreme kinds of societies — cut-throats and caretakers. One was driven by short-term profit; the other was predicated on long-term survival. Columbus was not seeking a new world, he was simply seeking a short-cut to the spices and gold of Cathay and Cipango (China and Japan). Had Columbus landed in China, he would have engaged in trade. Because he landed in the Bahamas, he was able to engage in plunder.

In order to exploit the natural wealth of the New World, Columbus first had to destroy or enslave the native "caretaker" cultures. Independent, self-sufficient populations do not generate profits. To Columbus, the native peoples were not "freemen," but just another resource to be sold for profit or worked as slaves.

Columbus and his descendants saw to it that any life forms that could not be domesticated or hunted for profit were driven off or destroyed. Animal pelts became negotiable currency. Valuable germplasm was stolen and locked up in "seed banks." By the 19th century, most of the native wildlife in the US had been driven into forest preserves; the native peoples were forced onto reservations.

The "World According to GATT" views people not as "citizens" empowered to shape economic decisions, but rather as workers and consumers whose primary function is to provide cheap labor to turn raw material into products — products that they are then encouraged to buy. The profits accrue to the modern-day captains of industry. GATT represents colonialism in a pin-striped suit.

GATT would chart the course for the next century of industrial exploitation of the world's remaining natural resources. In the wake of GATT, genetic engineers would be set free to create a New World of lab-built, "post-natural" resources. Under GATT laws, a few powerful First World multinationals would preside over the spread of inventories of approved, patented life-forms. In such a world, any truly wild areas would vanish since any surviving regions of unpatentable biodiversity would constitute a threat to corporate control. Therefore, nature, as well as trading practices, will need to be "harmonized." The means to enforce corporate "uniformity" on nature may now be at hand.

Bio-engineering has already provided the tools for waging a covert war on the surviving natural genomes of the wild world. Monsanto has genetically engineered a tomato that is resistant to Roundup — Monsanto's chemical herbicide. The implications of this achievement are chilling. Monsanto now has the means to destroy any plant that is not the product of its own laboratories. Not even Columbus could have imagined such a world. —GS

GATT Threatens Third World Sovereignty

by Martin Khor Kok Peng

Through the General Agreement of Tariffs and Trade (GATT) talks, industrial countries are trying to pry open Third World economies to create easy access for multinational companies. The result will be an even more unequal world economic order and a new era of recolonization. As Kenya's ambassador in Geneva, Thomas Ogada, put it at a recent seminar: "We were invited to the Uruguay Round [of GATT] to participate in the carving up of the Third World."

Using the same analogy, Brazilian Ambassador Rubens Ricupero portrays the Third World as a chicken being asked by the cook: "With which sauce would you like to be eaten?" When the chicken replies it would rather not be eaten at all, the cook says: "I rule you out of order."

The outcome of the current Uruguay Round GATT negotiations will have profound implications for the future of the world economy and the global environment, for power relations between countries, and for the sovereignty and development patterns in the Third World.

What is at stake is even greater than the sovereignty of the Third World alone. The Uruguay Round decisions will affect the balance of power and democratic participation within every one of the 108 GATT signatory countries. The round is an attempt by transnational companies (TNCs) to establish international laws that would grant them unprecedented, unfettered freedoms and rights to operate at will and without fear of new competitors almost anywhere in the world.

If the proposals of the industrial countries were to win, the governments signing on to the Uruguay Round agreements would cede a large portion of their countries' sovereign rights to regulate their own economies, environment, health and even culture.

National laws of all signatories would have to be altered to make them conform with the international GATT agreements in areas as diverse as finance, equity ownership, services, intellectual property, environment, health, culture and media.

GATT vs. The Green Wave

There are now two major but contradictory trends in the world — the Green Wave and Free Trade. The "Green Wave" is the result of a rapidly growing realization by both the public and governments that the unchecked operations of companies and the economy are causing environmental and health catastrophes.

Around the world, legislatures are increasingly acting to control the destructive operations of corporations, economic projects and industrial plants. There is increasing awareness of corporate crimes (including insider trading, financial fraud, the falsification of safety tests, the knowing sale of toxic products and the illegal dumping of wastes) and the need to tighten controls to prevent such corporate abuses.

Against the Green Wave's call for more effective regulation of companies, there has emerged a powerful counter-trend that advocates the granting of unhampered freedom for "market forces" to dominate economic and other spheres of life.

Under the banner of "free market," "free trade," "deregulation," "privatization" and "liberalization," this trend calls for maximizing corporate access to resources while minimizing the role of governments to participate in economic activity or to regulate the behavior and effects of the companies. This battle for the "free market" started

Martin Khor Kok Peng, a Malaysian economist, is director of the Consumers' Association of Penang and managing editor of Third World Resurgence.

Free Trade vs Green Wave



"In the Wake of Columbus."

Graphic by Eban Fleaux

at the national level but now corporations hope to extend their economic reach to the international level under the guise of "free trade."

The chosen arena for this ambitious campaign is the GATT and the vehicle is the treaty's Uruguay Round. If the industrial countries' proposals, especially for the "new themes" of service, investment and intellectual property rights succeed, then almost the whole world's market will be open to TNCs for investments and services. Moreover, the corporations' monopoly over technology and production processes would be ensured.

TNCs Behind the Scenes

The Bush administration, which is the main proponent of the "new themes," has been working closely with US corporations. In 1982, the US government first expressed the need to apply the GATT principles to the service trade. It was motivated by the desire of US service companies to expand their markets by breaking down trade barriers, especially in the Third World.

In May, 1990, leading US companies and business organizations announced the formation of a high-powered "Multilateral Trade Negotiations (MTN) Coalition." Chaired by the former US Trade Representative William Brock, now in private business, the group includes American Express, General Motors, IBM, General Electric, Cargill, Citicorp, Procter & Gamble and other companies, as well as the US Council for International Business, American Business Conference, National Associations of Manufacturers, Coalition of Service Industries, International Investment Alliance and the Intellectual Property Committee.

At the July, 1990 Houston Economic Summit, the MTN Coalition organized a high-profile press briefing and released a summary report of an "Eminent Persons Group on World Trade." Brock said that while the summit's focus was on farm reforms, "agriculture is not the issue.... Rather it is the lynchpin to agreement on issues of greater magnitude, issues that really matter, like intellectual property protection, services, investment and subsidies."

The business lobby's effectiveness, at least where the US is concerned, was shown by the top priority that President Bush gave to the Uruguay Round at the Group of Seven Summit. US Agriculture Secretary Clayton Yeutter stressed that "a successful end to the Uruguay Round negotiations is ten times more important to the US than good relations with the Soviet Union."

The real focus of the industrial countries' agenda is to radically restructure GATT itself and immensely enlarge its powers so that it can become a "world economic policeman" to enforce new rules that maximize the unimpeded operations of TNCs.

The industrial nations hope to extend "free trade" (the absence of state interference, intervention or control) to include not only the traditional GATT area of manufactured items, but also to agricultural goods, services, investments and intellectual property rights.

This will allow TNCs to gain sweeping rights not only to export to the Third World, but also to base their operations in Third World countries, and to be treated like locally owned companies with hardly any state controls. At the same time, TNCs want to restrict the

free flow of new technologies to the Third World by imposing patent obligations and intellectual property rights requirements on Third World countries.

Thus the industrial countries' corporations will expand and extend their monopoly powers in trade and investment into all international sectors (not only in the Third World, but with the collapse of Eastern Europe and the USSR, into the formerly communist countries, as well). Simultaneously, they want to acquire monopoly rights over technology in order to prevent the emergence or development of possible competitors. The "newly industrializing countries" like South Korea or Taiwan will be kept in check while potentially powerful Third World contenders like India, Brazil or China will find it difficult to achieve an "economic take-off."

Free Trade vs Fair Trade

Between two equal partners or contenders, free trade may bring mutually satisfying, fair and equitable benefits. But if one party is far stronger than the other, the benefits are likely to be unequally shared; indeed, the weak party may not gain at all but instead suffer losses. It could well be that in the context of international "free trade," the TNCs will take control of many sectors of Third World national economies while the locally owned industries and services of the

Third World will be increasingly marginalized and prevented from developing.

To use a sports analogy, putting the Third World and the industrial countries on equal footing in "free trade" would be like putting a malnourished African child against American Carl Lewis in a 100-meter race. The rules are the same for both: they can start only when the gun is fired, they both have to run 100 meters,

and the first person to "break the tape" wins. Similarly, to insist that Third World and industrial countries alike should be subjected to the same trade rules (no tariffs, no national laws hindering foreign investments in goods or services, sharing the same patent laws) might be defined as "free trade," but would not constitute "fair trade."

What the Third World desperately needs is an international economic order that recognizes and caters to its development needs — the need to produce enough to satisfy the basic requirements of its people, the need for greater social equity, and the need for ecologically harmonious forms of development. For such an economic order to evolve, the North must recognize that it owes a great historical debt to the South for the centuries of exploitation and transfer of human, financial and natural resources.

GATT can be seen as the "TNC Empire's" grand way of striking back at the Green Wave and at the Third World's emerging demands for global economic justice.

With the present balance of forces, the TNC advocates of trade liberalization may succeed in pulling off a virtual coup through the Uruguay Round, circumventing national legislatures to secure greater freedoms and powers for themselves in international treaties. On the other hand, the supporters of an environmentally sound future that allocates a fair share of global resources to the Third World have a cause that has far more attraction and staying power.

There are two contradictory trends in the world today — environmentalism's "Green Wave" and the corporate crusade for "Free Trade"

The spread and impact of export-oriented industrialisation in the Pacific-Rim

First of two-part series

by Walden Bello

Asia's economies have been visited with two 'revolutions' over the last 25 years. One is the Green Revolution in the countryside. The other revolution is Export-Oriented Industrialisation. Both revolutions were not indigenous to the region; they were imposed from the outside by western agencies, technocrats, economists, and scientists. Both revolutions are now entering their second phase; the green revolution is now in its more dangerous, biotechnological phase; export-oriented industrialisation, which we shall hereafter call EOI, is spreading from the so-called 'tiger economies' which are primarily located in Northeast Asia - South Korea, Taiwan, Singapore and Hong Kong - to the so-called 'cubs' of Southeast Asia - Thailand, Malaysia and Indonesia.

But there is one key difference between the two revolutions: while the legitimacy of the green revolution has been eroded by visible inequities and the ecological degradation it has spawned, that of EOI remains intact. Indeed, one of the key themes of the recent IMF-World Bank conference was the celebration of the 'success' of EOI in East Asia.

THIS article begins by analysing the forces that produced this pattern of industrial growth, focusing on the role of the economic agencies of the US government, US corporations, and the World Bank in promoting EOI.

It then moves to an examination of the central role played by labour, especially female labour, in this model of development.

This is followed by a discussion of the negative impact of EOI on social equity, agriculture and urbanisation and the environment, after which we will analyse the fragile, dependent character of this mode of development.

Finally, the main feature of the latest phase of export-oriented growth in East Asia, which is the dominance of Japanese capital is considered.

Genesis of export oriented industrialisation

EOI as a pattern of industrial development had its genesis in the conjunction of two drives: Washington's effort to create a liberal world economic order marked by the free flow of commodities and capital, and intensified competition

among multinational corporations.

In the immediate post-war period, Third World countries seeking rapid industrialisation created protected internal markets with the aim of spawning local industries manufacturing local substitutes for imports. Washington, however, saw the interests of the US as being served by global free trade since US firms at that time were clearly the most efficient producers and could drive out the competition in unprotected markets. It was as part of an effort to undermine the model of 'industrialisation by import substitution' that US economists at the Agency for International Development (AID) and their colleagues at the World Bank, with the assistance of neoclassical development economists in key US universities, began to formulate the strategy of export oriented industrialisation.

To disarm Third World elites, AID and World Bank technocrats argued that industrialisation was certainly a worthy objective but that import substitution would be quickly exhausted owing to limited effective demand in countries marked by widespread poverty. Third World countries should instead employ

their reserves of plentiful and cheap labour to turn out low-tech manufactures like textiles, garments, and shoes, for export to advanced country markets where their low labour costs would give them a competitive advantage. As World Bank President Robert McNamara put it in 1975, 'special efforts must be made in many countries to turn their manufacturing enterprises from the relatively small markets associated with import substitution toward the much larger opportunities flowing from export promotion.'

To be successful at export-oriented industrialisation, the World Bank advised Third World technocrats to undertake what were referred to euphemistically as 'structural reforms.' This included devaluing the currency to make exports more competitive on the world market; allowing the entry of foreign investors who would set up export manufacturing enterprises; placing a lid on wages so as to produce cheap, competitive exports; and eliminating import restrictions and reduce tariff barriers on raw materials, capital goods, and intermediate goods needed by export manufacturers.

The World Bank-led campaign to open up Third World economies coincided, perhaps not coincidentally, with the needs of US multinational enterprises in the late sixties and early seventies. With competition intensifying among them, and between them and the Japanese, US multinationals saw the reduction of their labour costs as the key to profitability. The relatively high wages of unionised US labour were seen as the problem, and the low wages of unionised East Asian and Mexican labour provided the solution. The disparity in the cost of labour was revealed by the following figures for the early seventies: while average monthly earnings of a US worker stood at about \$1220 in 1972, workers made an average of only \$45 in Taiwan, \$68 in South Korea, \$60 in Singapore, and \$82 in Hong Kong. US multinationals then saw their opportunity as lying in the marriage of cheap Asian labour to American capital to manufacture goods for the prosperous US market.

From 1965 to 1980, US private investment abroad rose fourfold, from \$50 billion to \$214 billion.² Exports accounted for 40% of the sales of US manufacturing affiliates overseas.³ \$32 billion worth of US investment was located in the Asia-Pacific by 1988, with a significant amount

devoted to export manufacturing activities. Exports to the US market of US affiliates in the Asia-Pacific US market rose from less than 10% in 1966 to more than 25% in 1977.⁴ In all likelihood, the proportion is much higher today.

'Hollowing out' of US

The obverse of growing manufacturing investment in East Asia was the 'hollowing out' of US industry. In the effort to compete with cheap but high-quality Japanese television sets flooding the US market, American firms moved many of their operations to Mexico, Taiwan, and later Singapore in the 1960s. By the mid-seventies, although some 20% of the black-and-white receivers sold in the US were still nominally produced there, 'substantial imports of subassemblies and parts from locations in Mexico and Taiwan were incorporated into these sets.'⁵ In the case of the colour television industry, the emigration to Mexico and East Asia of key manufacturing operations resulted in the value of overseas-produced subassemblies and parts rising from 23% to more than 90% of total components used by US firms.⁶ During this period, jobs in the US television manufacturing industry fell 50% between 1966 and 1970, and by another 30% between 1971 and 1975.⁷

Promoting the 're-export' phenomenon, whereby US produced components were sent back to the US in the form of finished products assembled by cheap foreign labour was US trade policy: sections 806 and 807 of the US tariff code provided for the duty-free entry of the US components of imported manufactures, which meant that only the value added by assembly work was taxed. The value of "806/807" imports went from \$953 million in 1966 to almost \$40 billion in 1987.⁸

The competitive dynamics of the move to East Asia and Southeast Asia was evident in the fact that the relocation of many of the operations of the US television manufacturing industry to Taiwan provoked the Japanese producers to also transfer their labour-intensive operations to Taiwan and Korea to overcome the temporary American advantage in labour costs. This process of trying to undercut each other by moving to low-wage East Asian and Southeast Asian sites was paralleled by US and Japanese firms in the microchip and computer industries.

The 'East-Asia Edge,' to use a popu-

lar image, was nowhere more evident than in the greater profitability of US investment there relative to other regions. While the rate of return on US investment in 1984 was 4.3 in Europe and 7.2 in Latin America, the figure for Asia was 14.0. Among individual Asian countries, the rate of return was much higher: 21.8 for Taiwan, 34.7 for Singapore, and 41.2 for South Korea.⁹

Direct investment in East Asia was just one route by which American corporations could take advantage of the cheap labour resources of the area. Instead of investing directly, some multinationals preferred to enter into 'subcontracting' or OEM ('original equipment manufacturer') arrangements with local firms to manufacture products which would then be sold under their brand names. Taiwan, in particular, became a subcontracting center, with small Taiwanese firms producing for such US firms as K Mart, Sears, J.C. Penney, Hewlett-Packard, Texas Instruments, IBM, Schwinn Bicycle Company, and General Electric, Taiwan's biggest 'exporter.' Subcontracting became so institutionalised that one foreign executive remarked 'You really can't consider Taiwan an exporting nation. Taiwan is simply a collection of international subcontractors for the American market.'¹⁰

Investment at any cost

These ideal conditions for multinationals did not evolve naturally. They were created by governments eager to attract foreign investment at any cost. Among the more attractive investment come-ons were the so-called 'Export Processing Zones' (EPZs), such as those established in Bataan in the Philippines, Kaohsiung in Taiwan, and Masan in South Korea. Firms settling in such zones were awarded a package of incentives like the one offered by the Bataan EPZ, which included: permission for 100% foreign ownership; permission to impose a minimum wage lower than in the Manila, the capital; tax-exemption privileges, including tax credits on domestic capital equipment; tax exemptions on imported raw materials and equipment; exemption from the export tax and from municipal and provincial taxes; preferential access to Central Bank foreign exchange allocations for imports; low rents for land and water; government financing of infrastructure and factory buildings, which could then be rented out or purchased by companies at a low

price; and accelerated depreciation of fixed assets.

But perhaps the key contribution made by East Asian governments to creation of an attractive climate for foreign investors was the repressive control of the working class, which drove the wages of workers below the market value of their labour.

While labour was tightly controlled throughout East Asia, it is perhaps most useful for our purposes to focus on South Korea, since it displays in the clearest fashion the central relationship between labour repression and highspeed, export-oriented growth.

Systematic attack on labour

In the effort to systematically demobilise labor, the South Korean military government constructed three lines of containment: legal, ideological, and repressive. All three were drawn to form a nearly impenetrable mesh during the 17-year rule of Park Chung Hee regime, from 1962 to 1979.

A series of laws were passed which virtually outlawed strikes and banned independent unionism. But Korea's military rulers were sensitive to the fact that labour control based only on legal dicta or force would be highly unstable. Thus efforts were also expended to formulate and institutionalise mechanisms for the ideological containment of the workers. Perhaps the most important of these efforts was the Factory *Saemaul* (New Community) Movement, which sought to put labor on an ideological 'war footing' against the 'communist enemy' to achieve production objectives.

On the one hand, Factory *Saemaul* attempted to exploit the traditional high value placed on collectivism and patriotism to achieve economic targets set by the state and management. On the other hand, Factory *Saemaul* work teams, which operated on such principles as 'work hard without being conscious of the closing hour of work' and 'workers should behave towards employers as sons to their fathers,' were actually a means to subvert unions and, in many cases, to militarise the factory atmosphere.

But neither laws nor ideological cooptation could replace force and repression as the prime instrument for keeping the Korean working class in its place in the program of cheap labour-dependent export-oriented growth. Indeed, one of the distinctive features of

the Korean state is that the evolution of the internal security apparatus was greatly determined by the need to surveil and repress labour as part of a broader economic strategy. In Park's economic development program, noted one analyst, the Korean Central Intelligence Agency (KCIA) played a central role in separating 'the planning and implementation processes from any external political influences and controls, whereby minimising 'distortion' and 'irrationality.' It explains why the EPB (Economic Planning Board) and the intelligence agency possess a close relationship.¹¹

The KCIA labour-control programme not only infiltrating factories with hundreds of agents but also making the government-controlled union leadership an adjunct of the state. This meant, above all, having a pliable set of officers for the nationwide Federation of Korean Trade Unions and key national unions like the Chemical Workers' Union. KCIA agents attended meetings of the central committees of the national unions and regularly intervened in elections to get candidates of their choice elected. Even though close government surveillance did not necessarily ensure that every election had the appropriate outcome, it meant that no uncooperative leader could win election at the national level.

But the ferment of dissent could not be contained by intimidation and manipulation, and the Korean military technocrat alliance ultimately had to resort to the large scale imprisonment, torture, and assassination of workers in the increasingly more difficult effort to impose its strategy of development on a recalcitrant society.

Women workers on the cutting edge

Let us now turn to another key dimension in the relationship between Asian labour and EOI. The phase of export-oriented industrialisation that began in the 1960's was marked by the entry of women in large numbers into the manufacturing labour force throughout East and Southeast Asia. Export Processing Zones, in particular, were characterised by a predominantly female labor force, with the percentage of women reaching as high as 85% of the work force in Taiwan's three EPZ's.

The key reason was simple: for both

foreign investors and local subcontractors, women could be hired at wages lower than those for men. In Taiwan, for instance, during the 'take-off' years of the early seventies, the average female wage was 62% of the average male wage. Indeed, wage inequality was formalised at the Taiwan EPZ's, with the salaries of women fixed at 10% to 20% lower than the salaries of men workers doing comparable work.¹²

But there were other reasons articulated by male managers. As one personnel officer of an electronics assembly plant at Kaohsiung EPZ commented, 'This job was done by boys two or three years ago. But we found that girls do the job as well and don't make trouble like the boys. They're obedient and pay attention to orders. So our policy is to hire all girls.'¹³ Other zone managers alleged that men 'lack the manual dexterity of women, and are often a source of trouble at the factory.'¹⁴

In EPZ's, control of the female work force extended beyond the workplace. Housed in barracks - euphemistically called 'dormitories' - that reminded visitors of '19th century Manchester,' women often found their dormitory lives totally controlled. As one account of dormitory life in Korea described it, 'The dormitory functioned as a mechanism by which workers' lives at work and off work were integrated and thus, employers could maximise their control over workers. Roommate shifts were frequently undertaken so that formation of social ties was minimised.'¹⁵

With the influx of women into manufacturing industries, a system of production evolved in which a male managerial hierarchy and white-collar aristocracy lorded it over a female blue-collar work force. Indeed, aside from receiving higher wages, male blue-collar workers enjoyed more job stability, engaged less in labour-intensive operations, had more freedom from overseers' interference, and were more easily coopted by employers.¹⁶

Not surprisingly, these gender-bred differences in power and privilege at the workplace often translated into sexual harassment and sexual exploitation. As one observer of life at Kaohsiung recounted, 'every evening foremen and managers at the EPZ, along with many shopkeepers and businessmen from town...drive up to the dorms in cars and motorcycles and pick up a bored, lonely, and overworked woman for an evening

of pleasure.'¹⁷ In the late 1970s, alongside photography shops and pharmacies across the street from the women's dormitory at Kaohsiung were abortion clinics - grim reminders of what passed for social life at the EPZ.

But managers expecting docility from women sometimes were in for a rude shock. In the Philippines, women workers at the Bataan EPZ became key elements in the ferment of labour organising that helped bring down the Marcos dictatorship. In Singapore, women workers from neighboring Malaysia braved the wrath of one of the most effective labour-control regimes in Southeast Asia in May 1973 by striking against a US-owned plastics company and marching to the US Embassy with posters urging Americans to 'go home to our villages.'¹⁸ The strike leaders were quickly deported by the Lee Kuan-Yew government.

But it was in Korea that women so emphatically proved the stereotype of docility wrong. There, underpaid female workers in the textile and garments industries spearheaded the drive for labour rights with demonstrations, sit-ins, and hunger strikes. A sense of the heroic character of these struggles is communicated by the strike of women workers against the Dong-II Textile Company, which was marked by 'sit-in demonstrations, the workers' fast at Myungdong Cathedral, a demonstration by about 70 women workers who stood nude, forming a human wall in front of riot police, an attack by male workers on women workers by throwing human excrement over them, mass dismissal, and detentions.'¹⁹ Summing up labour organising in the seventies, labor expert Choi Jang-Jip claims, 'the women workers have really been the driving force not only to bestow on the nascent labour movement a dynamic character but also to actually lead it at a grass roots level.'²⁰

Economic growth and social inequality

The gross domestic product of the Asia-Pacific region grew by 6% per annum in the period from 1960 to 1982, and even more rapidly by 8% per year between 1982 and 1987.²¹ This impressive growth must, however, be balanced against the tremendous social and environmental costs it has incurred.

The repression of labour was one dimension of a broader denial of demo-

cratic rights by authoritarian or pseudo-democratic regimes in Taiwan, South Korea, the Philippines, Singapore, Indonesia, Thailand, and Malaysia. Indeed, authoritarianism was seen as the political framework best suited for EOI by many technocrats, not only in these countries but in Washington. Many of them were greatly influenced by Harvard Professor Samuel Huntington's book *Political Order in Changing Societies*, which argued that the priority in Third World countries was the creation of central authority to propel economic development, not the granting of democratic representation, which was a peculiar Western institution. In this view, the masses would be willing to trade democratic rights for the prosperity that would come with export-oriented industrialisation. Thus, Ferdinand Marcos inveighed against the so-called 'democratic deadlock' that allegedly stood in the way of national development.

In fact, in many countries, EOI was accompanied by the degradation of living standards for the majority of people. In the Philippines, which the World Bank sought to turn into Asia's next 'economic miracle' after the NICs, the number of families living under the poverty line rose from less than 50% in 1971 to 70% by 1986. Even in the model NICs ('newly industrialising countries'), Taiwan and South Korea, rapid economic growth has gone hand-in-hand with the intensification of inequality. In South Korea, during the crucial 20-year period between 1965 and 1985, the share of income going to the bottom 40% of the population declined from 19.3% to 17.7%, where the share going to the top 20% rose from 41.8% to 43.7%.²¹ In Taiwan, the share of the income going to the bottom 40% dropped from 22.6% in 1978 to 21.8% in 1986, while the top 20% raised their share from 37.1% of income to 38.2%.²²

In both Taiwan and South Korea, one of the manifestations of the increasing concentration of wealth at the top was a severe crisis of housing. In Korea, 65.2% of all private landholdings nationwide are now concentrated in the hands of 5% of the population. The other face of this phenomenon was a rise in the number of renters, squatters, and homeless from 50% of the residents of Seoul in 1970 to 60% by 1985.²⁴ In Taiwan, where five billionaires had more net wealth than 11 billionaires in Japan, home ownership was beyond the reach of an estimated 21% of the population.²⁵

In Thailand, now labelled the 'fifth Asian dragon,' after Taiwan, South Korea, Singapore, and Hong Kong, the economy grew by 8% in the late 1980s and by 10% in 1990. But as our Thai hosts have pointed out repeatedly in the last few days, this growth has been accompanied by an appalling concentration of income: the top 20% of the population increased its share of the national income from 49.8% in 1962 to 55.6% in 1986. At the same time, the bottom 20% saw its share decline from 8.0% to 4.6%.²⁶ Among the realities expressed by these statistics are rising rural poverty, with 85% of villages now facing bankruptcy, and some 800,000 women, most of them from impoverished rural areas, earning a living as prostitutes.

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The spread and impact of export-oriented industrialisation in the Pacific Rim

Part II of two-part series

by Walden Bello

Asia's economies have been visited with two 'revolutions' over the last 25 years. One is the Green Revolution in the countryside. The other revolution is Export-Oriented Industrialisation. Both revolutions were not indigenous to the region; they were imposed from the outside by Western agencies, technocrats, economists, and scientists. Both revolutions are now entering their second phase; the green revolution is now in its more dangerous, biotechnological phase; export-oriented industrialisation, which we shall hereafter call EOI, is spreading from the so-called 'tiger economies' which are primarily located in Northeast Asia - South Korea, Taiwan, Singapore and Hong Kong - to the so-called 'cubs' of Southeast Asia - Thailand, Malaysia and Indonesia.

But there is one key difference between the two revolutions: while the legitimacy of the green revolution has been eroded by visible inequities and the ecological degradation it has spawned, that of EOI remains intact. Indeed, one of the key themes of the recent IMF-World Bank conference was the celebration of the 'success' of EOI in East Asia.

This article began by analysing the forces that produced this pattern of industrial growth, focusing on the role of the economic agencies of the US government, US corporations, and the World Bank in promoting EOI. It then moved to an examination of the central role played by labour, especially female labour, in this model of development. This was followed by a discussion of the negative impact of EOI on social equity.

The article now moves to examine the negative impact of EOI on agriculture and urbanisation and on the environment, after which it analyses the fragile, dependent character of this mode of development. Finally, the main feature of the latest phase of export-oriented growth in East Asia, the dominance of Japan, is considered.

AMONG the severe costs imposed by EOI has been the erosion of the agricultural foundation of many Asia-Pacific countries. This is hardly accidental since technocrats deliberately subordinated agriculture to the interests of EOI, the main mechanism being a policy of keeping down the price of agricultural commodities in order to keep down the wage costs of urban labour. As one analyst puts it, 'low grain price policies were adopted as a mean of surplus extraction ... The state was, in effect, engaged in forming an export-oriented entrepreneurial class that was competitive in world markets. Keeping wage costs low facilitated this ... strategy.'¹

During the early phase of EOI in Korea, farm household income plunged from parity with urban household income to 67% of the latter in just five

years, 1965 to 1970. With farming becoming unprofitable, a process of uncontrolled urbanisation took place. In Korea, the percentage of the population living in rural areas dropped from 56% in 1966 to 17% in 1988. This was a precipitous drop not only in relative terms but absolutely as well, from 15.8 million people to 7.8 million. The rate of migration to the cities has been one of the highest in the world, approaching an average of 400,000 yearly in the mid-80s. The vast majority of migrants have been young men and women, and their departure has resulted in a rapidly aging agricultural work force: the portion of the agricultural work force age 50 or over shot up from 19% in the early 1980s to almost 33% by the end of 1988.

The same dislocation occurred in Taiwan, with the difference that was

perhaps more consciously a part of government strategy than in South Korea. Lee Teng-Hui, who was an agricultural technocrat before he became president of Taiwan, in fact, admitted, 'The government has intentionally held down peasants' income so as to transfer these people - who were formerly engaged in agriculture - into industries.'²

The second phase of EOI's destructive impact on agriculture was the application of green revolution technology-mechanical-intensive agriculture to raise production and lower food costs to cut down even further on the cost of workers' wages. Higher food production was achieved, but at tremendous cost to both the environment and agriculture. Over 110 species of flora and fauna disappeared owing to the indiscriminate application of fertilizers and pesticides.³ And farmers were driven into deep indebtedness by the costly inputs of chemical-intensive agriculture: the number of rural households in debt rose from 76% in 1971 to 90% in 1983 to an astounding 98% in 1985. By 1988, 17% of total farm debt was incurred to make payments on past debt. Leading one observer to note that 'farmers are trapped in a vicious cycle in which they repeatedly pull out the bottom rock and stack it atop the top rock.'⁴

Today, agriculture in Taiwan and Korea is entering what may be its terminal phase. Under pressure from the US, mechanisms protecting beef, poultry, vegetable, tobacco, and even the once-sacrosanct commodity, rice, are being dismantled to make these economies a dumping ground for American agricultural production. This is the *quid pro quo* for the US to keep its markets open to manufactured goods from Korea and Taiwan. In short, agriculture is serving, as Korean farmers complain bitterly, as the 'sacrificial lamb' for export-oriented industry.

EOI and ecological degradation

Let us now turn to one of the most alarming consequences of export-oriented economic development: the degradation of the environment. In fact, 'disaster' is now the word that comes to lips of those who survey the state of the environment in the Asia-Pacific region.

The rapid disappearance of Southeast Asia's forest stems not only from Japan's insatiable demand for timber, but also from escalating demand for forest products stimulated by local strate-

gies of high speed export-oriented industrialisation.

Widespread water pollution is another devastating by-product of EOI. In Taiwan, 20% of farmland, the government itself admits, is now polluted by industrial waste water. As a result, 30% of the rice grown on the island, says Dr. Edgar Lin, one of the island's leading environmentalists, is contaminated with heavy metals, including mercury, arsenic, and cadmium.⁵

Unregulated dumping of industrial and toxic waste has also killed rivers, damaged coastal systems, and poisoned aquifers. The lower reaches of virtually all of Taiwan's major rivers are severely polluted. Untreated sewage and industrial waste have combined to kill all of Metro Manila's water systems.

Even the Asian Wall Street Journal, one of the champions of EOI, admits that here in Thailand, Asia's fastest growing economy,⁶ pollution has already reached a crisis state. The lower part of Bangkok's Chao Praya River is seriously polluted by uncontrolled dumping of industrial and household waste. The river's upper reaches, which supply most of Bangkok's water, are increasingly affected by seepage of agricultural chemicals, and some analysts cite evidence that such chemicals have contributed to the decrease in marine life in the Gulf of Thailand.

Asia's top NIC, South Korea, has its share of environmental horror stories, but perhaps no tale is more terrifying than the experience of the 10 million people who draw their supplies from the Nakdong River, which snakes down the Taegu-Pusan metropolitan area, Korea's second most important industrial complex. In April 1991, they were told by the government that the funny smell they had noticed in their tap water was caused by the surreptitious dumping of some 325 tons of waste phenol, a highly toxic, cancer-causing chemical, by a subsidiary of Doosan, a Korean conglomerate that has joint ventures with Coca Cola, Kentucky Fried Chicken, and Nestle's. The dumping, they were also informed, had been going on for over five months.⁷

The 'Korean Miracle' has also made the sulfur dioxide content of Seoul's air one of the world's highest and caused close to 70% the rain falling on the city to be so acidic as to pose a hazard to human beings.⁸ Seoul's air pollution is not unique in being a serious health hazard; asthma cases among Taiwanese children have quadrupled over the last 10 years, and,

according to one account, 'children in Bangkok have among the highest levels of lead in their blood, largely attributable to air pollution.'⁹

Confronted with already serious environmental threats generated by high-speed growth, the peoples of Taiwan and Korea, as well as the people of Japan, also have to face the potentially massive health and environmental consequences of nuclear power plant disasters. In spite of over 190 accidents at the country's operating nuclear reactors, nuclear energy continues to be a key element in plans for future export-led growth.

Korea's technocrats continue to cherish dreams of building 55 new nuclear plants by the year 2031.¹⁰ And in Taiwan, the government continues to try to push through with plans to build a fourth nuclear plant, disregarding accidents, problems with the disposal of low-level waste, and lack of any viable plans for the longterm storage of spent fuel.¹¹

The environmental crisis in East Asia is not an accidental by-product of development or one that can be attributed to lack of foresight. In many countries, laws and regulatory bodies are in place. But technocrats are reluctant to enforce laws, for fear of chasing away local and foreign investors, many of whom set up shop in the first place to take advantage of a lax environmental regime. For many technocrats, in fact, some environmental destruction is the unavoidable price of economic growth. 'Some,' however, is a fairly elastic term. When processes of high-speed, export-oriented industrialisation telescope into a few decades transformations that took many more decades in the US and other industrial countries - then 'some' can be quite devastating. Massive ecological destabilisation, in short, is intrinsic to export-oriented industrialisation.

Dependent development

Allow me now to turn to a discussion of one of the fundamental flaws of EOI, that is its dependent character. These flaws are well illustrated in the case of the leading NICs, Korea and Taiwan.

On the one hand, the NICs are greatly dependent on one export market, the United States, which in the mid-eighties absorbed about 40% of their exports. But with protectionism sweeping the US and other advanced capitalist countries, export orientation has become a major

point of vulnerability that casts a heavy shadow on the future of these economies. In an aggressive effort to end its trade deficit with Korea and Taiwan, the US has practically carried out a trade war with them over the last four years. Not surprisingly, Taiwan in 1990 registered its lowest rate of growth since 1982, and South Korea's trade balance went back into deficit after a brief four years of surplus.

On the other hand, despite three decades of 8-10% growth rates, the NICs remain fundamentally dependent on Japan for manufacturing components and technology. Indeed, their role continues to be that of providing cheap labour to assemble imported components and technology. Korea's \$5.9 billion trade deficit with Japan in 1990 and Taiwan's \$7.9 billion deficit reveal this lopsided relationship.

Taiwan's famous 'computer industry' is actually a glorified description for a low-tech, labor-intensive mass cloning of easy-to-copy IBM models. As for Korea, its image of being a high-tech producer is belied by a few sobering realities: the bestselling Hyundai Excel may be Korea's best-known export, but its body styling is Italian in origin, its engine is designed by the Japanese firm Mitsubishi, and its transmission is both designed and manufactured by Mitsubishi. Korean color television sets may be competing toe-to-toe with Japanese products in the US, but Japanese components account for 85% of their value. Korea may be the world's fifth largest exporter of personal computers, but only the computer cabinet is actually made in the country.¹²

Korea and Taiwan, in other words, have not graduated from being assembly sites for foreign and specifically Japanese components. This is leading them to a dead end that we have termed the 'structural squeeze.' Unable to graduate to high tech production owing to their weak research and development base and the marked reluctance of the Japanese to share their advanced technology, the NICs are also being priced out of the cheap labour market by wage levels that are now significantly higher than those of other Asian countries.

Pushed up by the rising cost of living and the drying up of labor reserves, as well as by increasingly effective labour organising, the average wage in Taiwan and Korea now stands at three times that in Southeast Asia and ten times that in China. For example, the average hourly

wage of a textile operator is \$3.65 in Taiwan, \$0.68 in Thailand, and \$0.23 in Indonesia.¹³

Not surprisingly, US and Japanese manufacturers are pulling up stakes and relocating their operations to Thailand, Indonesia, and China. Even more alarming, many local entrepreneurs are following the lead of the Japanese and Americans and setting up shop in those areas. A 'hollowing out' of manufacturing like that which happened in the US and Japan, now poses a very real threat to the NICs. But unlike Japan and the US, Taiwan, Korea, and Singapore do not have a skill-intensive, high technology sector to fall back on as they become increasingly noncompetitive in labour-intensive manufacturing.

EOI is, in short, a very fragile base on which to build solid economy, being greatly dependent for its dynamism on foreign capital, foreign markets, and foreign technology. It leaves countries with only one real bargaining chip, cheap labour, and when that goes, so do foreign capital and local manufacturers.

EOI and the new East Asia co-prosperity sphere

The vulnerability of even relatively industrialised economies to the movement of fickle capital seeking ever cheaper labour leads us right to the question of who really benefits from the current phase of export-oriented industrialisation. I think that the answer is fairly clear: that in the latest phase of EOI, the region's economy is being rapidly integrated around the needs of Japan.

While US corporations were the principal source of capital in the first phase of export-oriented industrialisation from 1965 to 1980, Japanese capital became the main stimulus for second phase, which began in the mid-80s. True, the US continues to be an important economic actor, but it is the dynamism of the Japanese technoeconomic machine that is reshaping the Asia-Pacific, as is evident from the following brief survey:

- Japan is now the most active investor in the area, accounting for \$41.5 billion in direct investments as of 1989, in contrast to the U.S. figure of \$32 billion. Half of the Japanese total poured in between 1985 and 1989, reflecting the appreciation of the yen and the consequent search for cheap labour among Japan's conglomerates.¹⁴

- While the NICs were the main

destination of Japanese investment in the seventies and eighties, currently the favored sites are Indonesia, Thailand, Malaysia, and China. In these areas, new Japanese investments have outstripped US investments by large margin. In 1988, for instance, Japan poured \$586 million into Indonesia, while net US investment was a negative \$44 million; in Thailand, the Japanese invested \$859 million, while the US net investment was also negative, by \$148 million.¹⁵

- Japan is now the the region's most important trading partner. While the US remains the number one market for most economies in the region, Japan is pushing hard as an import absorber, and should outstrip the US within the next few years.

In 1989, it took in \$70.3 billion of the region's imports, compared to the \$101.3 billion absorbed by the US. On the other hand, Japan's exports to the region came to \$92.4 billion, while the US exported \$67.9 billion.¹⁶

- Japan is now the area's main source of technology, particularly high technology, though this usually means whatever non-top-of-the-line high tech it decides to share. In 1987, the value of Japan's exports of high tech to the East Asian and Southeast Asian economies was twice that of the US.¹⁷

As noted earlier, high technology is fast becoming a Japanese monopoly. Japan, in fact, now has the capacity to determine the rate of technological progress of the economies in the area, a fact that was recently underlined by its recent decision to veto the transfer to Korea of 200 ultra-modern technologies until the year 1995, when Japanese firms will have exploited their market potential.

- Japan is the main source of bilateral aid to the region, providing \$4 billion, or more than twice the US level. When it comes to specific countries, the contrast can be glaring: for instance, while the US provides \$25 million yearly in aid to Thailand, Japan doles out \$900 million. There is much truth in Harvard Professor Ezra Vogel's claim that 'Southeast Asia has largely been abandoned by the US and Europe.'¹⁸

In contrast, the bulk of Japan's grant and loan program is targeted at the Asia Pacific, for according to K. Matsuura, director general of the Foreign Ministry's Economic Bureau, 'We shouldn't simply throw money in random directions. Aid must be steered to places where it will bring long-term benefits back to its donor.'¹⁹

Surveying the scene, a US government study concludes that the debate on whether a regional trading bloc would form in response to moves toward a North American Free Trade Zone initiative or the emergence of a Western European economy is 'somewhat immaterial because a de facto trading bloc is already emerging. It is arising out of economic necessity and, barring draconian barriers, will continue to grow regardless of whether or not free trade among the various economies develops. Japan's business executives do not need free trade to operate.'²⁰

Not surprisingly, the new economic order in the Pacific has spawned updated, cosmetic versions of Japan's wartime Greater East Asia Co-Prospersity Sphere idea. Perhaps the most influential reincarnation is the 'flying geese' theory presented by former Japanese Foreign Minister Saburo Okita.

Asian regional development is presented as a 'process of consecutive takeoffs with a built-in catch up process.'

With Japan as the lead goose,²¹

the nations of the region engineer successive industrial take-off industrialisation and are soon moving on their way to higher stages of development. It is akin to a V-formation, and the relationship among the countries in the formation is neither horizontal integration nor vertical integration as they are commonly known. Rather, it is a combination of both. And because the geese that take off later are able to benefit from the forerunners' experiences to shorten the time required to catch up, they gradually transform the formation from a V-formation to eventual horizontal integration.

A less benign reading comes from the US Congressional Research Service, which claims that 'Japan's goal seems to be an integrated East and South-East Asian economy that allows advantage of differing labor costs consumption patterns, regulations, and locational advantages in manufacturing.'²²

Integration, in short, is taking place, and at a fast pace, but it is integration of a distinctly unequal sort.

The region's auto industry illustrates the dynamics of this trend. Much fanfare has accompanied the Japanese auto industry's increased investments throughout East Asia.

The investments are not, however,

of the sort that would allow the East Asian countries to develop nationally integrated auto industries. Industrial integration takes place at the regional level, but it is not regional specialisation worked out by governments to maximise benefits for the participant countries. Regional integration is driven, instead, by the efforts of Japanese corporations to cut costs and turn out price-competitive exports for the US and other regional markets.

Nissan, for instance, has propelled a regional division of labour in Southeast Asia in which Thailand produces diesel engines and molds for stamped parts; Indonesia provides mechanical parts; and Malaysia turns out clutches and electrical parts.²³

The same drive for lower costs is leading the Japanese manufacturers to buy equity in established car industries in the NICs (Taiwan and South Korea in particular) in order to incorporate the latter into their overall regional, if not global, production and marketing strategy. Hyundai, perhaps the best known automobile firm, is now 15% owned by Mitsubishi.

Both Korean and Taiwanese car makers are reoriented in a division of labor which, according to one Japanese analyst 'is not an equal division of labour as seen in the European Community countries, but a vertical one within the automobile industry as a whole.

In other words, it will mostly be 'interproduct division of labour (specialising in) low-price compact cars which have fewer parts and a higher percentage of labour in the entire process.' Perhaps unwittingly using loaded terms, the writer concludes: 'China-Taiwan aims for co-existence and co-prosperity with Japan by producing the items that are not economically suitable for Japan (to produce).'²⁴

This process of manufacturing specialisation is part of a broader process of hierarchical and functional integration around the Japanese economy that is emerging in the Asia Pacific, in which Southeast Asia, Vietnam, and China provide the cheap labour; the Soviet Union, Southeast Asia and China serve as a source of natural resources; and the NICs function as a site for selected low, medium, and high tech industries as well as mass markets.

At the center of this universe, Japan monopolises high tech development; serves as the source of capital, credit, and technological flows as well as the

main destination of profits; and steadily supplants the US as the primary market for the region. This is, in short, the Brave New Pacific Rim.

Conclusion

In conclusion, export-oriented industrialisation has brought high growth rates to East Asia, but it has also exacerbated social inequalities, promoted political repression, and devastated the environment.

Moreover, the type of industrial development EOI has spawned is fragile, being overly dependent on foreign capital, foreign markets, and foreign imports of technology. Finally, if the early phase of export-oriented industrialisation was propelled by the needs of the US economy and US corporations, currently export-oriented industrialisation is leading to the integration of the region around the needs of the Japanese economic powerhouse.

I would like to end by quoting one of the most respected leaders of Korean labour, Lee So-Sun. Playing devil's advocate, I asked her a few years ago if she was not worried that strikes for higher pay might harm the competitiveness of Korea's economy because of higher export prices. Her answer would probably be echoed by ordinary people throughout the Pacific Rim: 'The government says the economy is successful. But only a few benefit from the economy... There is nothing in it for us.'²⁵

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Free Trade Is Not Enough

Cuauhtémoc Cárdenas *As head of the PRD (Party of the Democratic Revolution), and former governor of Michoacán, Cuauhtémoc Cárdenas is the leading political opponent of President Carlos Salinas de Gortari. The following comments are adapted from a speech Cárdenas gave in Canada and from a conversation with him in Mexico City in November.*

Both the governments of Mexico and the US pretend to be embraced by a new spirit of friendship. But beyond that facade is the reality of a subordinated government which, without pride, surrenders to the economic and political demands of an embattled yet abrasive northern neighbor.

Today, by adopting the Reagan-like radical free-market policies that are so popular with international lending agencies, conservative and transnational corporations throughout the Western world, the Mexican government has found strong allies and obtained new sources of political support and funding.

Yet, the apparent opening of the Mexican economy to the rest of the world has, in fact, resulted in the Mexican people being shut in behind a wall of political intolerance, human rights abuses, electoral fraud and growing social inequality.

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which has been virtually ignored by world public opinion, infatuated with the present administration's free-market rhetoric.

In state after state throughout the country, local votes have given the Mexican electorate an opportunity to express their desire for democracy and change, only to find a stone wall of tampering, violence and repression. Indeed, at least 80 people have been assassinated since 1988 in the battle against electoral fraud.

The November 11th municipal elections in the states of Mexico and Hidalgo constitute an outrageous example of electoral fraud. Many of our supporters, an important part of our electorate, simply stayed home, discouraged or actively impeded from voting by government tactics. Though the PRI celebrated the low turnout as a major victory, it was, above all, a stunning defeat for democracy.

The Mexican government's free-trade agenda is simple and narrow: Mexico will sell its cheap labor in order to attract foreign capital, which in turn will guarantee the survival of one of the last remaining authoritarian political systems in Latin America.

Low wages, anti-democratic union practices, the disgraceful lack of environmental regulations and restrictions, unhealthy and dangerous working conditions, and unprotected consumers are proudly presented by the Mexican government as assets or "comparative advantages" in the struggle for international competitiveness. At the same time, the government disguises the way in which Mexico's real assets, particularly oil, would be sold out in the free-trade package.

Indeed, if oil is important enough for the US to send 400,000 troops to fight for in the deserts of Saudi Arabia, it is important enough for Mexico to defend with equal determination.

The PRD is categorically and irrevocably opposed to this kind of free-trade agreement. It is not in Mexico's interest, but neither will it favor the interests of the majority of the inhabitants of the US – and Canada for that matter. This is not the way to go.

We are not opposed to negotiating a continental trade and development pact with Canada and the US. But we maintain that trade must be seen as an instrument of development and that a new kind of development model must be at the core of any continental trade negotiations.

Therefore, we believe that an alternative

Economic matters cannot be separated from political questions, especially in countries where democratic norms are not fully realized.



agreement should include a social charter and be based on common standards for labor, social and environmental rights. Likewise, a continental pact of this nature would strengthen our internal struggle for democracy and propitiate a significant improvement in the situation of human rights of Mexicans in Mexico and the US, as well as the terms of political competition in Mexico. We also believe that this arrangement should guarantee the sovereign rights of each nation to develop its own natural resources, particularly oil, to meet the needs of its own people.

The PRD has a vision of the type of development and continental relationship we wish to further, and we cannot accept the argument whereby any criticism of current free-trade agreements is disqualified as being against world trends, historical currents and "modern" ideas, or that in arguing against current negotiations we are simply trying to preserve anachronistic structures.

On the contrary, we aspire to a more integrated world, and to a continental framework of development whereby scientific and technological progress is shared in order to bring social improvements.

But this kind of development can only be the product of true leadership, not of economic inertia: It must arise from democratic participation, not authoritarian imposition; it must be based on prudent, responsible timing, not electorally determined haste; it must seek to truly bring up Mexican living standards but not

at the expense of American and Canadian workers' gains.

Finally, and above all, it must not work to the detriment of Mexicans', Canadians', or Americans' dignity, environment and resources. It must not work against our common future.

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Mexico Opens Up - United States Moves In

The fence stretches as far as one can see along the line separating Mexico and the United States.

The border, which reaches over 2,000 miles from the Gulf of Mexico to the Pacific Ocean, divides two strikingly unequal nations.

Nowhere else in the world does a wealthy nation share such a lengthy border with a poor one. The fence between the two neighbors marks where the industrialized world ends and the underdeveloped third world begins.

In Mexico, the gaping holes cut through the border fence are called "puertas" or doors. These puertas provide illegal access to the wealthier society on the other side. Dashing through the openings in the fence, millions of Mexicans come to the United States in search of economic opportunities—some hoping to settle permanently, others



looking for seasonal employment, and many simply wanting to shop at U.S. supermarkets. Border Patrol agents keep watch on the U.S. side but catch only a small percentage of those who cross illegally.

Keeping the jagged holes patched over and stemming the northward flow of the poor requires the constant attention of the Border Patrol. As U.S. concerns about illegal immigration have expanded, the U.S.-Mexico border has become increasingly militarized. Helicopters, infra-red monitoring, and electronic sensors have all been brought into the border battle.

But at the same time a heightened security system is clamping down on the human migration, initiatives by the Mexican and U.S. governments are pushing open the economic doors that separate the two countries. In the name of "free trade" and

"global integration," the economies of the two neighbors are becoming increasingly linked.

Globalization: The Time is Now

Mexico and the United States are now on the fast track toward a Free Trade Agreement (FTA), which would further integrate trade and investment between the two countries, as well as with Canada. The ongoing FTA negotiations come on the heels of a free-trade accord signed in 1988 between Canada and the United States. Like the U.S.-Canada agreement, the FTA with Mexico would tear down many of the remaining economic barriers between the neighboring nations by outlawing import quotas, excessive tariffs, and restrictive investment laws. In economic

terms, international trade and capital flows would be "liberalized."

The liberalization of economic relations between the United States, Canada, and Mexico is not taking place in isolation. It is part of a worldwide integration of capital and markets. Closely paralleling the rise of the transnational corporation, economic integration or globalization is characterized by a new international division of labor and the rapid trans-border flow of capital, information, and technology.

This global economic integration undermined the socialist bloc and hastened its collapse. In the third world, multinational lenders such as the World Bank and the International Monetary Fund, together with bilateral lenders such as the U.S. Agency for International Development (AID), have led the crusade for economic integration.

Using their loans and grants as leverage, international financial institutions have forced the often reluctant nations of the third world to adapt their own development strategies to the demands of the global market. In practice, this so-called modern-

ization has meant adopting a neoliberal theory of economic development, which calls for the free flow of capital and trade. In practice, these measures promote export production and foreign investment. The neoliberal "reforms" also open up third world economies to increased imports from the industrial world, including basic foodstuffs.

The idea is that development in the third world should be based on satisfying the foreign rather than the domestic market. To carve a space for themselves in the international arena, countries must build on their comparative advantages, which are the resources that allow them to produce superior products for the lowest prices. In the case of Mexico, the country's cheap labor, natural resources, and warm climate are its main comparative advantages with respect to the United States.

Mexico Joins the Parade

Economic independence has long been a key element in Mexico's development strategy. The exploitation of the country's labor and natural resources by a partnership of foreign investors and the local criollo elite sparked the Mexican revolution. And it was the expropriation of foreign oil investments by President Lázaro Cárdenas in 1938 that set the nationalistic tone for the country's subsequent economic development plans and foreign policy.

To protect itself against the power of foreign capital and to boost domestic industry, Mexico restricted foreign investment and imports. Foreign investment, for example, was limited to 49 percent of a company's holdings, and imports that competed with locally manufactured items were strictly limited. This strategy of national development produced results. Between 1940 and 1970 Mexico enjoyed an average annual growth rate of nearly 6 percent. With the backing of a strong public sector, Mexico became a semi-industrialized country. At the

same time it was industrializing, Mexico was also able to diversify agricultural production while remaining self-sufficient in basic grains.

By the 1970s Mexico's golden age was fading. Industrialization was losing steam, and the declining per capita production of basic grains meant that the country was increasingly dependent on imports. But economic crisis was postponed due to a dramatic influx of foreign loans and increased oil revenues. In 1982, however, the crisis erupted when oil prices plummeted and Mexico found itself unable to meet its debt obligations. The beleaguered government also discovered that it could no longer find the funds to cover its expanding fiscal deficit.

Pressured by foreign lenders and the domestic business elite, the Mexican government launched a business-oriented program of structural adjustment that continues today. This neoliberal program, which began under the Miguel de la Madrid administration (1982-1988), has expanded and deepened under the present government headed by Carlos Salinas de Gortari. Its key features are trade liberalization, promotion of foreign investment, support for export production, privatization of state enterprises, and austerity measures.

The "modernization" process has won the praise of Washington, the foreign press, and the transnational business community. For his willingness to restructure the economy and open it up to international investors and traders, Salinas de Gortari is commonly regarded as a model leader in the third world.

Relations between the United States and Mexico have never been better. Debt payments are back on track, the fiscal deficit has narrowed, exports are up, and investor confidence in Mexico has soared. But there are other signs that indicate that all is not well with Mexico. Poverty is spreading, imports are increasing faster than exports, and domestic private investment is still stagnant. Instead of stabilizing, as most foreign pundits have predicted, Mexico may be on the verge of a new era of economic and political instability.

Leaving the Majority Behind

With all the foreign enthusiasm for Mexico's neoliberal reforms and economic

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integration, the deteriorating conditions suffered by the country's poor majority have been largely forgotten or ignored. Advocates of the economic modernization underway make the claim that the benefits will trickle down to the poor. But after nearly a decade of conservative reforms, socioeconomic conditions have shown a marked decline. In fact, it has been the most economically vulnerable sectors of the population that have been hardest hit by austerity measures and structural adjustment. Indicators of the increasing poverty and desperation of the Mexican people include the following:

- Since 1979 the buying power of real wages has declined by nearly 60 percent.
- The concentration of wealth accelerated in the 1980s as business owners and investors increased their share of national income from 55 percent in 1981 to 72 percent by 1989.
- The minimum wage in Mexico is \$3.70 a day, and a half of those employed are paid at or below the minimum.
- More than 50 percent of the workforce is either unemployed or underemployed.
- Because of new austerity measures, the public spending on education declined from 5.5 percent of the gross national product to 2.5 percent in 1988 (a period when per capita income was falling).
- Government spending on health has also declined as a percentage of the gross national product, dropping from 2.5 percent in 1982 to less than 1.5 percent by the end of the decade.
- Public sanitation facilities remain inadequate, with 56 percent of Mexican homes lacking drinking water supplies.
- With two-thirds of the population underfed, Mexico has become one of the most malnourished nations in Latin America, and the United Nations considers it a "high risk" country in terms of inadequate nutrition and infant mortality.

• A recent study in the state of Querétaro found that only 2 of every 10 primary and secondary school students received adequate nourishment.

• During the 1980s per capita consumption of meat fell by over 30 percent, fresh milk by 21 percent, fish by 28 percent, beans by 29 percent, and corn by 10 percent.

The Mexican government is getting high marks from Washington and the international financial community, but its commitment

Food and Land Crisis in Mexico

- Mexico's agricultural trade deficit is steadily widening, and in 1990 the country spent more than \$4.5 billion to purchase food products, mostly from the United States.

- Last year Mexico imported more than 400 pounds of food for every adult; imports accounted for 40 percent of domestic bean consumption, 25 percent of corn consumption, and 30 percent of sugar consumption.

- Two-thirds of arable land in Mexico is severely eroded, and only 25 percent of arable land is irrigable.

- Crop and livestock production increased an average of 1.3 percent per year during the 1980s, compared to 3.3 percent in the 1970s.

- Food-producing farmland dedicated to basic grains has declined from 71 percent in 1955 to 50 percent today.

- Government spending on agriculture dropped to a 20-year low in 1990, and during the 1980s declined more than 70 percent.

- In the 1980s state-bank loans channeled to agriculture dropped by 55 percent; meanwhile, guaranteed prices were eliminated for eight basic products and agricultural input prices rose by 116 percent.

to pay back the external debt and to cut social services is clearly having a devastating impact on the country's poor. Referring to the economic policy of the Salinas government, Andrew Redding of the World Policy Institute observed: "A development model that leaves a majority of the population in poverty is doomed to failure. It is simply not possible to develop a competitive economy in today's high-technology world with malnourished, sick, and undereducated human beings."

Mexico Becomes Food Dependent

State enterprises are being sold off, U.S.-Mexico trade and investment has picked up, and the business elite is ecstatic. But like Mexico's poor, the country's agricultural sector, particularly the food production system, is suffering the consequences of neoliberal modernization and free trade.

For many decades, it was the agricultural sector that provided the base for Mexico's development. Agrarian reform and govern-

ment support for grain producers guaranteed the country's food self-sufficiency. From 1940 to the mid-1960s, agricultural production enjoyed a growth rate that was double the rate of population growth, making the country self-sufficient in most basic foods. Although the country's growth rate in cereal production continued to surpass its population growth from the 1960s into the middle 1980s, Mexico was becoming ever more dependent on food imports.

If food production was increasing, why was the country becoming less self-sufficient? One factor was that basic grains for human consumption were being replaced by those produced for animal feed, the main culprit being sorghum. Corn and beans occupied a decreasing portion of the country's arable land as farmers began cultivating higher-priced grains. The booming livestock industry met the rising demand for meat from middle-class and upper-class consumers in urban Mexico as well as supplying the export market.

The second factor explaining Mexico's deepening food dependency was the

dramatic expansion of nontraditional export production for the U.S. market. As agricultural economist David Barkin has pointed out, in addition to substitution of sorghum for maize in grain production, there was a major substitution of export-oriented crops for cereals as a whole. The beneficiaries of major government irrigation projects, large growers in northwestern Mexico began producing tomatoes, melons, and strawberries for the U.S. market.

From the 1960s to the mid-1980s the volume of grain imports increased 25 times. Today, with the advent of neoliberal reforms and free-trade initiatives, food imports have been pushed to record highs and agricultural production continues to fall.

The agricultural crisis has become a financial crisis. Over the decade Mexico's agricultural exports to the United States have increased at a fast pace, but food imports have increased at a much faster pace. In 1990 the country experienced an agricultural deficit of \$1.4 billion. Major food imports last year included corn, milk, sugar, sorghum, beans, and soybeans.

As Mexico opens its borders by reducing import quotas and tariffs, small farmers are

finding that they are unable to compete with imported agricultural commodities. Ironically, among the hardest hit have been the sorghum growers. Having switched from maize production to meet the expanding internal market for livestock feed, these same

growers are now discovering that cheap sorghum from the United States is undermining their market.

Economic liberalization policies have placed Mexican growers at a serious disadvantage with respect to U.S. farmers who still enjoy substantial subsidies and government support. While government subsidies and support programs continue in the United States, domestic floor prices in Mexico for such basic grains as corn and beans dropped 40 percent during the 1980s, and the costs of fertilizer, electricity, and credit have far outpaced the rate of inflation.

This country's farm exports to Mexico also benefit from aggressive marketing programs by the U.S. Department of

Commerce. In addition, the U.S. Department of Agriculture's Commodity Credit Corporation (CCC) facilitates grain exports to Mexico with more than \$500 million in annual financing, over half of which is used for corn purchases. Most of the grains imported

into Mexico under U.S. government programs goes to feed animals and poultry.

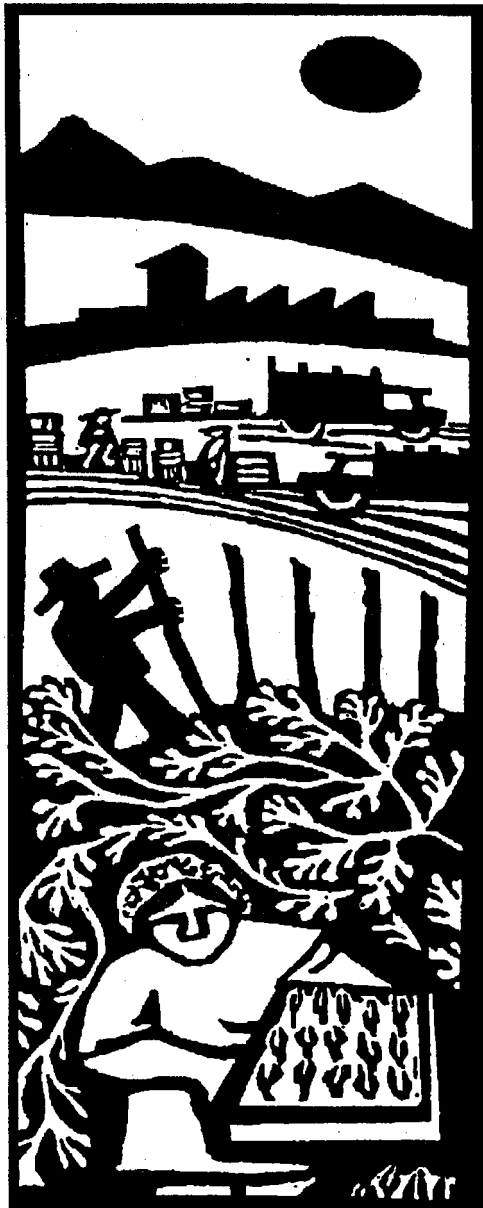
For the past several years, the U.S. government has also donated \$20 million to \$35 million a year in agricultural commodities to the Mexican government. The donated sorghum, nonfat dry milk, and wheat is then sold by the government to the private sector. The food aid supports the Salinas government while at the same time serving to expand markets for U.S. products.

In the past, the Mexican government regarded food self-sufficiency as part of the country's commitment to national sovereignty and self-determination. Although it still is rhetorically committed to national food security, the government has been abandoning the small farmers who produce most of the country's basic grains. Price supports have been reduced, credit cut off, and technical assistance has all but disappeared.

The little government assistance that is available goes mostly to export production. This policy responds to the the World Bank's admonition that the Salinas government should adopt strategies that "liberalize agriculture and that support products of commercial value instead of food crops."

Focusing its attention on export promotion, the small farmers have been left literally in the dust. Such government infrastructure support as irrigation canals and transportation facilities have been directed to the large commercial landowners who produce vegetables, fruit, and cattle for the U.S. market. Small growers, who practice dryland farming, find that they can no longer survive by producing basic grains without government credit, technical assistance, and price supports. As a result, they are leaving their eroded plots and joining the migratory flow to the cities or to the United States.

Under the new economic rules, one must compete on the international market to survive. Those who do not have the resources or ability to gain a place in the market are pushed aside. In Mexico, as in other third world countries that opted for a neoliberal development philosophy, this means that the entire peasant population—a third or more of the population in Mexico—are simply being left out of the development equation. Not only is this a human tragedy of mass proportions, but it does not make good economic sense in the long run.



If Mexico is to achieve sustainable development, it must find ways to expand the internal market and to tap the productive capacity of the rural areas and rural population. Otherwise, Mexico may soon find that it can no longer afford to pay its food import bills and that popular rebellion is brewing in the countryside. A recent article in *Business Mexico* acknowledged this point: "For Mexico to complete its maturation, rural development must become a priority; it is the weakest link."

Mexico: For Sale

Attracting new foreign investment has been a centerpiece of governing party's effort to stabilize the Mexican economy. The National Development Plan announced by the Salinas government aims to double foreign investment by the end of Salinas' term in 1994, bringing foreign investment up to 25 percent of total investment.

To make investing in Mexico more attractive, the government has liberalized its foreign investment law to allow 100 percent foreign ownership in most sectors of the economy. It has opened up the financial sector to foreign investment, and is in the process of selling off scores of state-owned corporations to private investors. Several areas of the economy, including the lucrative and highly symbolic petroleum industry, are still regarded as off limits to foreign investment. But as the free trade talks progress and as the neoliberal program of Salinas evolves, it is likely that these too will be opened to foreign investors.

The stake of foreign investors in Mexico is already considerable. Fifteen of the country's top fifty companies are branches of transnational corporations, and more than 70 of the country's top 320 are U.S. owned. Foreign investment in Mexico is dominated by the United States, whose companies hold 63 percent of the nearly \$30 billion worth of total foreign investment. The United States maintains an even larger share of Mexico's foreign trade. Approximately 70 percent of its exports go to the United States, and 70

percent of its imports come from its northern neighbor.

The other major investing countries are Great Britain, Germany, and Japan. Although the United States is expected to maintain its dominant position, Japan is rapidly increasing its investments, especially in strategic industries such as steel and oil transport. Along the border Japanese investors are also carving a place for themselves. The Sony and Sanyo maquiladoras in Tijuana make it the largest production center for television sets in the world.

The government's dramatic program of privatization and deregulation has gained the attention of foreign investors. Foreign firms are moving quickly into the country's steel, petrochemical, financial, mining, tourism, and transportation sectors. In agriculture, state-owned sugar mills, tobacco plants, and food-processing companies are up for sale. CONASUPO, the state corporation created



to protect small farmers and low-income consumers, has recently sold several food-processing plants to the Dutch-Anglo conglomerate Unilever.

During the Madrid administration, U.S. investment in Mexico doubled. It continues to increase steadily but still falls far short of what the Salinas government hoped to attract with its liberalizing measures. Much of the foreign investment entering the country is not new productive investment but comes in the form of buyouts of state corporations and debt-for-equity swaps. Although many foreign investors have already put their money down, many others are apparently waiting until the government further modifies its foreign investment law and extends its privatization program to all state enterprises, including the state oil and railroad companies. The signing of a free trade agreement this year or next will also increase the flow of foreign investment.

Maquilas and Junk Food

After the petroleum and tourism industry, the country's most important source of foreign exchange is maquiladora manufacturing. Maquilas are export-processing manufacturing plants, located largely along the U.S. border, that use U.S. inputs to assemble finished products for the U.S. and other foreign markets. There are over 1700 plants, most of them U.S.-owned, employing nearly a half million Mexicans.

Most of the largest manufacturing companies in the United States have assembly plants in Mexico, where they can save up to \$15,000 a worker in yearly wages. Whereas the monthly cost per worker in Mexico is \$120 including benefits, employers in the United States pay \$1,400 or more. To add to their profits, U.S. firms increase the number of assembly plants they operate south of the border. General Motors, the monster of maquiladoras, has 30 export-oriented plants in Mexico.

Wages are so low in Mexico that even plants in places such as Taiwan are shutting down and re-establishing their factories in Mexico.

Fast-food restaurants from the United States have mushroomed in Mexico.

Kentucky Fried Chicken (owned by Pepsi-Co), which sold more than 30 million pieces of chicken last year in Mexico, is now found in 52 locations. The owner of a new Arby's outlet, the latest fast-food chain to move to Mexico, says that U.S. fast-food franchises are the wave of the future. An exaggeration perhaps, but he has statistics on his side. A recent survey found that while 82 percent of U.S. fast-food franchises are successful, only 14 percent of new independent restaurants survive.

Franchises are also common in the tourism industry, the country's second largest source of foreign exchange. Wyatt, Stouffer, and Sheraton are the prestigious names in hotelery in Mexico. Recent changes in the investment law now permit U.S. firms to retain 100 percent ownership in the tourism industry and to invest in coastal properties. Hilton, which had left Mexico because of its restrictive investment

regulations, has returned to the country and is planning a major tourism complex in Cancún.

PepsiCo's recent purchase of Gamesa, the country's largest producer of crackers and cookies, stunned many Mexicans and has become a symbol of the ongoing foreign buyout of Mexican industry. Gamesa has been integrated into PepsiCo's food division, Sabritas, which produces the ubiquitous salty food snacks consumed by millions of Mexicans. With its purchase of Gamesa, PepsiCo dominates the junk food business in Mexico.

Not only the junk-food business is in the hands of foreign firms. Virtually the entire food-processing business is controlled by transnational corporations. Nestlé, the largest food company in Mexico, produces the packaged food and drinks that Mexicans increasingly consume, along with such other familiar companies as Continental Foods, Beatrice, and Unilever. Of concern is not just that foreign firms control this important industry but also that these transnationals are importing the costly eating habits of the industrialized world into this poor and malnourished nation.

As trade become more liberalized, domestic industries are threatened with extinction. One recent survey revealed that only 6,500 of the country's more than 100,000 manufacturers were equipped to compete with their foreign competitors. Many of these noncompetitive industries will collapse in the face of increased foreign trade and investment.

Whereas Mexico is losing local industries to stepped-up foreign trade and investment, the United States is losing both industries and jobs. Many U.S. factories have shut down their plants across the Rust Belt and gone to Mexico to take advantage of the cheap labor. Among the companies that have transferred operations to Mexico include Lit-

ton Industries, Westinghouse, Sunbeam, Rockwell, and Xerox.

And it is not just the manufacturing industry that is moving south. For many years, such U.S. agribusinesses as Del Monte, Anderson Clayton, and Bird's Eye have controlled the export production fruit and vegetable production in northern Mexico. Recently, however, these same firms and others like Green Giant have extended their Mexican operations to include canning and freezing plants. Drawn by the cheap labor and the recently relaxed trade and investment regulations, companies are shutting down canneries in California and moving to Mexico. The recent transfer of a Green Giant broccoli freezing plant in Watsonville, California to El Bajío in central Mexico will save the company as much as \$4.5 million annually in wages.

Manufacturing companies moving south have for the most part taken only the most labor-intensive portions of their operations with them. But this began changing in the 1980s. The automobile industry, is now using the most advanced technology and automation in its extensive operations in Mexico. Ford and Nissan have recently announced major expansions in their Mexican factories, which in addition to supplying the Mexican market also export to the United States.

According to the manager of an engine factory in Mexico, the plant is a model of globalization, bringing together "U.S. managers, European technology, Japanese manufacturing systems, and Mexican workers." In addition to the automobile plants, other factories utilizing the most modern technology and automation are producing Kodak cameras, IBM computers, and Whirlpool appliances.

Globalization vs One-World Strategy

Although a free-trade agreement between the United States and Mexico has not yet been signed, a de facto one exists. Over the past eight years the Mexican government has gradually restructured and liberalized its economy while at the same time reaching bilateral trade accords with the United States. Economic integration between the United States and Mexico is progressing at a

rapid pace, as is the whole globalization process.

Opposition to globalization, both in the United States and Mexico, has to a large degree been out of touch with the changing structure of the world market. It has been based on dated nationalistic formulas. The "Buy American" campaign in the United States, for example, ignores the hard reality that most major U.S. corporations are transnationals with little loyalty to U.S. workers. In Mexico, nationalist and anti-imperialist rhetoric often obscures the degree to which the country's own political and corporate elite has sold out the interests of the poor and working class.

Rather than simply reacting to the globalization of trade and capital, many citizen groups on both sides of the border are recognizing that globalization has to be met on its own terms. Instead of pitting U.S. workers against Mexican workers, the globalization process can be used to insist that labor rights (to form unions, to receive a decent wage, and to work in a safe environment) be respected on both sides of the border. Similarly, rather than allowing companies to avoid environmental standards by taking their business and their waste to the other side of the border, environmental groups are insisting that high standards be respected on both sides of the border.

As it is now developing, globalization means that corporations and markets are not obstructed by border fences or government regulations. Capital travels freely to where it can exploit the most. However, the process of global integration also represents an opportunity to implement what some labor activists are calling a "one-world strategy." Essentially an expanded version of international solidarity, the one-world strategy calls for the inclusion of workers' rights, environmental, and food security clauses in new trading agreements.

This, too, is the challenge waiting at the U.S.-Mexico border.

Additional reading

Jeremy Brecher and Tim Costello, "Labor Goes Global: Global Village vs. Global Pilgrimage," *Z Magazine*, January 1991.

Andrew Reding, "Mexico Under Salinas: A Facade of Reform," *World Policy Journal*, Fall 1989.

SourceMex (Latin American Data Base, University of New Mexico).

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The Debacle of the Uruguay Round – an autopsy

This article sets the Uruguay Round against the backdrop of an unequal global power structure to explain the dynamics and contradictions among the protectionist lobbies, that contributed to the erosion of a true multilateral trading system. It also shows how the agenda of the talks reflects those interests of the powerful economies and their corporations while major issues of Third World concern are kept out.

by Frederick Clairmonte

IN his mid-September address to Congress, Bush pleaded for 'A New World Order' in which 'all nations East and West will prosper and live in harmony'. This is the huckster's fraud for the concept of an authentic 'New International Economic Order' was one that had earlier received the benediction in the General Assembly.

It was precisely, however, such a reordering of international economic relations that emphasised the sovereignty of a nation to exercise complete control over its assets and natural resources that had been systematically blasted in the UN by the political spokesmen of the major Capitals, with the US the major orchestrator. With the ignominious debacle of the Uruguay Round, Bush will be confronted with a two-front protracted war: the first, an intensified economic war within the format of a sharply shrinking world economy, and the Gulf war, both of which are unwinnable.

Indeed, there can be little doubt bearing in mind its sharply slumping economy; its gross fiscal mismanagement of which budgetary paralysis was merely one sordid facet; the visible rot of its credit and financial system that the US itself is in dire need of a comprehensive overhaul of its decaying political and economic complex. The Bush junta continues to vociferate about its 'world leadership', a nostrum, however, that is singularly irrelevant to understand the complexity of international relations, and the perverse role played by the US in its composition.

The crux, however, is that as the world's prime mendicant (its external indebtedness is hitting \$720 billion) as the organ of the City reminds us, is that it is unable to exercise such leadership 'without the financial support from other

powers'.¹ Leadership of sorts it may be branded, but it is an extremely wobbly one. The US is a rigorous belligerent in the Uruguay Round but the other belligerents in the current trade war negotiations are not oblivious that Bush's crippled America is living off borrowed time and borrowed money, and the high probability that its external Himalayan debts will never be repaid. A private view tenaciously articulated by a wider and wider circle of central bankers and large institutional investors. As the Japanese and other foreign bondholders

6 **The negotiating agenda has mushroomed during the Uruguay Round, but no progress has been made to rollback protectionism: the ultimate test of the Uruguay Round's effectiveness.**

know fully well, the rapidly melting US dollar has drastically eroded their earnings. In sum, there is no financial incentive in investing in these depreciating US paper assets.

Bush's saccharine utterances cannot conceal the depth of the US crisis and, indeed, with remarkably few exceptions all major regions of the international economy. For those observers that have witnessed the painful twists and turns of the negotiations, the Uruguay Round has been a laboratory for gauging not only the intricacies of the negotiating labyrinth, but also the sheer destructiveness of the economic war itself among the major protagonists: the USA, the EC, Japan and the Third World. It's

part of the conventional discourse that the rules, policies and procedures that will govern world trade in the 1990s and into the 21st century will be conditioned by the outcome of the Uruguay Round talks. This claim by the GATT public relations handlers, however, betrays a lack of proportion; and smacks of hyperbole.

Far more pedestrian has been the irrelevance of GATT as a determinant of the patterns of international trade; of the uninterrupted transfer of wealth to the annual tune of around \$250 billion from South to North amounting to a permanent haemorrhage; the ubiquity of TNC administered prices and restrictive business practices (RBPs); managed global trade and trade barriers that burgeoned exponentially over the last decade.

This is the cockpit in which the acrimonious charges and counter-charges within the Uruguay Round can be understood.

For the Uruguay Round the party is over, the hangovers begin. Its goal proclaimed with all the cacophony of an advertising man's pitch was the rollback of protectionism via economic liberalism with 'universal free trade' as the guiding principle of the multilateral trading system. This is so because the 1990s are not the 1840s of the United Kingdom and the very nature and mechanism of capital is of an entirely different qualitative and quantitative order. The Uruguay Round is the fourth and final round preceded by three others: Dillon (1960-61); Kennedy (1964-67) and Tokyo (1973-1980). GATT, a progeny of the Bretton Woods accord (1944) is one side of the triangle of Big Capital's institutional power base of which the World Bank and the IMF are the other two sides of the triangle.

Even as their most devout believers now acknowledge this triangular phalanx was never conceived to diminish the impact of global inequalities. Rather, they were its grand enhancers. Liberalization and privatisations and its raft of euphemism involved, in most cases, the sales of the public patrimony at rock-bottom prices to the TNCs. They moved in tandem with the enforcement of highly inequitable adjustment mechanisms on the backs of the poor that were coupled to the frantic lunge to economic liberalisation. The upshot is that these measures and their interactions have prodigiously enlarged the inequalities between North and South, and within them.

Inherent in the GATT negotiations

was that the spirit and letter of democratic debate was largely absent. This was translated into the absence of public accountability and transparency. In theory, all negotiating partners are equal, but the negotiating muscle and leverage of the USA, the EC and Japan is not commensurable to the Third World. The public is not admitted to the negotiations; and the press on very rare occasions.

The negotiating agenda has mushroomed during the Uruguay Round, but no progress has been made to rollback protectionism: the ultimate test of the Uruguay Round's effectiveness. The King Kong numbers refuse to budge. In the developed capitalist economies (DCEs) subsidies and price support programmes are gobbling up a phenomenal \$270 billion yearly, and industry another \$250-260 billion; a stratospheric total of over half a trillion dollars. These tenacious numbers are not the only factors that adversely deflect the trajectory of future negotiations beyond Brussels.

Unequal power

The corporate media has focused on the appearances and not on the essences of economic power. Behind the curtain of the highly publicized GATT ceremonies and rituals, lurks however, the reality of a superbly muscled international economic order synonymous with the world of Big Capital. According to *Fortune's* 2 compilation, sales of the 500 biggest industrial corporations — alone — are around \$4.6 trillion, not too remote from a US (Gross Domestic Product) GDP of around \$5 trillion. Baring South Korea which it is irrational to bracket as a Third World category all these industrial TNCs belong to the North; the USA (167), Japan (111), the UK (43), Germany (32) and France (29) a total of 382 that dominate world industry. If to this index of muscularity is superimposed the biggest 500 banks and insurance companies, the sum would soar to around \$10 trillion.

Narrowing the spectrum to a single TNC conglomerate one perceives that Mitsubishi, the world's biggest trading, financial, industrial and service corporation all rolled into one has a consolidated balance sheet topping \$173 billion, larger than the combined sales of Exxon and General Motors.

It is against this highly unequal structure of global power that the autopsy of the Uruguay Round talks must be stud-

ied. A trait of this totalitarian corporate moloch has been the tempo of its march to further concentration and its overall destabilising impact. What this is tantamount to is that the all-embracing power of the 500 industrial TNCs runs counter to the normative functioning of a multilateral trading model is non-existent. Rather, what has been scaffolded in its place is a managed system operated by TNC conglomerates and oligopolies.

One of the biggest — and most successful — hoaxes perpetrated by corporate ideologists is the attempt to pass off a competitive multilateral trading model as TNC liberalisation. The scenario is phoney: indicative is that around two-fifths of world trade is carried on through intra-TNC firm transactions. Transfer pricing is the 'normal' technique of TNC trading practices with all the skull-dugger and creative accountancy that goes with it.

One of the biggest — and most successful — hoaxes perpetrated by corporate ideologists is the attempt to pass off a competitive multilateral trading model as TNC liberalisation.

Obviously, liberalisation of services, investment and intellectual property rights — and this not merely from a Third World perspective — is inseparable from the pivotal issue of technology transfer and the appropriate codes of TNC conduct. Third World concerns like commodity pricing, debt and finance linkages are not within GATT's ambit. Also, what is outside the GATT circle is the overhaul of the international monetary system specifically as these relate to changes in trade and finance investment. Once again, this was outside the Uruguay Round's ambit. How could the Uruguay Round possibly come to fruition from an international monetary system that is totally blocked, visibly so from the US that refuses abjectly to modify existing structures? How is it possible to implement 'normal' tariff reduction in view of the deliberate depreciation of the US dollar? Obviously, this is a short term expedient that will backfire on the US external sector.

These concerns (including

UNCTAD's pioneering but timid Integrated Programme for Commodities, the IPC) and the technology code of conduct were anathema to the Developed Capitalist Economies (DCEs) and unceremoniously dumped. To be sure, there is no negotiating framework for dealing with transfer pricing and inter-firm transactions, and not simply as these impinge on the interests of the Third World. 'Free trade' under these conditions is a pernicious myth. The unmanageable Third World debt (\$1.3 trillion and climbing at 10% yearly) is to a very large extent the emanation of the liberalisation of the financial system. A corollary of this forced liberalisation has been the crass inability of the financial system to provide short term finance or long term development capital.

Far from the triumph of a non-existent multilateral model, what we are witnessing is the TNC privatisation of the global trading system under the ideological mask of a phoney liberalisation. No less important than the perverse impact of TNC practices are a series of cumulative shocks that influence the Uruguay Round talks.

The Uruguay Round's agony was also compounded by global stagflation — a melange of economic deceleration and inflation — and the crumbling of all stock markets, and this time the Nikkei index was no exception. Black Monday, October 1987, we were told, was something ephemeral; a blip on the electronic screen; a minor pause for readjustment.

As with the concept of 'disordered price ratios' brandished by certain League of Nations economists as the prime cause of the Great Depression in the 1930s little thought was given to the fact that the affliction was far deeper, more pervasive than the trite formula of 'disordered price ratios'. In our times, the causes that triggered Black Monday were the frenzied speculation of a Casino Society of which the Milken's, the Boesky's and a myriad of other seasoned swindlers of all stripes were the most sordid expression. The Casino Society and its practitioners were spawned by economic deregulation, the Big Bang and liberalisation, and these were not systemic aberrations; but inherent in what had come to be perceived as the system's 'normal' functioning.

From the peak of 39,000 (December '89) the Nikkei 225 share average collapsed to 20,000 once again partially arrested by Japanese government intervention. A testament that 'the magic of

the market place' is not always conceived (least of all in Japan) as a workable model. Global economic stagnation had reared its head well before the events of 2 August. The sharp drop in US corporate profitability and above all the budget fiasco was critically encapsulated by *The New York Times*: 'No air travel. No FBI agents. No food or drug enforcement. No one to write cheques for Social Security, Federal pensions, Medicare, Medicaid. Yes, the Federal government can shut down'. Beyond the protracted bitterness and frustration of fiscal chaos and budgetary pathology is that the deficit – even by the most rudimentary of calculations – is now outpacing efforts to bring it under control.

The batterings of financial markets continue and there is nothing on the horizon for a reform of the international monetary system. The crisis is uneven and this is mirrored in the Uruguay Round talks. Deceleration is highly perceptible in the Anglo-Saxon countries: Canada, the USA, Australia and the United Kingdom and, to a lesser extent, in Japan and Germany. For how long, however, can financial markets tolerate these divergences? Germany and Japan by themselves can never be the locomotives of a general economic recovery.

Also, the tightening of monetary policy has been underway for three years. The United Kingdom base rate has more than doubled; short term Japanese and German interest rates have risen sharply; the growth of the world's money supply has slowed considerably with money growth in France being halved over the last year. Despite rigorous monetary policies and growth deceleration, inflationary pressures exhibit no symptoms of relenting.

The Protectionist Thrust

It is the conditions generated by the crisis that exacerbate negotiations in two key sectors: textiles and agriculture. If the textile bill in the US Congress is voted, warned Dunkel, GATT's Director General, 'the round of talks is finished'. Not quite. With or without a textile agreement, the Uruguay Round would have collapsed. And this for the reason that the success of the Uruguay Round was predicated not on a single component within the negotiating package, but successful negotiating resolutions of the entire process. That – so far – has proved

totally unfeasible. True, the textile protectionists failed to obtain a two-thirds majority vote necessary to override a presidential veto of The Textile, Apparel, and Footwear Trade Act of 1990. The bill was literally engineered to seal off the US textile market from international competition.

It was defeated by merely 10 votes: 275 and 152 against. Those two votes would have turned the tide. The massively bankrolled textile lobby is not alone inasmuch as it has found natural allies among a wide swathe of manufacturing sectors. Moreover, the widening textile deficit will no doubt provide the

6 The economic war within the Uruguay Round... mirrors the prevalence of coherent interest groups and the contradictions between these interest groups within specific national economies.

feeder base for the textile protectionists in the months ahead. The US textile and clothing deficit has rocketed from \$4.7 billion (1980) to an estimated \$30 billion by end-1990. This ranks it behind oil and automobiles as the biggest component of the overall trade deficit.

At best, the presidential veto is a stop gap measure, and in no way alters the contours of textile negotiations in the Uruguay Round. As against GATT rules, trade in textiles and clothing is still governed by a multi-fibre agreement (MFA) based on import quotas. The central thrust of the Third World is the liquidation of this anomaly and there was never a chance at any point in the negotiations that their concerns would be readdressed. Further, Bush's successful textile veto may well turn out to be a pyrrhic victory for the anti-GATT textile advocates and their manufacturing allies have not lost their constituents; and now that the debacle has been consummated, there is little likelihood, as certain members of the US delegations contend, that a GATT treaty would now win acceptance in Congress.

The economic war within the Uruguay Round was not a simple linear con-

frontation, but also mirrors the prevalence of coherent interest groups and the contradictions between these interest groups within specific national economies. The US steel, aviation, shipping and textile interests have joined forces to combat multilateralism. In so doing, however, they stand in contradiction to the giant agribusiness grain suppliers, most of the major big banks and insurance companies. The sectoral battle lines are not clearly drawn since the US, which traditionally has been one of the most ferocious advocates of liberalisation of service sectors is now backtracking, demanding certain derogations.

The Strategies of War

Mme Carla Hills has never left the war path. Her delegation operated on the principle that ultimatums are the best negotiating weapons. She contends that if there is no agreement to cut farm subsidies the US will quit GATT and will be chaperoned by 50 Third World countries. It mattered little whether this was a game of big bluff or little bluff. What did matter, however, is that agriculture continues to be a major US export earner, which helps the anaemic US balance of payments.

Her belligerence is explicable by the fact that US agriculture has fallen on hard times: from 27% of total world exports in the mid-seventies to 10% at present, and there is no guarantee that it can continue to hold on even to that market share. It has lost the Middle East market and, in all probability, over the short run (4-5 years) its grip on the Soviet grain market will loosen up.

The possibility was non-existent of resolving the still wide difference between the US and the EC over the basic issue of farm tariffs. Putting farm trade under GATT multilateral trade rules remained one of the Uruguay Round's unattainable goals. This was seen in the impossibility of formulating a rational package of results from the 15 separate subjects under discussion by the onset of December.

The Farm War

Without a breakthrough in agriculture the prospects for success in trade liberalisation in tropical commodities and general tariff cuts were non-existent.

The overriding and explicit goal of US policy has always been the disman-

ting of CAP – the cornerstone of the common market. CAP is an entrenched institution. Its 10 million farmers (two and a half times that of the US) account for 3.1% of the EC's gross domestic product. The bulk of these farms could not survive without such supports and subsidies. For many of these small holdings farming (Swiss alpine farming is an illustration) is not simply a matter of survival (that it also is) but a way of life that is incompatible with the sheer destructiveness of corporate agribusiness.

What was consistently underscored in the debates was the huge divergence in bargaining position on the farm front. These are real enough but the negotiation stances in agriculture must also be evaluated in relation to the changing cost structures of American agriculture. Its farm costs are on the upsurge because of sharply rising fuel and fertilizer costs; simultaneously the world market price for cereals has fallen.

Although US agriculture has recovered since the farm crash of the first half of the eighties it is confronted with new competitors: Saudi Arabia, for example, has achieved not only one of the world's highest wheat yields per hectare but it has also become a grain exporter to the

chagrin of the USDA. US agribusiness (more so that in the case of citrus fruits, rice and cotton) is based on wheat, maize and soybeans. This trinity is itself under attack. Vietnam has entered the international rice market in a big way and so has Brazil (soybeans). The numbers of competitors scrambling for a bigger market share in both East Europe and the Third World will inexorably augment in the current decade.

The US continues to clamour for liberalisation, of Japanese rice imports. Even in the unlikely event, however, that the liberal Democratic Party authorizes such market access, the US will not be the major beneficiary as was hoped. In global rice exports, Vietnam and South-East Asia are ideally positioned to beat US competition to a frazzle.

Despite its moralising on the virtues of liberalisation, US agriculture has always been deployed for reasons of national aggrandizement. Mass subsidisation of US agriculture is an entrenched and permanent a feature as that of the EC. The latest massive subsidized sale of US wheat flour for the first time to the USSR was indicative. Yearly subsidies in the EC are running at around \$120 billion. Bearing in mind the de-

crepitude of US budgetary resources, Uncle SAM is in bad shape to wage (and win) a subsidy war against the EC.

Concluding Reflections

The G-7 Houston summit proclaimed that 'the success of the Uruguay Round has the priority on the international agenda'. That was before 2 August. It was dubious even then whether this pious cry was judged desirable. Other obsessions have emerged strikingly so with a looming world economic depression. Also, the EC is preoccupied with the implications of a larger market for 1993. The expeditious reunification of Germany has generated, with consequences unforeseeable, a mighty hegemonic force not only within the EC but within the world economy. One that already stands in bold confrontation – and not only on farm subsidies – to the directions of US policies.

Lester Thurow's (MIT), proposition that GATT is dead, is dead wrong inasmuch as institutions embodied in brick and mortar seldom die but rather are catapulted into the realm of immortality even if – UNCTAD is a tragic example – they have outlived the original purposes that generated their *raison d'être*.

The TNC corporate boardrooms were not unduly concerned in their daily rounds of money making, of gobbling up their bigger and smaller competitors, and their acquisitions of larger and larger market shares with the outcome of the Uruguay Round talks. The Japanese corporation, save for the occasional public relations whine, was a prime illustration of this trajectory. Their vision is of a quite different order.

What appears on the horizon seen from the placid waters of Lac Lemman is that the international economy is now set – and the debacle of the Uruguay Round will no doubt provide both the tragic and the alibi – for the escalation of powerful regional economic blocks so reminiscent of the thirties.

Notes:

¹ *Financial Times*, 24 September 1990.

² 30 July 1990.

Frederick Clairmonte is one of the leading experts on the strategies of transnational corporations. Formerly Senior Economist at the UN Conference on Trade and Development (UNCTAD), he is now an independent economic researcher. He is also author of several books including Economic Liberalism and Underdevelopment, Merchants of Drink and The Dynamism of the World Tobacco Industry. □

Coming Out in March...

Women and the World Economic Crisis; prepared and compiled by Jeanne Vickers, March 1991; Publishers: Zed Books & the UN/NGO Group on Women and Development; Price £29.95/\$49.95(HB) and £9.95/\$15.95(Pb) 256pp illustrations bibliography index

THE impact of the debt crisis upon the world banking system still receives more consideration than the effects of economic adjustment policies upon the poor in the developing world. This book looks at the special impact of these policies on women, and the role that women can play in resolving the crisis.

Women and the World Economic Crisis covers the international trade and financial policies which have led to the debt crisis, and the national adjustment policies that attempt to deal with the problem. The consequences – unemployment, hunger and homelessness – are shown in both developing and industrialised countries.

Together with details of national and international policies and program-

mes which have been instituted in response to the crisis, it offers case studies on the situation of women in Ghana, Jamaica, Mexico, the Philippines and Zambia, and examples of what women are doing to solve their own problems.

Women and the World Economic Crisis is part of a series of books on Women and World Development to be launched by the UN/NGO Group on Women & Development to be released in March 1991.

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Third World Nations Complain That Trade Talks Exclude Them

By KAREN TUMULTY
and JOEL HAVEMANN
TIMES STAFF WRITERS

BRUSSELS—The world's poor countries, which were drawn into international trade talks four years ago by promises that they would gain new export markets, are complaining now that the talks have degenerated in their final scheduled week into a U.S.-European food fight.

"We have been shut out completely," Mokammel Hague, the Bangladeshi commerce secretary, said Wednesday. "We are feeling like schoolchildren waiting for the results to come out of the headmaster's room."

The "headmaster's room" is where U.S. and Western European negotiators are trying to find common ground on the divisive issue of government payments to farmers. The United States wants subsidies slashed by 75% and more, but Europe, intent on preserving its family farmers, has offered no more than 30%.

Ministers of about half the countries participating in the talks met until shortly after midnight this morning in yet another effort to reconcile their differences over agriculture and other issues, but the closed session broke up amid emotional recriminations.

The chairman of the negotiations gave the 12-nation European Community until noon today to soften its resistance, according to his spokesman.

But the chairman, Uruguayan Foreign Minister Hector Gros-Espiell, did not spell out the consequences of missing his deadline. A spokesman, David Woods, said, "You'll just have to wait and see."

Please see **THIRD, D6**

THIRD: Smaller Nations Say They Lack Trade Talk Role

Continued from D1

Some Third World delegates threatened to keep their signatures off an agreement prepared without their involvement by the industrial countries.

Brazilian trade ambassador Rubens Ricupero, saying he was speaking for more than 70 developing countries, said they had made a "firm decision to resist any attempt to impose a ready-made package put together by a few participants and presented at the last minute on a take-it-or-leave-it basis."

Ricupero said Third World countries were fed up with a "lack of adequate attention to the areas of their special interests."

Third World countries have substantial stakes in agriculture and many of the 14 trade arenas under negotiation. Third World textile producers are seeking to bring down barriers to their goods in the developing countries, and sugar cane producers want Europe to reduce its subsidies for sugar beets.

Many Third World delegates among the 107 nations at the negotiations are afraid that the United States and other rich countries want to open Third World markets to services and to foreign investment without giving much in return.

One Indian delegate said U.S. negotiators were asking the Europeans to open their borders to farm products and asking Third World countries to allow in foreign banks and other service providers. "What is the United States willing to give up?" he wondered.

Madagascar's trade minister, Solofoson Georges, representing African countries at the talks, warned that any final agreement seemed "almost certain to involve losses which exceed any possible gains."

"African countries insist on being fully involved in the final stages of the negotiating process and would not wish to be presented with a *fait accompli* in the form of a document decided upon by other participants."

Delegates from the United States and other industrial countries insist that they take the Third World's needs seriously.

"I think we've been sensitive to that concern," said Deputy U.S. Trade Representative Rufus Yerxa.

Even the name of the talks symbolizes their importance to the Third World. They are called the Uruguay Round because they were launched four years ago in that South American country's resort town of Punta del Este.

Wilfried Thalwitz, senior vice president of the World Bank, told the delegates that many poor countries had begun discarding their "inward-looking trade policy" in favor of greater trade with other countries. Their participation in the current trade talks, he said, demonstrated their new commitment to international commerce.

Michel Camdessus, managing director of the International Monetary Fund, called trade the surest way for developing countries to lift themselves out of poverty.

Researcher Isabelle Maelcamp of The Times' Brussels bureau contributed to this report.

Los Angeles Times

THURSDAY

DECEMBER 6, 1990 CC

The Uruguay Round: Gunboat Diplomacy by Another Name

"We must find new lands from which we can easily obtain raw materials and at the same time exploit the cheap slave labour that is available from the natives of the colonies. The colonies would also provide a dumping ground for the surplus goods produced in our factories."

Cecil Rhodes,
Founder of Rhodesia.

"The colonial question is, for countries like ours which are, by the very character of their industry, tied to large exports, vital to the question of markets . . . From this point of view . . . the foundation of a colony is the creation of a market . . ."

Jules Ferry,
Speech to the French House of Deputies, July 1885.

"We have spoken already of the vital necessity of new markets for the old world. It is, therefore, to our very obvious advantage to teach the millions of Africa the wants of civilization, so that whilst supplying them, we may receive in return the products of their country and the labour of their hands."

Lord Lugard,
British Governor of Nigeria.

"The most useful function which colonies perform . . . is to supply the mother country's trade with a ready-made market to get its industry going and maintain it, and to supply the inhabitants of the mother country — whether as industrialists, workers or consumers — with increased profits, wages or commodities."

Paul Leroy-Beaulieu,
De la Colonisation chez les Peuples Modernes, 1874.

"History", wrote the french philosopher Voltaire, "is a fable upon which we are all agreed". So far as the colonial period goes, the fable would have us believe that the colonial powers were primarily motivated by a desire to bring "progress" and "civilization" to their colonies. Whilst this may indeed have been true of the missionaries who trail-blazed Europe's colonial expansion, it was far from the minds of the main architects of colonial rule. Contemporary writings, such as those quoted above, make it clear that for the governments of the day, the principle justification for colonialism was unashamedly economic. Colonies provided the means by which the metropolitan powers could secure access to cheap food, cheap raw materials and labour, new markets for manufactured goods and new investment opportunities. It was as simple as that.

Where economic penetration could be achieved through trade, the European powers had no need to annex countries outright. But many indigenous regimes were rightly suspicious of the overtures of Western governments, fearing the far-reaching social and economic implications of entering into extensive trading relations with the West. Indeed, from the very beginning of the colonial era, one finds example after example of indigenous regimes deliberately seeking to avoid entering into trading partnerships with the European powers — and of the West seeking to impose its will either through punitive military expedi-

tions, through trade treaties, or, as a last resort, through direct political rule.

The Opium Trade

The history of Western relations with China is illustrative. The Imperial court's low regard for Western civilization and its lack of interest in the acquisition of Western manufactured goods could not be better illustrated than by a letter sent to King George III by the Emperor Ch'ien Lung in response to a British request to establish diplomatic links with China:

"Your entreaty to send one of your nationals to be accredited to my Celestial Court and to be in control of your country's trade with China, . . . is contrary to all usage of my Dynasty and cannot possibly be entertained . . . If you assert that your reverence for Our Celestial Dynasty fills you with a desire to acquire our civilization, our ceremonies and code of laws differ so completely from your own that, even if your Envoy were able to acquire the rudiments of our civilization, you could not possibly transplant our manners and customs to your alien soil. Therefore, however adept the Envoy might become, nothing would be gained thereby.

"Swaying the wide world, I have but one aim in view, namely, to maintain a perfect governance and to fulfil the duties of the State. Strange and costly objects do not interest me. . . . As your Ambassador can see for himself, we possess all things. I set no value on objects strange or ingenious, and have no use for your country's manufactures."¹

Until 1842, the Chinese would allow only one port, Canton, to trade with the West and even then trade could only be conducted via an official merchant guild, the Cohong. Until 1833, the East India Company held a monopoly on trade with China, but when the monopoly came to an end, the British government came under strong pressure from Lancashire manufacturers, ship-owners and other commercial interests to force the Chinese to extend trading concessions.

The differences with China came to a head over the opium trade. British merchants had a ready market in Britain for Chinese goods, in particular tea, but they had nothing to sell the Chinese in return. Consequently British ships had to sail empty to China and pay for the goods they bought with silver.² It would clearly have been far more economic for them to arrive in China with wares which could be exchanged for goods that they purchased.

One commodity that British merchants sought to sell was opium but there were laws in China restricting its sale. The British wanted exemption from these laws. In March 1839, the Chinese Imperial Commissioner ordered that all stocks of opium held by British merchants be handed over to the authorities. British ships were seized, the tension mounted, and eventually Chinese war junks fired on two British naval vessels, which responded by sinking four of the Chinese fleet.

War broke out, with the British, not surprisingly, gaining the upper hand. At the treaty of Nanking in 1842, the Chinese had to pay a large indemnity and agree to more trade concessions. Five ports were opened up and British Consuls were appointed to each.

Hong Kong was ceded in perpetuity, as a trading post. A further treaty in 1843 regulated trade and reduced import duties to a maximum of five per cent.

Even these concessions, however, were not judged sufficient, and, in 1856, the British found an excuse for again entering into hostilities with the Chinese, this time aided by the French. Once again the Europeans got the better of the Chinese and yet further treaties were signed at Tientsin in 1858, leading to further liberalization of the Chinese market. Eleven further ports were opened to foreign trade, as was the Yangtze River and permission was granted for a permanent diplomatic mission in Peking. Before the treaty was even ratified, however, the Anglo-French forces occupied Peking and forced further concessions from the Chinese, including opening up Tientsin to foreign trade.

To open up the Japanese market did not require a war. In February 1854 Commodore Matthew Perry of the U.S. Navy appeared in Japan with a powerful squadron of warships. Being thereby in a strong negotiating position, he was able to force the Japanese, who until then had followed a policy of strict seclusion from the Western world, to open up two ports, Shimoda and Hakodate, to trade with the US, and to provide for American consular representation in Japan. In this way, Japan was slowly brought within the orbit of world trade.³

The Development Era

If colonialism and gunboat diplomacy were the means initially employed by the metropolitan powers to open up world markets, the era that followed the Bretton Woods Conference in 1944 saw the process broadened and accelerated in the name of "development". At that conference, the representatives of 44 of the world's most industrialized countries met to plan world economic policies for the post-war period. Their main preoccupation was to reduce the possibility of another 1929 slump. The best means of achieving this, it was decided, was to bring the colonies further into the orbit of the Western Industrial system so as to provide a continuously expanding market for western manufacturers, whilst maintaining the supply of cheap food and raw materials. To achieve that end would require increasing the purchasing power of consumers in the colonies and their capacity to produce the commodities required by the North — which in turn would require building up the physical infrastructure of Third World countries: roads, railways, power stations, port facilities and so on.

Three key institutions were set up to implement the policy: the International Monetary Fund (IMF), the World Bank (IBRD) and four years later, the General Agreement on Tariffs and Trade (GATT). Together these agencies formed a single integrated structure, dominated by US interests and effectively in control of the world economy.

The original role of the IMF was to make sure that member nations pegged their currency to the US dollar or to gold, of which 72 per cent of world supplies were in the possession of the US. This expedient was intended, among other things, to make it difficult for countries which had got into debt to get out of their financial obligations to the Western banking system by manipulating their currencies.

The World Bank, whose first function was to reconstruct Europe's shattered economy after the Second World War, soon turned its attention towards the Third World, its main aim, for a long time, being to build the infrastructure required for making possible the import of manufactured products and the export of raw materials and agricultural produce.

The role of GATT was to liberalize trade, one aim being to prevent Third World countries from manufacturing goods locally which they could buy from western countries. In this respect, the IMF has complemented the work of GATT. Loans, either from the IMF itself or from the World Bank have only been provided to governments that have undertaken to observe IMF "conditional-

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ties". In the main, these conditionalities have involved countries having to:

- Scrap import quotas and reduce import tariffs to a minimum, thereby preventing Third World countries from protecting their own fledgling industries against competition from the established and highly-capitalized enterprises of the industrial world.
- Devalue their currencies to make exports more attractive to the North — which has also meant that Third World countries must pay more for their imports.
- Cut expenditure on social welfare, in particular on food subsidies which are often critical to protecting the mass of the population from the disruptive effects that rapid socio-economic change inevitably brings about. Such expenditure, according to the IMF, is better spent on western imports or on building up a country's industrial infrastructure.
- Undertake to mechanize agriculture, thus providing an important market for northern agricultural machinery and agro-chemicals.

Those Third World countries which have resisted these policies have quickly discovered that the gunboat mentality of the colonial era is far from dead. Witness Chile, Nicaragua, Brazil in the mid-1960s and numerous other countries.

The New Agenda

But, despite all the measures taken over the last 40 years to open up markets in the Third World to transnational corporations (TNCs); despite the fact that TNCs already control between 80 to 90 per cent of the trade in tea, coffee, cocoa, cotton, forest products, tobacco, and jute, copper, iron ore and bauxite; the TNCs still insist that they do not have sufficient "access" to world markets and are seeking still further concessions. In particular,



Chinese opium smokers. The British twice went to war with China in order to open up the market to the opium trade. Until the advent of the British, the sale of opium in China had been strictly controlled. (Picture by kind permission of the Martyn Gregory Gallery)



Military force was the standard colonial response to indigenous regimes which opposed European merchants. Today, regimes which resist western interests are subject to destabilization and trade retaliation. (Picture by kind permission of the Martyn Gregory Gallery).

they are seeking to extend GATT so that it encompasses services such as advertising, stockbroking and banking — services which at present are excluded from the terms of GATT. They want the few remaining restrictions on investments to be removed, so that they have total freedom to invest how they want and where they want. To quote Chakravarthi Raghavan:

"Today the TNCs (which have now become giant conglomerates linking industry, trade, capital and finance, technology and other services) find themselves constrained by the existing order and its relations and are demanding lebensraum. They are demanding new rules and international regimes guaranteeing them the freedom to expand, maximise their profits and enhance their global capital accumulation process. The push on new issues is thus part of a grand design. Even the push for 'free trade' in agriculture is related, at least partly, to the fact that the major actors now (in the US) in international trade in agriculture are a few TNCs."⁴

If implemented the new rules would have far-reaching implications. Among other things, it would become "GATT-illegal":

- To regulate the investments and operations of foreign companies, if the regulations could be deemed a barrier to trade. Logging companies, toxic waste companies, mining companies, and so on would effectively have a free hand to act as they liked within Third World countries:
- To restrict in any way the import of cheap agricultural produce. The raising of import controls on food would drastically undermine the livelihoods of local farmers in many Third World countries, where indigenous agriculture cannot compete with imports from the US and elsewhere.
- To take vulnerable and eroding land out of agricultural production.
- To take any measures to protect scarce resources if such measures are judged in restraint of trade.
- And for one country to impose stricter pollution controls than those in force elsewhere if those controls interfere with trade. Under the new GATT proposals, pollution controls will be ironed out, with environmental and food safety standards

being reduced to their lowest common denominator (see Mark Ritchie, *this issue*).

The recently signed Canada-US Free Trade Agreement provides a foretaste of what lies in store. Already, on the basis of the Free Trade Agreement, the Canadians have been forced to abandon measures to protect the threatened Pacific salmon. Canada is also prevented from restricting the sale of its water resources to the USA even in times of local water scarcity. Moreover, the Canadians have been forced to bring their pesticide regulations in line with far laxer US standards. Canada's ban on the sale of irradiated food has also been judged illegal, as have Canadian proposals to reduce emissions from lead, zinc and copper smelters.

Those countries that refuse to knuckle under to the new GATT regime will be subject to trade retaliation, not only with regard to the commodity or service in dispute but right across the board (see Martin Khor, *this issue*). The Third World, however, is in a weak position to resist the new rules (see Chakravarthi Raghavan, *this issue*), since it is poorly organized as a lobby group within GATT.

Of course, all the TNCs are asking for is a "free market". But what is really meant by "freedom" in this context? It is freedom for TNCs to do exactly what they like, subject to no social, ecological, climatic, moral or spiritual constraints of any kind. To quote Bill Hall:

"Freedom of investment — freedom to expatriate profits, to manipulate local politics, to pay workers slave wages, to block social programmes, to spoil the environment unhindered by regulation — has been the true meaning of the word 'free' in 'free market'. It involves stealing away national sovereignty, repressing labour organizing and political parties, destroying self-sufficiency in food and basic goods (and imposing food and basic goods import dependency), keeping wages and the standard of living low, and broadening the gap between rich and poor."⁵

Do we really want companies to enjoy that sort of freedom? Can we afford to let them enjoy it? The truth is that we cannot. If we allow the new GATT proposals to be adopted, then the entire world will effectively be transformed into a vast "Free Trade Zone", within which human, social and environmental imperatives will be ruthlessly and systematically subordinated to the purely selfish, short-term financial interests of a few transnational corporations. The unprecedented biological, ecological and social devastation that has been caused in the pursuit of such "freedom" over the past 40 years — the period in which the development process really got under way in the Third World — cannot be repeated without much of the planet being rendered unfit for human habitation.

Indeed, the need is not to increase the freedom of commercial concerns but, on the contrary, to bring those concerns back under control — to limit the size of markets, rather than expand them; to give local people control of their resources, not to hand them over to the transnationals. Such goals are the antithesis of the proposals being put forward within GATT.

Edward Goldsmith

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RECOLONIZATION: GATT & The Third World

An Interview with Martin Khor Kok Pen

Martin Khor Kok Pen is the Research Director of the Consumers' Association of Penang. He is also the Vice-President of the Third World Network, the Asia Pacific People's Network and Sahabat Alam Malaysia, Friends of the Earth Malaysia, which won the Right Livelihood Award in 1988. He is the coordinator of the World Rainforest Movement. He has also authored several books, including *The Malaysian Economy: Structures and Dependence*.

Multinational Monitor: What does free trade mean for the Third World?

Martin Khor: I think that the term "free trade" has taken on some kind of magical and mythical proportions, almost as if it were a religion. It is as if free trade is something which is by definition good.

But I don't think, if one examines free trade in a serious or scientific way, that one can say that free trade is always good in all circumstances for all people. Obviously free trade under certain conditions at certain periods of time and for certain people may be beneficial.

But the notion that free trade is *per se* good for all persons and for all countries at all times is very dangerous. If we have trade between two partners and these two partners are of equal capacity and are able to compete on equal terms, then free trade in such circumstances may be beneficial for both partners. But it is different if we have a situation in which one partner is much weaker than the other partner and you have free trade, by which you mean that the rules are the same for both players. Then we are having the same rules for two partners or two people with very unequal starting points. The result will be that the strong defeat the weak.

[Imagine] we have a 100 meter race and we say we are going to have a free race. That means that all the runners adhere to the same rules of the competition, with the same starting point and same ending point, and that they start moving when the starter's gun goes off. And then we say that this is something which is fair and free because the rules apply to everyone. Now if we have Carl Lewis competing against Ben Johnson, perhaps we can say the rules of free competition should prevail. Even then we

would check whether Ben Johnson or Carl Lewis has been taking steroids because that would violate the rules of free competition. But it is different if you put Carl Lewis together with an African boy who is three years old and hasn't eaten for three days, and you say we are going to have a free competition and all the rules apply to both racers. Nobody in his right mind would say that this is a fair race, simply because the two people competing would not be starting from the same starting point — they may be starting on the same line, but they are starting from very different capacities.

In the context of this analogy, we can [understand] the world marketplace, where we have a few multinational corporations which control the dominant share of world production and world trade. To ask Third World countries with small firms, very often family-sized firms, to compete on the same terms with the multinational companies is going to lead to a situation in which we can predict that the small farms, small firms,

If Third World countries with small firms compete on the same terms with multinational companies, the small industries and the small service sectors of the Third World are going to be crushed underfoot.

small industries and the small service sectors of the Third World are going to be crushed underfoot.

It has already happened during the colonial period in which farmers who grew cotton, for instance in India, were wiped out by "free trade." The big cotton farmers from England or later on the United States swept the market and, consequently, the textile industry was crushed in many parts of the Third World.

We are going to see the same thing if we have free trade — if we give multinational corporations the right to trade without any tariffs imposed on their products or the right to invest in the Third World countries without any conditions imposed on their investments. If this happens, we can predict that the Third World countries, which are already very much marginalized in the world economy, will be even more marginalized. In their domestic spheres, where they have a substantial share of the domestic economy and product, Third World countries will also become marginalized by the transnational companies. This whole process is being accelerated on a world-wide scale by the Uruguay Round of negotiations of the General Agreement on Trade and Tariffs (GATT), and this is why we are so worried about what is happening in GATT.

MM: What are your particular concerns about GATT?

Khor: What has been recognized in GATT until now is the fact that the Third World countries, being in a relatively weak position because of historical and colonial reasons, deserve to be given some privileges and exemptions from general regulations in GATT. The so-called development principle allows these exemptions on account of Third

World countries' need to develop capacity within their domestic economies. There are many articles in GATT which say that if a developing country wants to protect its own domestic, infant industry and to develop the capacity for industrial growth, it does not have to follow strictly agreements regarding tariff protection and so on. At present there is a provision in GATT which says that if

developing countries have balance of payment difficulties then they are exempted from following certain of the rules of free trade on GATT until these difficulties are overcome. Developed countries are seeking to change these rules so that Third World countries can no longer use balance of payments as a reason for suspending, or not acceding to, the tariff or other provisions of GATT.

MM: How will the new areas to be covered by GATT affect the Third World?

Khor: We are very concerned about the moves of the

United States and other developed countries to expand the powers of GATT. GATT originally was set up to deal only with regulation of trade in goods, but now the developed countries are seeking to expand the powers of GATT so that it includes three new areas: services, intellectual property and foreign investments.

The service transnational companies have lobbied the governments in the developed countries, particularly the



Martin Khor

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United States, to expand the powers of GATT so that GATT becomes the policeman to ensure that the service companies will have freedom of operation in terms of their exports, imports and investments, particularly in Third World countries. They would like to see GATT eventually becoming a deregulator and a promoter of free trade and free investment in services. This includes banking, insurance, information and communications, media, professional services like lawyers and doctors, tour agencies, accountants and advertising — the whole gamut of service industries which today form a greater proportion of the gross national product in industrialized countries and in the United States than does manufacturing or agriculture.

If this happens [transnational corporations win their demands], we can predict that many of the service industries in the Third World will come under the direct control of the transnational service corporations within a few years. This would mean the eradication of almost the last sectors in the Third World which are still controlled by national companies. In terms of manufacturing and agriculture, many Third World countries are already controlled by transnational companies, either in the form of

What has been recognized until now is the fact that the Third World countries deserve to be given some privileges and exemptions from general regulations in GATT.

investments or in the form of purchasing their products for the world market. It is the service sector in the Third World which still remains basically in the hands of local companies.

The multinational service companies will be able to go into the Third World and not only be given the freedom to trade and invest in the Third World, but they will benefit from an additional clause called "national treatment." This means that any foreign company which wants to set up a base in the Third World in services should be given the freedom to do so and should be treated on terms which are no less favorable than those accorded a national or local company. Some Third World countries restrict the participation of foreign banks in the economy by, for instance, giving a limited number of licenses to foreign banks or by allowing foreign banks to participate only in certain kinds of banking. They may be prohibited from participating in commercial banking or from setting up branches in small towns so that local banks will have more of the deposit business. Now, [under GATT], the foreign banks may be given total freedom; they will be treated just like a local company. We are going to see the marginalization of local banks, the marginalization of local financial services and professional services. It may even mean that media companies and media personalities and owners in the United States or Australia may be given the freedom to set up media companies or to buy out media companies in the Third World, including television and the print media, and therefore control the cultures of Third World countries.

So, if you look very deeply into the processes, we are not only talking about economic sovereignty and autonomy. We are going to see it affect the culture of people of the Third World.

We are also going to see it affect the health of people of the Third World. There is already a very big push by the commercial health care industry and the insurance companies of the Northern countries for the commercialization of health care services in the Third World. The insurance companies who are in health insurance, accompanied by the private sector, big hospital establishments of the North, are beginning to buy up hospitals and accelerate the whole process of commercialization of health care in the Third World.

MM: Why would Third World countries, especially the few with progressive governments, agree to something like this?

Khor: I think there are two reasons. One is ignorance, the second is what we call the carrot and the stick. Ignorance — many of these things which are being pushed by the developed countries are being pushed in negotiations in Geneva which are taking place behind closed doors. The people who are directly negotiating are the diplomats. The Third World countries have very few diplomatic staff in Geneva compared to, say, the United States, which has a very big, knowledgeable staff. Those diplomatic staff of the Third World in Geneva have to cover not only GATT but also all the other international agencies, such as the World Health Organization, the United Nations Center for Trade and Development, the International Labor Organization and so on. [It is difficult] even to follow

what is going on within the GATT negotiations because you may have three or four sub-meetings going on in GATT on the same day. It is beyond the capacity of the Third World diplomats.

Also, the top politicians and the planning leaders in the Third World themselves may not be aware of the greater implications of the GATT negotiations. Cloaked in very technical jargon, the Uruguay Round may be seen as only another trade negotiation, which it is not.

You do, however, find that there are some Third World governments which take this very seriously. For instance, India, Brazil and a handful of other Third World countries are increasingly beginning to realize how serious the situation is. Now what has happened is that these countries which are putting up a resis-

tance to the new themes in GATT have, over the last few years, been facing the "carrot and stick" approach. In other words, some of them have been singled out by the United States for unilateral trade attacks and have been placed on the watch list for Super 301 [which enables the U.S. administration to levy tariffs on governments found to be engaging in discriminatory trade practices against the United States]. For instance, India was placed on a watch list on the grounds that it has not opened up its insurance industry to the United States. We can only assume that these measures have been taken in order to pressure India not to take such a strong position on behalf of the Third World in the Uruguay Round. Similarly with Brazil.

MM: What are the purported advantages of GATT for the Third World?

Khor: Third World countries sometimes feel that they are very weak and not able to withstand pressure placed upon them by developed countries if they are singled out for unilateral action. That is what we call the "stick" approach.

The "carrot" approach is that some of the Third World countries may be under the impression that, if they give way to the developed countries in areas like services,

In terms of manufacturing and agriculture, many Third World countries are already controlled by transnational companies, either in the form of investments or in the form of purchasing their products for the world market.

India was placed on a watch list on the grounds that it has not opened up its insurance industry to the United States.

investments and intellectual property rights, they may benefit in other areas. For instance, they may be given better access to the markets of the industrialized countries through lower tariffs. I think that this may be only an

Third World countries sometimes feel that they are very weak and not able to withstand pressure placed upon them by developed countries if they are singled out for unilateral action.

illusion. The industrialized countries have violated [similar] bargains with Third World countries in the past.

MM: What will be the impact of GATT on the Third World environment?

Khor: This is something which we are still working on. The more you learn about what is happening in the Uruguay Round, the more far-reaching the consequences appear. In the next 20 to

30 years, we are going to see horrendous consequences which we are only beginning to imagine and to project. For instance, if we liberalize the conditions of trade and investments to the extreme degree which the United States is proposing, we don't know to what extent govern-

What is happening in GATT through the Uruguay Round may be a process for the transnational companies to sidestep gains made by the environmental and health movement in terms of getting legislation approved to regulate corporate activities.

ments — not only in the Third World but even in the United States — will have the autonomy to establish environmental, occupational health and other safety regulations. Some of these regulations may be considered to be against the principles of free trade and free investment. For instance, a year or two ago, Indonesia proposed to ban the export of ratan, which is a very important forest product. It is getting scarcer and they wanted to retain ratan in Indonesia for domestic use. This of course is to be welcomed by environ-

mentalists who do not want to see the depletion of forest resources. Immediately, [however,] the United States and the European Community criticized the Indonesian government and said that the export ban was against the principle of fair trade. They accused the Indonesian government of taking protectionist steps and threatened retaliation against Indonesia.

I think we are about to see the same thing happen in the area of irradiated food. There is already an international committee on food irradiation consisting of the Food & Agriculture Organization (FAO), the WHO and, believe it or not, GATT. If they come to the conclusion that irradiated food is not dangerous, GATT may make a ruling that if you decide to ban irradiated food then that might be a protectionist step on your part. To what extent, then, can there be an autonomous government, not only in the case of Malaysia, or Mali or Bangladesh, but even of a country like the United States? To what extent are these kinds of environmental regulations going to be ruled "GATT illegal?"

If a country were to classify such and such a substance as toxic and refuse to import it, then that might even be ruled to be GATT illegal if GATT decides that that substance is not dangerous. Now this brings us into a whole mine field. What agency is going to be accepted by everyone to set standards? Each government should set its own standards.

What is happening in GATT through the Uruguay Round may be a process for the transnational companies, which are the main actors pushing the Uruguay Round, to sidestep the gains made by the environmental and health movement in terms of getting legislation approved in several countries to regulate corporate activities in relation to health and environment. This is going to roll back the progress that has been made over the last many years.

MM: Are there provisions which could be put in GATT to protect the environment, workers and people's health and safety?

Khor: A government could propose that under GATT rules there should not be international trade in toxic waste or international trade in products which are banned [for sale in countries where they are produced] because they are considered dangerous (like pesticides, drugs and so on). Up until today, however, no developed country has put this on the agenda. Some Third World governments have tried to put trade in toxic waste onto the agenda of GATT, but this has been ignored by the developed countries.

So, actually GATT could be used to protect the environment, but instead it is being used for the reverse. I think that all responsible citizens in the world should fight for a better GATT and against the concept that free trade in all circumstances is necessarily a good thing. We should fight for the principle of fair trade rather than the principle of free trade.

MM: Switching to the rainforest issue, the last several years have seen much more attention in the United States paid to the importance of rainforests. Do you think this has been translated into better protection of the rainforests in the Third World?

Khor: I think on the positive side there has been a tremendous improvement in consciousness that rainforests are important and that they are being destroyed. But there is still some confusion as to the causes of the destruction.

Many people are still promoting the idea that it is poor people who are destroying the forests. In reality, it is industry which is responsible for a very large proportion

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of the destruction, for instance, the logging industry, the industries that are promoting hydroelectric dams, the cattle ranchers and so on. And at the same time, the lack of land reform in countries where there is a shortage of land for poor farmers is also pushing farmers into a situation where they are colonizing the forests, as is happening in Brazil. If one goes to the root of the rainforest problem, we find that it is the issue of power and inequality that is ultimately responsible for destroying the rainforest. I think that realization is beginning to come about. Whether this realization has been translated into practical saving of the forest is something else.

The latest estimates suggest that the rainforests are being destroyed today at a rate which is much faster than even a few years ago. So in terms of rates of logging, in terms of the burning of the forest, in terms of development projects in forest areas, things have become worse.

The latest danger is that the forests are even being destroyed in the name of saving them, through forest-industry projects disguised as environmental projects. For instance, the Tropical Forest Action Plan, a plan of the World Bank and the FAO, aims to garner something like \$8 billion from governments, mainly in the Northern countries, in order to save the rainforest. But if you examine the concrete projects which TFAP is planning to fund, you will find that the overwhelming share of them are projects which involve logging and which actually accelerate the loss of the forest. So this is very dangerous; governments in the West are responding to the demands of their citizens by saying, "we will give more aid to the forestry sector," but the forestry sector actually represents the forest industries, the ones that are going to log and process wood.

MM: In the last few years, the multilateral banks have claimed to be making efforts to protect the rainforests. Have you seen any change in the type of development projects they are funding?

Khor: I think there has been some progress at the conceptual level. In the past, the World Bank was seen as the best example of development aid to the Third World. Today the World Bank is seen as having funded a generation of projects which are environmentally damaging and socially not progressive. So the World Bank has responded by setting up an environmental wing and it is now very concerned about its public image. It has also begun to examine the environmental impact of their projects more thoroughly. The bulk of their project funding, I think, still remains destructive. But the foundation is now laid so that environmental groups and public interest groups are able to begin to speak environmental language to the World Bank, so that the World Bank can begin to screen the projects it is funding environmentally.

MM: What can be done on a national and international basis to preserve the rainforests?

Khor: There should be a total ban on logging in all remaining primary tropical forests. In forests which are seriously degraded, this will allow a regeneration of such forests. In areas where the primary forest is already gone, we can then set aside some of the land for the planting of

indigenous trees in order to harvest wood from it. I think if we put this model into place then we will not need to log rainforests.

Correspondingly, business and individual consumers in Northern countries, which are the greatest users of rainforests, should refrain from using tropical wood and tropical wood products. For instance, when Sony VCRs are exported to the United States, they are sent in crates which are often made from tropical rainforest wood.

At the individual country level, I think the best defenders of the rainforests are the native peoples who live in or near the forests and the environmental groups.

We also need to have policies addressing the problems of agriculture, land and employment, so that people who farm will have sufficient land; this will relieve the pressure which they would otherwise put on the rainforests.

I think a combination of consumer action, the banning of logging plus a good agricultural and rural policy with its center being a more equitable distribution of land will lead to a tremendous reduction of the pressures being put on the rainforests.

But rainforest countries which still have a large part of their country under forest cover are going to find it very difficult to refrain from making money from the rainforest. If a country has only 5 percent of its rainforest left it is quite easy for them to ban logging, but if we take a country like Brazil which still has a very large part of its rainforest intact and tell it that we will not allow it to develop its rainforest anymore, it is going to be very difficult for that country to agree. I think that some kind of international mechanism should be established by which the developed countries compensate — I wouldn't even call it aid — those tropical countries which still have rainforests for not developing their forests. Some kind of compensation mechanism should be set up because the world recognizes that we all need the rainforests, but that some countries are going to be asked to make sacrifices for not destroying them. In return for a certain amount of money per acre of rainforest, the tropical countries would agree not to develop those rainforests for, say, the next 100 years. ■

Many people are still promoting the idea that it is poor people who are destroying the forests. In reality, it is industry which is responsible for a very large proportion of the destruction, for instance, the logging industry, the industries that are promoting hydroelectric dams, the cattle ranchers and so on.

THIRD WORLD **RESURGENCE**



THE INVISIBLE HOLOCAUST

Biodiversity: A Third World perspective

Vandana Shiva



Fruits of the tropical forests which contain almost half of all plant species in the world. Picture shows a variety of tropical fruits which include, papaya, guava, mango, durian, mangosteen, rambutan, sour sop, pineapple and banana.

DIVERSITY characterises nature and forms the basis of ecological stability and diverse ecosystems give use to diverse life forms and diverse cultures. Thus cultural diversity and biological diversity go hand in hand.

The cradle of the earth's biological diversity is in the tropics and the multiplicity and variability of ecosystems and species that exist here is incomparable.

And it is Third World peasants and forest dwellers who are the guardians and beneficiaries of the world's biodiversity.

Today the extinction of biological diversity and the crisis of survival confronting forest peoples and peasant societies in the Third World are but two sides of the same coin. This crisis of the erosion of biodiversity which can be seen in the destruction of tropical forests worldwide, the overharvesting of plants and animals, the indiscriminate use of pesticides and the deliberate substitution of diversity by uniformity of crops, trees, and livestock through so called development aid financed by the international

agencies has deepened the biodiversity crisis and threatens the very survival of people in the Third World.

The roots of this biodiversity crisis lie in the industrial North and the threat will increase with the emergence of new biotechnologies which will erode biodiversity both through the increase in the introduction of uniformity in production and through the ownership of life forms as private property.

Yet this crisis is seen exclusively as a Third World problem ('it is the Third World which is destroying its biological wealth') and the solutions for biodiversity conservation lies in the North.

In this series of articles Vandana Shiva, argues that the biggest threat to biodiversity is production systems based on principles of uniformity and the real assault against the Third World's genetic resources are the transnational corporations and the pressure that they will assert through international institutions like GATT and the FAO to turn life forms into private property through intellectual property rights.

The Crisis of Diversity

TODAY, the diversity of ecosystems, life forms and ways of life of different communities is under threat of extinction. Habitats have been enclosed or destroyed, diversity has been eroded and livelihoods deriving from biodiversity are threatened.

Tropical moist forests cover only 7% of the earth's land surface but contain at least half of the earth's species. Deforestation in these regions is continuing at a rapid pace, with very conservative estimates suggesting rates as high as 6.5% in Cote d'Ivoire and averaging about 0.6% per year (about 7.3 million ha) for all tropical countries. At this rate, which is a net figure, and incorporating reforestation and natural growth, all closed tropical forests would be cleared within 177 years. Raven estimates that about 48% of the world's plant species occur in or around forest areas where over more than 90% of their area will be destroyed during the next 20 years, leading to about a quarter of those species being lost. Wilson has estimated that the current extinction rate is 1000 species a year. By the 1990s, the figure is expected to rise to 10,000 species a year (one species an hour). During the next 30, one million species could be erased.

Biological diversity in marine ecosystems is also remarkable, and coral reefs are sometimes compared with tropical forests in terms of diversity. Marine habitats and marine life are under severe threat; with the destruction of diversity, the fisheries base in most coastal regions of the world is on the verge of collapse.

The erosion of diversity is also very severe in agricultural ecosystems. Crop varieties have disappeared, and cultivation during the 'Green Revolution' phase shifted from hundreds and thousands of crops to wheat and rice derived from a very narrow genetic base. The wheat seeds that spread worldwide from the International Centre for Maize and Wheat Improvement (CIMMYT) through Norman Borlaug and his 'wheat apostles' were the result of nine years of experimenting with Japanese *Norin* wheat. *Norin*, released in Japan in 1935, was a cross between Japanese dwarf wheat called *Daruma* and American wheat called *Fultz* which the Japanese government had imported from the US in 1987.

Vandana Shiva

The *Norin* wheat was brought to the US in 1946 by Dr D C Salmon, an agriculturist acting as a US military adviser in Japan, and further crossed with American seeds of the variety called *Bevor* by US Department of Agriculture scientist Dr Orville Vogel. Vogel in turn sent it to Mexico in the 1950s where it was used by Borlaug, who was on the Rockefeller Foundation staff, to develop his well-known Mexican varieties. Of the thousands of dwarf seeds created by Borlaug, only three were used to create the 'Green Revolution' wheat plants which were spread worldwide. On this narrow and alien genetic base are the food supplies of millions precariously perched.

Over the last half century, India has probably grown over 30,000 different indigenous varieties or land races of rice. The situation has altered drastically in the past 15 years, however, and Dr H K Jain, Director of the Indian Agricultural Research Institute in New Delhi, predicts that in another 15 years this enormous rice diversity will be reduced to no more than 50 varieties, with the top 10 accounting for over three-quarters of the subcontinent's rice acreage.

Livestock populations are also being homogenised and their diversity is being irreversibly lost. The carefully evolved pure breeds of cattle in India are on their way to extinction. The *Sahiwal*, *Red Sindhi*, *Rathi*, *Tharparkar*, *Hariana*, *Ongole*, *Kankrej* and *Cyr* are cattle breeds developed for the different eco-niches where they had to survive and support the needs of local communities. Today they are being systematically substituted by cross breeds of *Jersey* and *Holstein* cows.

With animals disappearing as an essential component of farming systems, and their contribution of organic fertility being substituted by chemical fertilisers, soil, fauna and flora have also gone extinct. The locally specific nitrogen-fixing bacteria, fungi that facilitate nutrient intake through mycorrhizal association, predators of pests, pollinators and seed dispersers, and other species that co-evolved over centuries to provide environmental

services to traditional agrosystems have become extinct, or have had their genetic base dramatically narrowed. Deprived of the flora with which they co-evolved, soil microbes also disappear.

Erosion effect

Biodiversity erosion starts a chain reaction. The disappearance of a species is related to the extinction of innumerable other species with which it is inter-related through food webs and food chains, and about which humanity is totally ignorant. The crisis of biodiversity is not just a crisis of the disappearance of species which have the potential of spinning dollars for corporate enterprises by serving as industrial raw material. It is, more basically, a crisis that threatens the life-support systems and livelihoods of millions of people in Third World countries.

The erosion of biodiversity has serious ecological and social consequences since diversity is the basis of ecological and social stability. Social and material systems devoid of diversity are vulnerable to collapse and breakdown. Below are two examples of the ecological vulnerability of monocultures of 'improved varieties'.

● In 1970-71, America's vast cornbelt was attacked by a mysterious disease, later identified as 'race T' of the fungus *Helminthosporium maydis* which caused the Southern Corn Leaf Blight as the epidemic was called. It left ravaged corn fields with withered plants, broken stalks and malformed or completely rotten cobs with a grayish powder. The strength and speed of the Blight was a result of the uniformity of hybrid corn, most of which had been derived from a single Texas male sterile line. The genetic make-up of the new hybrid corn which was responsible for its rapid and large scale breeding by seed companies was also responsible for its vulnerability to disease. At least 80% of the hybrid corn in America in 1970 contained the Texas male sterile cytoplasm. As a University of Iowa pathologist wrote, 'Such an extensive, homogeneous acreage is like a tinder-dry prairie waiting for a spark to ignite it.'

A National Academy of Sciences study, *Genetic Vulnerability of Major*



The varieties of corn available shows the genetic diversity of the crop which is the key to the survival of the species.

Crops, stated: 'The corn crop fell victim to the epidemic because of a quirk in the technology that had redesigned the corn plants of America until in one sense, they had become as alike as identical twins. Whatever made one plant susceptible made them all susceptible'.

● In 1966, the International Rice Research Institute released a 'miracle' rice variety - IR(8), which was quickly adopted for use through Asia. IR-8 was particularly susceptible to a wide range of disease and pests: in 1968 and 1969 it was hit hard by bacterial blight and in 1970 and 1971 it was ravaged by another tropical disease called tungro. In 1975, Indonesian farmers lost half a million acres of Green Revolution rice varieties to leaf hoppers. In 1977, IR-36 was developed to be resistant to 8 major diseases and pests including bacterial blight and tungro. However this was attacked by two new viruses called 'ragged stunt' and 'wilted stunt'.

The vulnerability of rice to new pests and disease due to monocropping and a narrow genetic base is very high. IR-8 is an advanced rice variety that

came from a cross between an Indonesian variety called 'Pea' and another from Taiwan called 'Dee-Geo-Woo-Gen'. IR-8, Taichung Native 1 (TN1) and other varieties were brought to India and became the basis of the All India Co-ordinated Rice Improvement Project to evolve dwarf, photoinensitive, short duration, high yielding varieties of rice suited to high fertility conditions. The large scale spread of exotic strains of rice with a narrow genetic base was known to carry the risk of the large-scale spread of disease and pests.

The 'miracle' varieties displaced the diversity of traditionally grown crops, and through the erosion of diversity, the new seeds became a mechanism for introducing and fostering pests. Indigenous varieties or land races are resistant to locally occurring pests and diseases. Even if certain diseases occur, some of the strains may be susceptible, while others will have the resistance to survive. Crop rotations also help in pest control. Since many pests are specific to particular plants, planting crops in different seasons and different years causes large reductions in pest

populations. On the other hand, planting the same crop over large areas year after year encourages pest build ups. Cropping systems based on diversity thus have built-in protection.

Vulnerability

The two principles on which the production and maintenance of life is based are:

- (a) the principle of diversity, and
- (b) the principle of symbiosis and reciprocity, often also called the law of return.

The two principles are not independent but interrelated. Diversity gives rise to the ecological space for give and take, for mutuality and reciprocity. Destruction of diversity is linked to the creation of monocultures, and with creation of monocultures, the self-regulated and decentralised organisation of diverse systems gives way to external inputs and external and centralised control.

Sustainability and diversity are ecologically linked because diversity offers the multiplicity of interactions which can heal ecological disturbance to any part of the system. Nonsustainability and uniformity means that a disturbance to one part is translated into a disturbance to all other parts. Instead of being contained, ecological destabilisation tends to be amplified. Closely linked to the issue of diversity and uniformity is the issue of productivity. Higher yields and higher production have been the main push for the introduction of uniformity and the logic of the assembly line. The imperative of growth generates the imperative for monocultures. Yet this growth is, in large measure, a socially-constructed, value-laden category. It exists as a 'fact' by excluding and erasing the facts of diversity and production through diversity.

Diverse systems have multiple outputs and yields, and much of these outputs flow back within the system to allow for 'low-external-input' production, so that production is possible without access to purchasing power, credits and capital. Livestock and crops help maintain each other's productivity symbiotically and sustainably. Different crop varieties also maintain each other e.g. corn and beans, millets and pulses, where the legume provides nitrogen for the main cereal crop through nitrogen fixation.

In addition to providing ecological stability, diversity also ensures diverse livelihoods and provides for multiple needs through reciprocal arrangements.

Homogeneous and one dimensional

production systems break up community structure, displace people from diverse occupations, and make production dependent on external inputs and external markets. This generates political and economic vulnerability and instability because the production base is ecologically unstable and commodity markets are economically unstable.

Negros in the Philippines is an economic disaster because its entire economy depended on sugarcane, and when sugar substitutes were derived from corn, there was no longer a market for sugarcane. The vulnerability of Africa is extremely high because colonialism introduced exclusive dependence on monocultures of cash crops for exports and displacement of biodiversity for local food needs. Many African countries rely on single crops for export earnings.

With the emergence of the new biotechnologies and the industrial production of substitutes for the biological products from plantation crops, severe dislocation of the economy and society in these countries can be expected.

Physical violence might no longer be the main instrument of control, but control of the Third World's biodiversity for profits is still the primary logic of North-South relationships on biodiversity. The large scale introduction of monocultures in the Third World through the Green Revolution was spearheaded by the International Centre for Wheat and Maize Improvement (CIMMYT) in Mexico and International Rice Research Institute (IRRI) in the Philippines, controlled by the Consultative Group on International Agricultural Research (CGIAR), which was

launched by the World Bank in 1970.

In the Philippines, IRRI seeds acquired the name 'seeds of imperialism'. Robert Onate, President of the Philippines Agricultural Economics and Development Association, observed that IRRI practices had created a new dependence on agrochemicals, seeds and debt. 'This is the Green Revolution Connection,' he remarked. 'New seeds from the CGIAR global crop seed systems which will depend on the fertilizers, agrichemicals and machineries produced by conglomerates of the Transnational Corporations.'

The International Bureau for Plant Genetic Resources (IBPGR) which is run by the CGIAR system was specifically created for the collection and conservation of genetic resources. However, it has emerged as an instrument for the transfer of resources from the South to the North. While most genetic diversity lies in the South, of the 127 base collections of IBPGR, 81 are in the industrialised countries, and 29 are in the CGIAR system which is controlled by the governments and corporations of the industrialised countries in the North. Only 17 are in the national collections of Third World countries. Of the 81 base collections in the North, 10 are in the hands of the countries that fund IBPGR.

The US has accused countries of the Third World as engaging in 'unfair trading practice' if they fail to adopt US patent laws which allow monopoly rights in life forms. Yet it is the US which has engaged in unfair practices related to the use of Third World genetic resources. It has freely taken the biological diversity of the Third World

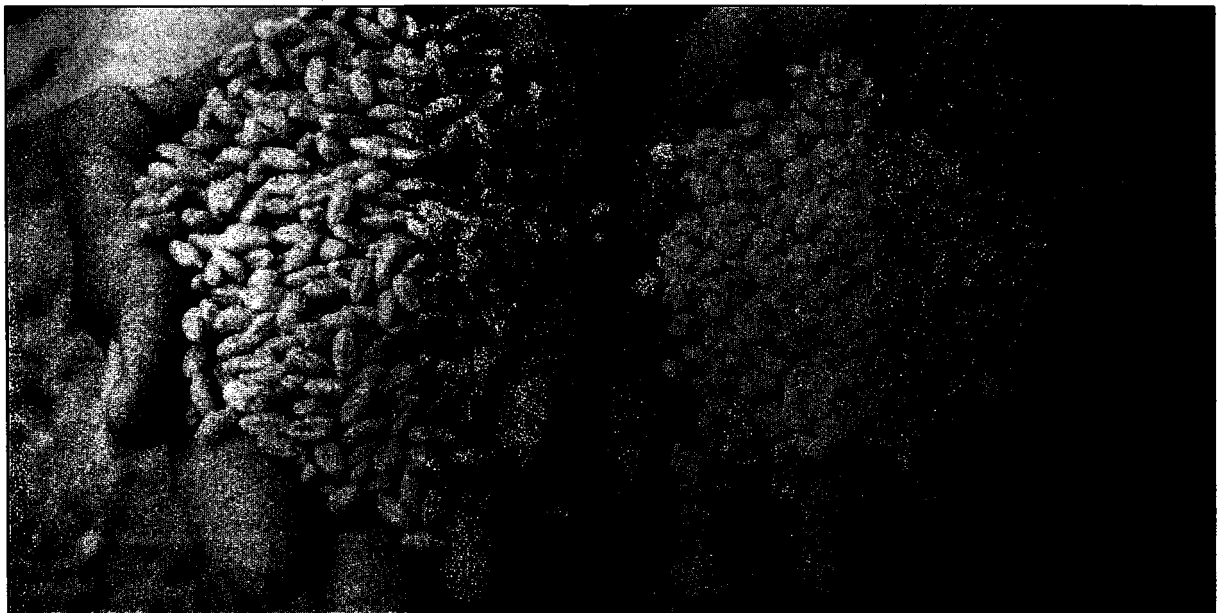
to spin millions of dollars of profits, none of which have been shared with Third World countries, the original owners of the germplasm.

According to Prescott-Allen, wild varieties contributed US\$340 million per year between 1976 and 1980 to the US farm economy. The total contribution of wild germ plasm to the American economy has been US\$66 billion, which is more than the total international debt of Mexico and the Philippines combined. This wild material is 'owned' by sovereign states and by local people.

A wild tomato variety (*Lycopersicon chomrolewskii*) taken from Peru in 1962 has contributed US\$8 million a year to the American tomato processing industry by increasing the content of soluble solids. Yet none of these profits or benefits have been shared with Peru, the original source of the genetic material.

The pharmaceutical industry of the North has similarly benefited from free collection of tropical biodiversity. The value of the South's germplasm for pharmaceutical industry ranges from an estimated US\$4.7 billion now to US\$47 billion by the year 2000.

As drug companies realise that nature holds rich sources of profit they begin to covet the potential wealth of tropical moist forests as a source for medicines. For instance, the periwinkle plant from Madagascar is the source of at least 60 alkaloids which can treat childhood leukaemia and Hodgkin's Disease. Drugs derived from this plant bring in about US\$160 million worth of sales each year. Yet another plant, *Rauwolfia serpentina*, from India is the base for drugs which sell up to US\$260



Wheat and millet: many varieties have already vanished from the farmer's fields threatening food supplies worldwide.

million a year in the US alone.

Unfortunately, it has been estimated that with the present rate of destruction of tropical forests, 20-25% of the world's plant species will be lost by the year 2000. Consequently, major pharmaceutical companies are now screening and collecting natural plants through contracted third parties. For instance, a British company, Biotics, is a commercial broker known for supplying exotic plants for pharmaceutical screening by inadequately compensating the Third World countries of origin. The company's officials have actually admitted that many drug companies prefer 'sneaking plants' out of the Third World than going through legitimate negotiating channels.

Another method is that of the US National Cancer Institute which has sponsored the single largest tropical plant collecting efforts by recruiting the assistance of ethno-botanists, who in turn siphon off the traditional knowledge of indigenous peoples without any compensation.

In spite of the immeasurable contribution that Third World biodiversity has made to the wealth of industrialised countries, corporations, governments and aid agencies of the North continue to create legal and political frameworks to make the Third World pay for what it originally gave. The emerging trends in global trade and technology work inherently against justice and ecological sustainability.

They threaten to create a new era of bio-imperialism, built on the biological impoverishment of the Third World and the biosphere.

The intensity of this assault against Third World genetic resources can be seen from the pressure excited by major drug and agricultural input companies and their home governments on international institutions such as the General Agreement on Tariffs and Trade (GATT) and the FAO to recognise such resources as a 'universal heritage' in order to guarantee them free access to the raw materials. International patent and licensing agreements will increasingly be used to secure a monopoly over valuable genetic materials which can be developed into drugs, food, and energy sources.

Biodiversity Conservation: The Northern Bias

THE dominant approaches to biodiversity conservation suffer from the limitations of a northern bias, and a blindness to the role of the North in the destruction of biodiversity in the South.

Conserving the World's Biological Diversity (a study released by the World Bank, the World Resources Institute, the International Union for the Conservation of Nature Resources and the World Wide Fund for Nature) is undoubtedly emerged from the North. However, even this report suffers from a biased analysis and biased prescriptions.

(i) Neglect of Primary Causes of Destruction

In this report, while the crisis of erosion is focused on as an exclusively tropical, and Third World phenomenon, the thinking and planning of biodiversity conservation is projected as a monopoly of institutes and agencies based in and controlled by the industrial North. It is as if the mind and the solutions are in the North, while the matter and the problems are in the South. This polarity and dualism underlies the basic shortcomings of the book, which could more honestly have been titled 'The North Conserving the South's Biological Diversity'.

It is of course true that the tropics are the cradle of the planet's biological diversity, with an incomparable multiplicity and variability of ecosystems and species. However, not only is erosion of diversity as great a crisis in the North, it is also in

the North that the roots of the South's crisis of diversity lie. These aspects of the destruction of diversity are not addressed in the book.

Closely related to the book's neglect of forces and factors in the North as part of the problem is its neglect of the crisis of diversity in what are viewed as 'production' spheres - forestry, livestock and agriculture. Among the causes identified as leading to the loss of biological resources are forest clearing and burning, overharvesting of plants and animals, and indiscriminate use of pesticides. In the past 20-30 years, however, in addition to these factors, there has been a deliberate substitution of diversity by uniformity of crops, trees and livestock - through development projects financed by aid from international agencies.

The report thus ignores the two primary causes of biodiversity destruction which are global in character, and focuses on secondary and minor causes which are often local in character. It therefore blames the victims of biodiversity destruction for the destruction, and places responsibility for conservation in the hands of the sources of destruction.

(ii) Disease offered as cure

The World Bank, which continues to introduce biodiversity action plans, has for the past 10 years been financing the destruction of genetic diversity in the Third World. It financed the Green Revolution which replaced genetically diverse indigenous cropping systems in the Third World

with vulnerable, genetically uniform monocultures. It contributed to genetic erosion through the encouragement of centralised research institutions controlled by the Consultative Group on International Agriculture Research (CGIAR), which it launched in 1970.

The Tropical Forest Action Plan (TFAP) which is cited as an example of a strategy for conserving habitats has been responsible for the destruction of biodiversity in both natural forests and agricultural ecosystems. Large scale introduction of monocultures of eucalyptus and other industrial species has been accelerated under the TFAP, displacing indigenous tree, crop and animal species. In effect the TFAP has become an instrument for giving public subsidies to multinational corporations such as Shell and Jaako Poyry in Asia and Latin America.

(iii) Who produces, who consumes biodiversity?

The northern bias of the World Bank/IUCN/WRI/WWF report is also evident in its analysis of the value of biodiversity. In the self provisioning economies of the Third World, producers are simultaneously consumers and conservers. In fact, it is recognised that 'the total genetic change achieved by farmers over the millenia was far greater than that achieved by the hundred or two years of more systematic science based efforts'.

If this contribution to knowledge and development of biodiversity is recognised,

Ecology, equity and efficiency

An ecologically sustainable and just approach to biodiversity conservation needs to begin by halting and reversing the primary threats to biodiversity. This involves stopping aid and incentives for the large scale destruction of habitats where biodiversity thrives, and stopping subsidies and public support for displacement of diversity by centralised and homogeneous systems of production in forestry, agriculture, fisheries and animal husbandry. Since the drive for this destruction comes from international aid and financing, the beginning for stopping biodiversity destruction and to start conservation has to be made at that level. In parallel,

support needs to be given to ways of life and systems of production that are based on the conservation of diversity, and which have been marginalised by the dominant pattern of development.

Ecologically, this shift involves recognition of the value of diversity in itself. As Ehrenfeld has stated: 'Value is an intrinsic part of diversity.' All life forms have an inherent right to life, and that should be the overriding reason for not allowing species extinction to take place.

At the social level, the values of biodiversity in different cultural contexts need to be recognised. Sacred groves, sacred seeds, sacred species have been cultural means for treating biodiversity as inviolable, and present us with the best examples of conserva-

tion. In addition, we need to recognise that market value and dollar value is only a limited value which is often perverse for biodiversity. There are other values of biodiversity, such as those of providing meaning and sustenance, and these values need not be treated as subservient and secondary to market values.

The recognition of community rights to biodiversity, and farmers' and tribals' contributions to the evolution and protection of biodiversity also need to be recognised - by treating their knowledge systems as futuristic, not as primitive.

At the economic level, if biodiversity conservation is to be aimed at conserving life, rather than profits, then the incentives given to biodiversity de-

farmers and tribals are the original producers, and corporate and public sector scientists consume their finished products as raw material for commodities. The dominant approach puts this relationship of producer and consumer on its head.

Probably the authors' treatment of Northern agencies as part of the solution rather than part of the problem is related to their economic approach. In the chapter on 'Values of biological diversity', it is recognised that biological resources have social, ethical, cultural and economic values. 'But', the authors proceed to say:

in order to compete for the attention of government decision makers in today's world, policies regarding biological diversity first need to demonstrate in economic terms the value of biological resources to a country's social and economic development.

The economic values of biological resources are then divided into the following categories:

- 'consumptive value' - value of products consumed directly without passing through a market, such as firewood, fodder and game meat;

- 'productive use value' - value of products commercially exploited; and

- 'non-consumptive use value' - indirect value of ecosystem functions, such as watershed protection, photo-synthesis, regulation of climate and production of soil.

An interesting value framework has thus been constructed which predetermines analysis and options. If the Third World poor, who derive their livelihoods directly from nature, only 'consume', and the trading and commercial interests are the only 'producers', it follows quite naturally that the Third World is responsible for the destruction of its biological wealth, and the

North alone has the capacity to conserve it. This ideologically constructed divide between consumption, production and conservation hides the political economy of the processes which underlie the destruction of biological diversity.

Defining production as consumption and consumption as production also matches the demand for intellectual property rights of the North, and denies the intellectual contributions of those in the South who are the primary producers of value.

(iv) Commercialised conservation

The economic bias narrows down conservation options to a commercialised approach in which both the means and ends of conservation are financial values on the market.

Commercialised conservation is linked to the emergence of new biotechnologies which have transformed the genetic resources of this planet into the raw material for industrial production of food, pharmaceuticals, fibres, energy, etc. Commercialised conservation measures and justifies the value of conservation in terms of its present or future use for profits. It does not take into account that this will wipe out genetic diversity. Biodiversity conservation here is seen only in terms of setting aside reserves in undisturbed ecosystems for the purpose of conservation. This schizophrenic approach to biodiversity, which adopts a policy of destruction of diversity in production processes and a policy of preservation in 'set-asides', cannot be effective in the conservation of species diversity. Biodiversity cannot be conserved unless production itself is based on a policy of preserving diversity.

Exclusive dependence on economic value as the reason for conservation is the

wrong place to initiate a conservation programme. As Ehrenfeld has noted: 'By assigning value to diversity we merely legitimise the process that is wiping it out, the process that says, 'The first thing that matters in any important decision is the tangible magnitude of the dollar costs and benefits'.....If conservation is to succeed, the public must come to understand the inherent wrongness of the destruction of biological diversity'.

(v) The reductionist approach

The dominant approach to biodiversity is inadequate for conservation both because it values biodiversity only as a commodity, but also because it perceives biodiversity in a fragmented and atomised form. It views biodiversity merely as an arithmetic, numerical, additive category. Thus 'conserving the world's biological diversity' uses biodiversity as an 'umbrella term for the degree of nature's variety, including both the number and frequency of ecosystems, species or genes in a given assemblage'. This leads to a reductionist approach to conservation, which serves commercial objectives well, but fails to fulfil ecological criteria.

Ex situ conservation in high-tech gene banks is the dominant response to conservation of biodiversity. This approach is both static and centralised. It is an efficient means of conservation of raw material in the form of germ plasm collection. However, it has its limitations both because it removes control over biodiversity from local communities from whose custody the germ plasm has been taken away, and it removes biodiversity from the habitats where the diversity would evolve and adapt under changing environmental conditions.

struction and the penalties that have become associated with biodiversity conservation need to be removed. If a biodiversity framework guides economic thinking rather than the other way around, it becomes evident that the so-called high production of homogeneous and uniform systems is an artificial measure, which is artificially maintained through public subsidies. If half a calorie of energy produces one calorie of food in non-



Genetic engineering on food crops will expose third world farmers to increasing vulnerability and insecurity.

industrial biodiversity based systems, and 10 calories of energy produce one calorie of food in a homogeneous industrial system, it is clearly not efficiency and productivity that pushes the displacement of the former by the latter. Productivity and efficiency need to be redefined, reflecting the multiple input, multiple output and internal input systems characterised by biodiversity.

In addition, the perverse logic of financing biodiversity conservation by a small percentage of profits generated by biodiversity destruction amounts to giving licence to destruction, and reduces conservation into an exhibit, not a basis of living and producing. The disadvantages for conserving systems arise from privileges given to destroying systems, and conservation cannot be achieved by extending those privileges and deepening the disadvantages. Third World governments need to remember that one cannot protect one's house against theft by begging the thief to give back a small share of the loot. Protection comes from not allowing theft to take place in the first place.

Ecology, equity and efficiency meet in biodiversity, while they are in opposition with each other in monocultures and homogeneous systems. Diversity ensures ecological stability. Diversity ensures multiple livelihoods and social justice. Diversity also ensures efficiency in a multidimensional context. On the other hand, uniformity creates:

- (a) ecological instability;
- (b) external control, which leads to displacement of livelihoods;
- (c) efficiency in a one dimensional framework, but undermines it at the systems level.

Who controls biodiversity?

Neither ecological sustainability nor livelihood sustainability can be ensured without a just resolution of the issue of who controls biodiversity.

Until recent times, it was local communities who have used, developed and conserved biological diversity, who have been custodians of the biological wealth of this planet. It is their control, their knowledge and their rights that need to be strengthened if the foundations of biodiversity conservation are to be strong and deep. This strengthening has to be done through local action, national action and global action.

After centuries of the gene-rich South having contributed biological resources freely to the North, Third World governments are no longer willing to have biological wealth taken for free and sold back at exorbitant prices to the Third World as 'improved' seeds and packaged drugs. From the Third World viewpoint, it is considered highly unjust that the South's biodiversity be treated as the 'common heritage of mankind', and the return flow of biological commodities be patented, priced and treated as private property of Northern corporations.

This new inequality and injustice is being forced on the Third World through the patent system and intellectual property rights by GATT, the World Bank and the US Trade Act. The new North-South asymmetries it will generate make for an unstable world and are of course an issue of major concern. Equally serious is the undermining of the sovereignty of the Third World.

But much more serious is the total erosion of sovereignty of local communities, the original custodians of biodiversity, and the sovereignty of the diversity of life-forms which are our partners in co-evolution, not merely mines of genes to be exploited at will for profits and control.

Putting value on the gene through patents makes biology stand on its head. Complex organisms which have evolved over millennia in nature, and through the contributions of Third

World peasants, tribals and healers are reduced to their parts, and treated as mere inputs into genetic engineering. Patenting of genes thus leads to a devaluation of life-forms by reducing them to their constituents and allowing them to be repeatedly owned as private property. This reductionism and fragmentation might be convenient for commercial concerns, but it

violates the integrity of life as well as the common property rights of Third World peoples. On these false notions of genetic resources and their ownership through intellectual property rights are based the 'bio-battles' at FAO and the trade wars at GATT.

To redress the North-South imbalance and to recognise the contributions of local communities to the development of biodiversity, it is imperative that the regime based on bio-imperialism be replaced by structures based on bio-democracy. Gandhi has shown us that absolute power based on unethical and undemocratic foundations can only be challenged by a resurgence of the ethical and democratic.

Biodemocracy involves the recognition of the intrinsic value of all life forms and their inherent right to exist. It also involves the recognition of original contributions and rights of communities which have co-evolved with local biodiversity.

Biodemocracy entails that nation states protect these prior rights from erosion by corporate claims to private property in life forms through patents and intellectual property rights.

The deeper the devolution and decentralisation of rights to biodiversity, the smaller are the chances for the monopolising tendencies to take hold.

Governments of the South can only be strengthened by standing behind their peoples and their biodiversity and supporting and protecting the democratic rights of diverse species to exist, and diverse communities to co-exist with them. If states in the South join the move to deny rights and to take away control over biodiversity from local communities, they too will be weakened and will lose their sovereign rights to and control over biodiversity to economic powers in the North whose global empires in the biotechnology era will be built on the destruction and colonisation of the South's biodiversity.

Part 4: GATT and Agriculture

The agriculture proposals to the GATT Uruguay Round will cut subsidies and prohibit nations from limiting the volume and type of agricultural products entering their borders. This will accelerate destruction of indigenous farming communities and compromise national sovereignty over farm policy and food safety laws around the world.

Major grain traders, commodity speculators, large agribusiness concerns and multinational chemical, seed, and biotech companies will be the beneficiaries of these proposals. The victims will be farmers and their families in the U.S., as well as consumers, rural economies and indigenous farmers in other parts of the world.

The Uruguay Round negotiations broke down in Brussels in December, 1990 largely because the European Community, Japan, and other nations were resisting the roll-back and ultimate elimination of subsidies to their farmers. Family farmers have a strong political presence in Europe, Japan and Korea, and the average quality of produce available to consumers is generally higher than in the United States. Consumers in Europe and Asia have been willing to subsidize farmers when they believe that is what is necessary to preserve the quality of home-grown produce, as well as maintain healthy rural economies. Nevertheless, corporate interests in Japan and Europe have joined those in the U.S. to apply pressure for reduction of agricultural subsidies in the industrialized countries, as a trade-off for gains in other areas such as Services (banking, shipping, telecommunications and insurance).

In December, 1991 the Japanese Parliament, in a major turnaround, considered a partial opening of the Japanese rice market to imports. This resulted in a massive demonstration by protesting farmers and consumers in Tokyo. The European Community is planning to make concessions, evoking similar demonstrations, particularly in England and France.

Efficient and Cheap: U.S. agribusiness executives claim that in order to compete success-

fully in European and Asian markets, subsidies must be eliminated. They say they can produce food more efficiently and cheaply than farmers in those countries. This "efficient" and "cheap" farming depends upon vast landholdings devoted to single hybrid crops, massive irrigation projects, large fuel-consuming equipment, and frequent applications of chemicals. It also depends upon migrant labor paid bare subsistence wages and often subjected to inhuman treatment.

Over the past 40 years of U.S. agricultural policy, crop prices in relation to other living costs have been driven down to a level far below their relative costs in other countries. However, the real cost of this effort has not yet been calculated: the damage to the health of farm workers and their families who are exposed to pesticides; the effect of chemical residues on consumers' health; massive salinization and erosion of farm lands; and toxic contamination of water sources. Nor does agribusiness count the social and economic costs of displaced farm families. These families risk the loss of their land when they cannot get a price for their crops which reflects the labor and care that go into farming practices which are sensitive to the long term needs of the land itself.

Overuse of agricultural chemicals and farm mechanization can have a tragic global "domino effect." This has become increasingly apparent both in the Third World and in the U.S. Groundwater in the great San Joaquin Valley in California, one of the most fertile and productive agricultural areas in the U.S., has in recent years consistently tested "unfit for human use" and toxic to wildlife. In California's Imperial Valley, largest supplier of melon and winter vegetables to the continental United States, more than 95% of the 1991-92 winter crop was destroyed by an imported insect, the pesticide-resistant poinsettia whitefly.

This particular strain of whitefly first appeared in the Punjab area of India and Pakistan, where the Green Revolution began, which brought hybridized foreign grains to the Third World.

When the new seeds and chemicals were first introduced in the 1960s crop yields were so much higher than traditional yields that farmers were quickly won over. Traditional seed and land conservation practices were replaced by the new farming methods. After some years the pesticides became less effective as they stimulated rapid insect mutation, so they were used in greater quantity. Soils were leached of their nutrients and the costs and hazards of farming went up, as yields began to fall. Finally the pesticide resistant whitefly has travelled to other parts of the world on India and Pakistan's export crops.

The Green Revolution was intended to increase food production in countries with expanding populations, but the long-term effect of its intrusion into Third World agrarian economies has been disastrous. It has concentrated wealth in the hands of far fewer farmers, converting large areas of land once used to provide food for local needs to the cultivation of export crops. It has made formerly skilled, self-sufficient farmer-peasants, who were once the custodians of invaluable local ecological knowledge, into agribusiness laborers dependent upon imported technologies and products, ever more vulnerable to debt and loss of livelihood.

This "Revolution" has severely reduced crop diversity and the resources of farmers' experience and knowledge accumulated over centuries. Its chemicals have contaminated water and depleted soil that has been farmed for hundreds or even thousands of years. It has changed the ancient meaning of "seed" as a gift of nature to be treasured and shared, into a patented product to be acquired only by those who abandon traditional practices and values.

In Mexico, India, and other countries that hosted the Green Revolution, local factories were set up with the help of foreign corporations to produce pesticides and chemical fertilizers. Environmental standards and worker safety regulations which are standard practices in Europe and the U.S., were ignored, circumvented, or not enforced. This has led to disasters like Bhopal, where thousands of people were killed or permanently disabled.

The thrust of U.S. agricultural trade negotiations is to consolidate and extend the "miracle"

Green Revolution: the use of hybrid, patented grains that produce greater yields than indigenous strains, but are less hardy in local conditions, with all their attendant needs for chemical fertilizers, pesticides, increased irrigation, mechanization and fossil fuels.

The Intention of Agricultural Trade: It would be pointless to argue that all trade or use of high technology agricultural products must be barred. Judicious use of agricultural technology can be beneficial, however the high input necessary in large scale, standardized, highly mechanized farming can bring on devastating environmental and social costs.

Traditional farm practices with their subtle sensitivity to natural pest control and the delicate balances in local ecologies have not been entirely lost to the world but the economic clout of international trade giants, armed with the proposed agricultural additions to GATT, will hasten the demise of people who hold this knowledge.

After experiencing some of the negative effects on their families' and workers' health some mid- and large scale U.S. farmers have learned to use agricultural technologies more judiciously. Even domestic U.S. agriculture policy is beginning to recognize the wisdom of reduced pesticide use.

The intention of agricultural trade provisions must go beyond the maximization of agribusiness profit at the expense of health, social well-being, rural economies and the environment. Complex technology transfer must be accompanied by education strategies to protect biodiversity and traditional farmers' ecological knowledge, and to convey the potential dangers as well as possible benefits of new products and practices.

U.S. trade negotiators believe such considerations lie outside the realm of GATT or the Uruguay Round. However, global agricultural trade, and policies which influence the way food is grown, are vitally interlinked. Food independence is fundamental to the stabilization of vulnerable economies in the Third World. Nutritious food, free of toxins, is essential for health. The administrative structures for trade agreements must institutionalize penalties for practices which upset ecological balances. Attention to the needs of the land – and all the life it supports – is the first

step toward food independence and maximum production of quality food crops with the minimum of damage to the environment. It is also the only kind of agriculture that can truly be called sustainable.

Resources

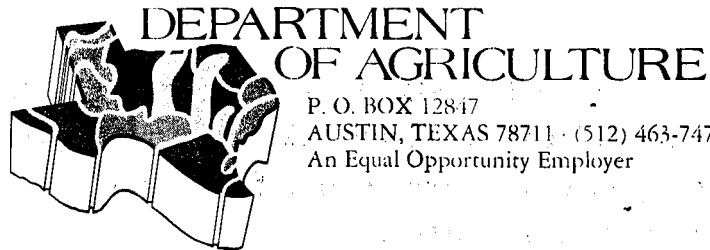
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HOW YOU CAN PREVENT A GATT-ATTACK

by Jim Hightower

American consumers and farmers, who have already suffered some serious body blows from Washington's budget and farm bill agreements, had better look out, because a haymaker called "GATT" is being thrown at them all the way from Geneva, Switzerland.

GATT, the General Agreement on Tariffs and Trade, is the 43-year-old treaty that forms the legal framework for international business dealings between more than a hundred nations, including our own. But, if the Bush Administration gets its way, GATT will stand for "Gotcha Again!"

The Administration has been working double-time this year in Geneva to renegotiate the agreement, hoping to add an invidious agricultural provision that even USDA's own economists say would bust U.S. farm income below Great Depression levels. At the same time, the Administration's proposal would knock down our border protections and allow massive imports of pesticide-laden food.

This pernicious revision of the GATT agreement has been devised by chemical conglomerates, multinational commodity shippers and international bankers, and it is being pushed with a vengeance in Europe by U.S. Secretary of Agriculture Clayton Yeutter and U.S. Trade Representative Caria Hills. They have packaged their proposal with the rhetorical glitter of "free trade," but their ideological rhetoric is like putting earrings on a hog: It just can't hide the ugliness. The ugliness of their proposal is that it would "free" U.S. agricultural production to be moved to Third World nations, and it would "free" American consumers to partake of unwanted levels of chemical contaminants in their dinner.

Yeutter, Hills and company hope to bully the rest of the GATT talk participants into accepting this ag trade master, then rushing it past the American public before we have a chance to react. The

GATT agreement is slated for "fast track" consideration by the Congress, which means that Congress must pass or reject it on a single up-or-down vote within 60 days of receiving it, without an opportunity for amendments.

The Administration's GATT attack is similar to the savings and loan heist, which was pulled off right beneath our noses amid a dazzling blizzard of Reagan's "deregulation" rhetoric in the early 1980s. If only the press and the politicians had been more vigilant and demanding then, we would not be faced with an S & L collapse and a \$500 billion bailout in the 1990s.

There is still time -- though it is running short -- to deflect this GATT attack. A forewarned and activated citizenry -- both the snuff-dippers in the farm communities and the beansprout-eaters in the cities -- can join now with alert allies in the Congress who are working to derail the Administration's fast-track schemes. A bipartisan Senate resolution being pushed by Sen. Kent Conrad (D-ND) and 36 co-sponsors would take the treaty off the fast track, giving Congress and the public time to review this ugly business carefully and make necessary amendments.

After all, what's the rush? Let's take the time we need to make sure that our family farm system, our nation's food security and our food-safety standards are not sacrificed on this Administration's ideological altar of "free" trade.

Farmers would take the first hit from Geneva. The Yeutter/Hills proposal would knock the price floor from beneath our wheat, feedgrains, rice, cotton, soybeans and other commodities. It also would drastically lower the income of farmers in Europe, Canada, Australia, Argentina and other major exporting nations.

Who benefits? Cargill, Continental, Dreyfus and other multinational shipping conglomerates, which would profit handsomely from lowered world-wide commodity prices. It is worth knowing that the original U.S. agricultural proposal to the GATT was written by Daniel Amstutz, formerly a senior officer of Cargill, which is the largest grain shipping conglomerate in the world.

Since a handful of giant shippers like Cargill monopolize the markets for grain, cotton and other internationally-traded

commodities, it is a myth that some phantasmagoric "free market" will somehow make up for the loss of our current price floors and subsidies (as inadequate as they already are). The truth is that the Geneva Giveaway is not intended to level the playing field for U.S., European and other producers, as Yeutter and Hills assert. Rather, it is intended to lower all of our prices to the poor standards of exploited nations. These are countries in which multinational agribusinesses can produce commodities with cheap labor, land air and water, while engaging in slash-and-burn agricultural practices and dumping most any toxic chemical they want on their crops.

Then, they would be allowed by Yeutter and Hills to dump those tainted commodities on our markets. Indeed, U.S. borders would be powerless to resist shipment after shipment, not only of such storable commodities as grain and cotton, but also of beef and other meats, fruits and vegetables and processed foods.

As conservative columnist Charley Reese puts it: "It is not American exports the Bushites want to enhance, as they claim. U.S. farmers are already selling about all the stuff the foreign market can absorb and pay for. It is the Third World imports to the U.S. the Bushites intend to increase."

Ultimately, however, consumers will suffer the gravest hit. The Yeutter/Hills proposal wants the food safety standards of all countries "harmonized," preventing any nation (or any state within a nation) from establishing consumer-protection levels on food contaminants and additives that are above what an international body of scientists decrees to be "safe". It is hardly reassuring to note that the international scientific body of their choice, the Codex Alimentarius Commission of the United Nations, is a group that includes DuPont, Chevron Chemical, Monsanto, Merck, American Cyanamid, Rhone-Poulenc, Mitsubishi, Shell Chemical and other international suppliers of toxic and carcinogenic substances that consumers throughout the world say they want to avoid in their food supply.

Not surprisingly, this cozy consortium has been very liberal with these agribusiness interests in setting the levels of pesticide residues they can "safely" leave on our food. For example, the Codex

presently allows five times more Diazinon residues on potatoes than the U.S. government allows, 20 times more Heptachlor on carrots, and 40 times more Permethrin on broccoli. DDT, a cancer-causing chemical that is banned from use by U.S. farmers, is not only allowed by the Codex, it's allowed to remain on apples, carrots, grapes, lettuce, peaches and other imported produce at levels 10 to 50 times greater than U.S. border inspectors currently. If the Bush Administration prevails on GATT, our government could not stop food imports into our grocery stores that have these levels of DDT or other toxic residues.

Yeutter and Hills argue that only science should determine what chemicals and synthetic additives can be used in food production. I disagree. In the first place, which substances are "safe" tends to depend on where some scientists get their income and research grants.

Second, is the "Oops factor." As a great many consumers have learned the hard way, scientists often are wrong, finding out today that yesterday's "safe" substance (dioxin is one example) actually causes cancer.

Third and foremost, though, is the fact that it is not some widgeit they're tampering with, but the food we put in our children's bodies. This is a matter of cultural, social and personal preference more than it is a matter of scientific calibration and corporate profit. The determination of what level of risk is acceptable should be made by the people in their own communities, states and nations, not by some panel of unelected, unaccountable scientists.

There are other ugly consequences of the Yeutter/Hills proposal, including the likelihood of higher food prices, the inability of any nation to prevent exports of its food even in times of domestic shortage and the drastic reduction in low-interest credit and other assistance for family farm operators.

But the ugliest aspect of Yeutter's and Hills' GATT scheme is that they so clearly distrust the merits of their proposal that they have attempted to sneak it behind the backs of the American people. Why have they not come honestly to us in the countryside with wide-ranging public hearings in every region to develop a U.S.

agricultural trade proposal that would have the public's trust and support?

Instead, they held only two perfunctory hearings in Washington on only one element of their proposal, avoiding any true, democratic discourse with the people who will be affected. Now they are in Europe speaking in the name of U.S. farmers, for example, but farmers have not been consulted and do not agree with what the Administration is trying to do to them thousands of miles away, across the Atlantic.

Ironically, it's the Administration's harld-line, all-or-nothing approach that jeopardizes GATT. The Europeans are wary. In the event of a breakdown, Yeutter and Hills will only have themselves to blame for proposing such an extreme and far-reaching plan.

Let's slow this sucker down and bring it home so we farmers, consumers, workers and environmentalists can put in our two-cents worth and stop this giveaway. You can take action now by making a call, sending a note or paying a visit to your U.S. senator, asking him or her to support the Conrad resolution (S-342).

Let's send a message, loud and clear, that we want U.S. food and farm policy to be written in this country, not in faraway Europe.

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A Royalty for Every Potato

by Anil Agarwal and Sunita Narain

Western and non-Western governments alike are very concerned about the rapid ongoing loss of plant and animal genetic resources around the world. Experts estimate that plant and animal species are being lost at one thousand times the natural rate of extinction. Given this problem, the United Nations Environment Programme (UNEP) is now overseeing work toward a legally binding international convention to protect the world's biodiversity. The convention is expected to be ready for signing during the Earth Summit this June in Brazil. The basic principle of the negotiations leading up to the agreement is that biodiversity is a global resource—a common heritage of humankind—that must be protected through an international program.

The International Union for the Conservation of Nature (IUCN) has already prepared an unofficial biodiversity convention. The IUCN draft indicates the positions of the IUCN's member conservation organizations, which will definitely influence governments during the UN negotiations.

The IUCN draft describes the nations of the world as "stewards of biological diversity," but not as owners. The articles propose the creation of a list of areas of outstanding importance for the conservation of biological diversity and a global fund to assist states to manage important areas of biodiversity. All commercial and industrial users of biomaterials—i.e., genetic resources—would have to make payments to the fund. The method of calculating that payment would be decided by a conference of states.

The catch in the IUCN proposal is that all contracting states "shall provide, or allow collection in the wild and authorize the export of small numbers of... wild specimens living in their territory...." The articles state that nations can ask for a payment, but that these payments should not amount in practice to a denial of the right to obtain specimens. In other words, any pharmaceutical company can ask for specimens of any herb in the wild and no state which is party to the proposed treaty can deny the request. The draft articles make no mention of what rights anyone has to corporate seed collections, many of which exist in Western countries. Presumably they will remain the private heritage of humankind.

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While the IUCN has made a bold attempt to draft its articles, whether they adequately incorporate the interests of developing nations (which own most of the world's major biodiversity areas), or of poor tribal populations (who possess most of the world's knowledge about the uses of plants and animals in the wild), is very doubtful.

The US is currently seeking protection for its own biotechnology inventions. This issue is currently among the fiercest battles in the trade arena. Under the General Agreement on Tariffs and Trade (GATT) negotiations, the US, Japan and the European Community are calling for the industrial patent system to be extended worldwide without exception. Special emphasis is being put on biotechnology inventions.

Biotechnology is based on plant and animal products which, for the purpose of the

Columbus brought the New World's maize to Europe — duty-free

proposed biodiversity convention, are now being called global resources. Under this global scheme, almost like a pincer attack, countries would be asked to pay royalties on biotechnology products that are based upon genes obtained from their own backyards and whose knowledge came from their local herbalists, farmers or tribal people. These countries, however, would receive no payments for the use of this genetic material.

It is important to note where genetic wealth is found. The technology- and money-rich North is poor in biodiversity. Whatever species it had are mostly lost. Australia, Europe and North America combined meet less than six percent of their biotechnology needs for plant and animal species from their own regions. As Pat Mooney, an activist who has worked extensively on these issues, says, "For the West, there is no such thing as a homegrown meal: tomatoes carry genes from Central America, cucumbers from Burma, carrot and onion genes from Central Asia, potatoes from the Andes and beans from other parts of Latin America...." The list is almost endless. Every Canadian wheat variety contains genes introduced in recent decades from up to 14 different Third World countries. It was a steroid from a Mexican yam which enabled the birth control pill to be developed.

This biological treasure trove is obviously coveted. The first phase of its acquisition was during the colonial period, starting with Columbus who brought maize from Central and South America to Europe. The smuggling of rubber trees from Brazil to the Kew Gardens in Great Britain and their introduction to Malaysia is perhaps the most famous example of these expropriations. Today, the annual world market for medicines derived from materials used by tribal people has risen to \$15 billion a year, much of which comes from crop varieties that, in the words of one ethnobiologist, have been "selected, nurtured, improved and developed by innovative Third World farmers for hundreds, even thousands, of years."

With the rise of independence in the South, the forms of colonial control have been shifting from physical to legal. Between 1930 and 1969, various industrialized countries passed laws which gave the "creators" of plant varieties temporary monopolies on their exploitation. In 1961, the Union for the Protection of New Varieties of Plants was signed by a number of industrialized countries. Under UPOV, "creator" means the plant breeder, not the country or farmer which provided the seed or discovered its use.

In the 1970s, developing countries slowly began to realize the scale of this biological appropriation. According to one estimate, over 55 percent of the world's collected germplasm is banked in the North—the US alone holds 22 percent.

The IUCN draft articles make no mention of the past unjust use of these resources. If the world paid a royalty for every potato or tomato eaten, tribal peoples, today among the world's poorest and most persecuted, would be the richest. There would then be no need to protect the world's biodiversity through a global program. The tribals of Amazonia and Arunachal Pradesh ensured the protection of their invaluable jungles a long time ago. Instead of Harvard and Ranchi university professors studying tribals, these academics could well be working under their hire and pay.

As Darrell Posy, an ethnobiologist working on the issue of intellectual property rights, puts it, "mining the riches of Indigenous knowledge will become the latest neo-colonial form of exploitation of Indigenous people."

— Reprinted from Agarwal's and Narain's "Green Politics" column that appears in the Economic Times, New Delhi, India.

Japan rethinks lifting of rice ban

By Robert Thomson in Tokyo

THE Japanese government, having come close to lifting a ban on rice imports, is recalculating the domestic and international political costs of rice market reforms.

A poor performance by the ruling Liberal Democratic Party (LDP) at a weekend by-election has left party leaders nervous about the impact of market liberalisation before an upper house election scheduled for July.

Last month, Mr Kiichi Miyazawa, Japan's prime minister, suggested that allowing rice imports would not necessarily damage farm incomes, a comment generally interpreted as meaning that the political damage could also be limited.

However, Mr Miyazawa has now retreated into ambiguity, proposing no more than that Japan should "examine" replacing the ban with a tariff regime.

The rice issue has, in part, been a contest between the Foreign Ministry, which wants to safeguard Japan's international reputation, and the Agriculture Ministry, representing farmers' interests.

Mr Michio Watanabe, the foreign minister, has urged the government to announce liberalisation before the March 1 deadline for food trade submissions in the Uruguay Round of negotiations under the General Agreement on Tariffs and Trade (Gatt).

But agriculture ministry officials privately argue that there remains little likelihood of a broad agreement on agriculture, and Japan would be foolish to make an unnecessary concession.

Publicly, the ministry opposes an opening on the grounds of "food security", and because imports would lead to fewer paddy fields and, perhaps, increased flooding in rural areas. It also suggests that rice has a "spiritual" importance for Japanese and should be exempt from the Gatt negotiations.

Factional heads of the LDP informally agreed more than a year ago that the rice market would be opened. Aware that a decision has been taken in principle, farmers' leaders have encouraged protests in the belief that the ultimate announcement will be accompanied by compensation for farmers, and the larger the fuss, the larger the payout.

LDP leaders are hoping to limit the foreign share of Japan's 10m tonne rice market to between 3 and 5 per cent, and Mr Watanabe believes that this could be achieved by replacing the ban with a 700 per cent tariff on imported rice.

In spite of the issue's sensitivity, imports are likely to have far less impact on Japanese farmers than the government's own crop reduction measures.

Squeaky Wheels

GATT Talks Resume, With France and India Calling Many of Shots

Tariff Cuts and Freer Trade Hinge on Narrow Interests Like Wish to Copy Drugs

Taking Care of Agriculture

By BOB DAVIS

Jan 13, 1972

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—If the U.S. fails to win broad liberalization of trade in global negotiations set to resume today in Geneva, don't bash Japan.

Look instead to shrewd negotiating by India and France, blunders by the U.S. in shaping the talks, and a trading system that favors the most obstinate nations. To get its way, France once called out its farmers, Soviet-style, to demonstrate against a proposed settlement. India, meanwhile, once threatened to walk out of the world trade negotiations.

Those tactics have reduced U.S. negotiators to sputtering rages. "French actions on agriculture have been nothing short of outrageous," says Bill Brock, a former U.S. trade representative.

"India has become a symbol of things we don't like" in trade, adds Bill Frenzel, who spent years as a congressional delegate to the talks.

Portentous Rules

Passion isn't an emotion usually associated with negotiations at the General Agreement on Tariffs and Trade, an international organization with all the glamour and visibility of an accountants' convention. But the rules being negotiated will affect the fate of nearly every company in the world that does international business or faces foreign competition. GATT tariffs are figured into the prices consumers pay; GATT rules on markets and quotas create or kill jobs.

The talks are at a critical juncture. Last month, GATT Director-General Arthur Dunkel tried to break a five-and-one-half-year deadlock by submitting his own proposal to vastly expand the reach of the GATT and liberalize trade in agriculture. Today, negotiators from the 108 nations in the current GATT talks are expected to give their countries' views of Mr. Dunkel's text. And over the next few months, they will try to work out how steeply to cut tariffs and how liberally to open service industries to international competition.

France reiterated its hard-line views yesterday, after a European Community meeting when its agriculture minister, Louis Mermaz, said that accepting Mr. Dunkel's ideas about farming "would be the ruin of European agriculture." France wasn't able to torpedo the pact now, before it has even been negotiated. But the EC took the position that it would require substantial changes, particularly in agricul-

Reason for Speed

Events are taking place against the backdrop of the U.S. presidential and congressional elections. Partly as a result of President Bush's trip to Tokyo, Americans are growing more sensitive to trade issues and also more protectionist. If the GATT talks don't produce an agreement by early spring, U.S. trade experts say, the negotiations are as good as dead because Congress won't approve an accord in the middle of an election campaign. The upset U.S. Senate victory last year by Harris Wofford in Pennsylvania weighs heavily in Washington; he campaigned against a trade pact with Mexico. The French are openly talking about delaying the negotiations until after November—a tactic that seems calculated to increase pressure on Washington, which wants a quick resolution.

France's power at the GATT negotiations comes from its ability to influence the negotiating position of the EC, now the world's biggest market, and its single-minded determination to protect French farmers from foreign competition.

Last fall, France blocked negotiations between the EC and the former Communist countries of Eastern Europe because French farmers opposed the import of Polish meat and were turning back meat trucks at the French border. The disagreement was resolved last month only after the EC agreed to guarantee payment for the Polish meat—so long as much of it was exported to nations of the former Soviet Union, not to France.

French Primacy

"France is willing to stand up for its national interests at the expense of the European Community's interests," argues Francine Lamoriello, a senior manager at the accounting firm KPMG Peat Marwick, who followed EC internal affairs as a Commerce Department official.

India's influence is more subtle. Despite its relatively small trade activities, India has long been a leader among the developing countries. Three Indians occupy senior positions in the GATT bureaucracy, and they have power to influence its direction.

India's GATT delegation is seen by many as one of the most talented and hard-working in Geneva. Last month, it put together a clever deal under which India supported additional protection for European farmers in return for European support of a plan giving India 10 more years before its companies would have to quit selling rip-offs of Western drugs. The negotiations "sold the pharmaceutical industry down the river," says Harvey Bale, a former U.S. trade official who represents

the Pharmaceutical Manufacturers of America.

The Dunkel package now under consideration throws out the European end of the deal but, strikingly, preserves the protections for Indian drug makers.

World trade must take account of world poverty, says B.K. Zutshi, India's ambassador to GATT. He defends India's counterfeit drug business, which has big exports to Africa and elsewhere, as an economic necessity. "With some reverse engineering, we can make [drugs] cheaply," he says. "Otherwise, the cost is so high we can't afford them."

Mr. Zutshi's influence is widely felt. Robert Tritt, director of international trade at Canada's Communications department, who chaired a GATT negotiating panel on telecommunications, says Mr. Zutshi, a 52-year-old textile and trade expert, was one of the few ambassadors attending the highly technical talks. Mr. Zutshi argued that even if computer communications were open to competition, India must be able to preserve its basic telephone service monopoly while it develops its phone network. That is a position others with telephone monopolies find appealing, but it is opposed by the U.S. which wants to open all telecommunications to international competition.

The influence of India and France has frustrated the U.S. plans for a grand deal at GATT, which it has been pushing without much headway since 1982. At that time, Mr. Brock, a former Tennessee senator, proposed what he calls a "politician's" solution to world-trade problems: a swap between rich nations and poor ones.

The U.S. and Europe would open their markets in agriculture and textiles to developing nations by slashing quotas and subsidies. In return, developing nations would welcome Western banks, insurance companies, computer-service operations and other high-tech businesses, while also agreeing to extend patent protection to Western goods. World trade would soar, Mr. Brock promises.

The new round of negotiations would build on the successes of seven other rounds held since 1947. In this period of more than four decades, tariffs on thousands of industrial products fell from an average of about 40% to 4.7%. World trade boomed. GATT dispute-resolution panels settled trade conflicts that historically might have exploded into trade wars, or even shooting wars.

But Mr. Brock underestimated the opposition. India saw the proposal on services as a way for multinational companies to dominate the Indian economy, and threatened to bolt from GATT negotiations if it so much as discussed the idea. That delayed the start of talks for four years, until 1986, when India and other leaders of the developing world, including Brazil and Egypt, agreed to at least consider the proposal. But since then the talks on services have floundered. About 30 nations have made offers to negotiate removing some barriers to service companies, but not a single barrier has fallen so far. The U.S., for its own part, wants to keep the shipping trade along U.S. coasts reserved for U.S. shipping companies.

'Circling the Ring'

"It's like 90 sumo wrestlers circling the ring, trying to figure out who to body-block first," says Margaret Wigglesworth, director of the Coalition of Service Industries, which represents banks, insurances companies and other concerns that want to expand abroad.

France saw the U.S. plan as a sneaky way to curb agricultural competition from the EC, especially from French wheat farmers. "The U.S. gives the impression that its sole obsession is to destroy European agricultural policy," says French Trade Minister Jean-Noel Jeanneney.

In some ways, U.S. farm officials acknowledge, the French are right. U.S. farmers have watched with dismay as EC farm subsidies have grown sixfold since 1975. This year, they are expected to reach \$44 billion in budget outlays—and another \$85 billion paid by consumers as higher food prices. Shoppers in Paris, for instance, pay 20% more for milk than do those in Washington, D.C., twice as much for sugar, and two-and-a-half times as much for butter, largely because of EC farm policy.

The U.S. figured in the early 1980s, incorrectly as it turned out, that it could find common ground with Europe in reducing agricultural subsidies, as a way to slash budgets and increase efficiency. Agricultural subsidies in the U.S. will cost the nation \$10 billion in budget outlays this year and another \$30 billion in consumer costs.

A Toast to Champagne

Instead of common ground, the U.S. found a French wall. France has a romantic attachment to the rural life—and three times as many farmers as the U.S., per capita, to worry about politically. It has consistently pushed to keep subsidies high to protect its farmers, who still bitterly complain that the government isn't doing enough to help them.

A French priority in the current round of talks is to give special protection to the names of geographic regions where wine is produced. "People all over the world are using the name Champagne, although it's a region in France," complains Jean-Daniel Tordjman, minister for economic affairs at the French embassy in Washington. Backed at EC meetings by Germany, France has been able to prevail in agricultural matters against Britain and the Netherlands, among others.

"France was always the country that was putting its foot on the brake," says Aart Dezeeuw, a former Dutch farm official who chaired a GATT negotiating panel on agriculture. (And French farmers became known for their extreme means of expression, such as burning foreign sheep alive and spraying French politicians with liquid manure.)

GATT is turning into a nightmare for the U.S., says Clyde Prestowitz, a former trade official who heads the Economic Strategy Institute in Washington. "We should have been allies with Europe over Japan," he says. "Instead, we end up with a fight with Europe while the Japanese stand on the sidelines and pick up the marbles." In GATT negotiations, Japan, which wants to keep its rice market closed and its trade surplus bulging, invariably follows EC rejectionists on agriculture.

Farmers in Numbers

It was thanks to France that the negotiating round collapsed in December 1990. At that time, a Swedish diplomat proposed that countries cut export subsidies by about 30%. The U.S. and other large agricultural producers were ready to accept the deal, though they themselves had been demanding far higher cuts. In the EC, Britain and the Netherlands were ready to go along, too, says Mr. Dezeeuw.

But France wasn't. The French agriculture minister urged farmers to demonstrate, and 30,000 showed up outside the meeting in Brussels to pressure the delegates. Privately, say EC and U.S. negotiators, France demanded that the EC follow its previous policy, which didn't approve any specific cuts. Chancellor Helmut Kohl of Germany, worried about the first elections in a unified Germany in which suddenly there were many more farmers than there had been in West Germany, went along with France. Negotiations ended.

C. Fred Bergsten, director of the Institute for International Economics in Washington, says the tortured history of GATT negotiations shows the ebbing power of the U.S., which used the GATT to strengthen Western economies during the Cold War. "The U.S. wouldn't have been so demanding in the past," he says, "and if it had, the Europeans would have had to capitulate."

A few months after the Brussels meeting, with united U.S. and European forces bombing Iraq and about to attack by land, Mr. Dunkel was able to persuade the parties to resume talks.

India's Special Pleading

But not everyone is that eager for a new world order in trade. India, especially, has exploited a rule that lets it ban imports of fabric and clothing because it has a big balance-of-payments deficit. Under the GATT agreement now being negotiated, the U.S. and Europe will have to phase out over 10 years quotas blocking goods from India and other countries. The result: India will be able to sell all it can in the U.S. and Europe, but the U.S. and Europe won't be able to sell at all to India, so long as it has its payments problem.

India's Mr. Zutshi again pleads poverty. "What's the choice we've got?" he says. "If we can't export enough, how are we going to pay for our imports? We have to bring in industrial goods first, not consumer goods." But Wolfgang Sannwald, managing director of Calwer Woolen and Blanket Mills AG, in Calwer, Germany, says Indian businessmen regularly tell him they could sell Calwer's line of cashmere to affluent Indians. As for India, he says, "It's almost obscene that they benefit only and do nothing in return—all in the name of free trade."

But the biggest fight at the talks beginning today remains agriculture. Word has it that Germany—financially pressed to pay for unification—will finally stand up to France and push for cuts in subsidies. A French diplomat was heard to say that "the Germans have let us down."

But U.S. negotiators say they have heard such talk before, and that in the past it was merely Germany talking tough to avoid blame for negotiation failures.

—Wall Street Journal reporters Martin du Bois and Julie Wolf in Brussels and E.S. Browning in Paris contributed to this article.

EC Farm Subsidies Pose Dilemma For Europeans and Trade Partners

By MARK M. NELSON
And MARTIN DU BOIS

Staff Reporters of THE WALL STREET JOURNAL

AMBRICOURT, France—Marc Boutin thumbs through the pages of a farming magazine, peering at the notices advertising land for sale in other parts of France. Though he can barely make a living these days on his sheep farm here, he concludes that he probably wouldn't do much better somewhere else.

The village where he and his wife, Marie-Louise, built a life and raised seven children is slowly dying. Several shops and cafes, and even the school, have closed. The population is down to 100, more than half of them retired. Thirty-eight people left in the past few years alone. Only one of the Boutin children is even considering staying in the family business.

"We can't continue to live like this," says Mrs. Boutin. "There won't be anything—anyone—left."

The Boutins, like farmers across Europe, are suffering from the effects of declining meat prices. After slipping steadily

The European Community's latest offer doesn't come close to satisfying U.S. demands.

over the past decade, the prices paid to farmers for sheep have plunged 30% in the last six months. Beef and pork prices have dropped as well. European Community subsidies, which until now have made it possible for the farmers to get by, aren't covering the losses.

Such farmers are one side of the wrenching dilemma that the EC faces in the current round of world trade talks in Geneva. The EC's trading partners—especially the U.S.—are demanding far-reaching cuts in farm subsidies, which enable uncompetitive European farmers to stay in business, often at the expense of farmers in other countries. Some European consumers, industry officials and taxpayers would also like to do something about the growth of farm subsidies.

Consumer Cost

Last year, such programs cost West European consumers \$54 billion in higher food prices and \$44 billion in taxes, according to U.S. figures (the EC says it doesn't compile such statistics). That averages \$1,200 a year for every European household.

But few European governments are finding the political will to push for more reductions. Farmers in France have mounted violent demonstrations, threatening to use their considerable political power against politicians who oppose them. Last month, truckloads of sheep from Britain were hijacked in France; in one case more than 200 animals were burned alive.

"Agriculture is probably the toughest problem we've got," says Charles R. Carlisle, deputy director-general of the General Agreement on Tariffs and Trade, or GATT, the global trade organization that is trying to craft the accord. "And if we don't get a deal on agriculture, the whole round could fail."

The stakes are enormous. The current talks—the so-called Uruguay Round, due to be concluded by December—aim to liberalize more than \$1 trillion of trade not currently covered by any international trade rules, including such multibillion-dollar sectors as services, copyright materials, pharmaceuticals and textiles. Mr. Carlisle refuses to prejudge the outcome of the GATT talks, but senior negotiators in Geneva say they are deeply worried, mainly

because of the rift over agriculture.

"The big question is whether anything the EC can agree on will go far enough to satisfy" not only the U.S. but some of the other 100-plus countries involved in the talks, says one trade source in Geneva. For many developing countries and others with farm-based economies, such as Australia and New Zealand, the main purpose in the talks is to open up the world agricultural market.

U.S. Trade Representative Carla Hills proposed last month that Uruguay Round participants agree to lop off 70% of farm subsidies. But EC farm commissioner Ray MacSharry, backed by most of the 12 EC governments, wants to cut world farm supports by only 30% from 1986 levels, a proposal designed to give the EC credit for reductions it has already made.

EC Agreement

The EC Commission, after weeks of wrangling, yesterday agreed on a slightly more flexible negotiating position than the one advocated by Mr. MacSharry. The 17-member commission, which negotiates for the 12 EC countries in the world trade talks, didn't change Mr. MacSharry's demand for a 30% overall reduction. But it said it is willing to discuss cutting export subsidies, the support mechanism of which the U.S. has been most critical. Those subsidies allow EC farmers to sell their produce on world markets, even at a loss, often driving more competitive unsubsidized farmers out of business.

But the EC's latest offer doesn't come close to satisfying U.S. demands. And farm groups also condemned the proposal, further illustrating the EC's dilemma.

"It is completely irresponsible on the part of Brussels to take this initiative," said Raymond Lacombe, head of the French farmers union. He said the EC's proposed 30% cut "means that in the coming months and years four-fifths of European producers face total ruin."

One thing is certain: In the power struggle emerging inside the EC, the farmers are a force to be reckoned with. The demonstrations in France last month came as a reminder of the political clout of the community's 10 million farmers. They are joined by another group—estimated by trade specialists and university researchers to be twice as large—composed of family members and others who depend on the farm economy. The experts contend that a united farm vote could put every government in Europe out of power.

Moreover, despite the high costs of government agricultural supports, farmers have a hold on the heartstrings of many Europeans. Modern extensive-farming techniques destroy hedgerows, drive out wild animals and otherwise alter the traditional shape of Europe's rural landscape. Striking a deal to make European agriculture more competitive would probably force the industry further in this direction, critics and farmers say. In an EC-wide public-opinion survey conducted in 1988 for the EC by independent pollsters, 59% of the respondents said that subsidies are justified if they save farmers' jobs and keep people in remote rural areas.

European industry, too, is worried that EC leaders won't solve the farm impasse. Industrialists say that liberalizing trade in services, high technology, pharmaceuticals and other leading-edge business sectors could do more for EC prosperity than trying to save a protected farming sector.

"We are very nervous," says Ludwig Veltmann, an agriculture specialist at the German Industry Federation, one of the many industry groups lobbying for a global farm deal. "Industry's interest is in liberalization of the farm sector. But the pressure against this is enormous."

The Pacific

U.S. Trade Representative Hills Angers Koreans

■ **Open markets: Her blunt talk on prohibitions on rice imports and criticism of a 'frugality' drive sent sparks flying.**

From Washington Post

SEOUL—Korean cartoonists label her "Calnal"—a play on her first name and a word meaning "sharp blade." It is not a term of endearment. Carla Anderson Hills, the U.S. special trade representative, is much disliked in South Korea, and by the time she left here last week after a four-day visit, she was the target of even more sharp language.

Hills told the Koreans quite a few things they didn't want to hear. She made clear that the United States believes that the time is drawing close for Seoul to drop its longstanding prohibition on rice imports, a ban the Koreans insist is vital for their farmers' survival.

She also hit another sensitive issue, warning that Washington is growing worried that a recently launched "frugality campaign" may be a cover to limit imports in general.

The pressure did not go down well here. One newspaper cartoonist depicted Hills riding a missile aimed at a group of helpless Korean rice farmers. "Carla Hills Go Home" was the message on placards at student demonstrations. Hills' aides acknowledge, with a certain perverse pride, that she has assumed what one called a "Darth Vader" image among ordinary Koreans.

While Americans often focus on trade problems with Japan or China, South Korea also looms large in the U.S.-Asian trade picture. Two-way trade with South Korea totaled \$29 billion for the first nine months of this year, with the U.S. running a deficit of slightly more than \$1 billion. More important, however, South Korea is an emerging Asian economic power, and American trade officials want to ensure that it remains an open market.

The sparks flying this week underscore the vast gap that often separates South Korea from the United States on trade issues, a



BERNIE BOSTON / Los Angeles Times

Carla Anderson Hills in speech: "We worry that Korea's current 'frugality campaign' could be simply a euphemism for protectionism."

gulf that is based not only on specific problems but on the two countries' basic thinking about trade.

While Hills talks of the open exchange of goods based on fair competition, Koreans tend to approach trade as a life-and-death struggle that their vulnerable country must "win" at all costs. Where in most countries the academic and journalistic elite tends to urge free trade as beneficial to all countries involved, few economic experts in insular Korea hold such views, in part because, as one U.S. official here noted, "they risk being attacked by radical students" who view imports as an assault on the Korean way of life.

Hills' trip, the main purpose of which was to attend a Pacific regional conference on economic

cooperation, came at a time when South Korean public opinion is growing increasingly agitated over trade issues. For several years, South Korea's vaunted export machine produced huge trade surpluses that were a source of immense national pride. This year, South Korea is expected to chalk up a deficit of about \$8 billion, adding to the sense of vulnerability.

But rice is an even more important source of anxiety as Seoul has begun to face the prospect that its opposition to rice imports soon will become untenable in the face of overwhelming international pressure.

In South Korea, although rice costs roughly five times the world price, there is fervent public resistance to the idea of opening the

rice market—even more so than in Japan—in part because of the sympathy for farmers in a country that until a couple of decades ago was predominantly rural.

Every major South Korean newspaper this week urged the government to stand fast against foreign rice; by contrast, in Japan, virtually every major newspaper has editorialized that Tokyo must show its international responsibility by opening the market.

That didn't sway Hills. At a breakfast session with the American Chamber of Commerce in Korea, Hills, referring to the current international free-trade talks, said that "there is no country that can be engaged in our negotiations over trade and take a product off the table, because if one country takes one product off, another country will take another, and we have 108 at the table."

Rice was not the only point of friction during Hills' visit.

Last year around this time, the relationship between the United States and South Korea had soured significantly because American business executives here were complaining that they were being victimized by an anti-import drive.

The furor died down earlier this year, with a top U.S. Embassy official here saying that while foreign companies still encounter too many problems penetrating the market, "there are a lot more wheels that aren't squeaking than ones that are"—meaning that plenty of U.S. business executives are happy with their success here.

But Hills said in her American Chamber of Commerce speech: "We worry that Korea's current 'frugality campaign' could be simply a euphemism for protectionism."

Hills' remarks at the Chamber of Commerce breakfast prompted a Korean Presbyterian minister in the audience to take to the microphone and deliver an admonition.

"There are very serious people who think seriously about the continued need for maybe a few decades more of hard work and providence for children and tomorrow, and frugality," the minister said. "So I hope you don't get too much disturbed in America about some of these frugality movements."

April 15, 1991

COLUMN LEFT/
JESSE JACKSON

Free Trade: a Fast One on the Fast Track

■ A hasty deal would raise corporate profits on the backs of U.S. and Mexican workers.

In politics, the power to name is half the game. If you can control the label, you can dominate the debate. This month, for example, President Bush wants Congress to give him "fast track" authority to negotiate a "free trade" zone with Mexico. Who can oppose that? Can anyone prefer a slow track to a fast one, or shackled trade to free?

What's the real deal? The President wants to limit public debate of a corporate plan to increase profits on the backs of workers in both the United States and Mexico. Free trade is not free. If it doesn't go together with fair trade and livable wages, it costs too much. Without that commitment, a fast track is simply another way to pull a fast one on working people.

A U.S.-Mexico free-trade zone has surface appeal. Mexico is our neighbor and friend. We share a 2,000-mile border. The United States is Mexico's largest trading partner; Mexico is our third-largest. In an era of trading blocs, a U.S.-Mexico-Canada common market would be larger than that of the European Community. Advocates say that free trade will help develop Mexico's economy, provide the United States with a bigger export market, slow the flow of the desperate into this country.

Treacherous currents lie beneath this soothing surface. A free-trade zone might undermine workers in both nations. U.S. and Japanese multinational companies would move to Mexico to avoid tougher U.S. environmental, health and safety, and minimum-wage laws. Mexico would face a powerful lobby demanding low wages and no regulation.

This is not a false alarm: It is already happening in Mexico's border export zone, where foreign corporations pay Mexican workers about 60 cents an hour. A flood of U.S. firms have moved to the Mexican side of the border solely to escape our labor and environmental laws. Until 1988, for example, 63,000 furniture workers contributed an estimated \$1.3 billion to Southern California's economy. When California required protection against the poisonous fumes of paint solvents, more than 40

companies moved south. *Maquiladora* factories in Mexico now make the furniture and produce the dangerous smog, which the wind brings back into San Diego.

Nor has this helped Mexicans much. Corporate pressure keeps wage rates in the export-zone plants lower than in the rest of Mexico. We export jobs and import goods

'We export jobs and import goods made with poisons that we have banned, by labor paid less than we allow, working in conditions beneath what we accept.'

made with poisons that we have banned, made by labor paid less than we allow working in conditions beneath what we accept. Mexico gets jobs without hope, a poisoned environment, an impoverished work force eager to come this way.

How then do we treat our neighbor? We cannot turn our backs on Mexico, build walls and arm the border. It is no answer to make our neighbor into a sharecropper, bound by debt and circumstance to labor in the field for the master in the big house. We must find another way.

In the European Community, workers are demanding a social charter that will set community-wide standards on wages and working conditions, on environmental and consumer regulation. At the same time, the EC is offering assistance to poorer countries like Greece and Portugal, helping them build the base needed to become true trading partners.

We should do the same with Mexico. Cuauhtemoc Cardenas, who many observers say was robbed of victory in the 1988 Mexican presidential election, has suggested that we negotiate a social compact with Mexico—minimum wages, health and safety guarantees, environmental and consumer protection, enforceable child-labor restrictions. We should raise their standards, not lower ours. Substantial debt relief would allow Mexico space to develop internally. If Mexican workers were to do better, we would export more. We would both grow together.

To achieve this, any trade agreement has to be negotiated from the bottom up. Working people need to have a seat at the table. The special interests of corporations have to be bounded by the common good of workers on both sides of the border.

Trust me, says President Bush, to take care of these concerns that we neglected earlier. This is the same President who held up the first increase in the minimum wage in 10 years, vetoed unpaid work leave for new parents, vetoed the 1990 civil-rights bill at the behest of corporations worried about lawsuits from women.

Trust him? Sure, and trust the tomat to nurture the mouse. In an economy that has already lost more than 1.2 million jobs since August, Congress needs to assert itself before more Americans find themselves on the fast track to the poorhouse.

The Rev. Jesse Jackson writes a syndicated column from Washington.

\$1.5-Billion International Fund Proposed to Conserve Food Sources

LOS ANGELES TIMES

■ **Agriculture:** Experts urge a global effort to save plant species from vanishing. Many expect the U.S. to balk.

By DONNA K. H. WALTERS
TIMES STAFF WRITER

After three years of often acrimonious negotiations, the world's leading experts on plant genetic resources have hammered out a proposal to conserve biological diversity in plants—the backbone of the world's agricultural system.

The proposal, released in draft form this week, calls for an internationally funded, \$1.5-billion program to shore up existing plant conservation efforts. The call for a global initiative takes long strides toward resolving issues that have been the source of quibbling between industrialized nations and the Third World.

The proposal comes at the end of a series of international meetings, sponsored by Colorado's Keystone Center, among key figures in the debate. The final report, developed at the last Keystone session in Oslo in May and June, is expected to be considered at the next major U.N. Conference on Environment and Development, slated for Brazil in 1992.

While world food demand is expected to double in the next 25 years, environmental pressures are increasingly jeopardizing varieties of important food crops. A quarter of the world's 250,000 plant species could vanish in the next 50 years, the Keystone report contends.

Other issues, such as preservation of rain forests and global warming, often take the conservation spotlight and may dominate the conference agenda. But participants in the Keystone symposium say there is no more critical need than to protect the world's ability to feed itself, and they express confidence that the proposal will win at least partial approval in Brazil.

Donald Plucknett, science adviser at the World Bank and a partici-

pant in the Keystone symposium, said he feels certain that the proposal will win funding, "but whether it will be funded anywhere near the levels we have requested, I don't know."

The U.S. government, which under the proposal would bear 25% of the program's funding burden, could be a major stumbling block. The official American attitude toward previous international efforts on global plant conservation has often been lukewarm; for many years, Washington refused to participate in such attempts by the U.N. Food and Agriculture Organization.

When the organizers of the U.N. conference meet next month in Geneva to set the agenda for the Brazil conference, the Keystone proposal will most likely be championed by a number of nations, including several European and Third World delegates—but not the United States.

Pat Mooney, a Canadian advocate of crop conservation and a participant in the Keystone forum, said the rest of the international community expects the United States to balk at the funding plan.

"I think the U.S. government officials who deal with plant genetic resources have exactly the same sense of alarm that I have. . . . But the White House, or the Congress, has a snooze button" on this issue, Mooney said. "The rest of the world, the Europeans and the Third World, assumes the U.S. will come along five to 10 years later."

Thorny issues such as farmers' rights and patent laws have kept the industrialized nations of the Northern Hemisphere and the underdeveloped nations of the Southern Hemisphere from reaching agreement on how best to save and use nature's storehouse of genetic materials. The rich plant diversity of the South has long contributed to the advanced agricultural systems of the North, most often without compensation for

genetic materials.

Perhaps the most significant aspect of the Keystone symposium is that it marked the first time the opposing sides were able to reach a truce in the so-called seed wars.

The Keystone Center, an environmental mediation organization, sponsored the meetings of 41 individuals from 22 countries. The symposium was led by M.S. Swaminathan, acclaimed as the father of India's Green Revolution, and included government agricultural ministers, representatives of some of the largest seed companies in the world and advocates for the rights of Third World farmers.

The prominence and diversity of the symposium's members, and its ability to find common ground on the difficult issues, bodes well for the plan's acceptance in Brazil, participants said.

The proposed fund would support existing conservation efforts, including an international network of "banks" for seeds and genetic materials, and target areas for on-site conservation.

The report also warned that pressure from nations involved in General Agreement on Tariffs and Trade negotiations to impose regulations on intellectual property rights could seriously impede progress in conservation of plant genetic materials.

12-10-90

**COLUMN LEFT/
ALEXANDER COCKBURN**

Free Trade Also Means Fallow Fields

■ Should the French farmer go broke to help out the American feed producer?

ARDMORE, Ireland—I was driving southeast from Shannon last week and it wasn't hard to figure out why the world trade talks in Brussels were foundering. Coming into Mitchelstown, on the border of counties Cork and Tipperary, the car slowed to a crawl behind big creamery lorries heading into the dairy cooperative. Farther south and east into county Waterford, the going was quicker, roads mostly empty between the patchwork of fields. Midmorning in Dungarvan I saw some prosperous-looking farmers making their way into the stores around the square.

The Mitchelstown co-op is looking as flush as its opposite numbers in Wisconsin because the European Economic Community has a policy of price supports that makes sure that Cork and Tipperary dairy farmers don't go broke even if it means buying up and storing enough butter to bomb all of Baghdad to the height of a Friesian's rump.

Those fields in west Waterford were a lot neater-looking than when I was a boy and could ride miles across country without running into anything more than a gorse bush plugging the gap between one field and the next. These days, with the Common Agricultural Policy of the EEC giving export subsidies to grain farmers plus internal supports, no farmer wants horses or unintended livestock messing up soil rich in subsidy potential.

Some of Ireland, particularly in the west, is in long-term depression, but those farmers in Dungarvan were parking their Toyotas for a morning's shopping, rather than shouldering 2-by-4s on a Boston building site, because they were pulling in headage subsidies for their livestock.

Multiply these scenes across Western Europe, which is exactly what Irish, French and German politicians were doing toward the end of last week. No French president, whether De Gaulle or Mitterrand, is going to tell French farmers that in the interests of world trade and a bunch of beef or grain producers in Argentina or the United States they should accept a 90% cut in subsidies, go broke and end up running a cafe on the outskirts of Lyons.

Chancellor Kohl has his debts too, to the small farmers of southern Germany who helped him to his victory on Dec. 2. They knew and he knew that if the U.S. demand on subsidy cuts to farmers was met, then at least one in three of these farmers would be ruined.

There are 10 million farmers in the European Common market. As in Japan, they have a political clout sometimes

'As always when the word free is applied to economics, it's time to cock the shotgun.'

entirely out of proportion to their numbers. It would probably be more rational to pay many of them to stop productive farming altogether and merely be guardians of the landscape. But no one's going to do that, and the real alternative would be economic devastation, worse than it already is, all the way from Shannon to Ardmore, through France and across Bavaria.

There are many compelling arguments why the present batch of world trade talks (known in unlovely bureaucratese as the "Uruguay round" of the General Agreement on Tariffs and Trade) should have come to substantive conclusion last week instead of uneasy suspension. Trade wars and obstructive tariffs or quotas slow up the world's business. Third-World countries urged to "liberalize" by opening up their own internal markets still find the First World well-fenced against their food or their textiles. The Uruguay round, a series of negotiations that began in 1986, was intended to kick down these barriers, to "level the playing field" of world trade.

The trouble is that no one outside tenured academic theorists of the free market believe that such a thing as a level playing field exists. In the Brussels conference chambers, U.S. negotiators called for a level playing field in agriculture, but outside in the corridor were lobbyists for the U.S. aviation, shipping and telecommunications industries, battling furiously to defend their protected markets. Any politician telling powerful constituents they must go broke in the interests of the world trading system won't even have a playing field left.

The trading system begun as GATT in 1948 as a way to fend off the disastrous trade wars of the 1930s is now under serious stress, with the threat of trading blocs battling it out behind defensive perimeters to the detriment of the poorer nations in Eastern Europe or the Third World. But as always when the word *free* is applied to economics, it's time to cock the shotgun. "Free trade," as defined in the Uruguay round, would have meant the overriding of much national or regional sovereignty: not just EEC subsidies but U.S. laws on pesticides. The big rollers flattening out that planetary playing field belong to big business, which is why more than just those Irish farmers on the way home from Shannon were cheering when the talks froze in Brussels last Friday.

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World Trade Talks Open Amid Demonstrations

■ **Commerce:** Many pressure groups are in Brussels for the opening of talks to rewrite the rules. Some are upset by the U.S. call to cut farm subsidies.

By JOEL HAVEMANN
and KAREN TUMULTY
TIMES STAFF WRITERS

BRUSSELS—Scurrying through the hallways of the negotiating center was Jack Valenti, the dapper head of the Motion Picture Assn. of America. Banished to a hotel across the street was Denis Lambert of Oxfam, representing the interests of the Third World. Out on the streets was Yves Capi-teau, a French cattle farmer.

From the stylish to the scruffy, a dizzying array of pressure groups descended Monday on Brussels for the climactic week of negotiations aimed at rewriting the rules governing world trade.

"I've never seen anything quite like this," said Deputy U.S. Trade Representative Rufus Yerxa, who as a former congressional aide has long experience on the receiving end of political pressure.

The talks themselves remained deadlocked by a dispute over agricultural trade, with the United States and Europe the chief antagonists. After the first negotiating session on farm trade, U.S. Agriculture Secretary Clayton K. Yeutter said, "No progress was made tonight."

The overall negotiating agenda is so ambitious that it would leave virtually no form of commerce untouched, and countless jobs are at stake. Negotiators from the 107 nations that began the talks four years ago continued to express hope that they could find an acceptable formula to liberalize international trade.

"I do believe that we can still, this week, put together a package that is a real reflection of all of the participants," said Frans Andriessen, the trade negotiator for the 12-nation European Community.

Monday's star performers were the thousands of farmers, mostly from Europe but also from the United States and even Japan, who marched through the center of Brussels to demonstrate against proposals to cut government subsidies for agriculture.

The marchers uprooted trees, set rubbish fires, set off firecrackers and vandalized bus stops. The po-



Agence France-Presse

Italian and Spanish farmers demonstrate in Brussels as GATT meets.

lice who dogged their steps occasionally resorted to tear gas and water cannon to disperse them. But although the demonstrators snarled transportation in central Brussels, they did not get near the headquarters offices of the European Community.

The farmers protested the demand of U.S. trade negotiators that Europe slash its subsidies by 75% or more. They even railed against the counteroffer by the European Community for a 30% reduction, even though the United States has belittled the EC offer as woefully inadequate.

Almost lost in the sea of European flags was the tiny Stars and Stripes carried by Tom Breitbach, who with his brother and three nephews operates a grain and livestock farm in Circle, Mont.

U.S. trade negotiators are effectively demanding that farmers from the United States and Europe sell their goods for the same low prices fetched by Third World farmers, Breitbach said. But the cost of living in the industrial countries, he said, is too high to make that possible.

"You're soon going to have an agricultural community in the United States with its standard of living reduced to the lowest common denominator," he said. "That would force us off the land."

The marchers were not the only show in town. Across the street from the negotiating center, a group calling itself GATTAs-trophe—GATT is the acronym for the organization that administers world trade agreements—held a seminar on the theme that the

trade talks are ignoring the needs of the Third World.

"The trade talks are very undemocratic," said Nico Verhagen, a Dutch participant in the seminar. "There is no participation of farmers' organizations. We demand a broad social debate."

The rhetoric was milder in the negotiating hall itself. Businessmen from the United States and Europe quietly pressed for an agreement that would benefit their industries.

Among the U.S. executives, officially part of the private-sector advisory committee to the trade negotiators, were Citicorp Chairman John S. Reed; James Robinson III, chairman and chief executive of American Express; George Fisher, chairman and chief executive of Motorola; Edmund T. Pratt Jr., chairman and chief executive of Pfizer, and Whitney MacMillan, chairman and chief executive of Cargill.

Nico Wegter, Andriessen's spokesman, said a similar array of European businessmen was on hand.

"We try to take into consideration the justified interests expressed here," Wegter said. "That is part of life."

Dec. 9, 1991

STATE IN BRIEF

SACRAMENTO

Farm workers' plight ignored, report says

California's farm workers, many of them transient Latinos, are regularly exploited and the government authorities responsible for protecting them are virtually powerless to keep them from being cheated, injured and exposed to dangerous chemicals, a newspaper reported yesterday.

"The public doesn't have a clue about what really goes on in the fields," Don Villarejo, executive director for the California Institute for Rural Studies in Davis and a veteran farm worker advocate, told The Sacramento Bee.

The newspaper, disclosing the results of an eight-month investigation, reported that more than 20,000 farm workers suffer disabling injuries each year in California. Many are mistreated and forced to live in squalid housing, while others are arbitrarily fired and replaced with workers from a seemingly inexhaustible supply of legal and illegal immigrants.

The newspaper said it reviewed thousands of documents obtained under the federal Freedom of Information Act and the California Public Records Act and conducted more than 100 interviews as part of its investigation.

The government, despite state and federal laws, has failed to ensure farm workers a minimally humane existence, the Bee reported.



A valley in the Lake District of northwest England. Farming would simply not be profitable on upland areas such as this if the European Community accepts the US proposal for a rapid phase out of agricultural subsidies. Communities would be shattered in marginal farming areas across Europe.

European Agriculture and the Uruguay Round

by
Tracey Clunies-Ross

The US proposals to cut agricultural subsidies drastically are totally at odds with the agricultural policy of the European Community. European agriculture is highly protected and it is feared that the removal of farm support measures could result in the abandonment of large areas of European farmland. The EC and the US are now attempting to negotiate a compromise to avert the threat of a trans-Atlantic trade war.

In the early rounds of GATT, agricultural products were treated as a special case which did not have to comply with the normal regulations against subsidies and other protectionist measures. The moves to protect agriculture were led by the US which let it be known that it would refuse to ratify any international agreement which threatened its farm support system. Ironically, it is now US pressure in the Uruguay Round to reverse agriculture's special situation, that has led to extreme concern within Europe over the future of its farm policy.

During the last two decades, the Common Agricultural Policy (CAP) has en-

Tracey Clunies-Ross has just completed a Ph.D. at Bath University on agricultural change and the politics of organic farming. She is now researching for The Ecologist into sustainable systems of agriculture.

abled European farmers to enjoy high and stable prices not experienced elsewhere; within Europe, prices for many commodities are 20 to 50 per cent higher than on the world market. Under the CAP, if the internal EC price for a certain commodity falls below a certain point, the price is supported by buying surplus stocks into "intervention" stores. Prices are also set for imported goods, and variable duties and levies are set to make sure that goods do not fall below these prices.

Originally, it was envisaged that the produce bought into intervention in times of surplus would be released back onto the market in times of shortage. However, the policy of stimulating increased production has been so successful within Europe that surpluses have grown year by year, and the opportunities for releasing produce back onto the internal market

have virtually disappeared. In Britain, the volume of agricultural production rose between the mid-1970s and the mid-1980s by over 20 per cent, despite a 10 per cent reduction in the workforce and a 2 per cent reduction in the area being farmed. By the mid-1980s, the EC was producing significant surpluses of cereals, dairy produce, wine, sugar and beef. Britain alone had made the transition from being a net importer of cereals, to being the sixth largest exporter of cereals in the world.

In recent years, the surpluses generated within the EC have been too great to be held in intervention stores and they have been released onto the world market. Because the price support programme makes EC prices significantly higher than world market prices for most commodities, large export subsidies have to

be paid before European surpluses can be sold abroad. The whole system of import control, price support and export subsidies has become increasingly costly. In 1988, the CAP was costing the EC £20.6 billion a year; 73 per cent of the Community budget. The changing position of the EC, from being a net importer of many agricultural commodities to being a net exporter, and its policy of dumping surpluses on the world market, has had a significant effect on the policies and prospects of other countries which are reliant on exporting agricultural commodities.

Tensions between the EC and the US

The US's "double zero" proposal to phase out all agricultural support has, not surprisingly, been strongly resisted by the EC. A rapid phasing out of all forms of agricultural support, and a drop in EC prices to world market levels, would have a particularly profound effect on small farmers and those in marginal areas. Under conditions of falling prices, it is likely that farmers who could not improve their "efficiency" through increased mechanization, reduced costs and increased yields, would be forced out of production. If payments such as those made to farmers in marginal and upland areas had to be abandoned, farming might become an unprofitable activity on large tracts of land in the poorer agricultural areas of Europe with enormous social and environmental costs.

Despite its rejection of the US's zero option proposals, the EC has acknowledged that agricultural support policies have had some negative effects, including burgeoning surpluses, excessive protectionism and the insulation of domestic producers from the world market. It has therefore conceded the need to reduce support to remove some of these negative effects. In its counter proposals, the EC has maintained that there would be little merit in eliminating all external protection for producers, thereby extending the instability on world markets into internal markets. It has shown a preference for market-sharing agreements and the raising of world prices through market intervention, rather than the abolition of all forms of support and the lowering of prices. Moreover, if support levels are to be reduced, as has been agreed in principle, the EC is adamant that export subsidies, internal price support and import

restrictions should not be treated as if they were unrelated measures. The EC's position is that different forms of support and protection are too closely inter-related to be considered in isolation from each other and they propose that all direct and indirect tariffs should be aggregated to produce a Support Measurement Unit (SMU). This aggregate measure should then be used to negotiate overall reductions in support.

The Cairns Group

The complexity of the discussions about agriculture within GATT is compounded by the position adopted by a group of fourteen nations calling themselves the Cairns Group.¹ This group cuts across the traditional North/South divide and is composed mainly of nations that are major exporters of one or more agricultural commodities. The Cairns Group supports the US position on free trade, though it advocates a slower process of transition with an intermediate reform programme operating over a ten-year period. Both the Cairns Group and the US believe in an end to export dumping and the eventual elimination of income support.

A major element within both the proposals of the US and the Cairns Group is that there should be a rigorous theoretical separation between subsidies related to production and those "decoupled" from production. Unfortunately, the definition of decoupled payments has not been easy to achieve, as virtually no measures can be defined as being totally unrelated to output. In the US framework paper, "market price supports" (such as import quotas, levies, export subsidies, credits, marketing board activities, interest subsidies and government stabilization funds), "income support" (including deficiency, storage, headage and acreage payments) and advisory, research and other infrastructural supports are all defined as being related to output. It would seem that "decoupled" payments incorporate only *ad hoc* emergency payments and foreign and domestic aid programmes.

This confusion about the exact form that decoupled payments could take makes it difficult to assess what impact the US and Cairns proposals would have on European farmers if they were to be implemented. Interestingly, the Council for the Protection of Rural England (CPRE) has criticized the EC stance in

the GATT negotiations believing it to stem from reluctance to reform the CAP. In the view of the CPRE, environmentally-friendly farm income supports that are decoupled from the level of production would be popular with consumers and conservationists. The CPRE's argument is that high prices encourage farmers to produce more, both by increasing the area under cultivation, by draining wetlands, ploughing up moorlands, and so on, and by using higher levels of inputs such as fertilizers and pesticides to boost crop yields. Conversely, lower farm prices would lead to more extensive land use and the CPRE believes that this should be coupled with payments to farmers to encourage them to concentrate on countryside protection and the production of food that emphasizes food quality and hygiene. In this way the emphasis within agriculture could be changed from concentrating on higher output, to ensuring sustainability.

Whether the CPRE's interpretation of decoupled payments would fall within the US definition is not clear. Moreover, the GATT negotiations on agriculture do not contain an environmental element. Without environmental safeguards, the adoption of the US free-market proposals, with the consequent lowering of commodity prices, would put more pressure on farmers, both in Europe and elsewhere, to intensify production and consequently cause more damage to the environment.

Notes and Bibliography

1. The Cairns Group comprises Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, New Zealand, the Philippines, Thailand and Uruguay.

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GATT, Agriculture and the Environment:

The US Double Zero Plan

by

Mark Ritchie

The US Government, backed up by corporate interests, is using the GATT Uruguay Round to push through a drastic series of measures to deregulate global trade in agricultural and related products. The US proposals would devastate small farmers around the world and massively increase the control of big business over the production of and trade in food and other natural products. The right of national and regional legislatures to implement environmental and health protection regulations would also be seriously compromised.

In October 1989, the Bush Administration presented to all GATT member nations the final version of their comprehensive agricultural proposal, the so-called "double zero" plan.¹ Although there are over a dozen major areas under negotiation at GATT which have serious implications for the environment, the agricultural talks in general, and the US plans for "global deregulation" in particular, are the most far-reaching. If accepted, the US proposal would alter the rules governing world trade in food, natural fibres, fish and forestry products and would seriously limit the right of GATT member nations to implement a wide range of natural resource protection laws at local, provincial and national levels.²

Agricultural Programmes

One of the main objectives of the "double zero" plan is to force a sharp reduction in, or the elimination of, domestic farm support programmes around the world. Grain traders and agrochemical firms see these programmes as impediments to their ability to maximize profits on a global basis, and have worked hard to convince President Bush to use GATT as a way of attacking these programmes.

The reduction or elimination of all farm programmes could put an end to a wide variety of government-paid environmental protection and conservation programmes, reforestation efforts and measures which provide assistance to farmers making the transition to more environmentally-sustainable methods of produc-

tion. The damage which this would do to small and medium-sized family farmers could have a number of major environmental consequences:

- *Increase in land under cultivation.*

Current farm policy in the US, Europe and elsewhere has allowed many farmers to leave unproductive more than 100 million acres over the past few years, both to control production and to protect the environment. If farm programmes are phased out under the US proposal, much of this now idle land could go back into production.

- *Farm and pasture land would be managed much more intensively, primarily through the use of more chemicals and fertilizers.*

In the words of the head of the US-based Fertilizer Institute, the reductions of farm prices, which would occur under the US GATT proposal, "will provide incentives for farmers to improve their productive efficiency". In other words, price cuts will force farmers to buy and use more chemicals in the hope of boosting production enough to make up for the fall in prices.

- *Falling farm prices will leave small and medium-sized family farmers with less income.*

If the GATT talks result in the elimination of farm programmes, most family farmers will end up with less income. This will make it financially difficult or impossible for them to take the risks necessary to make the conversion to more sustainable practices and less able to invest in vital soil and water conservation improvements.

- *Conservation-orientated farm programmes could be eliminated.*

A number of farm programmes are combined or linked with conservation efforts, such as wetlands and wildlife habitat protection schemes. Operation of these may become difficult or impossible without subsidies.

- *Families farming the land could be replaced by absentee landlords and corporations.*

Under the US GATT proposal, it is likely that a large number of farm families and peasants around the world will be forced out of business, even if they cut corners and intensify production to their maximum ability. Some of these producers will be replaced by absentee or corporate owners who have the capital necessary to increase fertilizer and chemical use enough to survive.

- *Diversified livestock producers will be replaced by large-scale feedlots and confinement operations.*

The reduction in feed prices anticipated under the US plan will put large livestock producers at an enormous competitive advantage over smaller, diversified family operations who grow their own feed. Not only will this squeeze out smaller producers, it will also mean even greater environmental problems caused by manure run-off from these huge operations. The concentration of livestock into large units brings additional problems with diseases leading to an increased reliance on antibiotics and the use of nuclear irradiation to

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control threats to human health. Large-scale producers are also the major advocates of the legalization of growth hormones and stimulants.

- *Small producers who have survived by growing specialty crops will be pushed out by large producers entering their markets.*

Global deregulation of agriculture would allow some large-scale producers to shift their production into new, specialty crops, now grown mostly by smaller, more environmentally-sound farms. This could result in a collapse of market prices for these specialty crops, driving the smaller producers out of business.

- *Conversion of farmland into industrial and commercial uses.*

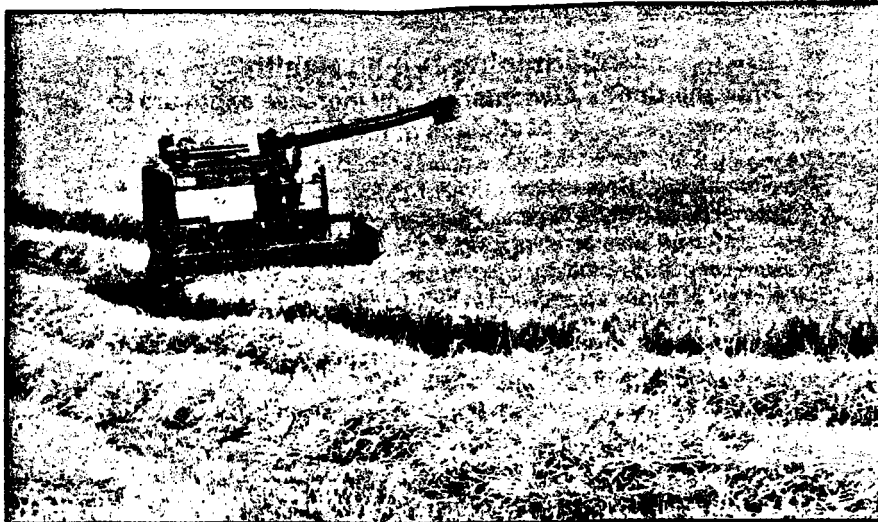
The displacement of family farmers and peasants under the double zero plan could lead to an acceleration in the conversion of greenbelts and farms into factories, roads, shopping malls, housing, landfills and other commercial developments.

Import Controls on Raw Materials

One of the most important features of the US GATT proposal is the demand that nations could no longer limit the volume of agricultural or other raw material products which they import. All existing import quotas would be subjected to a process termed "tariffication", where they are converted into import taxes, called tariffs, and then phased down or out within 5-10 years.

Many poor countries now use import controls, often in the form of quotas, to protect their local agriculture and fisheries from being wiped out by cheap imports from industrialized countries like Australia, Canada, the US or Europe. If these countries are prohibited from imposing import quotas, local farmers will be forced to use ever more intensive and environmentally damaging methods of production in an attempt to survive. Those farmers who are not able to intensify will be eventually pushed off their land, leading to the consolidation of smallholdings into huge corporate-style farms.

Prohibiting import controls in the North would also have social and environmental consequences. For example, environmental organizations which are



Under the US GATT proposal, it is likely that a large number of family farms will be forced out of business, even if they cut corners and intensify production. It is likely that they will be bought-up by large corporate landowners or paved over.

calling for a ban on the import of tropical hardwoods are concerned that the US proposal to eliminate quantitative import controls is an attempt to insure that GATT rules will prevent a tropical timber ban from ever being adopted in the US or elsewhere.

Fast food hamburger restaurants in the United States are pushing to use GATT to overturn existing US beef import controls, which now strictly limit the amount of beef allowed into the country. If they are successful, there will be a sharp rise in imports into the US, much of which will be produced on pastures cleared from rainforests in Central and South America, by taking over land which is now used by small farmers. Similarly, confectionery and soft drink companies, like Coca-Cola, Pepsi and Mars, are pushing to open US borders to unlimited imports of sugar. Contrary to the claims by these corporations that ending sugar import controls would help poor people in the Third World, the majority of the sugar imported into the US comes from huge plantations which are often on land that was formerly used by small farmers to grow food for their families. The sugar workers are often treated like little more than slaves. More sugar imports will only lead to more and more land being seized from peasants, and will therefore create more hunger and poverty and environmental destruction.

Export Controls on Natural Resources

Article XI of the current GATT treaty gives all countries the right to impose

export restrictions on food and other critical resources in times of shortage. This is designed to prevent corporations from exporting desperately-needed food in order to sell it for a higher price somewhere else. The Bush Administration is proposing that this provision of GATT be abolished to ensure that US corporations, no matter where they are operating in the world, have unrestricted access to all the raw materials they need or want.

Ironically, many citizens in the United States, especially in the Pacific northwest states of Washington and Oregon, have come out in strong opposition to this proposal. Legislatures in both states have passed outright bans on the exports of raw logs, both for ecological reasons and to protect jobs in local sawmills. Japanese importing corporations, who have come to be dependent on raw log exports from this region, have bitterly objected, claiming that this violates the US "free trade" position at GATT. The Bush Administration is hoping that the GATT talks can give them the power they need to preempt and overturn these state laws.

Weakening Environmental and Health Safety Standards

Few issues have caused as much conflict in this round of agricultural trade talks as the wide differences between each nation's food safety and environmental standards.² Corporations are lobbying for new GATT rules which could both limit the right of nations to set stricter standards and allow federal governments to preempt state pesticide and food safety legislation. The "double zero" plan will

Undermining Public Health

How the Codex Alimentarius will increase exposure to pesticides in food

The Rome-based Codex Alimentarius Commission is administered by the UN Food and Agriculture Organization and co-financed by the World Health Organization. It aims at developing the harmonization of regulations and measures concerning the quality of animals, vegetables and food products on the basis of norms established in collaboration with relevant international organizations including the International Office of Epizootics and the International Plant Protection Convention. Some examples of Codex pesticide residue levels on foods which are higher than US Environmental Protection Agency tolerances are given below.

Crop	Pesticide	Increase
Carrots	Benomyl	25.0 x
Apples	Permethrin	40.0 x
Broccoli	Permethrin	2.0 x
Strawberries	Lindane	3.0 x
Potatoes	Diazinon	5.0 x
Bananas	Aldicarb	1.6 x
Bananas	Diazinon	2.5 x

Some examples of Codex pesticide residue levels on foods which are higher than US Food and Drug Administration action thresholds include:

Crop	Pesticide	Increase
Broccoli	Heptachlor	5.0 x
Broccoli	DDT	33.0 x
Broccoli	Aldrin	3.3 x
Carrots	Heptachlor	20.0 x
Carrots	DDT	10.0 x
Grapes	DDT	20.0 x
Lettuce	Heptachlor	5.0 x
Lettuce	DDT	33.0 x
Lettuce	Aldrin	3.3 x
Potatoes	Heptachlor	5.0 x
Potatoes	DDT	10.0 x
Milk	Endrin	3.0 x
Apples	DDT	10.0 x
Apples	Aldrin	1.7 x
Bananas	DDT	50.0 x
Bananas	Aldrin	2.5 x
Peaches	DDT	50.0 x
Peaches	Aldrin	2.5 x
Pineapple	DDT	33.0 x
Pineapple	Aldrin	1.7 x
Strawberries	DDT	20.0 x

limit the right of nations to impose environmental and consumer protection regulations on imported foods by imposing the following procedures:

- "Scientific evidence" would be the only consideration in human health and environmental regulations applied to imports. No social, economic, religious or cultural concerns could be considered, no matter how important.

- The Rome-based UN agency Codex Alimentarius (*see Box*), made up of government officials with the active participation of executives from chemical and food companies, would be the major source of "acceptable" scientific evidence.

If harmonization is accepted by GATT, attempts to enforce domestic standards stricter than those recommended by Codex on pesticide residues in imported

food could result in GATT-sanctioned retaliation or in the demand for compensation to exporting countries. For example, a food item imported into the United States is banned under current legislation if it is found to have DDT residues above extremely low "background" levels. However, since Codex has set Maximum Residue Levels (MRLs) for DDT many times higher than the US, disputes may arise between nations exporting foods with Codex-permitted DDT residues and the US. The exporting nation could take this issue to a GATT dispute panel, who would compare US limits to Codex. The stricter US standards could be ruled "illegal", leading to possible trade retaliation.

This option has been referred to by some as "greenmail", where countries demand "compensation" in return for promising not to export goods with pesticide residues above domestic tolerance levels. If Codex standards become a "ceiling" on the regulations that can be enforced on imported goods, farmers in countries with stricter standards will find themselves competing with imported foods produced under much less strict environmental regulations. If this situation begins to threaten their economic survival, they may feel compelled to lobby for lower standards to create a "level playing field", causing a serious conflict of interest between farmers and environmentalists. Not only could this conflict result in an expensive and time-consuming battle, but it may destroy the small, but growing, alliance between farmers, consumers and environmentalists. In the end, harmonization may result in the lowering of safety standards on both imported and domestically produced foods.

Undermining Local, State and National Authority

Since Codex is presided over by a White House appointee from the US Department of Agriculture, Dr Lester Crawford, many public health advocates around the world fear that the Bush Administration may be trying to use GATT-enforced harmonization as an instrument with which to overturn or weaken various pesticide regulations and food safety laws in the United States and elsewhere. Indeed, in a recent interview, US Agriculture Secretary Clayton Yeutter expressed his belief that he can eventually use GATT to do just this:

4-25

"If the rest of the world can agree on what the standard ought to be on a given product, maybe the US or EC will have to admit they are wrong when their standards differ."³

Under legislation now being considered by the US Congress, dangerous pesticides banned in the US could no longer be shipped abroad — where they are often used on crops which are then exported to the United States, creating the so-called "circle of poison". Since Codex does not ban a number of chemicals prohibited in the US, it could be against GATT rules for Congress to prohibit the export of those products, or the re-import of foods with residues of these banned products. John Wessel, director of the US Food and Drug Administration's Contaminants Policy Staff and spokesperson for the Bush Administration on this issue, has strongly condemned congressional attempts to pass "circle of poison" legislation, arguing that the proposed laws would:

"have the potential of bringing international food trade to a halt. If there is a need for providing a level playing field for farmers, then it should be the responsibility of the Codex Committee on Pesticide Residues rather than an individual country."⁴

Harmonization is also clearly designed to restrict the ability of local and regional governments to set environmental and consumer protection standards. For example, even if the citizens of California vote overwhelmingly to prohibit the use of any carcinogenic pesticides on foods grown or sold in the state, under harmonization this law could not be enforced on foods imported from overseas without the possibility of trade retaliation. Clayton Yeutter has stated publicly that one of his main goals at GATT is to use it to overturn the strict local and state food safety regulations that have been passed in recent years. He fears that if state governments can implement their own regulations, it could set a precedent for more strict federal legislation.

Yeutter also sees ways to use harmonization to lower standards in other countries. Government and food industry officials in the US have been very active in support of harmonization partially because they believe it can be used to lower the standards they must meet when they export their produce. A good example is the proposed EC ban on the genetically-engineered cattle growth hormone, bovine somatotropin (BST). In a letter to

The Domination of Corporate Interests

The composition of the US delegation to Codex Alimentarius shows the prominent role given by the US to corporate representatives in setting the standards to regulate their own industries. It is notable that there are no representatives from consumer or environmental organizations or any other citizens-groups. The full list of US delegates is:

- Dr Lester Crawford
Administrator
Food Safety and Inspection Service
US Dept. of Agriculture
- Dr Douglas L. Archer
Director, Division of Microbiology
Center for Food Safety and Applied Nutrition
US Food and Drug Administration
- Dr Brian Bagnall
Director, Public Affairs
Smithkline Beckman Corp.
- James R. Brooker
National Marine Fisheries Service
- Franta Broulik
Director, Regulatory Affairs and Information Services
McNeil Specialty Products Company
- Dr Wm. J. Cook
Director, Corporate Quality Assurance
Hershey Foods Corporation
- Charles W. Cooper
Assistant Director
Center for Food Safety and Applied Nutrition
- John W. Farquhar
Vice President
Research and Technical Services
Food Marketing Institute
- Charles Feldberg
Vice President, CPC International Inc
- Sherwin Gardner
Vice President Science and Technology
Grocery Manufacturers of America
- Gerald B. Guest
Director, Center for Veterinary Medicine
Food and Drug Administration
- J. Harty
Director, International Affairs Staff
Food and Drug Administration
- Thomas B. House
President, American Frozen Food Institute
- Julia Howell
Manager Regulatory Submissions
The Coca-Cola Company
- Maureen Kapustynski
Manager, External Affairs
Pepsi Co. Inc.
- Dr Thad M. Jackson
Nestlé Enterprises
- Eddie Kimbrell
Consultant, Holland and Knight
- Bruce A. Lister
Vice President, Corporate Affairs
Nestlé Foods Inc.
- Marshall Marcus
Director, Regulatory and Trade Affairs
Protein Technologies International
- Dr Allen Matthys
Director, Regulatory Affairs
National Food Processors Association
- B. McMillan
McMillan and Farrell Associates
- Rhonda Nally
Executive Officer for Codex
Food Safety and Inspection Service
US Department of Agriculture
- James Serafino
Director, Regulatory Affairs
Associate General Counsel
Nestlé Foods Inc.
- Dr Fred R. Shank
Acting Director
Center for Food Safety and Applied Nutrition
US Food and Drug Administration
- S.N. Tanner
Assistant to the Administrator
Federal Grain Inspection Service
- Raymond Tarleton
Executive Vice President
American Association of Cereal Chemists
- Ellen Thomas
Manager
Regulatory Industry Relations
Compliance
Kraft, Inc.
- Roberta Van Haefen
Attaché for Food and Agricultural Affairs
FODAG, American Embassy, Rome.

FDA Action Thresholds from *Federal Register* Vol. 55, No. 74, April 17, 1990. FDA docket No. 89D-0368, 'Action Levels for Residues of Certain Pesticides in Foods'.
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Europe's Agriculture Commissioner, Ray MacSharry, Secretary Yeutter objected to this proposed ban, using GATT as his main justification. Yeutter believes that a moratorium on the use of BST would both disrupt the GATT talks and might encourage consumer demands for similar regulations in the US. He fears that an EC ban on BST would:

"contravene our mutual objective of achieving international harmonization in this sensitive area of food safety. It would also add fuel to the fires for those who wish to have public policy decisions made on the basis of emotion and political pressure."⁵

In the same speech he went on to say:

"Arguments about the synthetic hormone's impact on production also should not be used as a basis for FDA consideration. I don't want to see government agencies decide on the basis of alleged economic grounds what should or should not enter the American market. Let's let the marketplace provide that determination."⁶

Preventing the Adoption of the "Fourth Criterion"

Over the last 100 years, three criteria for evaluating new chemical additives to food have evolved; safety, quality and

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"The US proposal to eliminate quantitative import controls could prevent a tropical timber ban from ever being adopted in the US or elsewhere."

efficacy. A number of consumer and environmental organizations are working to establish social and economic values as the "fourth criterion". Many chemical, pharmaceutical and food companies fear that if this "fourth criterion" becomes generally accepted it will lead to tougher laws and regulations.

Recent examples of the "fourth criterion" in practice are the bans on the commercial use of BST, recently passed by a number of US states. Generally, these have been based on the argument that the use of this drug would bankrupt thousands of dairy farmers. Another example is the beef hormone ban imposed in Europe in 1989, imposed on the basis of consumer demands, and not strictly on "scientific evidence". Under harmonization, these laws could not be applied to imported goods without running the risk of retaliatory action. In a recent official GATT report, the US representative argued that:

"The basis for authorizing products should be a thorough scientific appraisal against the three traditional criteria of safety, quality and efficacy. The EC was now considering whether... BST should also be reviewed on the basis of social and economic implications. According to the United States, such a political criterion could set a very dangerous precedent and would be contrary to the standstill commitment."⁷

Opposition to the US GATT Proposals

A large number of environmental, farm, church and consumer organizations have spoken out about their concerns over the environmental implications of GATT. A coalition of US environmental and natural resource conservation organizations, called the Working Group on Trade and Environmentally Sustainable Development, has called on Congress to reject any GATT treaty that contains anything like the harmonization proposal. In addition

they have raised questions about the implications of GATT on issues such as genetic diversity and the protection of old-growth forests.

One of the most important concerns being raised is whether GATT will be used to undermine the democratic institutions of the US. Lynn Greenwalt, vice-president for international affairs at the National Wildlife Federation, summarized this concern at a recent press conference on GATT and the environment:

"We have come together today to note, and perhaps prevent, the passing of an era. An era when local communities had a say in how their natural resources were used. An era when the state and federal governments could take steps to stop the destruction of our environment. These basic rights may be sacrificed by US negotiators in the name of free trade."⁸

The US professional journal, *Nutrition Week*, has expressed its fears about the same issues:

"The role of science in the regulatory process is advisory. Health and safety rules are decided by the elected representatives of the people — that is by those who are accountable to the citizens of the Republic. Rules and regulations are developed with the advice of scientists, subject to comment and review by those affected by the proposed rule or regulation and approved by an individual appointed by the President — the chief executive officer. The executive branch is accountable to the Congress, and the actions of the executive are subject to judicial review.

"The US trade proposal would change all of that. A scientific court would be accountable only to those individuals or interests that appoint the members of the court. The decisions of the scientific court would not be reviewable. The function of the court, although scientific in appearance, would be framed always in economic goals and objectives. Science would no longer be an advisor, but would determine what is best for the economic future of the people of the world."⁹

Many non-governmental organizations in the US have had a number of bad experiences with faulty or dishonest science, ranging from the thalidomide scandal to promises of "risk-free" nuclear power. The prospect of seeing democracy undermined by a global "science court" is truly alarming.



Pesticide use in the Third World is growing and many crops are heavily contaminated. Under legislation now being considered by the US Congress, dangerous pesticides banned in the US could no longer be shipped abroad — where they are often used on crops which are then exported to the United States, creating the so-called "circle of poison". The new GATT rules would make a number of such export bans illegal. Controls on the re-import of contaminated foods could also be illegal.

Intense Lobbying

Correctly anticipating a tough fight against their GATT proposals, officials in the Bush Administration are working hard to reverse the mounting opposition. To farm groups, they promise that GATT is the best way to overturn domestic pesticide and food safety laws and that it will be possible to use GATT dispute panels to open foreign markets. A recent report put out by the California World Trade Commission, *International Standards and Agricultural Trade*, summarizes the arguments:

"Uniform national standards are essential to successful negotiations and implementation of current GATT talks to harmonize health and safety rules.

"California, in its zeal to lead the world in regulating chemical use, may become so out of step with the competition that it will put its \$17 billion agriculture industry out of our business.

"The Uruguay Round talks on harmonizing plant and animal health restrictions are becoming increasingly important to California as food safety and environmental concerns grow."¹⁰

A former member of Yeutter's GATT team in Geneva, C. Ford Runge, who now works for the Center for International Food and Agricultural Policy, an institute

funded by the Cargill Grain corporation devotes much of his time to convincing farm groups that GATT can be used to "keep stricter environmental standards from adversely affecting their cost of production." According to Runge: "Farmers will have to turn to international organizations, to help them confront the issues of environmental standards."¹¹

In addition to attempting to win the support of farm groups, Administration officials have met with representatives of several environmental and consumer organizations, arguing that "free trade" as an ideological position should have the support of consumer groups. Although a few non-governmental organizations, like Resources for the Future, support the US GATT proposal, an overwhelming majority have come out strongly against.¹²

Pressure from GATT and Codex Staffs

Although it is expected that the staffs of international agencies should remain strictly neutral in these negotiations, in reality they play a powerful role in determining the direction and parameters of the discussions. In this regard, both Codex and GATT staff have expressed very strong support for harmonization on a number of occasions.

A recent meeting of senior GATT staff with a delegation of consumer, environmental, church, farm and trade union representatives from the US, Europe and Japan was summarized by *Nutrition Week*:

"New terms being hammered out here (Geneva) to guide world trade during the . . . 1990s will eliminate or weaken health and safety rules and regulations for food, drugs and the environment . . . The immediate target is the Delaney clause of the Food, Drug and Cosmetic Act that prohibits in the US the use of food additives that cause cancer in humans or test animals. The Delaney clause is the only food safety law that sets a zero tolerance for chemicals and other substances used as food additives.

"'World trade cannot survive with a zero tolerance', said Jean Marc Luc, Director of the Agricultural Division of the GATT. Luc will draft the final proposal in the current negotiations to set new rules for trade in agricultural products."¹³

In his opening speech to the July 1989 session of the Codex Commission, the Codex chairman was quite explicit about his excitement over what is being called the "international harmonization project":

"The current developments underway within the Uruguay Round of



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Multilateral Trade Negotiations offer the exciting prospect of the Codex standards being used as the basis for the harmonization of national regulations as a long-term objective under GATT.¹⁴

Moving Towards a Positive Solution

A number of GATT member nations have begun to recognize the need for GATT to address environmental issues. For example, the European Community's GATT proposal states:

"Countries which have achieved a high health status will find it difficult to systematically relinquish their national standards in favour of lower, albeit 'international' standards. It will, therefore, be necessary to provide for countries to continue to apply more stringent standards, where appropriate."¹⁵

Various resolutions being considered by the US Congress address the need for a special process within GATT to begin incorporating ecological concerns. A resolution by Congressman James Scheuer calls on Congress to reject the final GATT agreement if it does not adequately address environmental protection. Included in his resolution is the threat that the agreement reached in the Uruguay Round will not be enacted unless there is:

"Agreement among contracting parties to initiate special consultations (which shall include non-governmental organizations and parliamentarians from member countries as full participants) to discuss environmental issues by April 1, 1991, which consultations must address, among other relevant issues:

a) the steps that can be taken to ensure that the implementation of GATT does not undermine national environmental protection measures and health and safety standards, and the promotion of sustainable development;

b) means by which GATT can be used to enhance environmental protection and the promotion of sustainable development, and;

c) mechanisms by which public access to information regarding, and public participation in, the GATT process can be encouraged."¹⁶

Conclusion

During the last decade there have been two key breakthroughs in our understanding of environmental issues. The first is the inseparable connection between ecology and economy. Close co-ordination between economic policy and environmental policy is a fundamental requirement for sustainability, both ecological and financial. The second is the acknowledgement that most ecological issues are global, they know no boundaries. International co-ordination and co-operation in addressing ecological dangers is becoming an absolute necessity for human survival.

GATT is the one place where policies can be co-ordinated at the global level, based on mutually agreed upon rules and a transparent dispute settlement process. Unfortunately, it totally fails to integrate ecological concerns into its economic function.

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UNFAIR TRADE FOR FARMERS

BY WENDELL BERRY

The writer, a farmer, poet, writer and environmentalist, is the author of *What Are People For?* (North Point Press). He lives in Port Royal, Ky.

After World War II, the United States and 95 other nations entered into the General Agreement on Tariffs and Trade (also known as GATT) for the purpose of regulating international trade and resolving international trade disputes. The Bush administration is now attempting, mostly in secret, to make changes in this agreement that would have dire economic and ecological effects upon the member nations, and would significantly reduce the freedom of their citizens as well.

The Bush proposals originally drafted by Daniel Amstutz, a senior vice president of Cargill, and backed by other large corporations, aim to eliminate all agricultural price supports and production controls, and could require member nations to conform to health and safety standards that would be established by Codex Alimentarius, a group of international scientific bureaucrats in Rome.

If these proposals are adopted it will mean that every farmer in the member nations will be thrown into competition on the so-called "free market" with every other farmer. And this will be a competition that will not be won by any farmer, but rather by the international agribusiness corporations that are well positioned to profit from the unprotected produce and the further cheapened labor of all farmers. American farmers, who must buy their expensive labor-replacing machines, fuel and chemicals on markets entirely controlled by the suppliers, will be forced to market their products in competition with products of the cheapest hand labor of the poor countries. And the poor countries, seeking to feed their own people, may see the food literally vacuumed off their plates by a lucrative export market.

How these proposals might affect all of the 96 countries involved is probably too complicated a question to be answered even by Amstutz, but it is clear that their effect on American farmers and American agriculture will be ruinous. These proposals are part of a long-standing ambition of cer-

tain parties in the agribusiness establishment to cheapen food here in order to use it as a weapon abroad. They wish to increase American control of foreign countries by causing them to become dependent on cheap American food. And they wish to use these increased exports of food to balance the American trade deficit.

But of course American food can be cheapened only by continuing and worsening the economic and agricultural practices by which we are destroying our farmers, our farm communities, and our farm land, and by which we are diminishing the quality and the healthfulness of our farm products. To increase the volume of our food exports at such a cost, obviously, will sooner or later require a greater volume of food imports — if, in the meantime, such policies will not have ruined the food economies of other nations.

Furthermore, the adoption of the Bush proposals will mean that no member nation, and no local government in any member nation, will be permitted to impose regulations on the use of pesticides or other toxic substances on imported food that are stricter than the regulations set by Codex Alimentarius.

These proposals, which would deny to the people of 96 nations any choice in the matter of protecting their land, their farmers, their food supply, or their health, have not been drafted and, if adopted, would not be implemented, by anybody elected in any of the 96 countries. The effect of the proposals, in short, would be to centralize control of all prices and standards in the international food economy, and to place this control in the hands of the few powerful corporations best able to profit from it. The amended GATT would thus be a license issued to a privileged few for an all-out economic assault on the land and people of the world. We are witnessing here the work of an international capitalism as insidious, ambitious, totalitarian and destructive as international communism, and as deserving of the same fate.

The Bush proposals offend against de-

mocracy and freedom; they offend against any intelligent concern for bodily or ecological health; they offend against every wish for a sustainable food supply. Apart from the corporate ambition to gather the wealth and power of the world into fewer and fewer hands, they make no sense, for they ignore or reduce to fantasy every reality with which they are concerned: ecological, economic, agricultural and cultural. Their great evil originates in the assumption that all the world may safely be subjected to the desires and controls of a centralizing intelligence.

This is what Secretary of Agriculture Clayton Yeutter means by his phrase, "international harmonization." But there is a world of difference between the harmonies that may be made between people and their neighbors, or between people and their land, and an "international harmonization" that can only be made by the imposition of a tyrannical idea by a few powerful people upon all the rest.

The world, in fact, is made up of an immense diversity of countries, regions, ecosystems, climates, soils, societies and economies so various as to bewilder and frustrate the ambitions of centralizing power — and only this can explain the attempt to force the world's natural and inevitable diversity into a legal uniformity. But anyone who is interested in economic and ecological justice will see immediately that justice requires, not international uniformity, but an international generosity toward local diversity.

Anyone who is interested in solving, rather than profiting from, the problems of food will see that, in the long run, the safest food supply is a local food supply, not a supply that is dependent on international trade. Nations, and regions within nations, must be left free — and should be encouraged — to develop the local food economies that best suit local needs and conditions. It is foolish to jeopardize this most necessary freedom and diversity for the sake of an economic-idea.

Special to The Courier-Journal

Part 5: GATT and Labor

United States manufacturing firms began to increase their overseas subsidiary facilities and production substantially in the late 1970s. In just 20 years, income from these foreign investments is expected to exceed the rate of domestic revenues. For 30 years, U.S. government policies have encouraged and helped promote the development of overseas transnational operations. U.S. labor initially approved of these "free trade" policies and supported the Kennedy administration's Trade Expansion Act, which helped jump-start the reduction of tariffs that eventually were solidified in the 1960 GATT Round which took place under the Kennedy Administration.

However, by the end of the 1960s, labor began to oppose further tariff negotiations and supported limits on trade under the Burke-Hartke Bill. Labor began to criticize the shift of massive amounts of capital and jobs to foreign subsidiaries of domestic corporations. The United Electrical, Radio and Machine Workers of America were the most vocal, pointing out that multinational corporations were investing wealth created by American workers in these overseas operations. They exposed the fact that U.S. transnational corporations were receiving tax credits and deferments on their foreign investment. These U.S. corporations were able to take a dollar-for-dollar tax credit, and taxes paid to foreign governments were being written off their corporate U.S. income taxes.

Deferment of U.S. income taxes on overseas profits provided a strong incentive for companies to shift operations abroad and to re-invest their profits in overseas operations. These tax credits fostered a loss of manufacturing jobs in the U.S., and diverted revenue which could have been used to revitalize industry in the U.S. The new GATT proposals in the Uruguay Round will offer additional incentives to export U.S. jobs and capital by further lifting restrictions on foreign investment. Millions of workers within the world-wide system of GATT will be affected by new interna-

tional standards on labor, health care, wages, migration, housing, and education which are "harmonized" to a less humane level than that achieved in the developed countries today.

It remains to be seen whether The Omnibus Trade and Competitiveness Act of 1988, which requires that one of the "principal trade negotiating objectives at GATT be worker rights," can be incorporated into the Uruguay Round. The Act states that "denial of worker rights should not be a means for a country or its industries to use low wages to attract industry and thereby gain competitive advantage in international trade."

Loss of Bargaining Power: Most industrialized countries have standards of collective bargaining and some form of environmental regulations. When changes are put in place through the new GATT, pressure will be brought to bring down the worker's rights and environmental protections in the "advanced economies" to be more in line with the "less developed" economies. U.S. Trade Representative Carla Hills is candid about this roll back of gains: "We want to abolish the right of nations to impose health and safety standards more stringent than a minimal uniform world standard."

Critics of Mrs. Hills' position point to the European Communities (E.C.) "social charter" of the Common Market, which covers wage disparities, labor rights, and environmental standards that more adequately reflect the higher standards of the more advanced economies within the E.C. It shows that hard-won worker protection standards need not be sacrificed in trade agreements. Such a charter must be included in U.S. multilateral trade agreements. Without it we will see an acceleration of the trend of the past decade where corporate operations move away from U.S. communities, that depend on them for economic survival, to countries with lower wages and less demanding or enforceable worker safety and environmental standards. Otherwise U.S. labor will be forced to make major concessions in wages, benefits, and working conditions in order to pre-

vent or slow such movement. Yet Carla Hills insists that the GATT only establishes a free trade zone, created by removing trade barriers, and is not a Common Market, and therefore, such a social contract is inappropriate.

Loss of Jobs and Health Benefits: The 1989 U.S.-Canada Free Trade Agreement, covering many of the proposed additions to the GATT, was not beneficial to the workers in Canada. The immediate consequence was a rash of corporate mergers with ensuing job losses: Two of the largest breweries in Canada merged, as did two of the three largest passenger airlines. U.S. corporations merged with Canadian corporations: Exxon took over Texaco Canada, and Chicago-based Stone Container Corporation bought the pulp and paper giant, Consolidated Bathurst. Canadian corporations are moving operations to the U.S. to take advantage of lower wages and deteriorating labor rights, and hundreds of small Canadian producers have closed as the result. The Canadian Labor Council estimated that in the first year alone, free trade with the U.S. cost Canada over 105,000 jobs.

Job loss was just the beginning. The Reagan administration also said that Canada's national health insurance was an unfair trade practice. Paid out of general funds, it lowered the competitive price of Canadian corporate goods and services and therefore was a trade-distorting subsidy. Health and safety standards are also considered a non-tariff trade barrier by the U.S. government. On the other hand, lack of worker's rights and low wages are called "comparative advantage." Canadian corporations have begun to reduce spending on unemployment insurance, regional development, farm support and social services because these "costs" affect their competitiveness with U.S. firms.

The U.S.-Mexico Free Trade Agreement, currently under negotiation, will be a disaster if it mirrors the Maquiladora, a 20-year-old Free Trade Zone along the border with the U.S. The region provides a startling picture of the effects of unrestricted foreign investment in an area which lacks minimum labor standards or enforceable environmental regulations.

Half a million Mexicans, working in the Maquiladora area, produce goods destined al-

most solely for the U.S. market. Wages range from 56¢ to \$1 per hour. Former Presidential candidate Cuauhtémoc Cárdenas said in a recent interview: "Labor will become cheaper and cheaper; wages have been declining continuously since 1982." The lack of health care is shocking. Today in El Paso County, just across from the Maquiladora corridor, tuberculosis is double the national U.S. average, salmonella three times the average and hepatitis A is five times the average.

It is estimated that 40% of U.S. exports to Mexico are brought back to the United States as finished products. Critics of the Free Trade Zone say this is a distortion of trade. Many see it mainly as U.S. corporate rental of low-wage Mexican labor. The so-called "cross border trade" has expanded to such a degree that in 1990, the U.S. had a \$2 billion trade deficit with Mexico. Imports from Mexico, much of which are from U.S. corporations, have increased 59% since 1985, reaching \$30.2 billion in 1990.

The impact of this Free Trade Zone has had a tremendous adverse effect on American labor. As early as the mid-eighties General Motors built 12 new plants in Mexico while closing 11 in the U.S. Many large U.S. corporations such as General Electric, Westinghouse, GTE Sylvania, Honeywell, Rockwell International, Textron, and United Technologies now have facilities in the Maquiladora "free trade" zone. The U.S. International Trade Commission suggests that the North American Free Trade Agreement will accelerate the number of plant closures in this country and reduce the average real incomes for roughly 70% of U.S. workers.

U.S. foreign subsidiaries in this zone import their parts and raw materials and export the finished products. They remain on the fringes of the Mexican economy and have contributed little to producing a skilled, well paid labor force, technological growth, or true international competitiveness.

Global Workplace: Unorganized workers, particularly those in Third World countries, and trade unions of the advanced industrial economies, have encountered a global workplace, full of contradictions and a completely restructured international division of labor. The 1984 Trade and Tariff Act prohibited extending trade prefer-

ences to developing countries exporting to the U.S. if those countries refused to honor "internationally respected worker rights," including the "right of association, the right to organize, bargain collectively, a prohibition on the use of any forced or compulsory labor, a minimum age for employment of children, and acceptable conditions of work with respect to minimum wages, hours of work and occupational safety and health," but the 1980s saw a progressive weakening of labor's ability to hold the line on gains hard won in this country over the past two generations.

In his January, 1991 State of the Union address, President Bush claimed that U.S. economic strength depends upon being competitive in world markets. He insisted that success in the GATT and NAFTA trade negotiations will create more real jobs and more real growth, and that "America's workers and farmers can out-work and out-produce anyone, any time, any where." He ignored several important considerations. One is the historical fact that domestic industrial strength and the relative quality and desirability of a nation's products, not the absence or presence of trade barriers, is what determines trade success in the long run. He failed to note the relative decline in the quality of many U.S. consumer goods observed by U.S., European and Asian customers.

Such a decline has to be associated with the deterioration in real wages, working conditions and job availability experienced by the average U.S. worker. U.S. worker productivity, if it is in fact that much greater than that of other nations, derives in part from three generations of labor's insistence on higher wages and working conditions, rewarding hard work with a level of human dignity. Mr. Bush did not address whether U.S. workers could out-perform Third World workers in Third World conditions.

When a state or nation attempts to deal with serious threats to the health or well-being of its citizens it is essential to have economic cooperation from federal and state agencies and trading partners. It is crucial that every country build labor, consumer, and environmental protections into global trade agreements.

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LABOR / HARRY BERNSTEIN

Opposition to Free-Trade Pact Grows

The much ballyhooed proposal for a U.S.-Mexico-Canada free-trade pact is being sidetracked—and may even be derailed—by the real threat that it will shift a million or more urgently needed U.S. and Canadian jobs to Mexico in the near future.

President Bush won a major political battle on the proposal last May when Congress foolishly agreed to put negotiations of the trilateral pact on a "fast track" so it wouldn't be stalled by debate over such crucial issues as the threat of job losses and increased pollution.

By giving in to Bush's demand for a "fast track," Congress surrendered its right to modify any terms of the pact negotiated by the Administration. Congress will have to accept the pact or kill it outright—if Bush actually sends the proposal to Congress for a vote.

The United States and Canada already have such a bilateral free-trade agreement. That one is working to the disadvantage of the Canadians, and it could get worse for them if Mexico is added to the mix. But happily the proposed trilateral pact that would remove almost all trade barriers between the three countries is running into the political realities of this presidential election year.

It doesn't take a political genius to know Bush's reelection campaign won't be helped if he tries to rush through the proposed pact because of the threat of more job losses. Proponents say, in the long run, the agreement will reduce the wage gap between the countries, expand U.S. exports and create more jobs for Americans. But that will take many years, and jobless workers in this country can't wait that long.

Carla Anderson Hills, the U.S. trade representative, and her Mexican and Canadian counterparts are about to announce preliminary terms of an agreement to remove most of the trade barriers among their countries.

When they resolve their remaining differences, the pact could then be sent to Congress and the Canadian Parliament for approval. But because of growing opposition, that isn't likely.

An increasing number of profit-hungry employers north of the Mexican border are already moving plants into Mexican border towns where wages are pathetically low, costly environmental controls are almost nonexistent and filthy living and working conditions are the norm.

U.S. corporations were encouraged to take advantage of those conditions in Mexico by a U.S.-Mexican deal that gave the companies generous breaks on tariffs, duties and taxes. As a result, an estimated 500,000 jobs were shifted from this country to the *maquiladora* plants just across the border in the past five years.

The proposed trilateral free-trade agreement would encourage more U.S. and Canadian corporations to expand their operations throughout Mexico, no longer limiting them to the *maquiladora* plants where they already get the advantages of free trade.

Yes, in time, a well-crafted free-trade agreement could help all three countries, just as the 12 nations in the European Community will be helped by their own carefully constructed single-market

agreement that has been in the making for more than a decade.

The EC developed a "social policy" to make sure their workers are paid decent wages and have good working conditions. In other words, low wages and unsafe working conditions won't be the basis for competition among EC companies.

But for the near future, a free-trade pact between the United States, Canada and Mexico will only encourage competition for jobs based on the low wages and the few environmental controls that are found in Mexico.

The situation could be improved if the proposed pact contained substantive protections for U.S. and Canadian workers, along with meaningful pollution controls.

That would mean such things as increased minimum wages in Mexico—now only \$4.50 a day—health and safety laws comparable to those in this country, strict prohibitions against child labor and enforceable environmental protection laws.

But the trade agreement now being negotiated will not contain any reference to pollution or protection for workers. Separate discussions on those issues are continuing, and a proposal may come next month on some vague pollution control plan. But no protections are expected for U.S. and Canadian workers against low-wage competition from Mexico.

Even if agreement can be reached by the trade representatives on a bare-bones free-trade pact, few experts in Washington believe that Bush will risk submitting it to a vote of Congress this year. Why get into a debate during a recession over how many jobs it may cost the U.S. in the near future?

Approval by the Canadians is even more dubious. Since the U.S.-Canadian free-trade pact became effective in 1989, Canada has lost an estimated 300,000 manufacturing jobs, or 13% of its total, mostly to lower-wage plants in the U.S. Adding Mexico to the pact will only compound Canada's problem.

Mexico, though, is ready to take anything that comes out of the trade talks because it has the most to gain. The Mexican government put up \$10 million in 1991 to start a high-pressure public relations campaign in this country to push through the free-trade pact. After all, low-wage jobs from the U.S. and Canada are better than none in a country where unemployment and underemployment are close to 50%.

But the agreement will exacerbate the recession in the U.S. and Canada by further encouraging companies to move more jobs to Mexico.

A better beginning for expanding the already substantial trade between the three Western Hemisphere nations would be to clean up the mess in the *maquiladora* plants along the border.

If enforceable minimum standards for wages and working conditions are established in those border plants, and vastly improved pollution controls are put in place, we could then see how best to write a meaningful free-trade agreement for the Western Hemisphere.

Big Deal, Unknown Consequences



Mexican-Americans should have input on this critical treaty—but first, they need answers to some basic questions.

By **SERGIO MUNOZ**

Debate on the trilateral free-trade agreement involving Canada, the United States and Mexico is heating up in Washington, but there have been hardly any reverberations in the Southwest, even though it would affect the Mexican-American community, both positively and negatively. There have been no studies, no polls; even worse, there are hardly any solid facts. But there are a lot of radical opinions, pro and con.

The national leadership of labor has organized a pretty strong effort to derail the free-trade agreement, and the White House is orchestrating its counterattack. As the AFL-CIO's Lane Kirkland exposes in public letters his abysmal ignorance regarding the border and attempts to make us believe he is concerned for the Mexican working class, President Bush holds breakfasts and lunches to lobby the wealthiest Latinos in the land.

In the meantime, the people who would experience the consequences are kept in the dark by a Latino leadership that reacts too slowly in a time of fast decisions.

There is no doubt: The Latino community will experience change if the free-trade agreement is signed. That is why it is imperative to begin immediately a debate on the social, economic, environmental and moral impact of the proposal.

To start the debate, we should define the issues, obtain the proper information and ask the right questions. This we will attempt to do in a series of articles beginning here, hopefully to provide a springboard for meaningful discussion.

On the economic front there are several areas to consider.

Dozens of furniture-making businesses have already moved from East Los Angeles to Baja California because of environmental restrictions. The parent company of a major cannery in Watsonville has relocated its operations to

central Mexico. In both instances, jobs held by Mexican-Americans have been lost, and the fear in the barrio is that this trend would accelerate under a free-trade agreement that encourages relocation of businesses in Mexico or diversion of U.S. investment capital there.

There is hope that the better-educated Mexican-Americans could push to develop the border into an international trade zone. But given the limited infrastructure in Arizona, New Mexico and Texas, and the scarcity of capital nationally, how likely is it that

On the other hand, several important Mexican firms are investing in the United States, creating jobs and, in some respects, influencing cultural habits here—and not only among Mexican-Americans.

Regarding the environment, there are also transcending issues that raise profound questions. Is the environment a non-economic issue? What sort of impact will free trade have on health and the environment in both countries? Should the environmental rules that apply to an economically developed country apply equally to one that is still underdeveloped?

Three weeks ago, the Tomas Rivera Center in San Antonio, Tex. organized a seminar on the free-trade issue with academics, business people and community leaders, under the direction of Henry Cisneros, the former mayor of that city. The consensus was: that a free-trade treaty would be, mostly, a formalization of the economic integration that has been taking place on the border. That was "probably a good thing," the seminar concluded, "so long as an effort was made to capture the gains and protect the losses within the Mexican-



BARBARA MARTIN / Los Angeles Times

Women assemble computer terminals at plant in Mexicali.

this dream could become a reality?

Immigration—although it is now excluded as a subject of the free-trade agreement—is another question without new answers that seems to be on everybody's minds. The only certainty is that the immigration flow from Mexico will continue as long as the factors

First of an occasional series

that cause it remain. Some have even suggested that massive relocation of low-skill jobs to Mexico could create new waves of internal immigration by Mexican-American workers from the border to locations farther north in the United States.

There also are areas beneath the surface of free trade that pose delicate moral issues with potential for creating conflict. Take, for instance, agriculture. There is no doubt that this issue will pit Mexicans against Mexicans. There cannot be a win-win situation when you have Mexicans working on the same crops in Mexico as undocumented workers work on in Southern California and Mexican-Americans work on in Central and Northern California.

American community."

There must be many debates along these lines. Let us ask the pertinent questions and avoid the generalizations that give the free-trade proposal a dimension it does not have. If the treaty is signed, it will not cure all of Mexico's economic ills, and if it is not signed, it will not be the economic ruin of Mexico, either. We should not charge the bill of the global economy to Mexico alone. In terms of job displacement, for instance, we should not blame Mexico; in the global economy, jobs will move to Tijuana or to Taiwan if the wages in Tucson or Tustin are comparatively higher.

The least we can do is to call the bluff of people like Kirkland. As U.S. labor's veteran job protectionist, he is quite likely Mexico's working class' public enemy No. 1. When he claims to be fighting free trade to prevent the "exploitation" of Mexican workers at the hands of the ruthless American capitalists, something is rotten in the state of the unions.

Sergio Muñoz is executive editor of La Opinion, Los Angeles' Spanish-language daily.



Michael Wilson, left, Canada's minister of international trade, U.S. Trade Representative Carla Hills and Mexican Commerce and Industry Secretary Jaime Serra Puche answer questions at the National Governors Association conference earlier this week.

GRANT M. HALLER/P-I

Social issues pact doesn't belong in trade agreement, Hills argues

By Evelyn Iritani
P-I Pacific Rim Reporter

U.S. Trade Representative Carla Hills said yesterday the proposed free trade agreement with Canada and Mexico doesn't need a "social charter" covering wage disparities, labor rights or environmental standards.

She said a free trade zone running from Alaska to the Yucatan Peninsula couldn't be compared to the European Community, which has such a charter.

"The European Community is a common market," she told a news conference at the close of the second round of negotiations on the North American pact. "It deals with far more than reducing barriers so trade can expand. We're negotiating a trade agreement."

Critics of the agreement, who held their own set of talks here yesterday, argued the proposal to lower trade barriers would cause more harm than good unless the pact included measures to protect the work force and environment throughout the region.

"The standards are going to be leveled one way or another," said Pharis Harvey, leader of a national coalition of

labor, human rights and environmental organizations. "Either the U.S. and Canadian standards will be lowered, or we will have to increase the standards in Mexico."

But the Bush administration contends those issues do not belong in a trade agreement. The U.S. and Mexican governments plan a separate program to address labor and environmental issues.

The date for the next set of talks — Oct. 26 in Zacatecas, Mexico — was about the only solid piece of information dispensed yesterday as the top trade officials from the United States, Canada and Mexico got ready to leave town.

In a joint press conference, Hills, Mexican Commerce and Industry Secretary Jaime Serra Puche and Canadian Minister of International Trade Michael Wilson told reporters they had made "very good progress," but it was too early to report anything more.

"We are not very far along in our discussions, as has been stated many times," Hills said. "I think we've made progress. We've talked candidly about our positions . . . We came to bridge our differences and assess where we have to go."

The trade officials refused to confirm whether they had discussed some of the thornier issues, such as protection of Canadian cultural industries and the role of foreigners in Mexico's oil-related industries.

Hills rejected organized labor's argument that the agreement will encourage companies to close plants in the United States and Canada and move to Mexico, where wages are significantly lower. She said the economic growth created by the elimination of barriers will cause wage rates to "equalize" across borders and benefit everyone.

During their two-day meeting, the trade chiefs heard progress reports from 17 subgroups composed of U.S., Canadian and Mexican officials. Those groups are negotiating specific areas like tariff/non-tariff barriers, industry standards and dispute settlement mechanisms.

Hills said negotiators agreed to submit an initial schedule of tariff and non-tariff items for discussion by Sept. 18.

The battle to sway public opinion will heat up as the trade talks draw closer to a conclusion. Congress must vote on the agreement within 90 working days of its submission by the president.

Seattle Post-Intelligencer Aug. 21, 1991

Response

And to those who talk glowingly of the Mexican market of 88 million people that a free-trade agreement will open to US producers – what do they propose we sell to people who earn \$25 for a 48-hour week, or for that matter to those who have lost their jobs in our own country?

But these are the kinds of issues that proponents of the US-Mexico free-trade agreement want to avoid. “Fast track” authority would help them do it by limiting the debate before Congress to one simple question: “Are you for free trade or against it?”

In this scenario, proponents are sure to argue that the agreement is a necessary step for America to compete in an era when Europe is heading rapidly toward a single market. But the proposed “Yukon-to-Yucatan” common market has little in common with that of the European Community.

For instance, the European Common Market contains a Social Charter setting rights to a minimum wage, social assistance, collective bargaining, vocational training and health and safety protections. The Europeans have also created a \$68 billion Regional Development Fund to narrow the gap in per capita income between rich and poor countries within the market – a gap which is only one-fifth as wide as the one between the US and Mexico.

As currently described, the proposed US-Mexico free-trade agreement would contain none of these social dimensions. And “fast track” consideration would prevent Congress from insisting that such provisions be included.

In this way, the insistence on the “fast track” consideration of the agreement speaks volumes about who this agreement is really intended to help.

The fact is that trade is good for workers on both sides of the border only when it is carried out side-by-side with minimum standards on wages, benefits, safety and environment. Without them, it merely serves as a vehicle for capital to locate where labor is cheap and government governs least.

The problems of poverty and economic development in both the US and Mexico are too serious to be left solely to the interests of private capital. And the proposed free-trade agreement between the two countries is far too serious a matter to be kept from the realm of public debate and left largely to these same interests.

We need a full airing of views so that the American people can decide for themselves whether this agreement is in their long-term interests.

Undoubtedly, they’ll see it for what it is – a golden opportunity for the rich to get richer at the expense of the working poor.

Lane Kirkland

President of the 14-million member AFL-CIO, the largest labor confederation in the US.

Mexico Worries U.S. May Stall Trade Pact

■ **Economics:** Officials are concerned that the accord may become an issue in the American presidential campaign.

By MARJORIE MILLER
TIMES STAFF WRITER

MEXICO CITY—While U.S. officials insist that North American free trade negotiations are continuing on track, the Mexican government is bracing for the likelihood that American electoral politics will prevent President Bush from signing an accord next year, as planned.

President Carlos Salinas de Gortari is expected to press Bush for a strong commitment to go forward with the agreement on schedule when they meet Saturday at Camp David, Md.

But a senior Mexican official acknowledged that there is little Mexico can do if U.S. political considerations overtake the negotiations. "The ball is in their court," said the Mexican official, who asked not to be identified. "Our margin to maneuver is very narrow."

Salinas has made a free trade agreement the centerpiece of his economic reform program, as well as the foundation of a new alliance with the United States. Both governments and Canada have been aiming for a 1992 signing of the agreement to lift tariffs and other trade barriers.

In recent weeks, Bush, Commerce Secretary Robert A. Mosbacher and Trade Representative Carla A. Hills have sought to reassure the Mexican government with public statements of their intention to complete the treaty as soon as possible.

But Mexican officials have concluded that the recession in the United States and Bush's drop in public opinion polls could make it difficult for the Administration to sign a treaty and submit it to a congressional vote before the November, 1992, presidential election.

Opponents of free trade argue that a treaty will cost American jobs—a potentially explosive campaign issue in the middle of a recession.

Privately, U.S. officials acknowledge there could be a delay. But they say it is the Democrats who favor free trade who may not want to vote on a treaty during an election year. They suggest Mexico would go along with postponing the signing of the measure if it would facilitate its passage in the U.S. Congress.

"Mexico and Canada don't want to give the impression they are doing this on the U.S. political calendar," said an American official. But, he added, "if, in order to get a good agreement enacted, it is best to wait until early 1993 instead of 1992, not much is lost."

The Mexican government is preparing itself for a delay with a cautious 1992 federal budget. Badly needed public spending will increase only at the rate of economic growth, despite a drop in debt service payments.

Officials already are talking about creating incentives to attract investment while waiting for an accord. They argue that a delay would not stymie Mexico's economic recovery as long as an agreement is perceived as imminent.

But independent economists note that much of the \$14 billion private investment in Mexico this year was made with the expectation that a free trade agreement will be signed in 1992, and they warn of a setback if it is not.

Mexican officials "are very nervous," said economic analyst Rogelio Ramirez de la O. "The moment you tell companies that an agreement will not be signed in 1992, but in 1993, you introduce a year of uncertainty. It is like someone asking you to marry him but saying that first he's leaving on a safari for a year. At that point, you really don't know if he will come back or not."

Mexico needs the investment to counterbalance its trade deficit of about \$9 billion this year. Ramirez said the country needs another \$12 billion in investment next year to continue its economic recovery but that Mexico could see only half of that without a trade agreement.

A government official conceded a delay could cost \$5 billion in investment that Mexico otherwise might get. He said Mexico's economic liberalization will continue with or without an agreement.

"We have not put all our eggs in that basket. A free trade agreement is important, but if there is no agreement, we will continue with the same economic policies," Ramirez said.

Salinas' leftist opposition has argued that free trade, like the rest of the president's neo-liberal economic program, will make Mexico too economically dependent on the United States. Salinas says free trade will force Mexican industries to become more competitive, provide better consumer goods and contribute to a better standard of living for Mexicans.

Bush is likely to give Salinas the assurances he is seeking at Camp David. But some political observers suggest that the White House will leave the door open to a shift in policy if the political situation requires it. They say U.S. negotiators have toughened their stance.

The Mexican official said it is possible that negotiations will slow down or even recess during the political campaigns.

U.S. Rep. Jim Kolbe (R-Ariz.) told Mexican reporters in Washington last week that even if, in the best of cases, a draft accord is ready in January, it could not be presented to Congress before July. That, *Proceso* magazine quoted him as saying, would be "in the middle of the political conventions and at the beginning of the electoral campaign, and I don't think even those of us who support the [free-trade agreement] want to make the decision under these political conditions."

Beating a path to Mexico

It's not just for cheap labor. Area firms go to Mexico to keep their foreign competitors at bay.

By Jennifer Lin
Inquirer Staff Writer

The Montgomery County factory of Stabilus is 1,900 miles from the Mexican town of Nuevo Laredo.

But Mexico is where Thomas Blomquist, Stabilus' president, decided to look when the company went searching for a place to expand.

Last spring, Stabilus opened its first Mexican assembly plant. Parts are trucked from the company's main factory in Colmar, Montgomery County, to Nuevo Laredo, where a crew of 30 workers assembles gas springs for office chairs.

Blomquist said the move to Nuevo Laredo was a matter of necessity.

Costs are rising for everything from labor to raw materials, workers compensation and health-care insurance, he said. But Stabilus is having a tough time passing those costs on to customers.

"This is something we had to do," Blomquist said.

Trade unions, however, find such decisions quite threatening. They see the expansion of companies into Mexico as part of a troubling migration of manufacturing jobs farther and farther from the industrialized Northeast.

"No one got laid off here, but people don't understand why companies don't expand up here and provide us with more jobs," said Stewart Warburton, a Stabilus worker and representative of the United Auto Workers.

According to a survey by The Inquirer, companies in Pennsylvania and New Jersey employ more than 20,000 workers in factories along the Mexican border, which specialize in assembling products for export back to the United States. The list includes Fortune 500 names like Rohm & Haas and Johnson & Johnson, as well as mid-size companies in such industries as footwear, apparel, electronics, plastics, medical supplies and appliances.

The reasons for moving to Mexico, of course, boil down to dollars and cents.

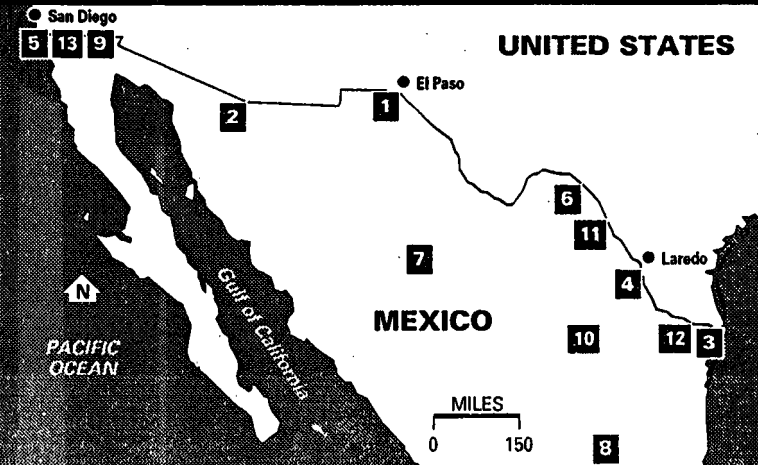
Mexican workers in manufacturing jobs earn wages and benefits of about \$1.85 an hour; U.S. factory workers get an average of \$14.83 an hour in total compensation, according to the U.S. Department of Labor.

"It's like shopping: You shop for sales, you shop for bargains. And that's just what manufacturers are doing in Mexico," said John Taylor, the UAW's political director in Pennsylvania.

But the impetus for going to Mexico is more complicated, say dozens of local employers.

To be sure, U.S. companies are attracted to Mexico for its cheap (See MEXICO on 9-D)

Area companies' factories south of the border



Company	Area base	Plants	Workers
Aluminum Co. of America (ALCOA), Fujikura Ltd.	Pittsburgh	8	5,000
Amatex Corp.	Norristown	1	30
G.E. Aerospace/General Electric Corp.	Valley Forge	1	not available
Jerrold Communications			
Division of General Instrument Corp.	Hatboro	2	2,000
Progress Lighting Co.	Philadelphia	1	250
Rohm & Haas	Philadelphia	1	115
Stabilus	Colmar	1	30
Sure Fit Products Co.	Bethlehem	1	300
V.F. Corp.	Wyomissing	3	not available
Dale Electronics Division/Vishay Intertechnology	Malvern	3	1,700
Westinghouse Electric Corp.	Pittsburgh	2	1,000
W. L. Wiegand Division of Emerson Electric Co.	Pittsburgh	1	400
Allied Signal Corp.	Morristown	6	4,000
C. R. Bard Inc.	Murray Hill	1	600
Jerhel Plastics Inc.	Bayonne	1	200
Johnson & Johnson	New Brunswick	2	2,900
Magnetic Metals Corp.	Camden	1	400
S. L. Waber Inc./S. L. Industries Inc.	Mount Laurel	1	not available

- 1 JUAREZ**
 - Amatex—industrial textiles
 - G.E. Aerospace—electronic components
 - Sure Fit Products—bedspreads
 - Vishay Intertechnology—resistors
 - Westinghouse Electric—transformers
 - Johnson & Johnson—hospital gowns
 - Allied Signal—auto parts
- 2 NOGALES**
 - Jerrold Communications—cable-TV lines
 - Vishay Intertechnology—resistors
 - C. R. Bard—medical supplies
 - Magnetic Metals—electromagnetics
 - S.L. Waber—electrical outlets
- 3 MATAMORAS**
 - Jerrold Communications—cable-TV lines
 - Rohm & Haas—acrylic sheets
 - Allied Signal—auto parts
- 4 NUEVO LAREDO**
 - Stabilus—gas springs
 - Emerson Electric Co.—heating elements
 - Jerhel Plastics—cosmetic containers

- 5 TIJUANA**
 - Progress Lighting—lighting fixtures
 - Johnson & Johnson—dental products
- 6 ACUNA**
 - Aluminum Co. of America—wire harnesses
- 7 CHIHUAHUA**
 - Westinghouse Electric—wire harnesses
- 8 MATEHUALA**
 - V.F. Corp.—apparel
- 9 MEXICALI**
 - Allied Signal—auto parts
- 10 MONTERREY**
 - Aluminum Co. of America—wire harnesses
- 11 PIEDRAS NEGRAS**
 - Aluminum Co. of America—wire harnesses
- 12 REYNOSA**
 - V.F. Corp.—apparel
- 13 TECATE**
 - Vishay Intertechnology—resistors

510

Many area firms are operating south of the border

labor. But many local employers have cited the competitive threat from suppliers in other parts of the world as a critical motive for expanding or shifting production to Mexico.

They say the competition today is no longer just the rival down the street; it's the lower-cost company halfway around the world in Taiwan or South Korea.

Take the case of Progress Lighting Co., founded in Philadelphia 80 years ago.

Last spring, the company phased out all but 75 assembly jobs at its Juniata Park factory. All the orders that would have been filled by the Philadelphia plant were moved to existing factories in Mexico and South Carolina.

At its peak in 1986, Progress Lighting had 1,200 workers in Philadelphia making residential lighting fixtures; at the time of the closing, local employment was down to about 300.

Fred Martin, president of Progress Lighting, said the company was facing heightened competition from Asian suppliers at a time of declining demand because of the falloff in new-home sales.

He estimated that about 25 percent of the U.S. market for residential lighting fixtures was going to foreign sources. "We didn't have that in the early 1980s," Martin said.

'Hard pill'

The labor costs at the company's Tijuana plant — including both wages and fringe benefits — are one-tenth the rates in Philadelphia, he said. "No one was happy to see this many jobs go," he added. "It's a very hard pill to swallow."

Magnetic Metals Corp., of Camden, faced the threat of seeing many of its best customers move their factories out of the country. The company, which makes electromagnetic components for lamps and special electrical wall outlets, feared those customers would then stop buying its products and switch to foreign suppliers who were closer to their new factories.

Magnetic Metals came up with an unusual solution, intended to ensure a steady flow of orders from its best customers. It opened an assembly plant in Mexico — but not for putting together its own products. It was for assembling the products of its customers. The catch: the customers would have to use Magnetic Metals' parts, explained company president Anthony McCann.

"It was purely a defensive measure," said McCann.

"There's a risk involved in this, but I couldn't stand by and watch customers migrate to lower-wage countries," McCann said. "Our work in Mexico is really protecting jobs we have in the United States," McCann said, because the Mexico factory uses parts made in its Camden and Westminster, Calif., plants.

"Mexico is already Pennsylvania's fifth-largest export market, and Pennsylvania's exports to Mexico have more than tripled in the last four years," Thornburgh said in a statement. "A good trade agreement could boost that even higher."

Aristech Chemical Corp., of Pittsburgh, is worried about free trade. David Tuthill, a company executive, said Mexican competitors that also make the chemical phenol would no longer be subject to U.S. quotas that guard domestic producers from being undercut by foreign suppliers.

In the event of a free-trade agreement, Aristech would have no choice but to battle it out on the home front against Mexican producers, he added.

"This is not the type of manufacturing that you can move from place to place," Tuthill said. "Imports from Mexico would have a significant impact on our ability to compete in the phenol market."

Proponents of free trade argue, however, that although there could be further job erosion in import-protected industries, the employment scales eventually would balance in favor of the United States. The job gains, they add, would come from industries that are able to increase their exports to Mexico.

Clopper Almon, an economics professor at the University of Maryland, said the lifting of onerous Mexican tariffs and import bans would benefit U.S. industry more than it would hurt. Mexico levies higher tariffs than the United States on imports of manufactured goods: an average of 20 percent versus 4 percent.

Without those trade barriers, Almon said, U.S. companies could sell more products in Mexico.

According to a recent study by Almon for the U.S. Labor Department, within five years of the passage of a free-trade agreement that eliminates all tariffs and quotas, U.S. employment could increase by 44,500 jobs.

"Apparel is about the only industry that loses," Almon said. "And New York, as a result, is one of the weak areas. But the areas that will benefit the most are the ones selling machines and autos, like the Midwest and Pittsburgh, and grain-producing states."

Dexter Baker, chairman of Air Products and Chemicals Inc. in Allentown and head of the National Association of Manufacturers, said the removal of trade barriers would provide greater incentive for U.S. companies to sell to Mexico. Pennsylvania companies last year exported \$582 million in goods and services to Mexico, according to the U.S. Department of Commerce.

"Tariffs are high enough to be barriers to exporting from the United States and causing us not to export at all" or to shift production to facilities in the local Mexican market that cost more to operate, Baker said.

A 25-year trend

The Mexican factory has 400 employees, while its U.S. plants have 250.

The shift in U.S. jobs to Mexico began 25 years ago when the Mexican government permitted foreign-owned companies to set up assembly shops, or *maquiladoras*, along its border with the United States.

U.S. companies can ship components to border plants and have them assembled and exported back to the United States at a lower tariff rate. Products are only taxed on the basis of the value added during assembly.

Today, there are 1,920 *maquiladoras* employing 446,258 Mexicans — nearly triple the rate of 10 years ago, when 620 factories had 119,546 workers, according to the Banco de Mexico.

Some critics of U.S. trade policy warn that the loss of U.S. jobs could accelerate if the United States and Mexico agree to dismantle all tariffs and barriers to cross-border trade.

Among them is U.S. Sen. Harris Wofford, who has turned the threat of further job loss to Mexico into a campaign issue. Wofford objected to Congress' recent decision to fast-track the negotiations for a free-trade agreement.

Wofford, a Democratic candidate running against former Gov. Dick Thornburgh for the Pennsylvania Senate seat that became vacant with the death of Sen. John Heinz earlier this year, said the textile and apparel industries, which employ 97,000 workers in Pennsylvania, were particularly at risk if trade with Mexico were entirely open.

Currently, those industries are protected by U.S. quotas on how much can be imported. But with free trade, the import limits would be waived for goods from Mexico.

Wofford said apparelmakers have expressed concern that foreign companies — which otherwise would have to comply with U.S. import limitations — might move to Mexico as a way to circumvent U.S. quotas.

"As an industry, it's very much at risk," Wofford said.

Thornburgh, on the other hand, supports a free-trade pact with Mexico. He sees the opening of the Mexican market as increasing jobs in Pennsylvania by expanding export markets.

Some business operators said an increase in exports would help employment in the states.

"We will be able to sell some of the products we make here in Mexico. Some people forget about that. It's not a one-way street," said Lawrence Pugh, chairman of V.F. Corp., a Reading apparelmaker with three Mexican plants and plans for three more.

So far, most of the U.S.-owned factories in Mexico are assembling products to export back to the United States. Free trade, however, could shift the emphasis of *maquiladoras* to serving the Mexican market itself, trade experts and executives said.

"We're gearing up to sell a lot of our product into the Mexican market," said Richard Howard, president of Amatex Corp., a Norristown manufacturer of industrial textiles with a *maquiladora* in Juarez.

Although Mexico is the focus of much attention, U.S. manufacturers already there say it is not an easy place to do business.

The productivity of Mexican factories often lags U.S. counterparts because of increasing difficulty in attracting and keeping workers, several employers said.

"A lot of companies don't want to go through all the pain of going to Mexico," said Jack Touchberry, vice president of operations for Sure Fit Products Co.

Sure Fit Products sells bedspreads and comforters. Fabric and materials are cut at the company's main factory in Bethlehem, which has 600 workers, and shipped to Juarez, Mexico, where 300 employees sew the finished products.

"The product we're sewing there takes 60 minutes of direct labor [per item], and that's a lot," Touchberry said. "I wouldn't be able to bring the product to market using domestic labor. It would be outpriced."

Doing business in Mexico has its drawbacks. One is keeping workers.

Mexican employees of Sure Fit earn a wage of \$1.25 an hour, compared with \$6.50 an hour earned by workers in Bethlehem.

But Touchberry said there is a trade-off: the workforce in Juarez has a far higher turnover rate than the Bethlehem workforce.

Some employers find the difficulties of doing business in Mexico not worth the effort.

Eberhard Faber Inc., of Wilkes-Barre, moved 100 jobs to Mexico in 1986. A year later, the pencil manufacturer closed the Wilkes-Barre plant and sold the assets of the business to a competitor, Faber-Castell Corp., of Parsippany, N.J. The new owner, in turn, shut down the *maquiladora*. Work was moved to a factory in Tennessee, where the workforce was more "stable," according to Walter Charwath, a Faber-Castell executive.

"Some people think manufacturing in Mexico is cheaper," Charwath said. "In simple terms, the per-hour wages are lower, but the productivity is considerably lower. When you factor in those things, the savings become questionable."

■ MEXICAN TRADE BILL

Fast Track to Unemployment

AMY LOWREY AND DAVID CORN

Class warfare is raging on Capitol Hill—but not under that name. It's called the debate over free trade with Mexico. President Bush is negotiating an agreement with Mexico that would remove existing trade barriers. The pact he is angling for would eliminate the few tariffs left on American imports, allow U.S. corporations full ownership of companies in Mexico and grant U.S. financial services greater access to Mexican markets. Lifting restrictions on foreign business ownership will open the floodgates for U.S. manufacturers who want to locate plants in Mexico.

Bush has been bargaining with Mexico under "fast track" authority, a power Congress delegates to the President to ease trade deliberations. It enables the President to negotiate a treaty that cannot be amended by the Senate. In 1988 Congress permitted Bush to ride the fast track for three years, but that was not enough time, so Bush has requested a two-year extension, which he will automatically receive unless either house of Congress denies it by June 1. Fast track has become the most contentious issue before Congress; no other legislative matter has generated as many hearings. Although some on Capitol Hill are alarmed by the prospect of Bush single-handedly shaping an accord that would affect so many industries and individuals, it appears that lawmakers will yield the fast lane to the President.

Outside Congress, fast-track negotiations with Mexico have spawned pockets of opposition rather than a broad coalition. Labor unions, including the electricians, the garment workers, the autoworkers and the A.F.L.-C.I.O. itself, rightly worry about the loss of jobs through increased factory flight to the land of cheap labor. They also warn of increased exploitation of Mexican workers, particularly children. Labor is joined by some lawmakers from manufacturing states—including Jesse Helms, no friend of unions—who fear the loss of textile jobs.

Environmental groups such as Friends of the Earth, the Sierra Club and the National Toxics Campaign fret that an expansion of factories in Mexico will create more pollution there, some of which will travel across the border. Environmentalists and consumer advocates—Ralph Nader's Public Citizen among them—point out that free trade is sometimes used as a cover for deregulation. For example, Canada employed its free-trade agreement with the United States to challenge the U.S. asbestos control program. Tainted Canadian meat, including pork with pus-filled abscesses and potentially deadly bacteria, now enters the United States because Canadian exporters successfully claimed that U.S. meat inspection is a trade barrier. The United States, for its part, criticized Canadian acid rain pollution laws as an unfair trading practice.

In the context of free-trade negotiations, Mexico has asked the Bush Administration to lift the embargo that limits the importation of tuna caught with methods that kill dolphins.

The vociferous objections of the unions, environmentalists and consumer groups have won much media attention. Less sensational but just as significant is the overall impact on the U.S. economy that will likely come from a Bush-negotiated trade pact.

Carla Hills, the U.S. Trade Representative, has been scurrying from one hearing to the next extolling the wonders of an agreement. Eliminating the remaining tariffs and restrictions, she says, will create a wealth of new business opportunities for U.S. exporters, service industries and investors. It will allow U.S. firms to sink their teeth into Mexican markets. No doubt this will be a good deal for the upper echelons of the manufacturing and financial services sectors. But the question remains, How good is the pact for the rest of the United States? A report by the U.S. International Trade Commission (I.T.C.) notes that the general benefits for the U.S. economy of a free-trade pact with Mexico would be small in the "near to medium term." No problem, says Hills, the check's in the mail. That is, the gains will come further down the road—after each American industry affected by the pact goes through its own transition period.

Hills has good reason to be so vague. The free-trade issue is really about winners and losers. And it's not in the Administration's interest to let everyone know the score. Under questioning from skeptical members of Congress, Hills has admitted that some jobs would be lost when corporations moved U.S.-based plants to Mexico, where the average wage is, according to conservative estimates, one-seventh the U.S. level. But this competition with Mexico, she contends, would "push our work force up the skill ladder." How would that happen? She doesn't say.



Amy Lowrey is a Nation intern.

5.12

Would workers who once welded automobile frames become car designers? Even if that is what she has in mind, such a transition would require extensive worker retraining. And the record of the Reagan and Bush administrations does not offer much hope that such programs will materialize. American workers who lost their jobs to foreign competition in the early 1980s typically remained unemployed or were shunted into lower-skilled jobs at lower pay. In this year's budget the Bush Administration has slashed funds for dislocated workers.

Jeff Faux, president of the progressive Economic Policy Institute, who has been dogging Hills at Congressional hearings, presents a bleaker picture. The losers would not be limited to those employed by companies that shift assembly jobs to Mexico. According to the I.T.C.'s own data, Faux discovered, the net effect of free trade would be a shift of income from the bottom three-fourths of the American work force to the wealthiest one-fourth.

The institute predicts that a treaty would mean fewer new plants built in the United States. Fewer jobs would be created, and increased competition for jobs would mean lower wages. Those hit hardest by this trend, Faux estimates, would be the roughly 75 percent of the U.S. work force who do not hold college degrees. White-collar Americans, however, would likely benefit from the lower prices resulting from the free-trade agreement. Major corporations would make higher profits from increased access to Mexico. New cars should cost less.

Such voices of corporate America as the Chamber of Commerce, the Business Roundtable and the National Association of Manufacturers contend that in order for U.S. industry to be globally competitive, it must cut production costs, which means it needs to secure greater access to low-paid campesinos. Business groups argue that an agreement with Mexico will at least keep production jobs in this hemisphere—instead of moving them to Asia—and will preserve a market for American products, even if the new buyers are poorly paid Mexicans.

This is a poor route to competitiveness. Rather than taking the low road of cutting labor costs, which would erode the wages of American workers and do nothing to improve the quality of goods, American industry could try a high-road strategy of improving U.S. competitiveness through more efficient production of high-quality products. Such an approach, which stresses innovation and technology, would maintain decent standards of living for workers. A free-trade pact that encourages U.S. companies to take the easy path of exploiting Mexican wages (and the lax enforcement of environmental and labor regulations there) would drive U.S. living standards in the direction of Mexico's. United States industrial policy should not depend on desperate foreign workers who accept 60 cents an hour but on home-grown innovation and a highly skilled and motivated work force—from the corporate suites to the shop floor.

With the emergence of a global economy, trade barriers have indeed become harder to maintain and justify. But the response should not be a policy of anything goes. A socially conscientious pact would include measures to protect the environment, wage levels and working conditions. It would also include worker retraining provisions, enhance consumer safe-

ty and take on the knotty issue of Mexico's \$95 billion debt, the real obstacle to that nation's development. The problem is, such an accord could be negotiated only by an administration that has as much empathy for American workers as it does for corporate managers, and that has some notion of how to make the U.S. and global economies work effectively and fairly. And that is not a track Bush is on. □

Response

A Social Charter for the Free-Trade Zone

WASHINGTON — It's no accident that the Bush Administration and its allies, many of whom appeared in *NPQ's* Winter 1991 issue, want the US-Mexico free-trade agreement to be considered on the Congressional "fast track," a procedure that prohibits amendments and significantly limits debate.

Otherwise, the American people might learn the facts about this agreement, particularly its disastrous potential for workers on both sides of the border.

What, specifically, do proponents of a free-trade agreement have to fear from public debate?

For starters, we might get a full airing of what's going on with the *maquiladora* program, a miniature version of US-Mexico free trade that currently enables US firms to set up factories on the Mexican side of the border and export back to this country with minimal duty charges.

The *maquiladoras* were touted as a godsend to Mexican workers — a source of desperately-needed jobs and economic development for an impoverished region.

What actually happened, though, is that hundreds of US companies, lured by Mexico's "comparative advantages" of rock-bottom wages and lack of effective government regulations, have shut down factories north of the border and relocated them in the *maquiladora* areas. During the past decade, while hundreds of thousands of American workers were losing their jobs to this form of dislocation, more than a half-million Mexicans working in *maquiladora* plants were joining the ranks of the most crudely exploited humans on the planet.

Earning 60 to 80 cents an hour, many of these workers live in cardboard

shacks with no heat, electricity or running water. Independent sources have documented widespread instances of child labor, illegal dumping of toxic wastes and the use of used chemical drums to hold drinking water.

Conditions are so bad there that even the *Wall Street Journal* noted that the *maquiladoras'* "very success is helping turn much of the border region into a sinkhole of abysmal living conditions and environmental degradation."

Clearly, the *maquiladora* program has not brought the kind of development that has occurred in the Pacific Rim countries. Instead, it has turned the Mexican border region into an economic, environmental and social disaster.

Yet, a free-trade agreement with Mexico would expand this program beyond the border area to include the entire country. That would undoubtedly mean more factory relocations and more job loss in the US. Meanwhile, there are those who still argue that the jobs it has brought to Mexican workers are better than no jobs at all.

But are they really? A few years ago, when Mexican wages were actually higher in dollar terms than they are today, an article in the *pro-maquiladora Twin Plant News* advised US parent companies that they could "keep their minimum-wage people at the minimum wage" by collecting donated clothing and blankets for their Mexican employees because "many of [their] houses are poorly heated, if heated at all, and warm clothing and blankets feel good on those cold nights."

As for food, the magazine suggested: "How about a free kilo of tortillas each week or a few kilos of frijoles?"

If these jobs are so good for Mexican workers, why do they need hand-outs to survive?

5.14

Pollution Doesn't Respect International Borders

MEXICO CITY — None too soon, it is being recognized that in environmental matters, political borders don't really count. Indeed, just as CO₂ sent into the atmosphere by German smoke stacks affects Scandinavian forests, it is clear that polluting industries in Mexico and the US send dirty air, water and debris across a shared 2,000 mile border.

As the US and Mexico argue the costs and benefits of a free-trade agreement (see NPQ's Winter 1991 issue), consideration of the environmental effects of rapid industrial development must not be pushed aside. Clearly, Mexico needs development. The 1980s was a decade of economic stagnation in all of Latin America, which meant a substantial decrease in real income for Mexican workers and a serious increase in unemployment and underemployment.

But neither Mexico nor the US can afford the long-term costs of dirty development in Mexico.

Because the health effects of industrial pollution on water, soil and air will, in the long run, be equally detrimental to American and Mexican citizens, Mexico is making enormous

efforts to implement adequate environmental rules. Yet, it must be stressed that the US has more experience, resources, administrative capacity and technological skills. For these reasons, the US should take a large part of the responsibility for ecological balance and environmental protection of the region.

It is both likely and understandable that if a free-trade agreement between the US and Mexico is signed, a growing number of American industries will consider it good business to install plants in Mexico to benefit from the advantages of skilled, low-wage labor. But less restrictive environmental regulations in Mexico must not be used as an investment incentive. We simply cannot afford to mortgage our shared future with short-term benefits for Mexico at the cost of the health and natural resources not only of our country but of the entire region.

Manuel Arango Arias, *President*
Rodolfo Ogarrio, *Director General*,

Fundacion Universo Veintiuno, a Mexico City-based environmental research organization that funds and publishes major studies on environmental threats to air, water, land and endangered species in Mexico.

New Perspectives Quarterly

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North American Free Trade: An Activist's Guide

Eileen Raphael outlines the potential impact of the looming Canada-U.S.-Mexico Free Trade Agreement, and provides a resource list for activism and further study.

Talks have just begun to create a North American Free Trade Agreement (FTA), which would expand the arrangement already in place between the U.S. and Canada to Mexico. Lobbied hard by the Bush administration, Congress caved in and extended the controversial "fast track" procedure for trade negotiations. Under fast track, Congress abrogates its right to amend whatever pact the administration negotiates; once a proposed agreement is sent to Capitol Hill, the lawmakers' options are limited to voting it up or down in its entirety within 60 days.

With fast track in place, FTA proponents and opponents are mobilizing supporters and positioning themselves to influence the final vote in Congress. The administration hopes to submit its FTA package by the end of 1991 or early in 1992: negotiations to hammer out the agreement will take place in secret, rotating between Washington, D.C., Ottawa and Mexico City. The key player for the U.S. negotiating team is Trade Representative Carla Hills; her counterparts are Mexican Commerce Secretary Jaime Serra and Canadian Trade Minister Michael Wilson.

A great deal is at stake. Trade agreements, long ignored by many progressive activists,



have emerged as a major area where long-term economic and social policy is set.

"HARMONIZATION"

Precedents set both by the U.S.-Canada Free Trade Agreement and the latest policies of the General Agreement on Tariffs and Trade (GATT) give a good idea of what an expanded FTA will bring. The bottom line goal is to batter down every possible barrier to the penetration of national economies by the transnational corporations. To accomplish this, trade talks have moved beyond adjusting tariffs and quotas – the traditional ways governments have exercised control over trade – to challenge "nontariff barriers." Environmental regulations, provisions

EILEEN RAPHAEL is circulation director of *CrossRoads*. She has recently immersed herself in the study of the global economy, and has also rediscovered rock 'n' roll.

for workers' rights, hard-won social standards – all these are now thrown on the negotiating table, with the goal of placing ceilings on the highest levels of regulations any country can allow.

The buzz word is "harmonization." Bush's strategy is to harmonize down to the lowest common denominator. Corporations are licking their chops at the prospect of sidestepping profit-reducing regulations and consumer protections which have been built up over decades of struggle.

FTA opponents charge that attacks on non-tariff barriers are a threat to a nation's sovereign rights to decide upon its own and economic and social priorities. For example, under the terms of the U.S.-Canada Free Trade Agreement, Canada has abolished its fishery conservation regulations and British Columbia has eliminated subsidies for forest regeneration. Québec, a major producer of asbestos, is pursuing a court challenge to stringent U.S. environmental restrictions on the use of asbestos, charging that these regulations are an unfair restriction of trade. Indonesia has been taken to court under GATT for its restraints on chopping down and exporting wood from its rainforests. It is not farfetched to imagine many workers' benefits and public subsidies being attacked under the same "free trade" banner. The punishment for defying free trade harmonizing may be increased tariffs on a country's exports or withdrawal of scarce investment capital.

WIN/WIN OR LOSE/LOSE?

FTA proponents cite simplistic micro-economic theories to prove that unrestricted trade is a "win win" scenario for all. Yes, they say, U.S. jobs will be lost in lower paying sectors, but lower-paying jobs *should* be sent to Mexico. A growing Mexican industrial sector will then demand imports of U.S. industrial machinery and services, and Mexican workers will demand more U.S. consumer goods. An equitable division of labor allegedly will evolve where the U.S. supplies the brains, Mexico supplies the brawn, and all win.

The real world doesn't work that way. There is little evidence that U.S. workers who lose jobs will be catapulted into higher paying cerebral positions. According to the U.S. International Trade Commission (ITC), 73% of the effected work force will suffer a loss of real income under the FTA. The poorest and least mobile will be hardest hit as jobs transfer to Mexico to take advantage of even cheaper labor. Labor Department surveys show that the vast bulk of U.S. workers who lost jobs in the 1980s found less skilled and lower paying jobs, if they found jobs

at all. Meanwhile budget cuts are savaging worker retraining programs and assistance for communities hit by plant closures.

In addition, U.S.-Mexico trade liberalization of the past five years has already released the pent-up consumer demand of Mexico's small middle class. Eliminating remaining barriers will yield little further gain due to the poverty level in the rest of the population. The ITC also found that the FTA will not significantly increase Mexican wages, which now are one-seventh of U.S. wages.

Under an expanded FTA, all of Mexico would function similarly to the *maquiladora* free enterprise zone that already exists along the border. Starting in 1965, Mexico allowed U.S. corporations to set up labor-intensive assembly shops within a 12 1/2-mile strip of land just south of the border, offering an abundant source of cheap labor and tax breaks. Some 1,800 *maquiladora* companies now employ a half-million workers at wages *lower* than wages paid in the same industries elsewhere in Mexico. U.S. corporations have had little incentive to invest in the infrastructure of the zone; toxic wastes pour into open sewers, there are major air pollution problems and a terrible lack of basic sanitary facilities. The Mexican government has been reluctant to enforce environmental laws for fear of losing investment. Allowing *maquiladora* conditions to flourish elsewhere will likely drive Mexican wages and living conditions down even further.

Mexico's low-wage situation is explained by conservative economists as due to low productivity. It's a myth. Many of Mexico's high-tech plants have proven quality and high productivity rates. Mexican automobile assembly plants in particular are comparable in productivity to the top plants in the U.S. and Canada. But combined wages and benefits to these workers are still only \$2.00/hour, compared with \$35/hour in the U.S. Corporations are not about to reward Mexican productivity voluntarily, but they will certainly try to blackmail U.S. and Canadian workers into accepting further wage cuts by taking advantage of the deep wage gap.

The greatest danger to all three countries' economies is relying on low wages to gain global competitive advantages. U.S. firms are opting to lower labor costs rather than to create technical innovations and invest in modern production facilities. And by reducing its comparative advantage to low wages, Mexico will turn itself into an export-driven economy at the expense of balanced development. Even at that, under the *maquiladora* structure, "Mexican" exports are really just U.S. goods being returned to the U.S. Indeed, 40% of all U.S. exports to Mexico are

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imported back to the U.S. as finished products. Relying on low wages also leaves Mexico vulnerable because sooner or later another country will be able to undercut its wage level – a phenomenon already visible as shops run from Mexico to countries in Central America or South Asia. Short-term profits will be paid for in the long-run by declining economic growth, and all will lose.

THE BUSH-SALINAS MASTER PLAN

Bush's long range vision is to create one giant free trade zone throughout the Western hemisphere, as a counter to Europe's 1992 integration and Japan's growing financial muscle. If the U.S.-Canada-Mexico FTA gets pushed through, Chile is next on the agenda. And Washington has its eyes on further "dominoes" in Central and South America as well.

In the past, U.S. investors have been skittish about Mexico because of its nationalist tradition and the strength of its leftist opposition. But they are counting on the Free Trade Agreement to lock Mexico into a long-term relationship favorable to U.S.-based corporations. And U.S. goals go even beyond an economic alignment: a letter from the Mexican Trade Minister to the Bush administration was recently discovered and published in which the Minister looks forward to the FTA because it will bring Mexico and the U.S. in line *politically*. Bush is undoubtedly factoring a new Mexican policy into Washington's future plans regarding Central America and Cuba.

Mexican President Carlos Salinas de Gortari, a U.S.-educated technocrat, views FTA as a way to recapitalize Mexico and reduce its foreign debt after more than a decade of crippling capital flight. Salinas hopes that foreign corporations, even with big tax breaks, will pay more taxes than indigenous businesses; the government's increased revenue will be used for debt service. To attract foreign investment, the government is slowly opening up the crucial state-controlled oil industry to greater foreign and private participation. A big part of Bush's press for FTA is the desire to ensure that the U.S. is positioned to take advantage of petroleum-related openings in particular.

OPPOSITION STRATEGIES

Opposition to the Free Trade Agreement is widespread in the workers' and progressive movements of Canada, Mexico and the U.S. In this country, the Fair Trade Campaign (FTC), a national coalition with branches in many cities (see resource list), mobilized against fast track and has turned attention to the next stage of the

fight. Mark Friedman, executive director of the Plant Closures Project in Oakland, California and a member of the Bay Area's local FTC arm, the Coalition for Fair Trade and Social Justice, explains their perspective:

"Our strategy is to keep the pressure on Congress and to undertake a very extensive educational campaign to let people know exactly what FTA will mean to working people and the environment throughout the world. We'll be having a major conference in October at the University of California in Berkeley, to give people from Canada, Mexico and the U.S. a chance to meet and discuss issues, not just for information, but for continued action planning to prevent a disastrous agreement from being approved. We see Congressional approval of fast track negotiations as a setback, but we're not down and out because these trade agreements take a very long time to negotiate. There's a lot of time to organize and try to get Congress to reject the agreement if it doesn't protect workers and the environment, and if it doesn't harmonize standards up instead of down. We are asking that there be a floor on what minimally acceptable standards are instead of a ceiling on how high standards can be set. There are some real opportunities because Congress has expressed some serious reservations about a number of areas. Richard Gephardt (D-Missouri), who was basically a turncoat, voted in favor of fast track negotiations, but Gephardt got so much heat from labor, environmentalists, and church leaders that he introduced a resolution that won by a very large majority declaring that Congress reserves the right to amend the trade agreement. And Senator Donald Riegle (D-Michigan) also won passage of a resolution to enable the Senate to amend the agreement in five areas. Gephardt's resolution may not be legally binding, but its passage shows that House members want to cover themselves politically. So if we keep the heat on, and the agreement comes back unfavorably, Congress will have the guts to either amend it or reject it out of hand."

In Mexico, Cuauhtémoc Cárdenas, the head of the left opposition Party of the Democratic Revolution (PRD), is popularizing an alternative "Continental Trade and Development Pact" (see the resource list on page 9). Alejandro Sweet-Cordero, a member of the PRD in California, talks about a number of development issues which Mexican progressives are trying to address:

"A true development policy would include a social charter that insures that workers in the U.S., Canada and Mexico all enjoy the same working conditions, collective bargaining rights, legal protections, health and safety regulations, etc. You should not sign an agreement based on

the idea that one country can benefit by the other's lower standard of living. Mexico cannot become the chemical waste dump for U.S. and Canadian companies who are trying to get around restrictions in their own countries. There needs to be a sharing of costs to develop safety regulations and enforcement, because although Mexico has good environmental laws, it doesn't have the money to enforce them. No matter how good you try to make it, the trade agreement will cause dislocations in some industries. But things can be done to alleviate the impact. In Mexico it



is important that the agreement protect agricultural workers because the U.S. will dump its excess grain on the Mexican market. Also, oil is important to Mexico's independence and cannot be a part of the negotiations. Any agreement has to take into consideration the fact that although there is very little information published about it, human rights violations are growing every day in Mexico. And all sectors of the population need to have input in the process of developing the agreement up front, and later to have equal access to dispute resolution mechanisms. Lastly, the U.S. has no right to be discussing agreement with a party that is not legitimate and doesn't have support of a majority of people in Mexico: if the results of the last Mexican election had been honestly tabulated, Cárdenas, not Salinas, would be president of Mexico. Now the U.S. is setting up a situation where, if any other government is elected, it will be difficult to make independent decisions."

Approval of a Bush-promoted North American Free Trade Agreement would indeed increase the control that U.S.-based transnationals already exert over the continent's economic and political life. That's the basic reason political

activism around FTA will be high on the progressive agenda over the next year.

RESOURCE LIST

Broad-based coalitions working around the FTA and related issues in the U.S., Mexico and Canada include:

- Fair Trade Campaign, P.O. Box 80066; Minneapolis, MN 55408; phone 612-379-5965. The FTC also sponsors a hot-line with recorded updates on FTA and GATT negotiations: 1-900-988-GATT.
- The Mexican Action Network on Free Trade, Godard 20, 07790, Mexico City, D.F. Mexico; phone: 011-525-556-0642.
- Action Canada Network, 251 Laurier Ave. W., Suite 904, Ottawa, Ontario, Canada K1P 5J6 phone 613-237-5236.
- The Coalition for Justice in the Maquiladoras, c/o Tim Smith, Interfaith Center on Corporate Responsibility, Room 566, 475 Riverside Dr., New York, NY 10115.

For further information and analysis, some of the most useful materials include:

- *Fast Track - Fast Shuffle, The Economic Consequences of the Administration's Proposed Trade Agreement with Mexico*, by Jeff Faux and Richard Rothstein. Available for \$5.00 prepaid, to Economic Policy Institute, 1730 Rhode Island Ave., NW, #200, Washington D.C. 20036.
- *Exploiting Both Sides: U.S.-Mexico Free Trade*, is put out by the AFL-CIO and contains many revealing statistics in accessible form; write to the AFL-CIO, Department of Reproduction and Mailing, Room 209, 815 16th Street, NW, Washington, DC 20006; phone 202-637-5041.
- The full text of Cuauhtémoc Cárdenas' speech to the convention of the British Columbia Federation of Labor, in which he outlines his alternative to FTA - a Continental Trade and Development Pact - is reprinted in the Summer 1991 issue of *Our Struggle/Nuestra Lucha*, newsletter of the Anti-Racism, Latino and Afro-American Commissions, Democratic Socialists of America. Write to Box 162394, Sacramento, CA 95816.
- *Resource Guide on GATT and the Third World*, a 40-page booklet available from the Environmental News Network, 1442A Walnut Street, #81, Berkeley, CA 94709. The Network also can provide brief fact sheets on trade proposals.
- Free Trade's impact is examined in the spring 1991 issue of *Correspondencia*, a bilingual publication available for \$10 per year from Mujer a Mujer/Woman to Woman, P.O. Box 12322, San Antonio TX 78212; and in the March-April 1991 issue of *The Other Side of Mexico - Alternative News and Analysis for the International Community*, available for \$15 per year from *Equipo Pueblo*, Apartado Postal 27-467, 06760, Mexico, D.F.
- The weekly *Canadian Tribune*, published by the Communist Party of Canada, offers extensive coverage of the battle over free trade in Canada. Subscriptions are \$25 per year in Canada, \$30 in the U.S. or Mexico, from 290A Danforth Ave., Toronto, Ontario M4K 1N6. ■

GATT'S NEW CLOTHES: Bringing the Textile Industry into GATT

By Robert Weissman

THE INTERNATIONAL TRADE IN TEXTILES has changed. Once the province of imperial powers, which actively subverted textile industries in their colonies, the world clothing, fabric and fiber trade is increasingly coming under the control of the developing countries.

This trend promises to accelerate if negotiators successfully complete a new General Agreement on Tariffs and Trade (GATT). In exchange for significant Third World concessions in other areas of negotiations, the industrialized countries have promised to bring the textile trade, along with agriculture the only non-service sector of the world economy not subject to GATT rules, under the GATT rubric. This would remove existing quota arrangements which limit the quantity of Third World exports to the industrialized countries.

Not everyone is happy with this proposed arrangement, however. Textile unions and the textile industry in the industrialized countries have strongly resisted trading away their markets for gains which will accrue to multinational corporations in other industrial sectors. Additionally, critics charge that the offer of unprotected textile markets in the developed countries is dubious compensation for Third World countries, since the only countries that will benefit are those which orient their economies to the production of goods to meet foreign demand rather than domestic needs.

The current state of the textile trade

Third World textile exports have soared in the past 20 years, and especially in the last 10. Developing countries accounted for 17.2 percent of the world's textile trade in 1965, 22.8 percent in 1975 and 33.4 percent in 1986. They earned \$43 billion for their 1986 share of textile exports. Third World countries' strength in textiles lies in labor-intensive apparel manufacture and assembly, rather than fiber and cloth production, in which chemical companies such as Dupont play a large role.

Despite the tremendous jump in Third World textile exports, the rate of exports has been slowed by quotas in the developed countries. Limits on textile imports in industrialized countries are implemented through bilateral quotas under the auspices of an international agreement known as the Multi-Fiber Arrangement (MFA).

The MFA developed out of prior international agreements on the textile trade. In 1961 and 1962, the United States and Japan negotiated agreements regulating Japanese exports of cotton textiles. Subsequently, the agreement was broadened to include other countries and other products. It lasted until 1974, when the first MFA was adopted. The fourth MFA, now in effect, is scheduled to expire in July 1991. Industrialized country adherents to the MFA include the United States, Japan and the European Community. As of 1987, 33 developing countries participated in the MFA.

The MFA permits countries to designate imports of a particular textile product from a particular country (e.g. men's cotton jackets from Hong Kong) as rising at a dangerous rate and then place a quota on that product. Imports of the product are then restricted to a growth rate of 6 percent a year.

The MFA is administered by the GATT Committee on Textiles, though it stands outside GATT rules. GATT rules on trade prohibit bilateral quota arrangements and "discrimination" against specific trading partners.

The GATT talks

Developing countries have demanded the textile trade be brought under the normal GATT rules. Organized into the International Textiles and Clothing Bureau (ITCB), 22 textile-exporting Third World countries proposed that MFA restrictions be eliminated in four phases over a six-year period ending in 1997.

Third World countries claim that they have a comparative advantage in the textile trade and say it is unfair that

the one area of manufacturing in which they have an advantage is excluded from the normal rules of world trade.

In fact, the industrialized countries have agreed to place textiles under GATT rules a year ago. The strongest resistor, the United States, agreed to this step a full year before the GATT talks were scheduled to conclude in December 1990. The subsequent debate concerned only how to manage the transition from the MFA to GATT, an important question but a subordinate one to the fundamental issue of reintegrating textiles into GATT.

The United States has advocated the most cautious transition, suggesting a 10-year period during which

domestic market," at a cost of more than one million jobs.

Unions emphasize the importance of protecting U.S. textile jobs, saying they offer unique job opportunities to poorly educated, minority and women workers. According to Richard Rothstein, author of an Economic Policy Institute report, *Keeping Jobs in Fashion: Alternatives to the Euthanasia of the U.S. Apparel Industry*, women make up 33 percent of all manufacturing workers, but 75 percent of apparel workers; Latinos are 8 percent of all manufacturing workers, but 20 percent of apparel workers.

Textile manufacturers have been somewhat less resistant to bringing textiles under GATT. Larry Martin, director of government relations for the American Apparel Manufacturing Association, says that clothing makers would be willing to go along with a 10-year phase-out of the MFA quotas provided tariffs are not cut, other countries open their markets too and regular GATT rules become applicable. (One provision of GATT allows countries to close their market for a particular industry if the continued existence of the domestic industry is threatened by imports.)

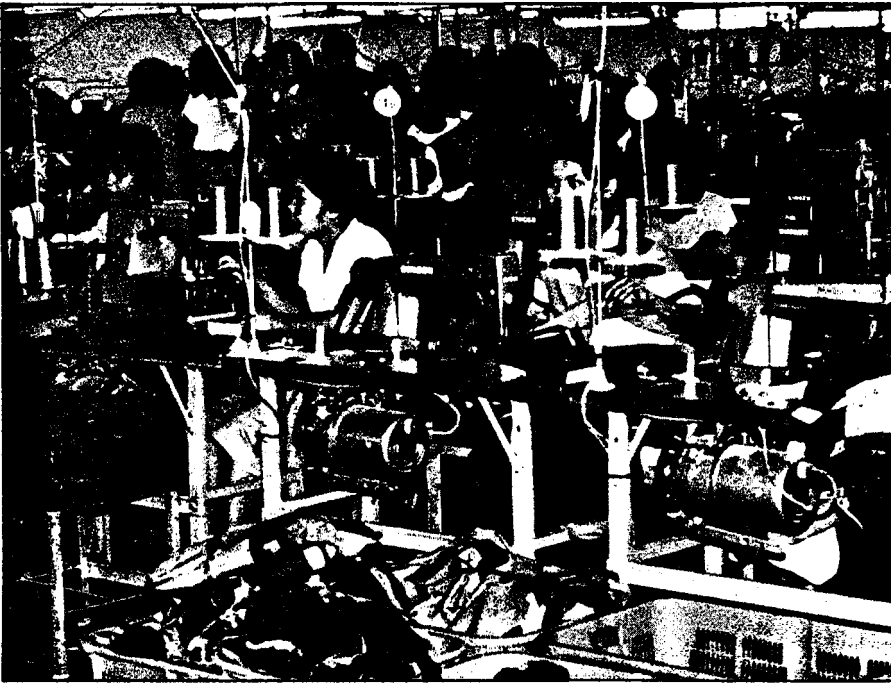
While fearing GATT, domestic producers are not satisfied with the current world textile trade arrangement. "We will continue losing market share to the imports whether or not the GATT talks fail," says Martin. Textile imports grew rapidly in the 1980s, reaching 57.5 percent of the apparel market in 1987, according to the Fiber, Fabric and Apparel Coalition for Trade, a joint industry-union

group. Four hundred thousand textile jobs were lost in the United States in the 1980s.

U.S. manufacturers and workers have not felt that the MFA, as it has been administered, has offered them sufficient protection. Herman Starobin, research director for the International Ladies' Garment Workers' Union, says he sees "the MFA as a vehicle to destroy the industry in the United States."

Textile producers emphasize that the Reagan and Bush administrations have not enforced the MFA stringently enough. They claim that the executive branch, which has responsibility for identifying the import surges that justify the imposition of quotas, has acted too slowly in imposing restrictions on imports. The base levels at which quotas are allocated are therefore much higher than they would be if they were imposed at an earlier stage.

MFA opponents such as Starobin also say the agreement is too cumbersome to be effective at protecting U.S. jobs. Rothstein relates how Bangladeshi garment exports, financed by Hong Kong manufacturers whose own quota



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Indonesian textile workers

GATT participants would adopt a new, global quota scheme. Initially, the ITCB vociferously objected to this proposal. But the U.S. proposal now appears to be the basis for a final agreement. Ron Sorini, ambassador and chief textile negotiator in the office of the U.S. Trade Representative (USTR), reports that before the December GATT talks broke down over agriculture issues, textile negotiators had come close to reaching a final agreement involving a 10-year transition period and an interim global quota system.

The debate in the United States

For U.S. textile unions, however, the fundamental agreement on reintegrating textiles into GATT is tantamount to trading the industry away. Arthur Gundersheim, assistant to the president of the Amalgamated Clothing and Textile Workers Union (ACTWU), says that bringing textiles into GATT would have "a dramatic effect." ACTWU's computer analyses show that if there were a 10-year phase-out of the MFA, "at the end of the 10 years there would be 85 percent import penetration of the

was filled, shot up 400 percent between July 1984 and July 1985. "In response," Rothstein writes, "the United States, following MFA procedures, issued a 'call' for negotiations. The negotiations could not begin, however, until late 1985, and base levels were set in relation to Bangladesh's exports after the surge, not before."

Confronted with two successive administrations antagonistic to their calls for protection, the textile producers have sought and found a sympathetic ear in Congress. Congress passed bills protecting the textile industry in 1986, 1988 and 1990, but Presidents Bush and Reagan vetoed each of the bills.

The 1990 textile bill, introduced by Senator Ernest Hollings, D-SC, and Representative Marilyn Lloyd, D-Tenn., moved in the opposite direction than the GATT proposals. It would have limited the growth of textile imports to 1 percent per year. Since the U.S. market is growing at a rate of 1 percent per year, it would have guaranteed domestic producers a constant share of the market.

The bill passed the House 271-149 and the Senate 68-32. The House fell shy of the 287 votes needed to override Bush's veto.

The Bush administration fought the 1990 bill aggressively. The USTR's Sorini says the bill's enactment would have "flagrantly violated our international obligation." He states that the bill so strongly contradicted the proposals being negotiated at GATT that its enactment would have brought down the entire current round of negotiations.

Opponents of the bill argued that it would increase prices for consumers, but advocates contended that lower prices for retailers do not translate into lower prices for consumers. They claim that retailers price goods at the same rate as if they had higher costs, skimming the rest as profit.

The Third World's interest

While Third World governments argue strongly for the reintegration of textiles into GATT, some critics challenge the assertion that the Third World would benefit from such a shift.



U.S. textile workers

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ACTWU's Gundersheim asserts that the abolition of the MFA would hurt most Third World manufacturers by concentrating production in a few extremely low-cost countries. He calls the MFA "the greatest single force for spreading" textile production. By placing limits on what a country can export to importing countries, "the MFA puts restraints on what the really big suppliers are allowed to export." Without the MFA, Gundersheim suggests, China would control 60-70 percent of the world textile trade, with the rest split between Korea and Taiwan and perhaps Pakistan and Bangladesh. "All the rest would lose out," he says.

Caribbean countries seem to share Gundersheim's view. The special access to the U.S. market which they enjoy under the Caribbean Basin Initiative would be abolished if textiles were brought into GATT. Caribbean textile exports are expected to total approximately \$1.7 billion in 1990, four and a half times their value five years ago. If the Caribbean loses its preferential access to the U.S. market, Jamaican trade official Peter King told the Inter Press Service, it would "have a devastating effect on the [Caribbean's] garment industry." He added that

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"even with a breather of 10 years, it is inconceivable that the region's fledgling industry would be able to compete against high-volume, low-cost production of China, Hong Kong, Bangladesh and India."

A more fundamental criticism of the importance of textile exports to the Third World focuses on the underlying faith in export-oriented development. Those who emphasize the importance of bringing textiles into GATT argue that Third World countries should concentrate on exports as a means to build up their industrial base. Critics reject this view. Starobin says "export-led economic development has never worked anywhere and is sheer mythology." He says that the export-oriented development model ignores the needs of the vast majority of Third World people. Workers receive extremely low wages — that is the developing countries "comparative advantage" — and suffer terrible workplace conditions. Any benefits, Starobin argues, accrue to a small elite and "trickle down [only] in minute quantities."

The Hong Kong-based *Asian Labour Update* describes the conditions facing garment workers in the Philippines, Thailand and Sri Lanka as brutal and exploitative. Garment workers, almost all of them women, are forced to meet very high production quotas, enabling employers to demand overtime. "In practice, most women meet only 70 to 80 percent of their quota. Those unable to meet this average are laid off. To secure their jobs, they are generally forced to work overtime without remuneration. Both in Sri Lanka and Thailand, women workers are obliged to work for an average of 12 to 16 hours daily, six days a week." As a result, women suffer from high blood pressure and ulcers. "Skipping meals and the effect of artificial stimulants undoubtedly contribute to the 70 percent malnourishment of Sri Lankan women workers."

In the Philippines and Thailand, factories are hot and dirty and lack the fans necessary to protect workers from chemical fumes, dusts emitted from fabrics and fibrous threads, according to *Asian Labour Update*. As a result, workers suffer from respiratory diseases.

Critics of export-led development argue that poor countries would benefit by developing an internal market and, at least in part, producing for domestic needs. Third World textile workers, whose 1984 wages ranged from \$0.16 an hour in Bangladesh to \$1.74 an hour in Singapore, are not able to purchase the products they produce or much else.

Without articulating a full program for sustainable development, European and some Third World trade unions have endorsed one component. They call for a social clause to be inserted into the MFA and GATT which would preclude the "unfair competition" of unsafe working conditions and super low wages in the Third World. This proposal has not been addressed seriously in GATT negotiations, however.

Behind the administration position

Whatever the merits of the argument that textile imports do not genuinely benefit Third World countries, it is clear that the economic policy of the Reagan and Bush administrations has not been driven by a concern for the interests of the Third World. Given the likelihood that bringing textiles into GATT will devastate the U.S. do-

mestic industry and the existence of a strong textile industry lobby, why have the Reagan and Bush administrations taken the positions they have?

Critics of the policy seem to agree that the most important factor is the Reagan and Bush administrations' ideological commitment to free trade. Starobin says administration policy has been "guided more by ideology than by analysis or fact."

A second factor is that trade officials, recognizing they must offer something in exchange for the reforms they are demanding in other areas, have designated textiles as expendable. Since many of the U.S. government's demands in the GATT negotiations work to the detriment of Third World countries, it is necessary to offer something which will appease those governments.

Third, the Reagan and Bush administrations have used access to the U.S. textile market as a foreign policy tool. They "use textiles as a reward" for Third World countries which adopt policies they view favorably, Gundersheim says. More broadly, access to the U.S. market has been a reward for countries which orient their economies to exports, as the U.S. government has advocated; if countries agree to produce for export, in part due to pressure from the United States, the United States must provide them with a market for their exports. Rothstein comments that this policy amounts to a domestic income redistribution policy, since much of the money earned by Third World countries from exports goes to pay off debts to U.S. banks. It "promote[s] a redistribution of U.S. income, via Asian and Latin American debt payments, from low-wage American workers [whose jobs are sacrificed] to American banks."

A fourth and less significant factor in explaining the administration's position on textiles is the domestic pro-GATT textile lobby. Textile importers and retailers have lobbied strongly for the textile trade to be reincorporated into GATT. Eugene Milosh, president of the American Association of Exporters and Importers, says his organization would like to see the "phase out of the MFA and getting back to less protectionism in textiles."

The future

The fate of the world textile trade is very uncertain. If negotiators are unable to resolve differences over agriculture and fail to bring the GATT talks to a successful conclusion, the MFA will have to be renegotiated before its expiration in July 1991. Milosh says that "textiles has a very different outlook" if it is not brought under GATT and predicts a future MFA would be "highly restrictive." If international textile negotiations take place over the MFA, rather than in GATT, industrialized countries are much less likely to open up their markets, since the access would not be linked to Third World concessions.

Similarly, if GATT talks fail, protectionist sentiment is likely to build in Congress; and a reintroduced textile bill might be enacted over a Bush veto.

If negotiators are able to salvage GATT, then a major battle looms ahead. U.S. textile unions and some textile producers fear that bringing the textile trade under GATT threatens their existence. Their powerful lobby could be the centerpiece of a coalition which convinces Congress to vote down a finalized GATT agreement. ■

Part 6: GATT and the Consumer

A heated debate is developing in consumer movements worldwide over the implications of the proposals made in the Uruguay Round. "Free trade" consumer advocates in the U.S., such as the Citizen's for a Sound Economy, Consumer Alert, and Consumers for World Trade support the new rules. They say that scrapping farm subsidies and removing barriers to trade will allow consumers to buy inexpensive food at "world prices." However, the so-called "world price" is actually a price kept artificially low by export subsidies in the United States and the European Community, whose primary beneficiaries are the transnational economic giants, and by high volume production technologies, whose environmental and social costs are not calculated into the market price.

The argument that the consumer will ultimately benefit is belied by the recent history of the multinational food industry. These large corporations *have* driven down prices paid to farmers, but these savings have not been passed on to the consumers. Instead, the food processing industries have used "added value" technologies which, in many cases, lower their nutritional value. This "improved food" is then sold at inflated prices to consumers. The cost of wheat in a package of "Wheaties" is about 1% of the shelf price. Farm income declined steadily throughout the 1980's, but food prices to consumers remained more or less steady in real terms. In the U.S., farm revenue declined 6% from 1980 to 1987. Farmers received about \$90 billion of the \$380 billion spent on food – the other 75% went to the marketing aspects of the food industry, such as processing, packaging, advertising, and transportation.

Consumer, labor, and environmental organizations concerned with the quality, as well as the cost of consumer goods and consumer health, such as Public Citizen, the Sierra Club, Pesticide Action Network, the Consumer Federation of America, Earth Island Institute, Friends of the Earth U.K., and ECOROPA in France, are exposing the potential damage to consumers of the

proposed changes to the GATT. They are warning citizens that pesticide residues in food will exceed current limits, labor and health standards will be weakened, and environmental destruction will accelerate from massive increases in world trade. These consumer advocates are concerned that national standards will be replaced by weaker GATT standards and that the latter will preempt the possible positive outcome of current international negotiations on biodiversity, climate change, environment and sustainable development issues.

Food Security: Negotiators from developing nations are worried that the new GATT will force them to withdraw trade restrictions which were designed to protect local food from cheaper imports. This would force vulnerable small farmers, who produce staple food products for their communities, into ruinous competition with surplus agricultural products from the U.S. and the E.C. If farmers across the world are further squeezed by falling prices, they will have to intensify production by increasing their use of chemicals. The emphasis on export agriculture also undermines Third World efforts to bring about food security independent from imports. The Economic Commission for Africa has stated that "Africa's viability resides in its being able to feed its own people from its internal resources."

Food Safety: Consumers all over the world will be faced with a serious threat if GATT mandates that food safety regulations must be "globally harmonized" under present institutional structures. The Codex Alimentarius, an agency of the U.N. Food and Agriculture Organization (FAO) based in Rome, will set the international standard for food quality. The Codex is made up of government officials and representatives from transnational chemical and food companies. The Codex food code now allows residues of DDT on fruits and vegetables 10 to 50 times higher than current U.S. standards and would permit imported foods to undermine Federal Drug Administration's restrictions on Alar and sulfa antibiotics. Representative Charles Scheumer, of

New York, spelled out the danger of harmonization: "I have in my hands two apples. Both have been treated with the toxic chemical DDT, a carcinogen that has been banned in the United States since 1973. This first apple, grown here in the U.S., may not be sold here. But under the administration's GATT proposal, we could not stop this second apple, grown overseas, from being brought into the United States."

Free Trade Harmonization: GATT could not prohibit countries or states from enacting tougher environmental policies than those approved in the Accord. However, tougher standards would result in countries being "fined" through tariffs for having a negative impact on "free trade." Already the Canadians, on the basis of their Free Trade Agreement with the U.S., have been forced to bring their comparatively stringent pesticide regulations in line with far more lax U.S. standards. Canada's ban on the sale of irradiated food has been judged illegal, as have Canada's programs to reduce emissions from lead, zinc, and copper smelters. With the new GATT "harmonization," European countries could lose their rights, in the name of "free trade," to ban imports of milk and meat produced with the aid of the controversial Bovine Growth Hormone. Similar bans on the hormone in Wisconsin and Minnesota could be declared illegal as well.

The new GATT will establish a "technical barriers agreement" which includes all product and process standards for industrial and agricultural products. In the summer of 1991, Mexico successfully challenged the U.S. ban on the import of its tuna fish. The U.S. had instituted the ban because the Marine Mammal Protection Act requires that it ban imports of fish caught with technologies that killed or injured more marine mammals than permitted by the Act's standards. A GATT panel decision in August, 1991 stated that under its current rules, nations may not restrict trade in products on the basis of the process under which they were harvested or manufactured. The new GATT language will increase the ability of nations to challenge such process restrictions. The question will then be whether protection of dolphins will become a new international standard or will simply be considered as a barrier to "free trade."

Consumer Demands on Environmental Issues: Environmental concerns have never been incorporated within the GATT, and it is doubtful that they will become part of its overall rules, if member countries are prevented from defining and applying environmental standards. The GATT ruling on the tuna import issue also declared it illegal for a country to impose its environmental standards on another country. The panel ruled that a GATT member may not restrict imports of products merely because they originated in a country with environmental policies different from its own. The ruling did not explicitly prohibit member countries to take trade measures on environmental grounds, but recommended that dolphin protection and other environmental laws should be sought only through multilateral international actions, not arbitrary unilateral trade measures. The panel argued that if the U.S. position was upheld, each contracting partner could unilaterally determine policies from which the other members could not deviate.

New GATT rules would require nations to bring laws of their state and local governments into compliance with GATT. This will discourage state governments from creating new models for health and environmental policy. When California enacted strict pesticide standards for food (both domestically produced and imported), Secretary of Agriculture and former GATT negotiator, Clayton Yeutter, exclaimed, "How can we get international harmonization when we can't get it here at home?" He accused California of "going off on a tangent" by writing rules and regulations more stringent than federal standards. Richard Darman, of the White House Office of Management and Budget, said in 1990, "Americans did not fight and win the wars of the twentieth century to make the world safe for green vegetables."

Under the new global trade rules, a nation may face trade retaliation by the other 107 members if it attempts to deal with serious threats to the health or well-being of its citizen consumers. The effectiveness of consumer action, or the expression of consumer opinion, on the quality of products and their environmental impacts, will be curtailed. The lesson to be learned is that it is essential to build labor, consumer, and environmental protections into global trade agreements.

Resources

"Tuna Fishing Ruling Leaves Door Open for Multilateral Eco-trade Measures," Chakravarthi Raghavan, *Third World Economics*, Oct. 1-15, 1991.

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"Food Fight: How GATT Undermines Food Safety Regulations," Eric Christensen, *Multinational Monitor*, Nov. 1990.

Douglas Johnson Interview, *Los Angeles Times*; April 28, 1991.

"We're On A Merry-Go-Round From Hell," Sir James Goldsmith, *Earth Island Journal*, Winter 1992; and miscellaneous news clippings.

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Tuna fish ruling leaves door open for multilateral eco-trade measures

A GATT panel has ruled that the US ban on imports of tuna fish from Mexico on the grounds that the fishing method used to catch tuna fish also kills dolphins which are protected under US law, is against GATT rules. Though the ruling makes it illegal for a country to impose its environmental standards on another country, it however, does not explicitly prohibit member countries to take multilateral trade measures to be taken on environmental grounds. This has significant importance to the ongoing debate in GATT over whether environmental issues should be linked to the international trading system.

GENEVA: The decision by a GATT panel that US measures against imports of tuna fish and products from Mexico and 'intermediary' nations are GATT illegal has not ruled out environmental measures with trade effects. Rather, the move struck a blow against unilateral actions by powerful nations to coerce others to adopt same environment policies.

This appears to be the real thrust of the reasoning of the three member panel, whose report has now been circulated to the GATT contracting parties and will come up before the GATT Council for its consideration at its next meeting on 9 October.

The report was made available to the two disputants - the US and Mexico - on 16 August. Some US environmental groups have begun campaigns to stop the administration from accepting the report, and to persuade the US Congress to modify the law, arguing that the GATT has ruled against 'humane treatment' in

favour of 'free trade'.

A careful reading of the report suggests, however, that the panel has essentially ruled against unilateral actions taken by very powerful nations and trading blocs which might want to force their own environment policies on other nations rather than having to resort to multilateral fora to evolve multilateral agreements.

The case brought before GATT by Mexico, with an unusually large number of interventions by interested states (EC, Indonesia, Japan, Korea, the Philippines, Senegal, Thailand, Venezuela, Canada and Norway related mainly to the US actions under its Marine Mammal Protection Act (MMPA) 1972, revised in 1988 and 1990.

The GATT panel has held that prohibiting the import of yellow fin tuna and certain yellow fin tuna products from Mexico and the MMPA provisions under which it was imposed were contrary to GATT rules against quantitative

restrictions. The panel held that the MMPA provisions did not fall under the exception provided for under the GATT in Article XX (b), which excepts measures necessary to protect human, animal or plant life, or health, or Article XX (g), which relates to conservation of exhaustible natural resources. The ban imposed on imports from intermediary nations was held to be equally GATT-illegal.

But the 'Pelly amendment' - section 8 of the Fishermen's Protective Act under which the President has discretionary powers to ban imports of all fish products once the mandatory restrictions under MMPA are in effect against a country in respect of tuna fish and tuna products imports - was not held to violate GATT.

This is in line with the long-standing GATT precedent that where only discretionary powers, not mandatory actions, are vested in the government, GATT panels should only review 'discretionary' actions taken and not the legislation itself. The panel reasoning does strongly suggest, however, that any action taken under the legislation would be held illegal.

The tuna products labelling provision (Dolphin safe tuna labels) under the Dolphin Protection Consumer Information Act, which stipulates the conditions for use of such labelling and penalties for their disregard, was judged not to violate GATT either. The door was thus left open for consumer actions on this or other products, as well as for legislation and regulations that would enable consumers, through marking and other means, to identify their targets.

Discriminations prohibited

In making the ruling, the panel observed that the GATT provisions impose few constraints on a contracting party's implementation of domestic environmental policies, and that a contracting party is free to tax or regulate imported products and like domestic products as long as its taxes or regulations did not discriminate against imported products or afford protection to domestic producers. A contracting party was also free to tax or regulate domestic production for environmental purposes.

But, as a corollary to these rights, a contracting party may not restrict imports of a product merely because it originated in a country with environmental policies different from its own, the panel said.

Import restrictions imposed to respond to differences in environmental regulation of producers could not be justified under the exceptions in Article XX of the GATT, the panel ruled, noting that the exceptions did not specify the criteria for limiting the range of life or health protection policies or resource conservation policies.

If contracting parties were to permit import restrictions in response to differences in environmental policies under the GATT, they would need to impose limits on the range of policy differences justifying such responses and develop criteria to prevent abuse, the panel said.

If the CPs were to decide to permit trade measures of this type in particular circumstances, the panel added, it would be preferable for them to do so by amending or supplementing the provisions of the GATT or waiving obligations under it, not by interpreting Article XX, actions which would enable the CPs to impose limits and develop the criteria for actions.

The Mexico-US dispute arose in 1990 over import bans by the US on certain yellowfin tuna fish and products harvested by Mexican vessels in Eastern Tropical Pacific Ocean (ETP), and similar products from other 'intermediary' nations importing such products from Mexico.

Mexico brought the issue before GATT in November last year, having first sought to settle the issue through talks with the US. A number of other countries with interests in the case also appeared before the 3-man panel, comprising A. Szepesi of Hungary, R. Ramsauer of Switzerland and E. Rossellio of Uruguay - all appointed in their personal capacities.

In the ETP (but not in other areas of the world), tuna and dolphins associate together, and fishermen locate underwater schools of tuna by finding and chasing dolphins on the ocean surface and intentionally circle the dolphins to catch the tuna underneath. With fish and dolphin often found together, the purse-seine fishing technique could lead to incidental 'taking' (harassment, capture, killing or attempted killing) of dolphins, though it is possible to reduce or eliminate catch of dolphins by using certain procedures.

While the US action and the MMPA mandated measures are purportedly to save dolphins, the actions have been clouded by the long history of US protectionism for its tuna fishing industry,

and its use of coercive trade measures to secure access for its fishing vessels in the economic zones of the coastal waters of other nations. While Mexico and other CPs drew the panel's attention to these, the panel has not dealt with them in its ruling.

Conservation or protectionism

Further clouding the US actions and its claims of acting for environment protection and conservation of natural resources arguments, are the fact that the 'dolphins' sought to be protected in the ETP (common dolphin, spotted dolphin and spinner dolphin) are not on the endangered species list (under the CITES convention). The US legislation has no provisions for action in respect of the various dolphins on endangered list. Furthermore, the US has taken no action to save dolphins, though more than 15,000 dolphins were killed each year off its Alaskan coast by use of drift-nets in squid fishing.

Dolphin protection and other such measures, Mexico told the panel, should be sought through multilateral international actions and not arbitrary, discriminatory and unilateral trade measures - citing its own proposals in the FAO for an international conference to examine the interaction of fisheries and incidental taking of marine mammals. The US stance in FAO on this has not been mentioned in the report - neither by Mexico nor by the US.

The MMPA requires US fishermen and others operating within US jurisdiction to use certain fishing techniques to reduce the incidental taking of dolphins while fishing. The US has licensed fishing of yellow fin tuna by US vessels in the ETP on condition that the incidental taking of dolphin by domestic fleet not exceed 20,500 dolphins a year.

The MMPA also requires US to ban imports of commercial fish or products from fish caught with commercial fishing technology resulting in incidental killing or serious injury to marine mammals in excess of US standards. As a condition of access to US market for yellow fin tuna fish and products a country with vessels fishing in the ETP must prove that the average rate of incidental taking of marine mammals by its tuna fleet is not in excess of 1.25 times the average incidental taking of the US fleet during the same period.

In practice, while US fisherman at beginning of the season know the maxi-

mum 'taking' they could not exceed, fishermen from other countries do not know the ceiling by which they would be judged until end of the season when the 'average incidental taking' of the US fleet is known and retroactively applied. Mexico argued that this action was therefore discriminatory.

Equal treatment denied

Mexico also said the US ban denied Mexican tuna the 'equal national treatment' required by GATT Article III:4, and was also a violation of Article XI prohibiting quantitative restrictions.

The US meanwhile argued that the measures under MMPA on Mexican tuna were consistent with Article III:4 which enables a cp to apply, at the point of entry, equivalent treatment to an import similar to levies and regulations applicable to same or similar domestic products.

The panel found that the MPAA did not regulate tuna products inside the US, nor did it prescribe fishing techniques. The panel ruled that while the MPAA regulated domestic harvesting of tuna to reduce incidental taking of dolphins, it did not directly regulate the sale of tuna as a product and that therefore the import prohibition was not an internal regulation of a domestic product applied at point of entry to an imported product as specified under Article III:4.

The panel cited the Mexican complaint of discrimination involved in fixing a maximum quota of permissible 'taking' in advance for US fishermen and setting the standard for others at the end of the season, but has given no finding about this in relation to Article III:4. It did, however, take this uncertainty for foreign producers into account in judging the US invocation of GATT Article XX 'exceptions' to defend its actions.

The panel found that the direct import prohibition of yellowfin tuna and certain yellow fin tuna products from Mexico, and the MPAA provisions under which it was imposed, were also inconsistent with GATT Article XI against quantitative restrictions, noting that the US had not made any pleas before the panel to justify its action under that article.

Burden of proof

Examining the US plea that its ac-

tion was covered by the exceptions in Art XX (b) and (g), the panel noted the consistent GATT view that the burden of proof for such pleas lies with the party invoking it.

Art XX provides that: 'Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination...or a disguised restriction on international trade...nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting part of measures...

(b) necessary to protect human, animal or plant life or health;...

(g) relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption. The US argued before the panel that its prohibition of imports was necessary to save dolphin life and health, and thus came under the exceptions provided by Article XX:b.

Mexico meanwhile argued that XX:b gave no right to any contracting party to act outside its jurisdiction, also arguing that import prohibition was not necessary either since 'alternative means' consistent with GATT were available, 'namely, international cooperation between countries concerned.'

Trade measures

The panel said the Article XX exceptions and stipulations related to trade measures, and not to standards or conservation policies that each cp was free to adopt. The provision was intended to allow cps to impose trade restrictive measures which might be inconsistent with GATT in order to 'to pursue overriding public policy goals to the extent that such inconsistencies were unavoidable,' the panel said.

If the US interpretation was accepted, the panel noted, each cp could unilaterally determine the life or health protection policies from which other cps could not deviate without jeopardising their rights under the GATT.

The General Agreement would then no longer constitute a multilateral framework for trade among all cps but would provide a legal security only in respect of trade between a limited number of cps with identical internal regulations.'

Even if Article XX:b were to be inter-

preted to permit extra-jurisdictional protection of life and health, the US had not demonstrated that it had pursued all options available to it to pursue its dolphin protection objectives through measures consistent with GATT, the panel said.

As for the US argument that its actions were related to conservation of exhaustible natural resources (and thus saved under Article XX:g), the panel noted that such an action must be 'in conjunction with restrictions on domestic production or consumption', and must be primarily aimed at rendering effective such restrictions.

But a country could take measures to effectively control production or consumption of an exhaustible natural resource only to the extent that this was under its jurisdiction, the panel noted.

If the US argument (about its right to take action to conserve natural resources outside its jurisdiction) were to be accepted, each cp could unilaterally determine the conservation policies from which other cps could not deviate without jeopardising their rights under the General Agreement. The considerations which led the panel to reject the extra-jurisdictional application of Art XX:b hence applied also to Article XX:g, the panel ruled.

The US had linked the maximum incidental dolphin taking rate which Mexico had to meet to the taking rate actually recorded for US fishermen during the same period. Consequently, Mexican authorities could not know for certain whether its policies conformed to the US dolphin protection standards.

A limitation of trade based on such unpredictable conditions could not be regarded as necessary to protect the health or life of dolphins, nor could it be regarded as a policy primarily aimed at conservation of dolphins, the panel ruled.

The panel thus held the US import restrictions against yellow fin tuna and yellow fin tuna products from Mexico to be GATT illegal. For the same reasons, it also found the US secondary embargo on imports from 'intermediary' nations also to be illegal.

The panel recommended that the CPs request the US to bring its measures and the MMPA provisions into conformity with its GATT obligations. - CR/SUNS2675 □

Tuna Trade Troubles

PRESIDENT BUSH PROMISED anxious environmentalists several months ago that a U.S.-Mexico free-trade agreement would not compromise their interests. Now the Bush administration faces its first real test of that commitment over the question of dolphin protection. If Mr. Bush gives short shrift to this popular environmental concern, it will encourage all opponents of a U.S.-Mexico free-trade agreement to step up their criticisms. This is an ideal opportunity for Mr. Bush to show he can be flexible when free trade principles undermine a social good.

In mid-August, a dispute resolution panel of the General Agreement on Tariffs and Trade found that a U.S. ban on Mexican tuna imports violates GATT bylaws. The ban was imposed because Mexican fishing methods kill more dolphins than the U.S. Marine Mammal Protection Act permits. Mexico took its complaint to the GATT.

While the details of the dispute resolution panel's findings have not been made public, it is clear the panel does not believe the U.S. ban qualifies for Article XX of the GATT, which allows exceptions to open trade for the health and safety of plants, animals and humans and for the conservation of natural resources. These provisions have never been tested in the context of environmental concerns. The report will be adopted or rejected formally at a council meeting of the GATT in October.

Under the GATT procedural rules, it takes only one country to block the adoption of a panel report. That would put the issue on hold for up to 15 months. If the United States allows the report to stand, Bush administration detractors will leap on this failure as a sign — not that Mr. Bush cares so much about strictly abiding by GATT law — but that he would rather not create an antagonistic political atmosphere just as Canada, the United States and Mexico are sitting down to negotiate a North American free-trade agreement.

At issue in the GATT is not just whether the United States has the right to obstruct trade for environmental reasons, but whether it has the right effectively to extend its environmental standards beyond U.S. borders. Ordinarily that should be an important concern. But in this case, the United States is not taking a maverick, unilateral action opposed by the rest of the world.

The broad impact of the GATT panel's interpretation would run at cross-purposes with a number of international environmental treaties governing wildlife protection. The most important for dolphin protection is CITES, the Convention on International Trade of Endangered Species, a duly ratified treaty to which over 100 countries are signed. Mexico is the latest signatory.

If this were any other environmental concern, it might have passed with less notice. But dolphin preservation has been the star accomplishment of the international environmental community. Almost every nation that fishes for tuna in the area where dolphins are most endangered by net-fishing methods — the eastern tropical Pacific Ocean — has either stopped using that method or moved to other waters. Still, some 7 million dolphins are killed each year by fishermen.

If the GATT panel's finding is adopted, amid international and domestic uproar over dolphin safety, the GATT's reputation as an out-of-step, bureaucratic organization with trade blinders on, justified or not, will grow. Non-discriminating trade should not mean indiscriminate trade. And if the Bush administration does not somehow come to a separate agreement with Mexico in a way that does not weaken the marine mammal protection laws, there will be a heavy domestic price to pay — much more opposition to free-handed trade deals with Mexico. Neither Mr. Bush nor GATT officials can afford to ignore these political realities.

GATT Rules in Favor Of Mexico in Tuna Dispute

By JOHN ZAROCOSTAS
Journal of Commerce Special

GENEVA — An international dispute panel has ruled that the United States' ban on imports of yellow-fin tuna and yellow-fin products from Mexico is contrary to international trade rules, high-level sources here said.

The three-member dispute panel of the General Agreement on Tariffs and Trade presented its "confidential" report Friday to the U.S. and Mexican delegations here.

The panel found that the U.S. ban was inconsistent with its obligations under GATT, sources said.

GATT is the Geneva-based body that governs most world trade in goods.

Mexico called for the establishment of a panel in January, on the grounds that the ban, which came into effect last October under the provisions of the U.S. Marine Mammal Protection Act, was contrary to GATT articles on quantitative restrictions.

The three experts also said that if member countries resorted to uni-

The panel found that the U.S. ban on imports of yellow-fin tuna from Mexico was inconsistent with its obligations under GATT.

lateral interpretations, it could undermine the multilateral GATT-based trading system.

The trade dispute panel rejected a second Mexican complaint that the "Dolphin Safe" label adopted last December, under the Dolphin Protection Consumer Information Act, was contrary to GATT rules on marks of origin.

The panel concluded, however, that the U.S. "Dolphin Safe" labeling requirement was not in contravention of GATT rules.

Under the dolphin protection information act, the label "Dolphin Safe" may be used only for tuna and tuna products not fished in the eastern tropical Pacific Ocean, or which

meet additional requirements if not fished in that region.

A high-level U.S. trade official refused to comment on the report, adding that the Bush administration will need time to examine its findings.

Under GATT procedure, the report is not distributed to other contracting parties for two weeks. Whether the United States will decide to adopt the finding or not will not be known at the earliest until the next GATT council meeting scheduled for October.

Mexico argued that the fisheries in the eastern Pacific had been singled out. To rectify this situation, Mexico earlier this year called upon the Fisheries Committee of the U.N. Food and Agriculture Organization to look at similar problems on a global basis.

Mexican officials noted that over the last five years the incidental catch of dolphins has been reduced by 70%, and that Mexico this year became a signatory to the Convention on International Trade on Endangered Species.

Wildlife Group Attacks GATT Stance on Tuna

GENEVA — A leading environmentalist body said Wednesday a decision by a GATT disputes panel to overrule a U.S. ban on tuna imports from Mexico was potentially disastrous for international conservation efforts.

The World Wide Fund for Nature said the GATT panel had disregarded U.S. national conservation legislation by faulting the ban, which Washington imposed in 1990 because it said Mexican tuna fishing methods killed dolphins caught in tuna nets.

The three-member panel, in a report earlier this month, said the ban violated the rules of the General Agreement on Tariffs and Trade, which oversees 90% of world trade.

Mexico had argued that the ban broke GATT provisions, discriminatorily favoring American tuna fishing fleets under the guise of protecting dolphins.

"If this GATT dispute panel ruling is formally accepted by the other 100 members of GATT, it will have a wide-ranging and potentially disastrous impact on international conservation efforts," the World Wide Fund for Nature said.

The report was sent earlier this month to the United States and Mex-

The World Wide Fund for Nature said the GATT panel had disregarded U.S. national conservation legislation by faulting the ban.

ico, and will be circulated to other members of the trade body next month before being voted on at a regular session of the GATT Council Oct. 8, a GATT spokesman said.

The environmental group urged the United States and Mexico to suggest alternative wording for the report so that it would not interfere with the right of individual nations to take trade measures to conserve common resources.

Failing this, GATT members should block formal adoption of the report at the October council meeting. Otherwise, the group said, "the stage will be set for many future conflicts between GATT and national and international conservation legislation." (Reuter)

Journal of Commerce
Sept. 11, 1991

"We're On A Merry-Go-Round to Hell"

by Sir James Goldsmith

Sir James Goldsmith was the founder of Cavenham Foods (one of the largest food conglomerates in Europe) and General Oriental Investments (one of the largest owners of US timberland). A widely known corporate raider whose vast holdings included such companies as Goodyear, Diamond International and Crown Zellerbach paper company in the US, and such leading publications as L'Express of Paris, Sir James is also the brother of Teddy Goldsmith, the editor of The Ecologist. In 1989, faced with mounting evidence of mounting global catastrophes, Goldsmith sold his assets and has since devoted his energies to addressing the dangers posed by global warming, AIDS, nuclear power, chemical-based agriculture and the General Agreement on Tariffs and Trade. This essay is excerpted from Goldsmith's speech before The Royal Society in Great Britain on October 16, 1991.

I started my business career by founding a pharmaceutical company which is now a good-sized European corporation. I went on to form a food manufacturing and retailing company which ranked among Europe's largest. I am not a scientist, but I have employed many. I have participated with them in the excitement of developing new products. We can all get caught up in the thrill, but none of us can know for sure the full extent of the long-term effects of a completely new drug.

The scientists who developed thalidomide were not people of evil intent; they just did not know the truth. Pregnant women have been warned that they should report to medical centers specializing in genital tract abnormalities if their mothers had taken a hormone called diethylstilbestrol (DES) up to fifty years earlier.

The idea that the consumer on his or her own can assess all the possible after-effects of a new chemical, pharmaceutical or biotechnological product by referring to a label, is nonsense and must be rejected.

Animal Farms and "Mad Cows"

Intensive farming is based on the belief that agriculture will respond to the same sort of technology as will the production of industrial products. Large mechanized modern farms, the reasoning continues, will produce more food, more cheaply, for the benefit of the economy and of people throughout the world. What is more, men and women will

be liberated from the land and will be free to participate in the more dynamic sectors of contemporary industry and therefore to contribute to the growth of gross national products and to public prosperity.

But what of the indirect costs? When people leave the land, they gravitate to the cities where they seek work. But if there are insufficient jobs and infrastructure — such as lodgings, schools and hospitals — then there will be increased unemployment, with the attendant costs of welfare, as well as substantial expenditure on infrastructure.

When jobs are lost in industry, the fundamental balance of society is not altered. Some declining companies suffer while other more competitive entities emerge. But loss of rural employment and migration from the countryside to the towns causes a fundamental and irreversible shift. It has contributed throughout the world to the destabilization of rural society and to the growth of vast urban population concen-

***GATT, if adopted, could
unleash an exodus of about
1.9 billion people from the
land to the towns***

trations. This cost can never be measured accurately. The damage is too deep. Throughout the world, social breakdown in the mega-cities threatens the existence of free societies.

It is claimed that the only measure by which large farms are more productive is in the use of labor. If productivity is measured in terms of production per acre, or per unit of energy, or relative capital input, however, it is the small farm which comes out best.

Every now and then a particular accident captures the attention of the media and we get a glimpse into the world of intensive farming. The epidemic of "Mad Cow Disease", or bovine spongiform encephalopathy (BSE), is a recent example. (It causes disintegration of brain cells and replaces them with microscopic holes, producing a sponge-like appearance). This disease is always fatal and there is no known treatment.

The first cases of BSE were identified in 1986. There seems to be a consensus among scientists that the infectious agents were transmitted to cows through feed which contained products from animal rendering plants. These plants deal with the remains

of slaughtered animals, including cows, which are added to animal feeds as "concentrates," "protein supplements" or bone meal [Fall '90 EIJ]. Through this process, we are feeding cows to cows — in other words, forcing cows into cannibalism.

Interestingly, the first half of this century saw another form of transmissible spongiform encephalopathy that affected humans. It was called Kuru disease. It occurred in the Fore tribe, a stone age civilization which, at the time, practiced cannibalism.

Frankenseed

The "Biotechnology Revolution" is a replay of the Green Revolution, but its dimensions are more perilous. In the '50s, '60s and '70s there was great enthusiasm for synthetic fertilizers, pesticides and herbicides produced by petrochemical and agrochemical companies. Their purpose was to replace natural raw materials to increase crops of genetically selected, high yielding strains of seeds which became known as "miracle strains." This led to the development of monocultures, greater mechanization and ever increasing inputs of chemicals and energy. As permaculturists Cary Fowler and Pat Mooney put it: "... achieving high yields required fertilizer and irrigation. Fertilizer and irrigation nourished weeds as well as crops, creating the need for herbicides. Pests found the uniformity of new varieties appetizing, which necessitated the use of pesticides as well.... The fertilizers made the new varieties possible. The new varieties made the fertilizer necessary." The degradation and erosion of the soil, the chemical pollution of groundwater, water depletion and the destruction of genetic diversity were too great to sustain.

We throw away diversity at our peril. History supplies many well-publicized warnings. There are still 5000 varieties of potato grown around the world, but in Ireland, in the 19th century, potatoes descended from only two introductions. These genetic limitations allowed a blight to reach epidemic proportions, causing the Great Potato Famine.

The same is true of the Russian wheat epidemic of the 1970s. Forty million hectares (99 million acres) had been sown with a single variety of a so-called "miracle strain." Unfortunately, the strain was incapable of surviving the harsh winter.

Intensive agriculture destroys genetic diversity not only in seeds, but also in all

forms of animal and vegetable life affected by cloning, embryo transfer, gene selection, monoculture, tissue culture and genetic engineering. The granting of patents for new life forms will accelerate this trend because the law requires that these new, patented varieties be internally consistent — i.e., uniform.

Unfortunately, many farmers will be forced to adopt these new processes because, at least temporarily, yields will be greater. Since farmers must survive in a competitive world, they must farm more intensively or be driven out of business. As the patented seeds and their plants are genetically engineered to respond to particular chemicals, the suppliers of those chemicals will control the farmers who use the seeds.

The biotechnology industry is lobbying for a legal system that would allow all living organisms altered by genetic engineering to be patented. New life forms would become patented monopolies.

With thousands of researchers throughout the world using their imaginations to create new life forms (unknown to nature and therefore untested by the trials and errors of millions of years of natural evolution), is it possible to avoid accidents that could have unimaginable consequences? Do humans have the moral right to create new microbes, new animals, new life forms? Are we wise to artificially transform the course of evolution and to do so at unimaginable speed? Do we realize that much of the change is irreversible? Can we convert animals, fields and forests and all things living into unnaturally high performing machines whose only purpose is to serve human beings? Is changing fundamental genetic information in living things, which will remain part of their inherited characteristics, the ultimate form of pollution?

CAP and GATT

I will return to easier questions. What should be done with the Common Agricultural Policy (CAP) and with the current General Agreement on Tariffs and Trade (GATT) negotiations as they affect agriculture?

CAP is flawed because it is designed to encourage *maximum* as opposed to *optimum* production. CAP provides a guaranteed market at guaranteed prices regardless of the level of production. So quantity of production becomes all important and encourages every form of intensification of agriculture. Such a policy, in the short term, produces surpluses. When these heavily subsidized and discounted surpluses are dumped on other nations, their farmers are unable to compete, so there is terrible dam-



Photo by Gary Sinick from Tobin Fraley's *The Carousel Animal*.

age to the rural population and social structures of these nations.

CAP must be reformed to bring production into balance with demand by moving away from intensive farming. This would

***Do humans have the right to
create new microbes, new
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reduce surpluses, maintain a stable rural population, encourage family farmers and reverse some of the damage done by intensive farming. It would also ensure that healthy food is available to consumers.

Current GATT negotiations seek to create a "free and competitive world market" in agriculture. It sounds excellent, but let us consider it further.

Competition is a form of controlled warfare. In the case of agriculture, on the one side you have farming based on industrialized monocultures, intensive farming methods, direct and indirect subsidies, and an agricultural community which has already been reduced to the needs of intensive farming. On the other side, you have traditional agriculture. In such a contest, communities in which small or medium-sized farms still predominate would be washed away as if by a catastrophic flood; whole populations would be uprooted and swept into urban slums. In the world as a whole, the rural population is 2.9 billion. GATT, if adopted, could unleash an exodus of about 1.9 billion people from the land to the towns. All in the name of efficiency and

free markets. Those who remained to try and compete against industrialized and subsidized agricultural imports, by necessity, would be pressed into adopting the short-term solutions of intensive methods.

The industrialized nations want to stack the cards even further in their own favor. Not only do they wish to obtain patents on new life forms, but they also want to set the standards of safety and quality which all nations would have to accept. This would be achieved by vesting the exclusive right to define world standards in the *Codex Alimentarius*, to be prepared by a committee of the UN Food and Agricultural Organization. The membership of this supranational commission consists of numerous bureaucrats, representatives of the agrochemical and food industries and their contracted scientific advisers. The Codex committee is severely biased in favor of intensive farming and its industrial and pharmaceutical suppliers.

Carla Hills, the US Trade Representative handling the GATT negotiations, testifying before a Senate Committee, said: "I would like you to think of me as the US Trade Representative with a crowbar, where we are prying open markets, keeping them open so that our private sector can take advantage of them."

Oscar Wilde once described an acquaintance as "a man who knows the price of everything and the value of nothing." That is an apt description of those who, for the sake of the short-term benefits of industry, would destroy the cultures, traditions and stability of nations. We must not allow GATT's agricultural proposals to become a vehicle for neo-colonialism. The current proposals must be rejected.

When I was young, it was accepted as a given fact that civilization was progressing inexorably towards better things. Yet despite our awesome cleverness, the extraordinary inventions of the most unbelievable technologies, many of which individually can work wonders, the sum of human misery has risen exponentially.

Sixty years ago, the world's population was approximately 2 billion. Today it is 5.3 billion. The absolute numbers of those living in squalor has exploded. During that same period, we have threatened the stability of the fundamental components of life — water, soil, air, forests and climate.

It is time to reassess the path that we have chosen. We must consider more profoundly the criteria which we employ to assess prosperity and contentment. We must realize that, at this moment, we might be riding an accelerating merry-go-round to hell.

Big-Name Wineries Shift to Organic

Big-Name Wineries Are Joining the Shift To Organic Farming

By LAWRENCE M. FISHER

Special to The New York Times

HOPLAND, Calif. — The nation's wine makers are quietly going organic. Small and large, premium and budget-priced, wineries are giving up pesticides for predatory wasps and abandoning chemical fertilizers and weed-killers for compost and cover crops.

A handful of producers have made organic wines since the early 1980's and brought them to market, but these were mostly small operations more firmly rooted in the organic-farming movement than in fine wine. Now their ranks have been joined by many successful wineries, including Gallo, Fetzer, Sutter Home and Buena Vista.

The move to organic wines is a preemptive strike from an industry that has been staggered by higher excise taxes, lower consumption and a rising anti-alcohol movement.

"They're all scared to death that somebody, somewhere is going to pick up a bottle of wine, run a chemical analysis and find a residual level of some pesticide," said Tom Prentice, president of Crop Care Associates, a viticulture-consultant firm based in Yountville, Calif. "They really don't need any more surprises."

Wine makers point to the 13-month ban that the Government imposed on 79 wines from France, Italy and Spain that were found to contain trace amounts of procymidone, a fungicide

widely used in European vineyards but not in the United States. Although the Environmental Protection Agency said the levels found posed no health risk, imports of the wines were blocked until the agency established a tolerance level for procymidone.

More than 60 California wineries, or about 10 percent of the total, have had vineyards certified by California Certified Organic Farmers, an independent regulatory body. Many others have eliminated chemicals without going through the certification process. The movement is strongest in California, but wineries in New York, Oregon and other states are following suit.

In contrast to companies that boast of their organic soft drinks or pickle relish, few wineries intend to label their wines organic or to state they are produced from organically grown grapes. The organic label, wine makers say, adds little or no marketing cachet to a brand that is already popular and might create confusion among customers.

Large wineries may also be reluctant to label their wines organic for fear the term could backfire. "If somebody comes out too much in front of this, the implication is going to be that all the other wines aren't safe," said Lewis Purdue, publisher of Wine Business Insider, an industry newsletter based in Sonoma, Calif. Organic labels also invite scrutiny, he said, adding, "Everybody else who has gotten into green marketing has found themselves at the end of a committee somewhere."

Yet some wine makers now say that they can make better wine from grapes grown free of chemicals, and that to their surprise, costs and yields remain competitive. Organic farming is more labor intensive, and thus initially more expensive, but grape growers say they expect the long-term costs to be less than that of conventional farming. They also note that increasing Federal and state regulation of pesticides has sharply increased the cost of these chemicals in recent years.

Grapes are one of the easier crops to grow without chemicals, particularly in the regions along California's North Coast — Napa, Sonoma and Mendocino Counties. Insects can be

A no-chemical approach makes bottom-line sense, wine makers say.

controlled with natural predators, weeds with mowing or disking, and fungus with elemental sulfur, which is allowed in the vineyard under organic law. Pressed grape skins, known as pomace, make a rich compost.

Among major wineries, Fetzer Vineyards of Hopland, Calif., which is about 100 miles north of San Francisco, has been the most aggressive in adopting organic viticulture. Fetzer, has 437 acres of certified organic grapes, with another 30 pending — about one-third of its total. Fetzer intends to convert 100 acres a year to its organic crop and has persuaded many of the 150 independent growers it buys from to convert.

"The bottom line is it makes good business sense," said Jim Fetzer, the

winery's president. He cites worker-liability concerns, improved productivity when vineyard workers need not wear protective clothing and more consistent crops. While costs typically rise about 25 percent in the first two years of organic farming, "after the third year we see that it's flat or we can actually farm for less money," he said.

First Product Coming Soon

Early next year, Fetzer will introduce its first wine made entirely from organically grown grapes, to be called Calpella. A blend of zinfandel, petite syrah, grenache and carignane grapes, Calpella has spicy berry flavors reminiscent of a Cotes du Rhône from southern France. Fetzer will test the market with about 1,000 cases of Calpella, at \$7 to \$8 a bottle.

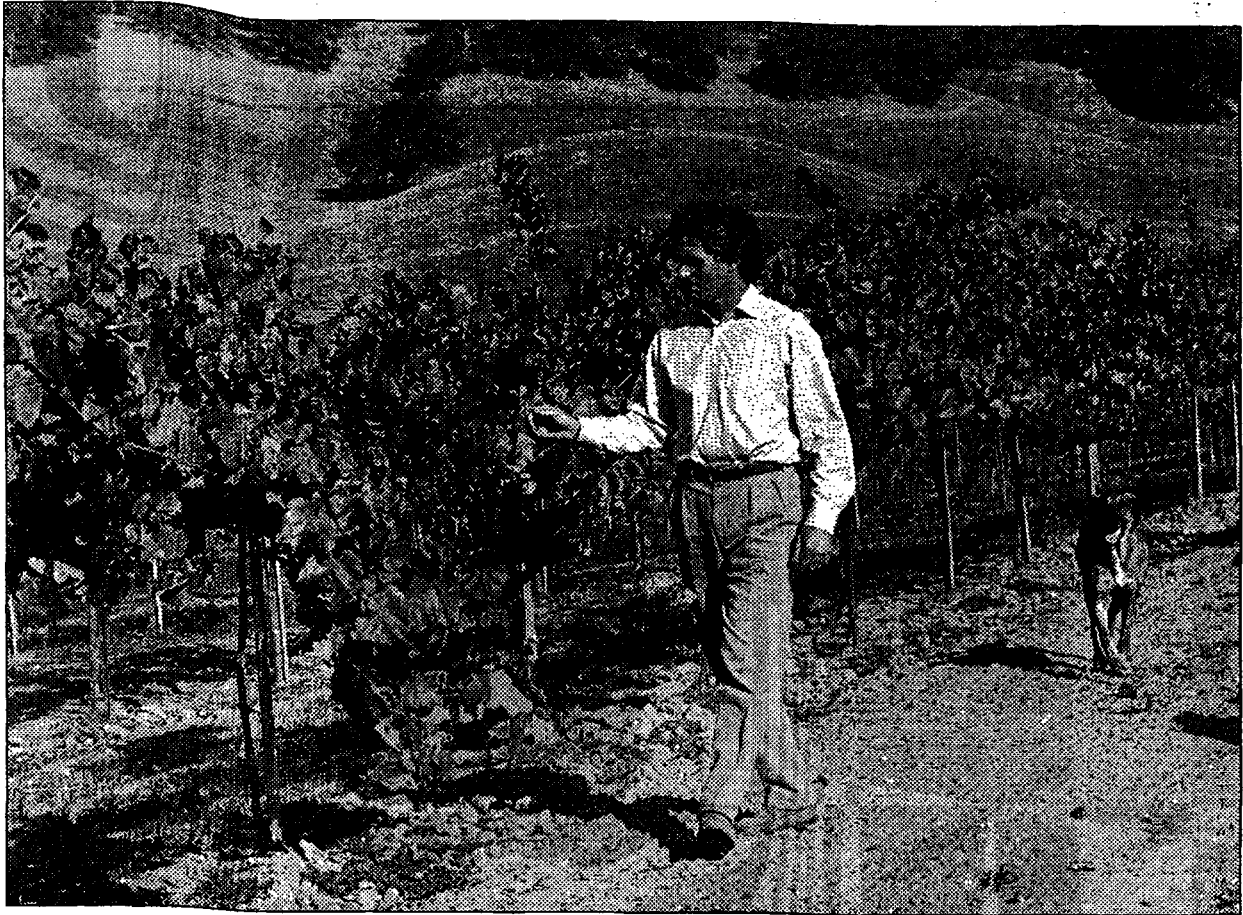
Calpella will not be labeled organic — although the back label may say "produced from organically grown grapes" — because California law forbids the use of sulfites in organic wines, and Fetzer doubts that sound wine can be made without sulfites. Sulfites occur naturally during fermentation and have been added to wine in small amounts for thousands of years to prevent spoilage. French law permits organic wines to contain up to 100 parts per million of sulfites, twice the amount Fetzer typically uses.

Noting that these French wines are sold here as organic, members of the Organic Grapes Into Wine Alliance, a grower and winery organization, have lobbied for a change in the California law, but with no success.

Several organic wine producers have made wines without any added sulfites. Wines by Frey Brothers of Mendocino County and the Organic Wine Works of Santa Cruz have received favorable reviews. But inconsistent quality and rapid oxidation have given most organic wines a bad name, even in natural food stores.

Quality Versus Purity

"Too many of the sulfite-free wines on the market have sacrificed quality in a search for purity," said Myron Redford, president and wine maker at Amity Vineyards in Amity, Ore. Amity recently introduced Eco-Wine, a 1990 pinot noir, which is Oregon's first organic wine and has just one part per million of naturally occurring sulfur.



Jim Wilson/The New York Times

Among leading wineries, Fetzer Vineyards of Hopland, Calif., has been the most aggressive in adopting organic viticulture. Jim Fetzter, the president, strolled

the grounds of the winery, which has 437 acres of certified organic grapes and an additional 30 pending — about one-third of its total.

Some wineries that adopt organic practices say the benefits have less to do with marketing than with being good environmental citizens, reducing their own exposure to chemicals and maintaining their vineyards' long-term health.

"It has gone from being the hippie thing to do to being the responsible thing to do," said Jill Davis, the wine maker and executive vice president for production at the Buena Vista Winery in Sonoma.

Buena Vista has certified 265 acres of its Carneros district vineyards, with another 465 pending, out of the total of 900. It has no plans to label its wine organic.

Others say the increased regulation of agricultural chemicals is inevitably leading to a day when their use is effectively outlawed.

"Some day you won't have any choice," said Clay Shannon, director of vineyard operations for the Sutter Home Winery of St. Helena. He has eliminated chemicals on 200 acres of grapes for two years and hopes ultimately to certify all of Sutter Home's 2,000 acres. "We know they're taking more and more sprays away from us. We know they disturb the ecosystem."

The giant E. & J. Gallo Winery, the world's largest wine maker, has applied for organic certification on its 2,700-acre Ripperdan ranch near Fresno, which will make it the largest grower of organic wine grapes. Gallo is also encouraging its contract growers to adopt organic or sustained-yield agriculture, which minimizes the use of chemicals. Gallo, too, has no plans to use an organic label.

Indeed, many fine wine producers have been practicing organic viticulture, or something close to it, for years without ever certifying their vineyards or embracing the term. Some prefer not to associate with California Certified Organic Farmers, which charges a percentage of each crop and performs regular vineyard inspections for a fee. Others wish to remain flexible in case a pest or disease arrives that defies organic remedies.

At Chateau Montelena in Calistoga, which has been chemical free since 1981 but is not certified, Bo Barrett, the wine maker, said: "We're not a bunch of granola crunchers up here. If a herd of locusts came in and started chewing up our grape vines, we'd have a helicopter out there spraying right away."

The Message From Camembert to Europe: Don't Mess With Cheese

NYT
29 Nov 91

By MARLISE SIMONS

Special to The New York Times

CAMEMBERT, France — In the normally placid valleys around the village of Camembert, the damp air is stirring with preparations for a battle between bacteria and bureaucrats.

Angry charges are being fired at far-off city people who are accused of wanting to drive the flavor out of life, squelch aroma, assassinate the character of cheeses and threaten a united Europe with a dull blanket of sameness.

At issue here is the true nature of Camembert, the creamy ambassador of France's cheeses, which in the heart of Normandy for the last 200 years has been made from tepid, raw milk.

Wait a minute, the bureaucrats at the European Community headquarters in Brussels are now saying as they crank out new rules for a borderless 1993. New norms that will govern the lives of 340 million people involve not only regulations on currency, immigration, police powers and the like, but also unifying standards for what Europeans should breathe and what they can drink and eat.

In a continent full of cottage industries, the rules of Brussels have been multiplying. Bans on additives in Spanish wine and German sausage, for instance, were imposed almost unnoticed. But now a verdict looms about the level of bacteria allowed in cheese — all cheeses — which is why there is such agitation around the cow pastures of France.

A Threat to Flavors

"This could mean the loss of a whole wealth of very French flavors," said Claire Marcellin at the Normandy Milk Union. "If you kill all the bad bacteria, you also kill the good ones. You eliminate those that provide the aroma and the taste."

Miss Marcellin was referring to some 50 million boxes of Camembert — one-tenth of France's total annual Camembert production — that are considered "genuine" because mostly small producers make them from unpasteurized milk, which they let ripen with all the naturally occurring bacteria, including some that may be harmful. But the same threat, she explained, hangs over all raw milk cheeses, the Brie, Pont l'Évêque, reblochon and other names close to the French epicurean heart.

Depending on who is talking, the planned edict on cheese offers either a prime example of how the consumer will be better protected in a unified Europe or an illustration of what is wrong with an emerging super-state that seems bent on imposing tedious uniformity. Some specialists have de-

finied the problem as a battle between the north of Europe with its strict standards of hygiene and the more relaxed and flavor-rich south.

"I certainly would not be interested in working with pasteurized milk," sniffed François Durand, who makes some 2,000 "genuine" cheeses a week on his farm at Camembert and sees himself as part of a hallowed tradition. Moving about an impeccably clean cooling room, he was turning over the ripening cheeks and sprinkling them with salt "to let the penicillin develop" on the crust. If the milk is heated, he said, "the quality of the product is absolutely inferior."

With that he seemed to condemn most of the world's copies of Camembert, the little moist French wheel that people most love to imitate. The Camembert Museum at nearby Vimoutiers has a display of 1,400 foreign labels from countries ranging from Chile to the United States. "This is just a tiny portion," said Paulette Thomas, the director. "I hear there are 40,000 or more."

For Norman producers like Mr. Durand, the first blow came a year ago when bureaucrats in Brussels with a single sentence declared the death sentence for all raw milk cheese. The number of staphylococci and other germs allowed could be achieved only by pasteurizing, that is, heating the milk and then cooling it.

Aghast, the cheese industry sent lobbyists to Brussels. In France, where cheese comes in 400 varieties, this industry is a power to be reckoned with and they set out to defend the one-tenth of France's vast cheese

output that is made of raw milk. After the Greeks, the French eat more cheese than anyone in Europe. At 49 pounds per person a year, they consume almost twice as much as Americans.

At the Ministry of Agriculture in Paris, Régis Leseur blamed Americans and "others following them, like the British, the Danes and the Dutch" and he added that France could count on the support of other raw cheese makers like Italy and Spain.

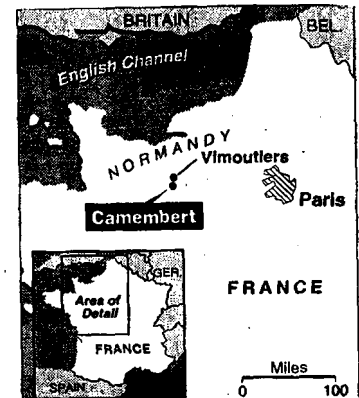
Now Brussels is reconsidering and it has tentatively agreed to set norms for raw milk cheese, which have not yet been specified, but which farmers fear will force them to buy new equipment. "If the norms are too draconian, many small producers will go out of business," said Jean Claude Gillis at the National Federation of Dairy Industries. Gerard Killy, a spokesman at the Commission in Brussels, said: "There has been a lot of scare-mongering. The point is that national criteria will disappear in the case of cheese. This is not about recipes or flavors but about food standards to protect human health." That means, Mr. Killy said, that even in cheese: "Salmonella are out. Listeria are out. The debate is still on about staphylococci and coli bacteria."

Around tiny Camembert, perched on a slope around a 14th-century church and a dignified little mayor's office, things may be looking up. Its 185 inhabitants have just celebrated the bicentennial anniversary of their famous product.

This has brought many visitors, requiring Marie Yvernat, the Deputy Mayor and proprietor of the local gift

shop, to tell time and again the story of Marie Harel. She was a local peasant girl who sheltered a priest fleeing from the revolution and in exchange, the legend says, he gave her the secret of Camembert: add rennet to the lukewarm milk, do not press the curd and sprinkle it with salt. The recipe has never changed.

On the Mayor's desk, letters of support from all over France are piling up, including one that proclaims in capital letters, "Don't touch Camembert." Mrs. Yvernat is saving them. "They will all go to Brussels," she said.



for being obsessed with hygiene and opposing raw milk. "Some countries think that to be healthy, something must be practically sterile," a colleague scoffed. Mr. Leseur said he and his colleagues "will do everything we can to protect our cheeses,"



Susan May Tell for The New York Times

A proposal by the European Community to limit bacteria levels in cheese is worrying producers of raw-milk cheeses in Camembert, France. "I certainly

would not be interested in working with pasteurized milk," said François Durand, who makes 2,000 "genuine" Camembert cheeses a week on his farm.

THE MEDIA BUSINESS

Advertising | Stuart Elliott

Hard-Hitting Spots Assail Clothing and Textile Imports

AMERICAN consumers will find a large lump of coal being put in their Christmas stockings by an organization seeking to insure that those stockings bear labels reading "Made in U.S.A."

In television commercials running from today through Dec. 15, the Crafted with Pride in U.S.A. Council Inc., the trade organization representing apparel, fiber and textile manufacturers, is undertaking its hardest-hitting, highest-budgeted campaign against the flood of imported merchandise that has decimated the operations of its more than 500 members.

The spots' deliberately downbeat images are meant to convince viewers of a direct relationship between the purchase of imports and the 581,480 jobs that the council says its industries have lost since 1980. The 15- and 30-second doses of gloom and doom contrast starkly with the cheery commercialism that greets consumers during the Christmas shopping season.

"These are not feel-good commercials, intended to make people feel jolly," Madeline Lewis, senior vice president of Warwick Baker & Fiore, the council's advertising agency, said last week. "This is a time of year when people are finding what they can and can't afford to give their loved ones. So the notion that you can't afford to give the people you love a future hits hard."

That is an intensely more serious, and ominous, message than was delivered by Warwick's previous campaigns. From 1985 to 1989, warm and fuzzy spots featured celebrities like Bob Hope revealing "Made in U.S.A." labels inside their clothing and on their towels and sheets.

The accelerating loss of jobs at member companies led the council to ask Warwick to alter the campaign's direction for 1990. So tougher spots showed a textile plant closing and a mother telling her young son that because "a lot of people are buying clothes made in other countries, not ours," Dad had lost his job and the family must move.

But research indicated that the council still "wasn't telling our story effectively enough," said Robert E. Swift, its executive director.

One key difference is that the new spots convey an idea that individuals "don't have to wait for somebody else to take action, that they can help," by changing their buying habits, said Susan Small-Weil, executive vice president at Warwick.

This thought is taken to its logical conclusion, she added, "that if they don't, somebody else won't, and they have to take responsibility for that."

One spot depicts an apparently endless line of unemployed people, slowly moving into a building. A stern-voiced announcer identifies them as the Americans who have "lost their jobs because we don't realize the impact of buying imported goods." They are all waiting to see a lone clerk at a window labeled "Unemployment." The clerk mutters, "Next" — a device that viewers are supposed to interpret to mean they, too, could be next to be discharged, Ms. Small-Weil said.

In a second spot, men, women and children on a pier watch a crate stenciled "Imported" being unloaded. The announcer says that "because we're buying so many imports," the nation is "in danger of losing the U.S. apparel and home-fashions industry."

"And the worst part is," he adds, "we're doing this to ourselves."

Testing the spots before their introduction, Mr. Swift said, the council and Warwick found that among the primary target market, women aged 25 to 49, an important measurement of effectiveness soared to a range of 68 to 69 percent, from 35 percent to 40 percent for the previous campaign.

So the budget for this campaign will exceed the council's average ad spending, he added, which over the



A commercial produced by the Crafted with Pride in U.S.A. Council depicting an endless line of unemployed people identified as American garment workers who have lost their jobs because of competition from imports.

last three years has totaled \$40 million. That money will buy time during programs primarily watched by women on broadcast and cable networks, from daytime soap operas like CBS's "The Young and the Restless" to nighttime soaps like ABC's "Homefront" to the "Holiday Movie Classics" on the cable superstation WTBS.

What we are trying to do now is to encourage the growth of the boycott, the importance of the boycott.

The U.N. has no constitutional authority over companies. Unfortunately, no one does!

LOS ANGELES TIMES

SUNDAY, APRIL 28, 1991

Douglas Johnson

The Boss of the Infant-Formula Boycott Reveals His Secret Strategy

By Jane Ayers

MINNEAPOLIS

In the arena of global trade, the issue of corporate accountability is becoming a major concern for public-interest groups. Multinational corporations are demanding more free reign in their trade negotiations—which can often allow them to abuse international health and environmental standards in the quest for profits. Douglas A. Johnson, 41, asserts, "Companies need to learn to be responsible. The public's concern should be how to hold them accountable so that they are responsible."

Johnson, who projects a scholarly air, is chairman of Action for Corporate Accountability, orchestrating the Nestle boycott. This international boycott is aimed at controlling infant-formula marketing practices in the Third World—where, according to U.N. officials, misuse of the product is believed responsible for an estimated 1 million infant deaths annually—and to pressure Nestle to abide by the World Health Organization/UNICEF International Marketing Code, designed to curtail inappropriate marketing of breast-milk substitutes.

Johnson is currently outraged over the heavy representation of industry on key aspects of the General Agreements on Tariffs and Trade negotiations. For example, GATT negotiators assigned an obscure agency, Codex Alimentarius, the job of assembling criteria for food products worldwide. Since Nestle has disproportionate representation on the U.S. and Swiss delegations of Codex—more representation than "97% of the rest of the world's governments"—Johnson is concerned that the U.N.'s International Marketing Code would be overridden as a "violation of free trade" under the new GATT provisions.

Johnson emphasizes that ACTION "defends the real values of the United States" by opposing the fast-track legislation on GATT and by focusing on health care, consumer, farming and labor issues. In doing so, ACTION is seeking to contain the emerging role of transnationals around the world—especially their often negative impact on children and the environment.

Before his work with ACTION, Johnson spent many years developing programs for Latin American projects and he is now an associate fellow of the Institute for Policy Studies in Washington. In addition to his work there, Johnson serves as executive director of the Center for Victims of Torture, based in Minneapolis, where he lives with his wife, Kathryn Sikkink, a professor of Latin American politics at the University of Minnesota.

Question: Can you explain the Codex Alimentarius and how it pertains to the General Agreement on Tariffs and Trade and to the Nestle boycott?

Answer: Codex Alimentarius is a semi-regulatory agency. It really has no regulations, authority or power, because, as an international agency, most countries are refusing to delegate authority over their sovereignty. But it would be akin to something like the FDA or some other program for food labeling and food standards—not for marketing standards related to food. . . .

It has, from its beginning, been dominated by big corporations. . . . When we were approaching WHO [the World Health Organization] and trying to push for some kind of international standards, the companies were trying to get it out of WHO and into Codex Alimentarius—where they would have a much better chance of controlling the debate. . . .

When we would begin criticizing Nestle for its marketing, their response was "We make the highest-quality infant formula in the world." . . . Well, that's not the issue—because whether it's well-made or poorly made, is it appropriate in these circumstances?

The first issue is that the No. 1 standard for quality is not infant formula—which is always a secondary, less nutritious product than human milk. The standard is human milk, and anything other than human milk is only a substitute, and

consequently a risk factor. . . . Human milk. . . contains antibodies; it contains a number of enzymes that help the child develop his or her immunological system. Also, it's free, always the right temperature, sterile, readily available at any point and the perfect example of demand-supply. The more the child demands, the more the mother can create and supply. So that's the standard by which everything else has to be judged.

The second issue is the circumstances under which this less nutritional product is being used. The correct use of infant formula requires sterile technique. . . . Where the companies are marketing infant formula is to people who have to walk blocks to get semi-clean water, who have no access to fuel and can't sterilize bottles. . . . That, in itself, has created a danger to the child.

Mothers . . . get hooked on this formula [and] tend to overdilute it That leads to malnutrition!

The third issue is that it's expensive. WHO and a number of other agencies have looked at the cost of using infant formula correctly in every country in the world. They compared it to what is the average salary available to people in that community, and they have found, for example, in a place like the United States that correct use of the formula would cost perhaps 4%-5% of the average income. In a place like Jamaica, it would be 20%. In Nigeria, it might be 40%. In a place like Pakistan and India, it might be 80%.

That means that, if it is expensive for the family to use, mothers and fathers who do get hooked on this formula tend to overdilute it. There was one study done in Barbados that found 85% of the bottles investigated had overdiluted formula—so

that the child was not getting proper nutrition. They were getting white water. A can that should last four days might be stretched to three or four weeks. That, of course, leads to malnutrition, and malnutrition leads to further disease It becomes a vicious cycle.

Q: One of the Nestle representatives on Codex was previously hired by Nestle specifically to stop the boycott. Is this significant that he is a delegate?

A: Yes. Thad Jackson worked on the counter-campaign from Nestle for the first boycott, and now is their prime staff person to try and defend Nestle against the second boycott. He has been appointed by the Bush Administration on Codex. I think this is indicative that Nestle sees this as an opportunity to undermine the impact and the importance of the [U.N.'s International Marketing] code, and that should be a great concern to everyone who cares about children.

Q: Will the U.N. International Marketing Code be obsolete as soon as the new GATT goes through? Will it be a violation of free trade to try to stop companies, such as Nestle or American Home Products, from marketing their infant formula, especially in Third World countries?

A: The problem, as I see it, is not so much that GATT supersedes or doesn't supersede. The problem has really been that during the last decade [when the code has been in place] the Reagan Administration fought WHO, threatened WHO and UNICEF, withdrew or lowered funding because of the issue, because of what they viewed as the agencies' "international activism." Groups like WHO basically curled up and died. WHO ceased to be useful on the infant-formula issue, because it was scared.

The present secretary-general appears to coldheartedly endorse the view that WHO should be removed from anything controversial. So what we have is a group

of bureaucrats who have stepped back in fear of their jobs. In that climate, the code has not advanced as much as it should have in governmental circles.

Even in the United States, health-care policy is at the lower realm of importance for our Administration. In other countries, where the economic crisis is far more pronounced than it is here, health-care policy is in the lower realm. So, it's not so much whether or not Codex supersedes the code. But what it does is give the baby-food companies another lever to throw in the way of the code. It gives more power to the companies vis-a-vis their supporters and the ministries of commerce, the ministries of industry, and the ministries of international trade to "block" health-care programs. So, it's another tool to continue what is already a trend, and that is that health care and the lives of babies are never given the kind of attention and dedication that they ought to be by political leaders.

Q: What kind of action is the Nestle boycott taking now?

A: First of all, it is the Nestle and the American Home Products boycott. . . . Our campaign is not against Nestle, it is against the inappropriate marketing of breast-milk substitutes, regardless of who carries it out. Nestle is the corporate target, though, because it has 50% of the sales in the developing world. It is the only company in all national markets and, therefore, it sets the standard for everyone else. It is the most appropriate target for everyone. But when it does implement the International Marketing Code, then we need to deal with the competitors. Also, Nestle is a transnational corporation. It is the most transnational corporation in the world.

In the current boycott, Nestle's strategic growth is to come in Europe. They are trying to position themselves as the little Swiss company to become a European-wide company, and a Europeanwide presence. So the most important strategic growth for the company is now Europe. What we are trying to do is encourage the growth of the boycott, the importance of the boycott, in Europe. It is at a far more important level during this boycott than it was in 1984, and we are getting substantial leadership from the European Community on the new Nestle boycott.

Q: Why doesn't the United Nations enforce the violations of the International Marketing Code with Nestle? Why does there have to be a boycott?

A: The United Nations can't even force Iraq out of Kuwait. The U.N. has no constitutional authority over companies. Unfortunately, nobody does!

The problem, especially when you look at these appointments to Codex Alimentarius, is that the Bush Administration is just continuing the Reagan policy of less-than-benign neglect of the code through these destructive corporate-dominated appointments.

Q: The infant-formula companies argue it's their distributors in other countries who violate the marketing code. What is your response to this?

A: I think that if any other industry found that its distributors were doing something unethical and destructive, they would control it. They would fire those distributors and get others.

What I think has to happen here is that, once again, there are no penalties to the companies for what they are doing. Because there are no penalties, they don't care what their distributors do. There are no penalties for violation of the International Marketing Code. Unfortunately, consumer action is the enforcement mechanism now. The WHO code requires the industry to abide by it, but the WHO has no enforcement mechanism to see that they do. It recommends to national states that they develop legislation, and national legislation should include some form of enforcement.

Q: The United States doesn't have any form of enforcement?

A: The U.S. voted against the code. It was the only country in the world to vote against the code in 1981. . . .

Q: Did Congress vote against it?

A: Quite the contrary. Both the Senate and the House passed a resolution condemning Reagan for voting against the code. We had the same problem there that Codex represents now.

Reagan was committed to stopping all forms of regulations on corporations. So, it was an ideological concern to not have the U.N. involved in regulations and to get the U.S. out of as much of regulation as possible. So, rather than considering the issues of what were the companies doing to babies, they only wanted to think about what can we do to support corporations? I think that Bush is continuing that blind thinking.

Q: What would you suggest to the members of Congress about this GATT agreement and the possible dangers to babies worldwide—especially since GATT is now on the fast track?

A: I would hope that Congress would give a message to the Administration that if they want this to remain on the fast track and if they want congressional approval, and if they want to avoid a major embarrassment—like Reagan received when he voted against the WHO code—then they ought to insist that the proper international standard for trade-related question should be WHO International Marketing Code.

I think it is going to be up to Congress to develop legislation that enforces the code in the United States, and that delivers a message to the Administration that it won't put up anymore with the bullying of WHO/UNICEF by the Administration. That those agencies need to be freed up and encouraged to do their duty to promote the code, because promoting the code is protecting children's lives. □

Jane Ayers is the author of "Hearts of Charity," to be published this year. She interviewed Doug Johnson in Minneapolis.

Nader Says ³⁻¹⁻⁷¹ Fast-Track Will Weaken Food Law

By JOHN MAGGS

Journal of Commerce Staff

WASHINGTON — A group of 40 consumer and environmental groups Wednesday accused the Bush administration of trying to use "fast-track" trade authority to negotiate away U.S. food safety laws that it opposes.

The authority, the subject of a press conference by the group, allows U.S. Trade Representative Carla Hills to negotiate trade agreements that cannot later be amended by Congress.

Consumer activist Ralph Nader said: "At its core, fast-track is an anti-democratic invention that prevents citizens from safeguarding the laws that they have worked so hard and long to establish.

"And that isn't any accident. In fact, many of the laws that are most vulnerable to weakening as so-called non-tariff trade barriers are the same ones that the Reagan-Bush administrations have been trying to scrap for years in Congress — without success."

Congress has until June 1 to extend the fast-track authority, and Mrs. Hills says that without the extension the United States' trading partners would not negotiate in good faith, knowing that they could always make their case later with Congress.

Lori Wallach of the consumer group Public Citizen rejected this argument at the press conference. She said that in the 1980s alone the United States had been able to nego-

tiate 79 multilateral agreements in complex issues like arms control and taxation without fast-track authority.

"Not only does the fast-track wipe out the system of checks and balances that is the core of our democratic process — it concentrates control entirely with the executive branch," she said.

In a steady stream of appearances on Capitol Hill in the last few weeks, Mrs. Hills has sought to convince lawmakers that fast-track does not cut off congressional control of trade negotiations. She said Congress gets to vote on any agreement and will be "a partner" in writing the implementing legislation for it.

Mr. Nader described fast-track as serving the interests of "multinational megacorporations" and accused Mrs. Hills of being "the agent of the same corporations that she used to work for."

The consumer groups said that global trade talks in Geneva threatened to put U.S. food safety laws at risk by yielding U.S. sovereignty to a panel in Rome that would set international standards.

They said that under the U.S.-Canada free trade agreement, a U.S. regulation banning asbestos was being challenged by the Canadian government because it closed U.S. markets to exports. Canadian officials could not be reached for comment Wednesday afternoon.

FOOD FIGHT:

How GATT Undermines Food Safety Regulations

By Eric Christensen

Negotiators for the world's leading trading nations are rushing to salvage stalled international trade talks. In their haste, they are ignoring the profound impact that trade can have on the quality of the environment. A prime example is the call for "harmonization" of food safety laws — a requirement that all nations observe a single international standard for food safety in order to smooth the way for international trade in agricultural products.

Harmonization was first proposed by the Reagan administration in 1986, at the beginning of the current round of trade negotiations under the General Agreement on Tariffs and Trade (GATT), an international agreement that lays down the rules for trade between nations. GATT, first negotiated just after World War II, was designed to replace the high tariffs, import quotas and other measures that severely restricted pre-war international trade, with a new and equitable set of trade rules. About 140 nations have now signed GATT or agreed to observe its rules. Together, these nations account for about 85 percent of the more than \$3 trillion in world trade that occurs yearly.

Harmonization's origins

The dispute between the United States and Europe over artificial hormones in beef ignited the harmonization debate. In 1985, in response to growing public concern about the potential human health impacts of growth hormones in cattle, the European Community banned imports of beef treated with these hormones. This action enraged U.S. beef producers, who charged that the ban was actually aimed at excluding U.S. beef from the European market. Although the United States has strenuously pressed this claim with Europeans, the dispute seems to have ended in a stalemate.

Harmonization has received the enthusiastic support

Eric Christensen is an attorney working with the Natural Resources Defense Council.

of large agribusinesses and the chemical industry, as a means of reining in the perceived regulatory excesses of Europe and other major U.S. trading partners. If the global trading community agreed to a uniform international standard, no particular country or group of countries could impose its own regulations — like beef hormone bans. The cause has now been taken up by Bush's Secretary of Agriculture, Clayton Yeutter.

Undercutting food safety laws

But harmonization would affect the United States too, where it could significantly weaken U.S. food safety standards. Dr. Frank Young, the former commissioner of the Food and Drug Administration and now a deputy secretary in the Department of Health and Human Services, states that U.S. and international standards would come into "direct collision" in the process of harmonization. This is because many U.S. food safety standards are more restrictive than the current international standards which are set by an obscure, Rome-based United Nations agency called Codex Alimentarius. For instance, Codex allows food to contain concentrations of the pesticide DDT that are up to 50 times higher than permitted under U.S. law, concentrations of permethrin up to 40 times higher and concentrations of heptachlor up to 20 times higher. U.S. agencies could also be forced to change their regulatory techniques, such as risk assessment, in ways that would weaken their ability to enforce food safety standards adopted in the future.

Harmonization also implies severe restrictions on the power of the states to regulate food safety independently. It would be inconsistent with the concept of harmonization to allow states to impose more restrictive regulations than national governments. Recent harmonization proposals circulated during the GATT negotiations have included explicit language limiting the power of state governments to regulate hazards in food independently. Such limitations would prevent state legislatures and U.S. environmentalists from enacting new food safety laws at the state level to reduce health and environmental

threats. Because of the political pressure placed on Congress by industrial interests, innovations in environmental and other consumer protections often begin in the state legislatures rather than Washington. For instance, industry attempted to use GATT to preempt California's "Big Green" initiative. Big Green, which was defeated at the polls in November 1990, would have instituted a number of significant environmental reforms, such as eliminating known carcinogenic pesticides from the food supplies.

Closing doors

Harmonization also would severely limit public participation in the process of developing food safety regulations. With the standards-setting process ceded to international organizations such as the Codex Alimentarius Commission, there would be almost no opportunity for public involvement in the setting of food safety standards, and no opportunity for a court appeal if the Commission set a standard contrary to law or inconsistent with scientific evidence.

Though the public would be locked out, industry could still exert a strong influence over the Codex process, as it does already. For instance, at a recent meeting of the Commission, the U.S. delegation included executives from chemical giants DuPont, Monsanto and Hercules. Department of Agriculture official Dr. Lester Crawford describes the relationship between U.S. government officials and industry representatives on the U.S. Codex delegation as "very close to a collegial atmosphere." The image of a fox guarding the henhouse is inescapable.

The GATT procedures that would be used to enforce any harmonization agreement are also fundamentally undemocratic. If a government believes that a particular food safety regulation is a "non-tariff trade barrier" under GATT, it can call for a review of the regulation by the GATT Secretariat in Geneva, but there is no opportunity for the public to participate in this process. Nor can the GATT Secretariat be held politically accountable. Some of the harmonization proposals currently being considered would exacerbate this problem because they vastly widen the scope of GATT review by allowing all food safety regulations to be challenged under GATT, not just those regulations which burden international trade.

Finally, harmonization turns a wise approach to environmental policy on its head. In the United States, most federal environmental laws impose minimum standards that all states must meet, but allow states to impose more restrictive standards. By extension, international standards should define the minimum acceptable level of protection nations should provide to their citizens and the environment, leaving each nation free to enact more restrictive regulations attuned to the environment of that nation and the demands of its citizenry. Harmonization entails exactly the opposite approach, however. It defines the most restrictive standards that nations may adopt and prevents or discourages nations from adopting more restrictive standards.

A partial derailment

Fortunately, strong opposition from Congress, environmentalists, consumer advocates and the public has

blunted the administration's most radical harmonization plans.

A July letter from 10 U.S. senators to U.S. Trade Representative Carla Hills, initiated by Sen. Tim Wirth, D-Colo., voiced "deep concern about the direction of the current GATT negotiations on sanitary and phytosanitary standards." Inspired by environmentalists, the letter criticized provisions which discouraged state governments from establishing independent regulation of pesticides. It called this "an unjustified incursion on the fundamental right of the states to protect the health and safety of their citizens." It also condemned provisions which "could discourage U.S. agencies from setting standards that are more restrictive than international standards, and subject U.S. health regulations to international approval." The letter characterized such a proposal as "absurd."

With opposition to its harmonization proposals growing, the Bush administration backed off. Still, the current GATT proposal preserves harmonization as an ultimate



Carla Hills, U.S. Trade Representative

goal. It generally requires countries to adopt international standards, but allows them to adopt their own standards in certain circumstances. Bush administration officials confirm that negotiators hope this GATT agreement will set the world on a course toward more far-reaching harmonization in the future.

The current proposal allows governments to adopt regulations more stringent than international standards, but only if there is a "reasonable scientific justification" for doing so. This proposal, while vastly preferable to the Bush administration's original position, would still impose severe restrictions on the ability of national and state governments to regulate food safety hazards.

The term "reasonable scientific justification" offers a misleading sense of objectivity, suggesting that there is one and only one scientifically "reasonable" response to food safety hazards. But food safety laws are not just scientific — they also reflect the level of risk that society is willing to accept in its food supply. The "reasonable scientific justification" test excludes the public from critical decisions about the safety of its food supply on the false proposition that these decisions can be determined conclusively by experts on purely scientific grounds. Further, where a government regulates on the basis of uncertain scientific evidence, as is often the case with food safety hazards, its regulations will be subject to potentially endless attacks by industrial interests who will claim that the regulation is not scientifically "reasonable," and that more evidence must be accumulated before the government can act. The cigarette industry has pursued this strategy for years, for example, continually attacking the enormous body of scientific evidence linking smoking with health problems.

The inhibiting force of the "reasonable science" standard was recently demonstrated in a case involving the U.S.-Canada Free Trade Agreement. In May 1990, the Canadian government filed an *amicus curiae* brief on behalf of an asbestos-using company against the U.S. Environmental Protection Agency. Canada is the world's largest asbestos exporter, and the Canadian government was fighting an EPA rule banning the use of all forms of asbestos. The Canadian government claimed that certain types of asbestos are safe enough to be used and argued that the EPA's rule should be disallowed by U.S. courts because "in promulgating this Rule, EPA has failed to recognize the international scientific consensus that the health risks of asbestos differ by fibre type and industrial process." Canada argued that the EPA standard therefore violated the U.S.-Canada Free Trade Agreement as well as GATT.

Towards environmentally sound trade

Environmentalists and consumer advocates have concluded that the threats posed to the environment by international trade call for the fundamental restructuring of international trade law. They argue that several revisions are critical.

First, Congress should make clear that it will reject any trade agreement containing a harmonization provision, and that U.S. trade negotiators should pursue less drastic means of reducing the impact of food safety regulations on trade. The underlying principle, that environmental protection should not be bargained away in trade negotiations, should be extended to other environmental laws as well.

Second, environmental concerns should be systematically incorporated into the decision-making process for international trade through such mechanisms as environmental impact assessments of proposed trade-related actions. The United States could make a start in this direction by imposing environmental assessment procedures on the office of the U.S. Trade Representative and other executive agencies engaged in making trade policy, either by Executive Order or by an Act of Congress. Such a requirement should also be incorporated into GATT in



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GATT protestors at the G-7 summit in Houston, July 1990.

order to inject a full awareness of the environmental impacts of trade, and the impact of particular proposals, into the process of making trade policy.

Third, GATT and other international trade agreements should be amended to recognize the legitimacy of national laws aimed at environmental protection. Currently, GATT allows such laws only if they are designed "to protect human, animal or plant life or health." This provision, written in 1947 when the environment was not a major public policy issue, was aimed at legitimizing quarantine restrictions. It should be expanded to protect laws aimed at preservation of ecosystems, prevention of pollution and restriction of trade in environmentally destructive products.

Finally, public participation in trade policy should be formalized and encouraged. Public participation in trade decisions is essential to prevent health, safety and other environmental concerns from being overridden by the powerful industrial interests who dominate closed proceedings. Only substantial reform of trade policy can prevent health, safety and environmental values from being sacrificed on the altar of free trade. ■

6.21

Global Pesticide Campaign

October 1990

Volume 1, Number 1

GATT, Pesticides and Democracy

Monica Moore

Secret negotiations currently underway among the world's major economic powers may take away people's rights to protect their health and environment from pesticides and other hazards. These negotiations are taking place within an extremely powerful but virtually unknown body within the United Nations system known as the General Agreement on Tariffs and Trade, or GATT.

GATT is both a set of negotiated agreements that govern international trade, and the international forum that enforces and reviews them. Established in 1947, GATT was an outgrowth of industrialized countries' post-World War II efforts to standardize trade practices and provide a framework for settlement of international trade disputes. The U.S. strongly promoted GATT as part of its push to establish a new world order based on principles of "free trade." Today, GATT has 98 member nations, and an additional 26 nations apply its rules on a de-facto basis. Its rules now cover an astonishing array of economic activity affecting between 80 and 90% of the three trillion dollars (US\$3 million million) of annual global trade.

GATT agreements are periodically revised by member countries in multi-year sessions known as "rounds." Seven rounds have been negotiated in near-total secrecy since GATT began operations; the eighth is scheduled to conclude this December. What makes this round of GATT negotiations so explosive are the U.S., European and Japanese proposals that would expand GATT's scope to pre-empt national laws and cover new areas outside the original definitions of trade. This expansion of GATT's already formidable powers would have a profound impact on citizens' and governments' ability to

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GATT from Page 1

influence local and national environmental, social and economic policy in the future. For this reason, GATT has become an urgent focus for farm, consumer, environmental and labor groups around the world.

Many people have recognized the critical importance of the 1990s regarding the continued survival of many species, ecosystems, peoples and ways of life. Yet GATT does not consider the environmental and social impacts of trade. To the contrary, the U.S. proposals during the current round consider environmental and other socially-motivated regulations to be "non-tariff barriers" and "market distortions" incompatible with free trade. (Subsidizing companies by not charging them for the costs of clean-up, social dislocations or health impacts of trade is *not* seen as a "market distortion," while preventing the need for such expenditures is seen as "government interference in the marketplace"). The U.S. proposals call for a single set of global trade standards to replace those determined at national levels to prevent member nations from adopting or enforcing social and environmental measures beyond GATT-approved levels. This process is called "harmonization."

Pesticide residue standards provide a striking example of how "harmonization" could wipe out hard-won health and environmental standards. If U.S. proposals are adopted, GATT member nations could not restrict imported produce based on pesticide residue standards higher than the "acceptable" levels of the Codex Alimentarius Commission (a U.N. scientific body based in Rome and made up of government officials and representatives from chemical and food companies). Immune from citizen input, Codex would set ceilings on residue standards, in many cases reversing existing standards. For example, the U.S. Environmental Protection Agency estimates 16% of pesticide residue standards set by Codex for which EPA also has standards permit greater amounts of pesticide residues on foods. Residues allowed by Codex of Dirty Dozen pesticides DDT, aldrin and heptachlor are up to 50 times higher than current U.S. standards. Countries that attempted to enforce stricter domestic laws on imports would face retaliation through tariffs applied against their exports and possibly other means.

"Harmonization" advocates argue that, while residue standards in industrialized countries like the U.S. may slip, many countries whose residue standards are weaker than those of Codex would be forced to increase residue controls to maintain their access to international markets. Increased controls would provide strong incentive to reduce pesticide use, according to this argument. However this approach implies a false "trade-off" between protection levels in richer and poorer countries. The issue is not simply the level at which proposed world standards would be set. Residue levels are not objective scientific determinations. They are policy tools derived through a combination of risk assessment techniques and political decisions, and they reflect the interests and assumptions of the people who design the techniques and assess political choices. This process of setting residue levels cannot be entrusted to "experts" removed from the everyday reality of pesticide misuse. Furthermore, experi-

ences in both the North and South show that it is possible to reduce pesticide residues while undermining the basis for sustainable production (see the Murray/Hoppin article on Page 1). The notion that "harmonized" maximum levels of protection should be enshrined in GATT regulations is totally inappropriate, at a time when farmers and government agencies around the world are acknowledging that alternative farming methods can vastly reduce use of chemical inputs.

Also under attack in this GATT round is the right of countries to restrict exports and foreign investment. Concerned about a recent U.S. ban on the export of raw logs, the Japanese government has proposed that GATT prohibit all export bans. This would prevent countries from protecting their natural resources, or outlawing exports of banned, restricted and unregistered products, including many pesticides. Already in Washington, D.C., industry lobbyists are fighting citizens' effort to stop the export of banned and unregistered pesticides from the U.S. on the grounds that this will "violate GATT." In another chilling development, a strong environmental initiative on the November 1990 ballot in the state of California is now under investigation by the Federal Trade Commission for compatibility with GATT requirements. *And the GATT negotiations have not even concluded yet, much less been approved by member governments!*

Underlying all these alarming scenarios are questions of democratic participation. The proposed revisions to GATT will transfer much of citizens' and national governments' policy-setting power to secret negotiations dominated by companies and governments based in the industrialized countries. If revised according to U.S., European and Japanese proposals, GATT will erode the ability of governments to establish social protection measures and will drastically reduce the political operating space of popular movements. These sweeping changes are being discussed with virtually no public input. In the case of the U.S., GATT negotiations are conducted by U.S. Trade Representative Mrs. Carla Hills, a non-elected official appointed by the president and advised by industry-affiliated experts. There has been almost no media coverage or public debate about the extensive environmental and social implications of the U.S. proposals. Citizen demands for public hearings on GATT have been ignored. And when final agreement is reached among GATT negotiators late this year, the U.S. Congress will have only 90 days to review and either accept or reject the entire multi-thousand page agreement, without the possibility of modification.

Although many environmental and social change groups have been slow to realize what is at stake in the GATT negotiations, there is now a growing movement to block any GATT agreement that does not provide for environmental and worker protection, and respect the right of the people to establish and improve national policies. Again using the U.S. as a case in point, farm groups have joined with consumer advocates, environmental organizations and organized labor to coordinate their work around GATT issues. A small but growing number of U.S. legislators are becoming aware that President Bush's proposed revisions to GATT will deeply undermine Congressional authority to make law. Interna-

continued on Page 14

tional coalitions and networks are working to block any GATT agreement that does not allow countries to shape their development process, take into account basic democratic process, or mitigate the environmental impacts of trade. These coalition efforts are most developed in the areas of agriculture, environment, labor, and biotechnology.

The need to regulate international trade is obvious, as is the value of an institutional framework such as GATT to facilitate this process. What is outrageous about the suggested revisions to GATT is that they rewrite the rules of trade at the cost of environmental and worker protection and democratic process. Establishing an absolute right of business to buy and sell products and services above all other interests is a one-way ticket to ecological disaster – and world government by industry.

For consumers, small farmers, environmentalists, social activists and many others, GATT raises what is probably the ultimate question of this era: will corporations and the governments that represent them organize international trade at the expense of democracy and environmental justice, or will citizens organize to demand that trade furthers rather than destroys even the possibility of sustainable development? GATT makes it absolutely clear we must organize globally in order to preserve our ability to act locally, and to change the basis of GATT operations from "free trade" to "fair trade."

Monica Moore is Executive Director of PAN North America Regional Center.

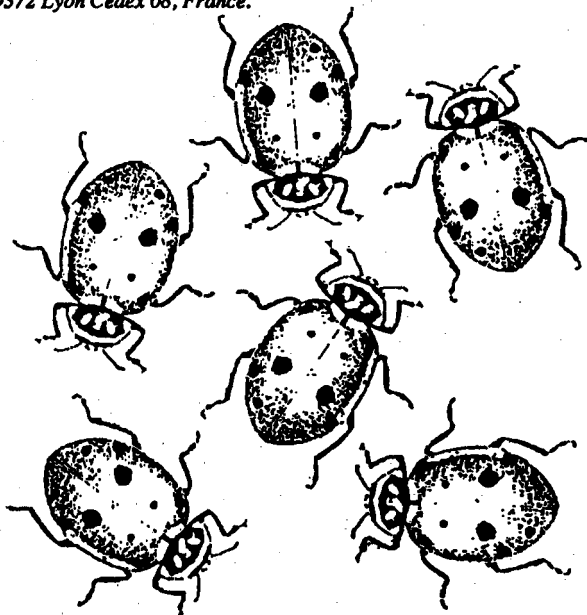
Resources:

"Trading Our Future: Talking Back to GATT" by David Morris, Institute for Local Self Reliance, 220 West King St., Saint Paul, MN USA.

"Recolonization: GATT, the Uruguay Round and the Third World" by Chakravarti Raghavan, Third World Network, 87 Cantonment Road, 1025 Penang, Malaysia.

"Trading Away Our Environment" by Mark Ritchie, Fair Trade Campaign/Institute for Agriculture and Trade Policy, 212 3rd Ave. North # 301, 55401 Minneapolis, MN USA.

"On the GATT, Uruguay Round, and Agriculture", by the European NGO Network on Agriculture and Development (RONGEAD), 14, rue A. Dumont, 69372 Lyon Cedex 08, France.



Codex pesticide maximum residue levels on foods which are weaker than US EPA tolerances.

Crop	Pesticide	Increase
Carrots	Benomyl	25X
Apples	Permethrin	40X
Broccoli	Permethrin	2X
Strawberries	Lindane	3X
Potatoes	Diazinon	5X
Bananas	Aldicarb	1.6X
Bananas	Diazinon	2.5X

Some examples of Codex pesticide maximum residue levels on foods which are weaker than US FDA action thresholds.

Crop	Pesticide	Increase
Broccoli	Heptachlor	5X
Broccoli	DDT	33X
Broccoli	Aldrin	3.3X
Broccoli	Dieldrin	3.3X
Carrots	Heptachlor	20X
Carrots	DDT	10X
Grapes	DDT	20X
Lettuce	Heptachlor	5X
Lettuce	DDT	33X
Lettuce	Aldrin	3.3X
Lettuce	Dieldrin	3.3X
Potatoes	Heptachlor	5X
Potatoes	DDT	10X
Milk	Endrin	3X
Apples	DDT	10X
Apples	Aldrin	1.7X
Apples	Dieldrin	1.7X
Bananas	DDT	50X
Bananas	Aldrin	2.5X
Bananas	Dieldrin	2.5X
Peaches	DDT	50X
Peaches	Aldrin	2.5X
Peaches	Dieldrin	2.5X
Pineapple	DDT	33X
Pineapple	Aldrin	1.7X
Pineapple	Dieldrin	1.7X
Strawberries	DDT	20X

Pesticides examined: Aldicarb; Aldrin and Dieldrin; Benomyl; Toxaphene; Captafol; Chlordane; Chlordimeform; Chorpyrifosmethyl; Cypermethrin; 2,4-D; DDT; Diazinon; Dinoseb; Endrin; Folpet; Heptachlor; Lindane; Malathion; Permethrin; Paraquat.

Compiled by Bill Barclay, Greenpeace USA

Trade proposals threaten U.S. food safety

Critics say Bush proposal to GATT, the global trade treaty, would hurt safe food laws

Environmentalists acting locally to pass strong food safety laws may be undermined by global thinking free trade advocates.

That's the fear of U.S. environmentalists who are opposing the Bush Administration "harmonization" proposal to the General Agreement on Tariffs and Trade (GATT)—the pact which governs much of the globe's flow of trade.

In particular, environmentalists fear Bush's negotiators will sacrifice U.S. food safety standards — such as strict limits on cancer-causing chemicals — in an effort to reduce trade barriers.

GATT is a series of negotiations leading to international treaties which promote free trade among nations. It governs over 80 percent of world trade — with 96 member countries as well as 28 additional countries which adhere to its rules on a de facto basis.

Agricultural trade has become the primary subject of dispute in the current negotiations. The Bush Administration, in its agricultural proposal to GATT, recommended "harmonization" — leveling all countries' health standards — to insure that health standards do not become trade barriers in disguise.

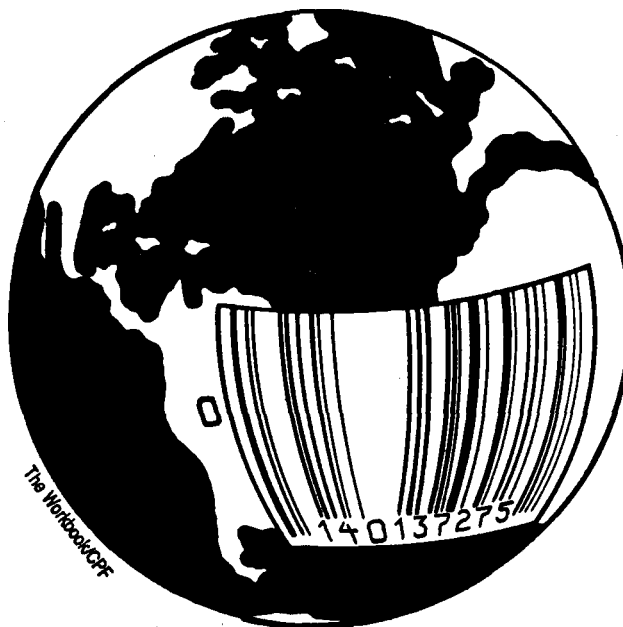
Harmonization has been strongly opposed by a coalition of prominent farm, consumer, and environmental groups. The coalition includes Friends of the Earth, Natural Resources Defense Council (NRDC), the National Family Farm Coalition, Greenpeace, and the National Wildlife Federation.

Lower U.S. safety standards?

Consumer advocate Ralph Nader has called harmonization "a drive for uniformity downward" in food-safety regulations. Other critics agree, saying the Bush proposal — originally advanced by Agriculture Secretary Clayton Yeutter when he served as Trade Representative under former President Ronald Reagan — would subject the U.S. to pressures which might lead to the lowering of U.S. environmental standards.

If the U.S. (or any other country) refuses to import goods that don't meet domestic health standards — and if the domestic requirements are stricter than international standards — the U.S. would be required by GATT to prove to an international tribunal that the ban is based on a scientifically proven threat to human health.

But, in many cases, domestic laws are passed to protect the public from possible risks to public health — not scientifically proven threats. If the tribunal ruled such a standard was actually a trade barrier, the



U.S. would have to pay compensation to the exporter, face trade retaliation, or weaken the domestic law.

In the past, the U.S. has always relaxed its standards rather than face tariffs or other retaliation. GATT observers are concerned that harmonization may lead to revocation of U.S. laws such as the "Delaney Clause" — the law that sets a zero-tolerance standard for known carcinogens in food.

"U.S. consumers and exporters should not be asked to pay ransom to other countries if they wish to set higher standards."

— Friends of the Earth's Alex Hittle

"U.S. consumers and exporters should not be asked to pay ransom to other countries if they wish to set higher standards," said Alex Hittle, FOE's International Coordinator. "Nor should the U.S. try to force foreign consumers, who might choose higher standards, to accept more poisons in their food as we try to 'open up' foreign markets for our exports."

Closed doors — except to industry

Harmonization critics also worry that food safety standards would be determined behind closed doors by industry consultants. The U.S. has proposed using international standards such as the United Nations-administered Codex Alimentarius (Food Code) as a benchmark to determine whether countries' food safety standards are actually trade barriers.

But at a recent Codex commission meeting, the U.S. delegation included executives from Nestle, Coca Cola, Ralston Purina, Kraft, the Grocery Manufacturers of America, the Food Processors As-

sociation and the Association of Cereal Chemists. No environmental, consumer, or farm interests were represented.

Currently, the Codex is weaker than U.S. standards for many pesticides. It contains no standards for many agricultural chemicals and animal drugs — including DDT, Alar, BGH, and sulpham antibiotics — which the U.S. currently restricts in some way.

Undermine states' rights

Critics say the Bush proposal would also "preempt states' rights" — counter a state's right to pass laws that are stricter than federal regulations. In fact, Yeutter has stated that federal regulations should supersede state laws to ease international conformity. "How can we get international harmonization when we can't get it here at home?" he said.

"The pesticide industry has lost the battle in Congress, in the courts, at the state level, and in the court of public opinion," said Eric Christensen, an NRDC attorney. "Now industry, with the administration's help, seeks to undermine state and federal pesticide regulations through the back door of international trade laws."

Unfair competition

The Bush proposals might also create an unfair competitive situation for U.S. agribusiness, harmonization opponents say. They say that U.S. farmers could have to comply with strict — and sometimes expensive — domestic laws, while their foreign competitors would be allowed to farm with less regulation — and more chemicals.

No social criteria

The Bush proposal could also preclude establishment of "social criteria" for regulation of food products. Under the proposal, products would be judged sole-

ly on "existing scientific evidence." Consumers would not be able to pressure their governments to ban imports of products for social reasons.

Recently, opposition to harmonization has begun to mobilize in Congress. Reps. Al Swift (D-2nd Wash.) and James Scheuer (D-8th N.Y.) have introduced Congressional resolutions opposing the administration's GATT proposal.

Swift's measure (H. Res. 371) asks Bush to seek to eliminate or reduce competitive disadvantages resulting from differing national environmental standards and controls. But, the resolution states, international standards should not weaken U.S. environmental laws. Rather, Bush should bring the rest of the world up to U.S. standards, not lower U.S. to meet other countries', Swift said.

Scheuer's resolution (H. Con. Res. 336) asks Congress to veto the GATT package if it includes the harmonization provision and to withhold approval until an environmental assessment of the entire agreement is completed. The resolution also requires that the international standards "become a floor, not a ceiling" for state and national standards.

The call for harmonizing standards in agricultural trade is just one, previously non-controversial, element of current GATT talks. The talks also focus on farm programs, trade in financial and other services, and intellectual property rights.

Yeutter and U.S. Trade Representative Carla Hills have said repeatedly that successful GATT negotiations will depend on progress toward trade liberalization in agriculture — gradual, worldwide elimination of all trade distorting measures including farm programs.

Currently, the talks are stalled by longstanding agricultural trade disagreements between the U.S. and its powerful trading partners. The next meeting of high-level GATT negotiators will take place in July at Houston's "Group of Seven" summit where leaders from the top industrialized nations — the U.S., France, Italy, U.K., Germany, Canada, and Japan — will meet to discuss economic policy. The current "Uruguay Round" of GATT talks is set for completion in December and a final document is expected thereafter.

What You Can Do

- Urge your Representative to support H. Con. Res. 336.

- Contact your Senators and U.S. Trade Rep. Carla Hills. Ask them to insure that the effort to harmonize international standards sets a floor, not a ceiling, for health safety standards.

Write: Rep. _____, U.S. House of Representatives, Wash., D.C. 20515; Sen. _____, U.S. Senate, Wash., D.C. 20510; The Honorable Carla A. Hills, U.S. Trade Representative, 600 17th St. NW, Wash., D.C. 20506.

— Brian Ahlberg

Brian Ahlberg is Communications Director for the National Family Farm Coalition in Washington, D.C. 6-25



Part 7: TRIPs and TRIMs

While most of the proposals to change current GATT rules concern tariffs and subsidies, the U.S., Europe, and Japan also want to extend the trade agreement into two new areas: 1) Trade-Related intellectual property rights (TRIPs), such as patents and copyrights; and 2) Trade-Related investment measures (TRIMs), which spell out how countries participating in the GATT must deal with foreign investors and the operations of foreign corporations within their borders – in all areas – manufacturing, mining, and services such as banking, insurance, and shipping.

William Brock, former U.S. trade representative to the GATT, underscored the significance in his speech at the G7 summit in July of 1990: "Agriculture is not the main issue ... It is the linchpin to an agreement on issues of much greater magnitude, issues that really matter like intellectual property, services and investment."

Non-Governmental Organizations (NGOs) and economists from Third World countries fear that allowing the Agreement's international trading rules to intrude in these areas will give transnational corporations unrestricted freedom of operations in their countries. Third World countries will be forced to introduce laws protecting patent rights and investment opportunities of foreign corporations or their exports could be subject to retaliatory measures. As a result, emerging industries in Third World countries will become vulnerable to foreign take-overs and their consumers might find themselves paying higher prices for essential drugs. Even the traditional rights of farmers to store seed from the harvest for the next season or to breed cattle could be in jeopardy.

Trade-Related Intellectual Property Rights: The U.S., Europe, and Japan are pressuring for new laws in patenting to protect the monopoly rights of transnational corporations to intellectual property. These property rights are the key to controlling technology, inventions, and scientific breakthroughs in all fields. The concept of science

and technology as a common heritage of all humankind is being challenged. These new proposals to the GATT will ensure that this technology remains firmly in the hands of the already-industrialized countries.

Intellectual property rights refer to a design, technology, or product invented by a person or corporation. Rights are awarded through patents, copyright, or trademarks which grant the inventor the exclusive rights of use and/or to earn royalties from its use. The proposed Intellectual Property Rights include some of the following:

- Intellectual property rights shall be uniform for all countries and the present laws in industrial countries should be taken as the standard.
- The rights for intellectual property owners need not be balanced by obligations that society imposes upon them.
- These rights shall be given for almost all types of products, including patents on plants, animal varieties, and biological processes for plant and animal production.
- The rights shall be granted for longer periods than now prevailing in most Third World countries.

Once these changes are accepted within the GATT, countries not abiding by the new rules face trade retaliations. Many Third World non-governmental public interest workers say that the recognition given to an inventor is more a privilege than a right. The benefit given to an inventor must be balanced by the public good, or the public's right to benefit from innovation and knowledge. Without these considerations, the privileges granted to the inventor could become monopoly rights and would prevent distribution of knowledge to the people most in need.

By denying Third World countries access to knowledge and blocking their potential for innovation and technical change, built upon existing scientific and technological discovery, industrial-

ized countries will hamper the rise of competitive capacity in the Third World. When the present industrial countries were at the developing stage, they were able to take advantage of a more open scientific world community, and technological breakthroughs in other countries, and thus develop their own technologies. With the new stringent patent laws it will be very difficult for local Third World companies to develop their own products.

Pharmaceuticals: Today the battle for patent power is particularly strong in the pharmaceutical sector. In order to provide citizens with low-cost medicines and foster the development of local industries and companies, many Third World countries do not allow the patenting of drugs. If they do allow some patenting, their patent laws are short-term, and exclude vital sectors such as food and health from monopoly control. India has been a leader in this line of policy, and its patent laws are under particular attack.

Most industrialized countries once thought this way too. Patent protection for drugs was allowed only after national industries had become strong. France only began patenting drugs in 1958, West Germany in 1968, and Switzerland, home of the world's leading pharmaceutical corporations, in 1977. Japan started patenting pharmaceutical products only a year earlier, when it already ranked second in world production of drugs and controlled 80% of its market. Those industries could not have developed without access to then-current medical and technical knowledge. Only when local industrial strength in the field was certain, and control of technology had been already acquired, were patents allowed. With export the next step, patents were then viewed as desirable—to capitalize on what they had achieved. By insisting on the new patent laws in GATT, the industrialized countries are seeking to deny the same route to development for emerging Third World countries.

For example, a pharmaceutical firm can develop and patent a medicine based on a tropical plant and be assured that it will receive the full value of its product when sold overseas. Yet the developing country that is the source of the biological material will receive nothing; nor would the local people whose knowledge may have led

to the discovery of the healing properties of the original biological material. Dr. Vandana Shiva, Director of the Research Foundation for Science, Technology, and Natural Resources in India, says, "The total contribution of wild germplasm from the Third World to the American economy has been \$66 billion. These billions in profit have not been shared with Third World countries, and there has been no compensation for the indigenous peoples who willingly share their knowledge."

Biodiversity: In addition to the economic inequities, the preservation of the world's biological diversity is at stake. The economic and ecological value of both biological and genetic resources, as they exist *in situ*, in the rainforests and other diverse ecosystems of the world, is not recognized in the current GATT proposals. In fact, practically all the major crops and their extraordinary genetic variety, which have been built up over centuries and millennia by successive generations of farmers, are being taken over by large international corporations.

The new GATT proposals will enable multinational agri-chemical companies to take out patents on hybrid seeds and seeds that are indigenous to the Third World, (newly identified by corporate botanists) and then charge the nations from which the seeds originated for the right to use them. This will mean that farmers will have to pay royalties to the transnationals that have bought most of the world's seed distribution companies. Most Third World countries view genetic resources as a common heritage, but U.S. patent laws allow life forms and genetic material from Third World countries to be owned and marketed by biotech and pharmaceutical corporations.

Transnational corporations, in particular the major oil companies, are now heavily involved in the patenting of seeds. Increasingly, they are beginning to control much of the world's agriculture, not only through owning land but through genetic engineering of crops. Third World farmers have few options. Not only will they be forced to purchase the patented seeds but also the chemicals needed to compensate for their fragile viability in Third World weather and pest conditions—often from the same company. Laws now exist in the European Common Market which forbid

growers to use non-patented seeds. Many of the older varieties have vanished from the stocks of seed merchants, since the producers cannot afford to patent seeds that have a limited sales volume. These practices reduce the available gene pool, and create massive vulnerability when pesticides and chemical fertilizers lose their effectiveness.

The tropical forests, too, have provided the world with a rich array of important pharmacological and industrially useful substances, the best known examples being curare and rubber. The indigenous inhabitants of the forest were the original developers of these products, but once the discoveries are taken from the forest peoples, these people become as dispensable to the transnational corporations as their environments are.

Trade-Related Investment Measures: Historically, most governments have attempted to protect their country's industries in order to ensure employment and prevent imbalances in the ratio of imports to exports. A number of investment measures have been imposed in the past to regulate foreign investments within sovereign borders, such as:

- Local content requirements – these specified that a minimum ratio of local materials must be used in goods produced in the country;
- Export requirements – investors were required to export a fixed percentage of the product;
- Trade-balancing requirements – investors could not import more than they export;
- Local equity requirements – a certain percentage of the company's equity must be held by local investors;
- Manufacturing limitations – certain markets were reserved for local firms to protect them from being eliminated by foreign competition.

These protections will be dismantled if the new proposals relating to investment are accepted. Although the proposals will apply equally to every GATT member they will have very different consequences for countries of the North with

strong economies than they will have for countries of the South with their developing economies. If Third World countries have little or no power to regulate investment and the operations of foreign companies in their territory transnational corporations will have complete freedom of operation in such areas as: manufacturing and mining; services such as banking, insurance, transport, telecommunications, wholesale and retail trade; and professional services like accounting, advertising, and law.

Many Third World countries see that the deregulation of investment and services in banking, insurance, and telecommunications will allow large international corporations to displace small and medium-size firms in the host country. 'Investment conditions' protect the development of local industries and are in place to regulate, not restrict, trade. These protections are now called "barriers to free trade" and are targeted as measures that restrict trade and prevent economic growth. One aim of the current Uruguay Round negotiations is to eliminate all such "restrictive trade practices."

The services sector of the global economy accounts for over \$700 billion in world trade and is by far the fastest growing sector of the international economy. The new proposals to the GATT in this area will provide corporations a legal right to open up previously protected markets, particularly in the Third World. For example, under current regulations, Bank of America can have a limited number of banks in the larger cities of a small country like Malaysia. Under the new rules, Bank of America will be able to set up branches in the small villages and towns all over the country – and the bank must be treated as a national bank. If Malaysia objects, stating that this will undermine the country's local banks, this action would be branded a non-tariff trade barrier – a restriction of free trade – and the GATT could "cross-retaliate" with an embargo of Malaysian rubber or palm oil. This threat gives the new GATT more power and bite. Third World countries with little economic clout are certain to suffer rather than benefit if they are forced to allow transnational service corporations such freedom to operate in their countries.

As their statements and papers to the GATT

show, the U.S. and Japan want an international investment regime that will restrict and limit host country policies and laws governing foreign investors. A broad range of issues are involved: social development policy, financing, control of bank credits, employment and industrial relations, regional development, fiscal policy, international capital flows, transfer of technology, and regulation of the conduct of transnational corporations. If countries can't control the entry and behavior of huge corporations within their borders, they will lose much of their sovereignty and will be forced to protect foreign investors at the expense of their local industries.

Resources

"Biodiversity, Biotechnology and Profit," Dr. Vandana Shiva, Director of the Research Foundation for Science, Technology and Natural Resources Policy, in India, and Associate Editor of *The Ecologist*, reprinted from *The Ecologist*, March/April 1990.

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Biodiversity, Biotechnology and Profit:

The Need for a Peoples' Plan to Protect Biological Diversity

by
Vandana Shiva

The international development institutions have recently been expressing concern about the threats to the planet's biodiversity. These concerns have culminated in a global Biological Diversity Action Plan drawn up for the World Bank. The Draft Plan fails to address the forces which have caused the erosion of biodiversity in the past and is set to encourage future threats to biodiversity, especially through the biotechnology revolution. What the Third World needs is not an Action Plan that makes its germplasm available to Northern corporations, but a Peoples' Plan to prevent the erosion of these genetic resources.

The preservation of biodiversity will be a vital issue for the ecology movement during the 1990s. Genetic erosion is an ecological hazard both because it leads to the extinction of life forms which have a value in themselves, and because genetic uniformity breeds ecological vulnerability.

Much of the current rhetoric on the urgency of the need to conserve genetic resources, however, comes not from those with the concerns of the ecology movement, but from those whose aim can be described as 'commercialized conservation'. Commercialized conservation measures biodiversity in dollars and justifies conservation in terms of present or future commercial returns. It fails to recognize biodiversity as having an inherent ecological value in itself.

The Biodiversity Action Plan

Following the Tropical Forestry Action Plan (TFAP), the World Bank has been actively pursuing the goal of a global 'Biodiversity Action Plan'. To this end, a World Bank Task Force on Biodiversity was set up. Like TFAP, the Plan for the development of a global strategy for the conservation of biodiversity was drafted by the Washington-based environmental consultancy, the World Resources Institute (WRI) in collaboration with the International Union for the Conservation of Nature and Natural Resources (IUCN), the Worldwide Fund for Nature in the U.S. (WWF-US) and the United Nations Environment Programme (UNEP).

However, the Plan lacks both a political and an ecological perspective on biodiversity conservation. Like its sister plan, the TFAP, the Biodiversity Action Plan could well exacerbate the problem.¹

The plan works on the false assumptions that:

- Biodiversity is a global resource;

- All nations benefit equally from the utilization of biodiversity;
- The threats to biodiversity arise mainly within developing countries;
- Genetic erosion takes place because Third World countries have severely restricted financial means and;
- Biodiversity conservation is dependent primarily on money.

These assumptions totally ignore the real causes of genetic erosion in the past and the threats posed to the maintenance of biodiversity in the future. The WRI Draft Plan ignores all discussion of genetic erosion in agriculture and reduces the issue solely to biodiversity in forests. As a result, the Plan avoids two critical aspects of biodiversity conservation. It fails to explain how commercial forces have contributed to the destruction of diversity in the past, and it diverts attention from how the same commercial forces, with new technologies, now need 'commercialized conservation' to ensure their supplies of biological raw materials.

Instead of ensuring biodiversity by incorporating the principles of diversity into agricultural and industrial processes, the Action Plan proposes 'set-asides' and 'reserves' of wilderness areas as the primary instrument for conservation. However, merely setting aside reserves in the remaining (relatively) undisturbed ecosystems of the world is a hopelessly inadequate response to the current loss of biodiversity. No one knows how large individual reserves would have to be in order to survive in the long-term. In the Amazon, for example, isolated patches of even 1000 hectares cannot sustain themselves. Worse still, there is the danger that, once created, reserves will be used as an excuse for exploiting areas which have not been set aside. Climatic changes due to global warming — and therefore changes in the distribution of various ecosystems — is an additional factor which should be taken into consideration.

Biodiversity is not uniformly distributed across the world. It is concentrated in the tropical countries of the Third World, and is therefore primarily a Third World resource. Northern corporations and institutions have used the rich genetic diversity of the

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South as a free resource and a raw material input for their breeding programmes and seed industry. Genetically uniform seeds are then spread around the Third World as purchased 'inputs' for Green Revolution agriculture.

The World Bank, CGIAR and Genetic Erosion

The World Bank has directly financed the replacement of the genetically diverse cropping systems of the Third World with the monocultures of the Green Revolution. It has also contributed to genetic erosion through the centralized research institutions controlled by CGIAR (the Consultative Group on International Agricultural Research) which was launched in 1970 on the initiative of the World Bank. Uniformity and vulnerability were built into the international research centres run by American and American-trained experts breeding a small range of new varieties that would displace the thousands of locally cultivated plants in agricultural systems built up over generations on the basis of centuries of indigenous knowledge.

Centralized research and genetic uniformity go hand in hand in agriculture. The CGIAR-controlled International Rice Research Institute was set up in the Philippines in 1960 by the Rockefeller and Ford Foundations, nine years after the establishment of a premier Indian Institute, the Central Rice Research Institute (CRRRI) in Cuttack. The Cuttack Institute was researching indigenous knowledge of rice genetic resources, a strategy in conflict with the American-controlled aims of the IRRI. The Director of

the CRRRI was removed, under international pressure, when he resisted handing over his collection of rice germplasm to the IRRI, and asked for restraint on the hurried production of the High Yield Variety (HYV) rice varieties from the IRRI. The Madhya Pradesh government then gave a small stipend to the ex-director of the CRRRI so that he could continue his work at the Madhya Pradesh Rice Research Institute (MPRRI) at Raipur. Working on a shoestring budget, he conserved 20,000 indigenous rice varieties *in situ* in India's rice bowl in Chattisgarh. However, the MPRRI was itself closed down under pressure from the World Bank, as it had reservations about sending its germplasm collection to the IRRI.²

Robert Onate, President of the Philippines Agricultural Economics and Development Association observed that IRRI practices had created a new dependence on agrochemicals, seeds and debt. "This is the Green Revolution Connection", he remarked, "New seeds from the CGIAR global crop seed systems which will depend on the fertilizers, agrochemicals and machineries produced by conglomerates of Transnational Corporations."³

Monoculture for Genetic Diversity

The continued spread of genetic uniformity is perversely viewed by the World Bank as a means of ensuring 'biodiversity conservation'. For example, John Spears, Chief of the Environmental Sciences and Technology Division at the World Bank has recommended the intensification of monoculture practices in agriculture and forestry in order to "preserve biological diversity" in Asia.⁴ Already, World Bank-financed 'social forestry' projects in India are replacing genetically diverse agroforestry systems with monocultures of eucalyptus plantations serving the paper and pulp industry. Similar plantations will be expanded worldwide under TFAP.⁵

IBPGR and Gene Robbery

The International Bureau for Plant Genetic Resources (IBPGR), which is run by CGIAR, was specifically created for the collection and conservation of genetic resources. However it has emerged as an instrument for the transfer of resources from the South to the North. Although most genetic diversity lies in the South, 81 of the 127 collections held by IBPGR are in the industrialized countries, whilst another 29 are held by institutions in the CGIAR system — and thus controlled by governments or corporations in the North. Only 17 collections are in the developing countries. As Jack Kloppenberg has observed: "There is empirical justification for characterizing the North as a 'finance-rich but gene-poor' recipient of genetic largesse from the poor but 'gene-rich' South."

The Biodiversity Action Plan could accelerate this South to North transfer of genetic resources. The World Resources Institute, in fact, praises the work of the IBPGR and cites it as a model for action on biodiversity. It states that the IBPGR works to "ensure the collection and conservation and use of germplasm so as to contribute to raising the standard of living and welfare throughout the world". Experience however, shows that the IBPGR has not contributed to equal benefits worldwide, but has used Third World resources for the benefit of the industrialized countries.

With the emergence of the new biotechnologies, the polariza-

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"The emerging trends in global trade and technology work inherently against justice and ecological sustainability. They threaten to create a new era of 'bio-imperialism', built on the biological impoverishment of the Third World."

tion between the North and the South over issues of biodiversity will be aggravated, since the North will try to continue to treat the biodiversity of the South as a freely accessible global resource while creating the international legal frameworks which will enable the privatization of genetic resources through patent laws and intellectual property rights.

Biotechnology and Species Extinctions

Biotechnology is seen by many environmentalists as a solution to the problem of genetic erosion. Gus Speth of the WRI, for example, states that the "world's emerging biotech industry provides many of the tools needed for environmentally sustainable growth".⁶

However, viewing biotechnology as a miracle solution to the biodiversity crisis ignores the fact that biotechnologies, are, in essence, technologies for the breeding of uniformity in plants and animals. Although representatives of biotechnology corporations talk of contributing to genetic diversity, the 'diversity' of corporate strategies and the diversity of life forms on this planet are not the same thing, and corporate competition cannot be treated as a substitute for evolution in the creation of genetic diversity.⁷

The genetically engineered products of corporate biotechnology ventures will not only be genetically uniform and ecologically fragile in themselves, but they will pose new ecological threats to other life-forms. 'Genetic pollution' from the release of genetically modified organisms is set to become a major ecological problem.⁸ An assessment of these risks is essential for biodiversity conservation.

Patent Protection and Third World Sovereignty

Most Third World countries view genetic resources as a common heritage. However, with the new biotechnologies, life can now be privately owned.

Corporate interests view patent protection for modified life-forms as a prerequisite for biotechnological innovations. This issue raises a number of unresolved political questions about ownership and control of genetic resources. In manipulating life forms, biotechnologists must start from other life-forms which belong to others — for example through customary law. Genetic engineering does not create new genes, it merely relocates genes in existing organisms. Reducing complex organisms to their genetic components, which are then given an economic value through patenting, may be commercially convenient but it violates the integrity of life as well as the common property rights of Third World peoples.

With the new biotechnologies, centuries of innovation are totally disvalued. Patenting gives monopoly rights on life forms to those who manipulate genes with new technologies, totally disregarding the intellectual contribution of generations of Third

World farmers, who for over 10,000 years have experimented in conserving, breeding and domesticating plant and animal genetic resources. Complex organisms which have evolved over millennia in nature, and through the contributions of Third World peasants, tribals and healers, are reduced to their genetic components and treated as mere inputs for biotechnology. The patenting of genes thus leads to a devaluation of life-forms by reducing them to their constituent parts and allowing them to be repeatedly owned as private property.

The Northern countries are using trade as a means of enforcing their patent laws and intellectual property rights on the sovereign nations of the Third World. The U.S. has accused the countries of the Third World of engaging in 'unfair trading practice' if they fail to adopt U.S. patent laws which allow monopoly rights in life forms. Yet it is the U.S. which has engaged in 'unfair practices' over the use of Third World genetic resources. It has freely taken the biological diversity of the Third World to turn in into millions of dollars of profits, none of which have been shared with Third World countries. The total contribution of wild germplasm to the American economy has been U.S.\$66 billion — more than the combined international debt of Mexico and the Philippines.⁹

A single wild tomato variety (*Lycopersicon chomrelewskii*) taken from Peru in 1962, has contributed U.S.\$8 million a year to the American tomato processing industry by increasing the content of soluble solids in U.S. tomatoes.¹⁰ Yet none of these profits or benefits have been shared with Peru.

How Drug Firms Rob the Third World

The value of the South's germplasm for the Northern pharmaceutical industry is expected to increase from the current estimate of U.S.\$4.7 billion to U.S.\$47 billion by the year 2000. As the drug companies realize that nature holds rich sources of profit, they begin to covet the potential wealth of tropical moist forest as a source for medicines. For instance, the Madagascar periwinkle is the source of at least 60 alkaloids which can treat childhood leukaemia and Hodgkin's disease. Drugs derived from this plant bring about U.S.\$160 million worth of sales each year.

At the present rate of destruction of the tropical forests, 20-25 per cent of the world's plant species will be lost by the year 2000. Consequently, major pharmaceutical companies are now screening and collecting natural plants through contracted third parties. The British company, Biotics, for example, is a commercial broker known for supplying exotic plants for pharmaceutical screening and inadequately compensating the Third World countries of origin. The company's officials have actually admitted that many drug companies prefer "sneaking plants" out of the Third World rather than going through legitimate negotiating channels. The U.S. National Cancer Institute has sponsored the world's single largest tropical plant collecting effort by recruiting ethnobotanists to document the traditional medicinal uses of plants and other species: yet the indigenous peoples who

willingly share this knowledge are unlikely ever to share in the profits from the development of new drugs or other products.

In spite of the immeasurable contribution that Third World biodiversity has made to the wealth of the industrialized countries, the corporations, governments and aid agencies of the North continue to try to make the Third World pay for what it originally gifted. The emerging trends in global trade and technology work inherently against justice and ecological sustainability. They threaten to create a new era of 'bio-imperialism', built on the biological impoverishment of the Third World.

The major drug and agricultural companies and their home governments are exerting heavy pressure on international institutions such as the General Agreement on Tariffs and Trade (GATT) and the UN Food and Agriculture Organization (FAO), to recognize genetic resources as a 'universal heritage' in order to guarantee them free access to these raw materials. International patent and licensing agreements will increasingly be used to secure a monopoly over valuable genetic materials which can be developed into drugs, food and energy sources.

Recommendations

The Third World must urgently take stock of its genetic resources, particularly those contained in tropical forests. Rather than permit the North to 'rescue' the world's tropical forests for their own economic interests, conservation measures must be undertaken for the long-term benefit of the Third World and due respect and recognition must be accorded to the knowledge and interests of its indigenous peoples.

To this end, there is an urgent need for Third World countries to promote a Peoples' Biodiversity Conservation Plan to counter the commercialized conservation plans for biodiversity. It must be recognized and steps must be taken to ensure that:

1. Protection of diversity has to be based on regenerating diversity as a basis of production in agriculture, forestry, energy and health care. A Peoples' Biodiversity Plan cannot support uniformity as a principle of *production* and diversity as a principle of *conservation*.
2. The practice of diversity can only be ensured through decentralization. Centralized systems of research, production or conservation force the spread of genetic uniformity and genetic erosion.
3. The practice of diversity has been characteristic of indigenous systems of production in the Third World. Biodiversity conservation plans need to contribute to the regeneration of these systems.
4. The knowledge and intellectual contributions of generations of Third World 'innovators' — peasants, tribals and traditional healers — needs to be recognized and treated on an equal footing as innovation in the labs of industrialized countries to correct the distortions being introduced through the patenting of life-forms.
5. The contribution of Third World germplasm, from wild as well as cultivated varieties, to capital accumulation in industrialized countries needs to be recognized and compensated for in a just and humane and ecological manner, not merely as tokenism. There is injustice inherent in current technological and trade practices, which treat genetic resources which come from the Third World as

freely available while the same genetic material when used by scientists and corporations in the North is protected by patents, treated as private property and sold back to the Third World at exorbitant prices.

6. A Peoples' Biodiversity Plan needs urgently to address the issue of 'ownership' of life through patents on life forms with all its ethical, legal and political implications.

Third World governments must:

1. Prohibit all researchers, social scientists and scientists who are working for foreign interests from conducting research and study on and/or collecting genetic resources in the Third World. Existing contracts or agreements to do research and/or screening and collecting of genetic germplasm should be terminated to stop the transfer of valuable germplasm to the North and safeguard the heritage of the Third World.
2. Introduce legislation and institutional safeguards to protect the genetic resources of the Third World.
3. Systematically monitor the activities of all transnational corporations in this field in individual countries.
4. Systematically monitor and analyze the activities of international agencies like GATT, FAO, WIPO (World Intellectual Property Organization) and UPOV (International Union for the Protection of New Varieties of Plants). These international organizations are dominated by the Northern countries and have been used by them to rob the Third World of its resources and the rights of Third World peoples.
5. Encourage and provide incentives for local research, identification and documentation of genetic resources. National gene banks, free from both transnational corporation and foreign funding, technical assistance, control and involvement should be set up. South to South cooperation should be encouraged and assistance given in the setting up of gene banks and research.

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Biotechnology and Biohazards

New biotechnologies tamper with the very fabric of life, and demand a fundamental restructuring of our minds, our ethics, our environmental, social and economic values and relationships. While biotechnology in its broadest sense is a very ancient group of technologies, it is the new biologies which generate new social, ecological, economic and political risks.

THE new biotechnologies consist of two major groups of technologies.

The first group, 'genetic engineering', refers to the new techniques deriving from advances in molecular biology, biochemistry and genetics. The second group is based on new cellular procedures based on the older technology of tissue culture.

Genetic engineering is a very powerful technique which theoretically allows any gene to be moved from any organism into another. Recombinant DNA technology has the potential to transform the genes into a global resource that can be used to shape novel life forms. It is this technical power which gives it the potential to become more pervasive than any technology in the past.

The new biotechnology has already found application in primary industries (agriculture, forestry and mining), in secondary industries (chemicals, drugs, food) and in tertiary industries (health care, education, research, advisory services).

In addition to the wide ranging applications of biotechnology is the fact that the development of the new technologies is nearly entirely controlled by transnational enterprises, though universities and small firms evolved the techniques. These corporations are diversifying into every field of speciality which uses living organisms as a means of production. Traditional industry sectors are becoming less distinct and corporate boundaries virtually unlimited. This integration, centralisation and control carries with it an inherent destabilisation at the social, economic and ecological levels.

Technological innovation and scientific change do not merely bring benefits. They also carry social, ecological and economic costs.

It was the scientists closest to genetic engineering who first expressed concerns relating to the emergence of the new technology. In 1973, a group of prominent scientists called for a moratorium of certain types of research due to unknown risks and hazards associated with the possible escape and proliferation of novel forms of life. In 1975, at the Asilomar Conference, part of the scientific community led by Paul Berg, a molecular biologist from Berkeley, attempted to agree on the need for regulation of biotechnological research.

Later, as many scientists got involved in the commercial application of the new technologies - what Congressman Gore has called the 'selling of the tree of knowledge to Wall Street' - the self-criticism and self-restraint of the scientific community faded away.

The sustaining of the social impact analysis of the new technologies then became the responsibility of individual scientists and activists. The most persistent theme of the criticism has been the fear of adverse ecological and epidemiological consequences that might stem from the accidental or deliberate release of self-propagating genetically engineered organisms into the biosphere. Prominent scientists like Lieke Cavaleri, George Wald and David Suzuki have argued that the very power of the new technology outstrips our capacity to use it in safety, that neither nature's resilience nor our own social institutions are adequate protection against the unanticipated impacts of genetic engineering.

As bans and regulations delay tests and marketing in the North, biotechnology products will increasingly be tested in the South, to bypass regulation and public control.

The public, the scientists, and the

official agencies of countries where these technologies are being developed, are aware of these hazards. Genetic engineering companies therefore face regulatory constraints, public protests and court injunctions domestically, and have started to conduct their release experiments involving recombinant organisms in countries where obstacles appear to be fewer due to laxer legislation and lower public awareness. As Dr Alan Goldhammer of the Industrial Biotechnology Association of the US had stated, 'the pathway may be clearer in foreign nations to getting approval'.

Hazardous export

The Indian government has welcomed the biotech bandwagon of foreign companies by diluting the regulations and eroding the democratic structures that have existed within the country. The VAP (Vaccine Action Programme) is clearly designed to by-pass safety regulations prevalent in the US because the memorandum of understanding states that all genetic engineering research 'will be carried out in accordance with the laws and regulations of the country in which the research is conducted'. Since India has no laws regulating genetic engineering, testing vaccines in India amounts to totally unregulated deliberate release.

The VAP was initiated in 1985 as part of the Reagan-Gandhi Science and Technology initiative, and the agreement was signed in Delhi on 9 July, 1987. The project document states that 'The announcement of the VAP is an important recognition that vaccines are among the most cost-effective of health technologies, and their widespread use in both countries is key to controlling the burden of vaccine - preventable diseases.'

The primary purpose of the project is to allow an extended range of trials of bio-engineered vaccines on animals and human subjects. The priority areas have been identified as cholera, typhoid fever, rotavirus, hepatitis, dysentery, rabies, pertussis, pneumonia and malaria, but these could change in succeeding years of the project as other areas of research opportunity are identified.

In 1986, the WISTAR institute based in Philadelphia hit the headlines for testing bio-engineered rabies vaccine on cattle in Argentina without the consent of the government of people of Argentina. When the Argentinian government became aware of the bovine rabies vaccine experiment in Septem-

ber 1986, it was immediately terminated. The Argentinian Ministry of Health alleged that farm hands who cared for the vaccinated cattle had been infected with the live vaccine.

WISTAR was driven out by the Argentinian government, but has been welcomed by the Indian government for participation in VAP. In fact, the project paper for VAP prepared by the US government applauds WISTAR for its achievements in the field of vaccine development; and specifically mentions the bovine rabies vaccine for field trials and other research.

The US government is evidently dictating the terms and conditions for these experiments, under VAP. The programme is financed by USAID and

the US Public Health Service. The total project cost is \$9.6m of which the US component is \$7.6m and the Indian is \$2m. Through the financial input the US government controls the agreement.

Thus all 'documents, plans, specifications, contracts, schedules and other arrangements with any modifications therein', must be approved by the USAID. On the other hand, scientists and scientific agencies in India directly concerned with the subject have been excluded from discussions on the programme.

The controversial Indo-US Vaccine project was signed by-passing the high powered biotechnology scientific advisory committee set up by the Government of India. Dr Pushpa Bhargava,

The case against Genetic Manipulation

The 'ice minus' story

SINCE frost damage is a major threat in the colder climate of the North, running up to \$14 billion annually worldwide, biotechnologies are trying to make plants more tolerant to frost. They have isolated a gene which triggers ice nucleation in plant cells, and have deleted it from a certain bacterium called *Pseudomonas syringae*. The idea is that when this ice-minus bacteria is sprayed on a crop, such as Californian strawberries, it displaces the naturally occurring ice-forming bacteria, and the plants do not freeze when they normally would.

In 1983, Steven Lindow of Berkeley, and Advanced Genetic Sciences, a firm which was funding his work, were permitted by the National Institute of Health Recombinant DNA Advisory Committee to run a test field. However, on 4 September, a group of citizens and environmental interest groups based in Washington D C, including Jeremy Rifkin, and the Foundation on Economic Trends, the Environmental Task Force, Environmental Action and the Humane Society filed a suit against the NIH for approving the project. Among other things the suit charged that the NIH had not conducted an adequate assessment of the potential environmental risks of Lindow's field test had had 'been grossly negligent in its decision to authorise the deliberate release of the first genetically engineered life-forms'.

Among the risks that the public interest suit against NIH pointed to was the dramatic possibility that the frost-preventing bacteria might be swept into the upper atmosphere, disrupting the natural formation of ice-crystals, ultimately affecting local weather pattern and possibly altering global climate. Eminent scientists like Eugene Odum and Peter Raven pointed to the ecological hazards of deliberate release of microorganisms since they reproduce rapidly, and their inter-relations with higher plants such as trees and plants are not known.

The public outcry associated with the ice-minus field test is pushing Northern governments and corporations to take their trials overseas to countries with little or no regulation, and that means the Third World.

The BST story

Bovine growth hormone, BST (*Bovine Somatotropin*), is the first hormone of the new biotechnological generation. Natural BST is a protein hormone that cows produce in sufficient quantities. In young animals it regulates muscle formation and growth, whereas in adult cows it controls milk production.

Genetically engineered BST is produced not by cows but by genetically engineered bacteria. Administered regularly to cows daily it increases milk yields by 7-14%.

Among the undesirable and negative side effects of biotech BST are severe

deterioration of the health of the cow and higher surplus in regions where milk surpluses are already driving dairy farmers out of business. One estimate shows that if BST were licensed in the UK, by 1994-95 there would be 10% more dairy farmers going out of production than if they were not licensed. It is also not known whether hormone fragments will have side effects on the human body. There is no test for checking whether the growth hormone in cow's milk is natural or genetically engineered. There is no test for finding out what the recombinant version can do to the hormonal balance of people consuming BST-treated milk. In addition, the reduced immunity of the cow to disease will imply increased use of drugs and decreased quality of milk.

Animal rights activists, farmers and consumers in the North have achieved a ban on BST, such as in Wisconsin and Vermont in the US. Three Canadian provinces have banned the selling of BST milk and a national 'Pure Milk Campaign' has been launched to block the licensing of BST. The European Parliament supported a resolution calling for a worldwide ban on BST. BST has been banned in Denmark, Sweden and Norway.

In the US a national coalition of farmers and consumers is organising a boycott of Monsanto, American Cyanamid, Lilly and Upjohn to prevent them from marketing BST.

member of the committee and Director of the Centre for Cellular and Molecular Biology, said that the steps postulated in the Vaccine agreement 'are bound to come in the way of setting up our own research and development' and threaten to compromise our national sovereignty.

The Union Science Minister, Mr. K R Narayanan, was not informed of the details of the agreement, nor was Dr V S Arunachalam, the Science Advisor to the Defence Minister. The Director General of the Indian Council of Medical Research stated categorically that he will not allow any vaccine to be tried on Indians unless the same is also approved for use in the US. As a result of scientific and public protest, the implementation of the programme has become even more secretive and totally removed from the public gaze.

A programme that will expose the Indian public to unknown hazards of live viruses used as vaccines denies the human subjects of the vaccine experiments the ethical right to prior informed consent. Human beings everywhere have a fundamental human right to know when they are being treated as guinea pigs, and they have a right to refuse to participate if they fear the exposure to unnecessary risks. With genetically engineered vaccines, the risks are indeed very high. Most researchers consider the use of attenuated lethal viruses as live vaccines too risky. Creating hybrid viruses has been viewed as one way to circumvent these risks.

Recombinant DNA technology can be used to add the gene for an antigen of a lethal virus to the genome of a harmless virus, in an attempt to create a harmless living hybrid virus which, if used as a vaccine, provides immunity against the lethal virus. However, as Wheale and McNally report in *Genetic Engineering: Catastrophe or Utopia?*, recent research has shown that genetic manipulation of harmless viruses can turn them virulent. There is no 'safe' bio-engineered vaccine.

While VAP is totally irresponsible with regard to protection of people's health and environmental safety in the light of these hazardous implications, it shows great concern for the protection of corporate profits. It has a special clause for an accord on intellectual property which attempts to undo the public interest content of the Indian patent protection system.

Argentina and India are not the only countries to which bio-hazards are being exported. At a National Conference on Plant and Animal

Biotechnology, in 1990, USAID officials were pressing African states to allow field trials of genetically altered organisms that might not be allowed in the regulatory systems in the North. Such was the concern that the Minister for Research, Science and Technology made a public pledge on the Conference's second day, stating that Kenya would not become a testing ground for dangerous new biotechnology products. Dr Calestus Juma, Director of the African Centre for Technology Studies (ACTS), advised scientists that the USAID is encouraging Third World countries in Asia and Latin America to undertake similar testing roles for private American firms.

Biohazards and Biosafety

Ignorance about the ecological and health impacts of new technologies has far outweighed the knowledge needed for their production. As Jeremy Ravetz has stated, ignorance rather than knowledge characterises our times, and maintaining an ignorance about our ignorance is a central taboo of the technocratic culture.

It took 200 years of production based on fossil fuel before scientists realised that the burning of fossil fuels has unanticipated side effects, the destabilisation of the climate, the pollution of the atmosphere, and the creation of the greenhouse effect.

DDT was celebrated as an ultimate tool for ensuring public health. A Nobel Prize was awarded for its discovery. Today, DDT and other toxic pesticides are known to carry very high ecological and health costs, and many have been banned in the industrialised countries.

Union Carbide set up its chemical plants in India proudly announcing, 'We have a hand in India's future.' That future included the killing of 3,000 innocent people in December 1984 when MIC gas leaked from Carbide's pesticide plant in Bhopal.

Hazardous substances and processes have been manufactured faster than the structures of regulation and public control have evolved. We do not yet have full ecological criteria of testing for environmentally safe management of fossil fuel technologies of the mechanical engineering revolution. The tests for environmentally safe management of the chemical engineering revolution are still in their infancy, leading to the marketing of products, processes and wastes which

are proving to be ecologically unmanageable. Tests for safety in the genetic engineering revolution are yet to be conceived, since how the genetically modified life-forms interact with other organisms is totally unknown and uncharted territory.

Further, unlike hazardous chemicals such as pesticides and ecologically harmful substances like CFCs, the products of genetic engineering cannot be removed from the market. As George Wald has said in 'The case against Genetic Engineering': 'The results will be essentially new organisms, self-perpetuating and hence permanent. Once created they cannot be recalled.'

In biotechnology, more than in any other area, lack of knowledge of hazards cannot be treated as safety. Restraint and caution is therefore considered the only wise strategy for unleashing powerful technologies with potentially serious risks in a context of near total ignorance.

For Third World countries, a special danger exists for being used as a testing ground and as guinea pigs. In addition, the uncertainties for the South are aggravated by the fact that the governments of the South want access to the new technologies of the North. In their haste to get access to the new biotechnologies, the Southern governments could unwittingly place themselves and their people and environment in this role of testing ground.

Therefore, to increase the benefits from the new technologies and to reduce their negative impacts, the Third World needs to rapidly evolve a framework of assessment of biotechnology on the basis of ecological, social and economic impact. Transfer of technology, an important issue for the South, needs to be negotiated within such an assessment framework, so that socially desirable transfer of technology can take place while undesirable and hazardous transfer can be prevented.

In the area of the environmentally safe management of biotechnologies, it is important to have criteria of demarcation between technologies and products that are dangerous and unnecessary and those that are safe and desirable. This requires comparison and evaluation amongst different technology options, and the treatment of the new biotechnologies as merely one among many available alternatives to reach the same objective. In the final analysis technology assessment and choice demands that technology be treated as what it is, a means, and not an end in itself.



Biodiversity: Industry's "Green Oil"

by Vandana Shiva

When biotechnology and biodiversity are discussed at preparatory meetings for the United Nations Conference on Environment and Development (UNCED), the two issues are usually kept apart and treated as separate. While biotechnology is advanced as the "environmentally sound" technology, biodiversity is discussed in terms of a "resource" that must be "sustainably managed." But they are intimately linked because biodiversity provides the raw material for biotechnology, just as oil provides the raw material for every product of the petrochemical era. Biodiversity is the "green oil" of the future.

There is a crisis being created by biotechnology. While little is being done to regulate the impacts of biotechnology, we are being told that it is *biodiversity* that needs to be "managed." The principles of private property are applied to biotechnology, but when it comes to biodiversity and the resources that belong to Third World farmers and tribals, the issue becomes one of the "global heritage of mankind" that belongs to everyone. Private property applies to a

resource, it seems, only when those claiming these rights are white and wear lab coats.

The fact is that the Third World, which is financially poor, is genetically very rich. The highest biodiversity on the planet lies in the tropics. How do people turn this contradiction of biological affluence into a problem of poverty? By defining biodiversity as a "non-valuable" resource and attaching value only to something that comes out of a corporate laboratory.

Technology transfer is from North to South, but financial transfers are really among Northern nations. Most of the money loaned for development projects in the South goes to pay back corporate contractors from the North. It is really a transfer of money from the taxpayers of the North to the corporations of the North. The South is just a convenient excuse.

A "New World Order" with the control over natural resources is being developed. The next war over resources will not be a war over oil — it will be over biological wealth. Biological wealth does not lie in the Persian Gulf, it lies in the South.

Booklets & Video Available

Vandana Shiva's comments were transcribed from The Third World Looks at UNCED, a two-hour video, featuring Malaysian environmentalist Martin Khor Kok Peng (editor of Third World Resurgence magazine) and Indian activist Vandana Shiva (director of the Research Foundation for Science, Technology and Resource Policy). Available for \$30 from the Environment News Network.

ENN has also prepared a 150-page resource guide on GATT, The Environment and Sustainable Development. Covering all eight major sections of the GATT negotiations, the guide is available for \$20 including postage and handling. A special 25-page overview of GATT issues is available for \$6 (including postage and handling). Orders may be directed to Environment News Network, 1442 A Walnut Street, #81, Berkeley, CA 94709; (510) 524-0795.

A Campaign to Stop "Hormone Milk"

Genetically engineered growth hormone (BGH), a synthetic version of a natural hormone, can now be used to force cows to produce 20 percent more milk. BGH will be the first major biotechnology industry product that most consumers will encounter on supermarket shelves.

The Monsanto, American Cyanamid, Eli Lilly and Upjohn chemical and pharmaceutical companies are seeking approval from the Food and Drug Administration (FDA) to sell BGH to farmers, and they project a \$1 billion-a-year market. With declining sales of agricultural chemicals, these companies are looking for other products to sell to the farming industry. Once dairy producers start using BGH, it will become more difficult for anyone who does not use it to compete. The chemical companies view BGH as only the first in a long line of genetically engineered agricultural products that they hope to introduce into the world's food supply.

Industry insiders predict that the FDA may approve BGH during the 1991 holiday period in order to avoid challenges from critics. Meanwhile, BGH has already become a part of the diet of poor people in southern California, where cheese made from BGH-treated milk has been quietly introduced into L.A.'s federally subsidized food programs. However, the Native Americans, people of color, prisoners and elderly who receive these products from the Department of Agriculture's Commodity Credit Corporation were never informed or consulted. Michael Picker, West Coast director for the National Toxics Campaign, has accused the government of "running a colossal experiment using disadvantaged people as test animals."

While the FDA claims that the drug is safe for people, no human health studies have ever been done using BGH. Leaked industry reports show that BGH can produce debilitating stress levels in cows. Other yet-to-be-released studies reportedly show abnormalities in the offspring

of hormone-treated cows. Some researchers have warned that BGH could promote breast development in men, premature breast development in girls and breast cancer in women.

The biotech industry wants to increase dairy yields even though there is already an oversupply of milk. Since 1987, the US government has spent \$1.8 billion to cull more than a million cows from the nation's dairy herds.

To oppose the use of BGH, a nationwide "Pure Milk Campaign" is asking store managers across the country to sign a "No Hormone Milk Pledge." A similar policy has already been adopted by Ben & Jerry's Homemade Ice Cream. Safeway grocery stores have had a corporate policy not to carry any BGH-treated products since 1986.

— National Toxics Campaign

□ **What You Can Do:** Contact: Pure Milk Campaign, 3318 Gregory St., Madison, WI 53711; (608) 233-3346; National Toxics Campaign Fund, 1330 21st St., #102, Sacramento, CA 95814; (916) 446-3350; and National Family Farm Coalition, 80 F Street, NW, #714, Washington, DC 20001.

A Royalty for Every Potato

by Anil Agarwal and Sunita Narain

Western and non-Western governments alike are very concerned about the rapid ongoing loss of plant and animal genetic resources around the world. Experts estimate that plant and animal species are being lost at one thousand times the natural rate of extinction. Given this problem, the United Nations Environment Programme (UNEP) is now overseeing work toward a legally binding international convention to protect the world's biodiversity. The convention is expected to be ready for signing during the Earth Summit this June in Brazil. The basic principle of the negotiations leading up to the agreement is that biodiversity is a global resource—a common heritage of humankind — that must be protected through an international program.

The International Union for the Conservation of Nature (IUCN) has already prepared an unofficial biodiversity convention. The IUCN draft indicates the positions of the IUCN's member conservation organizations, which will definitely influence governments during the UN negotiations.

The IUCN draft describes the nations of the world as "stewards of biological diversity," but not as owners. The articles propose the creation of a list of areas of outstanding importance for the conservation of biological diversity and a global fund to assist states to manage important areas of biodiversity. All commercial and industrial users of biomaterials — i.e., genetic resources — would have to make payments to the fund. The method of calculating that payment would be decided by a conference of states.

The catch in the IUCN proposal is that all contracting states "shall provide, or allow collection in the wild and authorize the export of small numbers of... wild specimens living in their territory...." The articles state that nations can ask for a payment, but that these payments should not amount in practice to a denial of the right to obtain specimens. In other words, any pharmaceutical company can ask for specimens of any herb in the wild and no state which is party to the proposed treaty can deny the request. The draft articles make no mention of what rights anyone has to corporate seed collections, many of which exist in Western countries. Presumably they will remain the private heritage of humankind.

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While the IUCN has made a bold attempt to draft its articles, whether they adequately incorporate the interests of developing nations (which own most of the world's major biodiversity areas), or of poor tribal populations (who possess most of the world's knowledge about the uses of plants and animals in the wild), is very doubtful.

The US is currently seeking protection for its own biotechnology inventions. This issue is currently among the fiercest battles in the trade arena. Under the General Agreement on Tariffs and Trade (GATT) negotiations, the US, Japan and the European Community are calling for the industrial patent system to be extended worldwide without exception. Special emphasis is being put on biotechnology inventions.

Biotechnology is based on plant and animal products which, for the purpose of the

Columbus brought the New World's maize to Europe — duty-free

proposed biodiversity convention, are now being called global resources. Under this global scheme, almost like a pincer attack, countries would be asked to pay royalties on biotechnology products that are based upon genes obtained from their own backyards and whose knowledge came from their local herbalists, farmers or tribal people. These countries, however, would receive no payments for the use of this genetic material.

It is important to note where genetic wealth is found. The technology- and money-rich North is poor in biodiversity. Whatever species it had are mostly lost. Australia, Europe and North America combined meet less than six percent of their biotechnology needs for plant and animal species from their own regions. As Pat Mooney, an activist who has worked extensively on these issues, says, "For the West, there is no such thing as a homegrown meal: tomatoes carry genes from Central America, cucumbers from Burma, carrot and onion genes from Central Asia, potatoes from the Andes and beans from other parts of Latin America...." The list is almost endless. Every Canadian wheat variety contains genes introduced in recent decades from up to 14 different Third World countries. It was a steroid from a Mexican yam which enabled the birth control pill to be developed.

This biological treasure trove is obviously coveted. The first phase of its acquisition was during the colonial period, starting with Columbus who brought maize from Central and South America to Europe. The smuggling of rubber trees from Brazil to the Kew Gardens in Great Britain and their introduction to Malaysia is perhaps the most famous example of these expropriations. Today, the annual world market for medicines derived from materials used by tribal people has risen to \$15 billion a year, much of which comes from crop varieties that, in the words of one ethnobiologist, have been "selected, nurtured, improved and developed by innovative Third World farmers for hundreds, even thousands, of years."

With the rise of independence in the South, the forms of colonial control have been shifting from physical to legal. Between 1930 and 1969, various industrialized countries passed laws which gave the "creators" of plant varieties temporary monopolies on their exploitation. In 1961, the Union for the Protection of New Varieties of Plants was signed by a number of industrialized countries. Under UPOV, "creator" means the plant breeder, not the country or farmer which provided the seed or discovered its use.

In the 1970s, developing countries slowly began to realize the scale of this biological appropriation. According to one estimate, over 55 percent of the world's collected germplasm is banked in the North—the US alone holds 22 percent.

The IUCN draft articles make no mention of the past unjust use of these resources. If the world paid a royalty for every potato or tomato eaten, tribal peoples, today among the world's poorest and most persecuted, would be the richest. There would then be no need to protect the world's biodiversity through a global program. The tribals of Amazonia and Arunachal Pradesh ensured the protection of their invaluable jungles a long time ago. Instead of Harvard and Ranchi university professors studying tribals, these academics could well be working under their hire and pay.

As Darrell Posy, an ethnobiologist working on the issue of intellectual property rights, puts it, "mining the riches of Indigenous knowledge will become the latest neo-colonial form of exploitation of Indigenous people."

— Reprinted from Agarwal's and Narain's "Green Politics" column that appears in the Economic Times, New Delhi, India.

Services are facing crash diet Manufacturers had their ordeal

By Robert A. Rankin
and Gary Blonston
Inquirer Washington Bureau

WASHINGTON — From New England to California, the glamour industries that paced the '80s — computers, banking, retailing, real estate — are firing employees by the thousands.

They are being forced by hard times to shed fat they gained while the good times rolled through the '80s. And, economists warn, they face even more painful shrinkage in the global economy of the '90s.

By contrast, U.S. manufacturers of basic durable goods already ran that gantlet in the '70s and '80s. Now they're slimmed down, retooled and ready for tomorrow — though with far smaller workforces.

In a mirror-image of the early '80s, those twin trends will define the U.S. economy through the early '90s. This time basic manufacturing will lead while the high-tech and service industries regroup. Success will be measured more by increases in productivity and competitiveness and less by expanding payrolls, higher salaries and sheer growth.

The recession has exposed how difficult this transition will be, but basic manufacturers aren't worried. Indeed, their productivity growth, technological innovation and quality achievements over the last five years make them almost cocky.

"Manufacturers are extraordinarily upbeat about the outlook for the next five years," said Jerry Jasnowski, president of the National Association of Manufacturers, after surveying his members in mid-October. "They feel manufacturing will be the most dynamic part of the economy."

But traditional manufacturing represents only a fraction of the U.S. economy. For other sectors, the outlook is more troubled.

"Once sacrosanct, services are undergoing in the 1990s the same difficult and painful shrinkage manufacturing suffered in the 1980s," Stephen S. Roach, senior economist for Morgan Stanley & Co., the New York investment bank, wrote in the latest Harvard Business Review.

High-tech firms are prime examples of growth leaders in the '80s that are now being wrenched through the wringer of restructuring. The experience of Digital Equipment Corp., a global computer company based in Maynard, Mass., is instructive.

Sunday, Nov. 3, 1991

The Philadelphia Inquirer

Digital boomed through the mid-'80s, stoked by Reagan-era defense spending, robust economies worldwide and the revolutionary expansion of computer uses.

"Our revenue growth was stupendous. Our profitability hit an all-time high... Our balance sheet got better and better... I mean, you could do no wrong," recalled Mark A. Steinkrauss, Digital's director of investor relations. "The stock went more than quadruple."

In those years, Digital couldn't hire workers fast enough. Between 1987 and 1989 its workforce swelled by 31,000 employees to 125,000 worldwide. "The company was certainly in its heyday," Steinkrauss said. "We were hardly the only ones. The whole [computer] industry was booming."

But by 1989 the sins of high-tech excess began to exact their penance.

Washington's defense spending cutbacks caused high-tech contracts to be canceled. Ferocious global competition forced computer prices down as research and development costs rose, squeezing profits. Meanwhile the entire global economy began to slide; worldwide growth has been sluggish at best for over a year.

Those pressures forced high-tech giants like Digital to restructure. In Massachusetts alone, Digital has cut 6,000 jobs from its 1989 peak. In the April-June quarter, the company eliminated 2,000 jobs worldwide. Further cutbacks of that magnitude will continue for "at least the next several quarters," Steinkrauss said.

California's Silicon Valley is shuddering through the same contraction, said Debra Engel of 3Com, which eliminated 12 percent of its workers. "The squeeze is on, and the response is cutting people."

Similar traumatic changes are in store for millions of office workers in service industries such as banking, insurance and communications. Like high-tech firms, they expanded almost mindlessly through the boom years and now must pay the price.

Since 1982, for example, investment in information technology for office workers — desk-top computers and all that goes with them — has doubled to about \$12,000 per employee, according to Roach of Morgan Stanley. But that massive investment has failed to increase productivity among office workers.

Mounting economic problems are now forcing deep reductions in the white-collar workforce.

"I don't think there's anything anyone can do about it," concluded Gary Ciminerio, chief economist for Fleet/Norstar, the New England bank group.

Everyone's at risk. Clerical workers hold one-fourth of all service jobs and two-thirds in finance and insurance, "but it isn't just the clerical types in their cubicles that will go," noted A. Gary Shilling, a leading

The durable-goods sector was once the economy's weak sister while services soared. That's about to change.

economic consultant based in Springfield, N.J. Middle managers, professionals and technical employees all are ripe for pruning.

An ugly prospect, but not unlike what the United States' basic manufacturers already have suffered. And their rebound to competitiveness — after a torturous transition — offers lessons and hope for the whole U.S. economy.

"In the early '80s, our industry really got hit hard by recession. We had to rethink our whole manufacturing strategy," said Paul L. Cahan, director of operations at Kennametal Inc.'s plant in Solon, Ohio, 20 miles east of Cleveland. It makes tool systems for the metalworking industry.

Kennametal realized it was uncompetitive. First came massive layoffs. Next came serious investment; two old plants were merged into one spectacularly modern factory. It features computer-directed technology and cost \$14 million, but resulting efficiencies will pay back the investment in six years.

But Kennametal's most important change, Cahan insisted, was a change in management philosophy. "We became a customer-driven company. It changed our culture a lot. We were a manufacturing-driven company, where the salesman tried to sell what we made. Now we try to make what the customer wants... We'll turn orders around in a week that used to take 10 to 14 weeks, if the need is there."

Equally important, Kennametal managers began treating employees as partners. Production was reorganized into sub-units, with teams of workers given increased responsibility — and accountability for performance. The results speak for themselves: on-time delivery rose to 95 percent from 55 percent. Average execution time for orders fell to 27 days from 42. And Kennametal's share of the U.S. market rose by 30 percent. Now it's working to expand exports.

Cahan's plant was just named one of the United States' top 10 by Industry Week magazine. "Last year we identified over \$2 million in cost improvements in our operation," he said. "It all comes down to people, how you manage people. It's a people issue, as opposed to technology."

Such improvements enabled manufacturers to power three-quarters of the United States' economic expansion since 1988. The recession would

have been twice as severe, economists say, if manufacturers had not been increasingly successful at selling U.S.-made goods to foreigners.

And it is that trend — rising U.S.-manufactured exports — that is the United States' best bet for sustaining growth through the early '90s, because domestic demand will remain crippled by debt and downsizing service industries.

Finally, though slimmed-down manufacturers employ far fewer workers directly than in the past, they do induce business-service firms to expand jobs, albeit often at lower wages.

Cleveland-area manufacturers directly employ 55,000 fewer people today than in 1980, but the area's jobless rate was 7.3 percent then, two points higher than today.

"We paid the price in the early '80s," said William E. Butler, president of Cleveland-based Eaton Corp., a global manufacturer of automotive and electrical equipment.

Now it's the high-tech and service industries' turn.

■ THE REAL PURPOSE OF GATT

Prelude to a New Colonialism

ROBERT WEISSMAN

For two months this winter, the General Agreement on Tariffs and Trade (GATT) negotiations were broken off after a U.S.-European dispute over farm subsidies. Amid the confusion, U.S. observers agreed on one thing: The Third World was the clear loser. Government and media commentators alike assert that a new version of GATT, an international agreement that regulates more than 80 percent of world trade, among approximately 100 signatory countries, would spur development in Third World countries by giving them access to the markets of the industrialized countries.

The real objectives of the current round of GATT negotiations, however, are antithetical to development, and they have gone unmentioned. Led by the United States, which has consistently introduced the most far-reaching and radical proposals into the talks, the industrialized countries have attempted to lock in and further promote the deregulation of international trade that occurred in the 1980s [see Daphne Wysham, "Big Business Hijacks GATT," December 17, 1990]. More specifically, they have sought to encourage the Third World's growing export dependency and to tighten multinational corporations' control over Third World markets and resources.

At the prompting of internationally oriented companies and business groups such as American Express, Cargill Inc. and the Multilateral Trade Negotiations Coalition (the leading business lobby on GATT), the United States and other industrial countries have attempted to bring three new areas under the GATT rubric: intellectual property, services (in

fields ranging from finance to telecommunications to construction) and investments.

The proposed expansion of GATT, which has historically dealt only with trade in manufactured goods, threatens to undermine the ability of Third World countries to manage their economies and foster domestic industry. Appropriately, the Malaysia-based Third World Network, a nongovernmental organization, labels the industrialized countries' GATT proposals a means of "recolonization."

The industrialized countries are trying to gain Third World support for GATT by offering the South improved access to Northern markets in agricultural products and textiles. But even these purported concessions from the North are double-edged. "Benefits" will accrue only to developing countries that orient their economies to produce goods to meet foreign demand rather than domestic needs. In agriculture, this is likely to be associated with the creation of large plantations, intensified use of pesticides, displacement of peasants who produce for local consumption and clearing of rain forests.

The dubious benefits of improved access to Northern markets are far outweighed by what the developing countries will be forced to give up. In the past, GATT has acknowledged the special circumstances of developing countries and granted them exceptions from its rules. The "development principle," which exempts Third World countries from some tariff and other regulations to enable them to protect nascent industries, is now threatened by the aggressive initiatives from the industrialized countries.

Proposals from the industrialized countries in the area of intellectual property alone could foster a massive transfer of resources from the South to the North. The U.S. proposal calls for all countries to adopt and strictly enforce U.S.-style patent, copyright and trademark laws. It attempts to address claims by multinational corporations that they lose \$40 billion to \$60 billion each year to Third World "pirates" who counterfeit their goods and infringe on their patents. From the Third World perspective, however, the recovery of the multinationals' "losses" implies a huge transfer of income from the poor countries to the rich, even if the figure (estimated by the U.S. International Trade Commission on the basis of a survey of American business) is significantly inflated.

The U.S. proposal reflects the concerns of business groups like the Pharmaceutical Manufacturers Association and the Intellectual Property Committee (I.P.C.), a coalition of thirteen major companies, including I.B.M., Du Pont, General Electric, Merck and Company, and Pfizer. According to the I.P.C., this overlap of the U.S. government and private-sector positions is not a coincidence. The group claims that its "close relationship with the U.S. Trade Representative and [the Department of] Commerce has permitted the I.P.C. to shape the U.S. proposals and negotiating positions during the course of the negotiations."

One of the important objectives of the proposal is to extend patents to "all products and processes, which are new, useful and unobvious." This would allow the multinational food, chemical and pharmaceutical companies to gain control over much of the world's genetic resources, most of which are embedded in seeds and herbs in tropical Third World countries.

Robert Weissman is editor of Multinational Monitor.

Multinationals hope to gather information from the genetically rich Third World, manipulate it with rapidly evolving biotechnology expertise and then patent the new seeds, pharmaceuticals or other products. The Third World will receive nothing in the bargain, because under the proposed regulations naturally occurring organisms would not be patentable, though genetically altered ones would be. The genetic resources that are the components of the "new" products are not considered the province of the nation in which they occur (unlike minerals, for example) because Northern scientists have classified them as a universal common heritage.

The multinationals want more than just genetic resources from Third World countries. When corporations send botanists to the Third World to gather samples of plants, says Pat Mooney of the Rural Advancement Foundation International (RAFI), "they do not just collect plants, they collect the knowledge of local people; the botanists don't have the slightest idea" which plants are valuable until they are told. The botanists gather the plants that local farmers and herbalists have cultivated and bred and that the natives unsuspectingly report as useful to the multinationals' representatives.

This process is already under way, according to RAFI, since the United States and some other countries have extended patent coverage to genetically altered organisms. For example, a gene isolated from an African cowpea, when inserted into crops ranging from soybeans to maize, provides excellent resistance to insect pests. I.C. Industries and Pioneer Hi-Bred are now seeking licensing rights to insert the cowpea gene into their own patented varieties, and industry observers believe the gene will be worth hundreds of millions of dollars to its inventors. "The question is," RAFI asks, "who are the inventors? [The scientists] who isolated the gene? Or West African farmers who identified the value of the plant holding the gene and then developed and protected it?"

If the industrialized countries' patent proposals are implemented, RAFI's question will be answered. The scientists will be the legal owners of the gene. The farmers' contributions in identifying, cultivating and protecting plant varieties will not be patentable—since they did not sufficiently alter naturally occurring organisms—and they will receive nothing.

The industrialized countries' intellectual-property proposals make private-sector patents, many of which are based on Third World genetic resources, virtually sacrosanct. By requiring Third World countries to adopt U.S.-style patent laws, the industrialized countries would strengthen the monopoly power of multinational companies in high-technology fields such as pharmaceuticals and chemicals, drive up the prices of drugs and other products for Third World consumers and devastate fledgling Third World high-technology companies.

Last November Argentine pharmaceutical manufacturers placed an advertisement in newspapers across the United States to illustrate how GATT would drive up pharmaceutical prices for consumers in that country. The ad points out that an anti-arthritis drug that sells for \$170 in the United States costs only \$35 in Argentina. The difference in price is due to Argentina's more open patent laws, which enable companies to compete with the drug's patent holder, Pfizer. Were the U.S. intellectual-property proposal accepted, Argentine

companies would no longer be able to undersell Pfizer.

India's experience provides another example of how lenient patent laws have benefited Third World consumers and producers. In 1970 the country revised its patent law, which previously had guaranteed strict patent protection. The 1970 Indian Patents Act sought to encourage domestic production of patented inventions and insure that they were available at reasonable prices. The act allows patents for manufacturing processes only, not products. Thus a company not holding a patent is legally permitted to produce a patented good if the company develops a new process to create it. The 1970 act also provides that the Indian government may, three years after a patent is granted, require a company to license its patent to another company if the patent holder is not manufacturing its product in India and making it available at a reasonable price.

The Indian Patents Act has been extraordinarily successful, according to a paper by B.K. Keayla, the convener of the Indian National Working Group on Patent Laws. Keayla reports tremendous advances in the pharmaceutical area alone: Drug prices in India, among the highest in the world before the 1970 law, are now among the lowest; the Indian pharmaceutical industry has flourished because of the new patent system; and India is nearly self-sufficient in the production of bulk drugs. But the Indian success story would be wiped out by the industrialized countries' intellectual-property proposals, which specifically prohibit the key provisions of the 1970 act.

The consequences for the Third World of the other new areas of GATT will be no less severe. Responding to lobbying efforts by American Express and other service multinationals, the industrialized countries are pushing for free trade in services. Because services are not discrete items like manufactured goods, free trade in services means that service



ILLUSTRATIONS BY FRANCES JETTER

companies must be free to operate in foreign countries.

Martin Khor Kok Peng, vice president of the Third World Network, says that if the Northern service proposals are adopted, "many of the service industries in the Third World will come under the direct control of the transnational service corporations within a few years. This would mean the eradication of almost the last sectors in the Third World which are still controlled by national companies."

The industrialized countries' service proposals even threaten Third World countries' cultural autonomy. "National treatment" clauses would require that foreign corporations receive the same treatment as national companies. Khor says that with a national treatment clause, "media companies . . . in the United States or Australia may be given the freedom to set up media companies or to buy out media companies in the Third World, including television and the print media, and therefore control the cultures of Third World countries."

The Northern countries' proposals on investments would preclude Third World countries from limiting foreign investment or requiring foreign investors to abide by special regulations. Measures designed to promote economic development and technology transfer, such as those prohibiting foreign investment in certain sectors, requiring investors to use local materials in the production process and mandating that foreign investors work in joint ventures with local companies, would be prohibited. This would seriously impair Third World development efforts.

Even a total breakdown of the GATT talks would have given Third World countries only a temporary reprieve, for the United States is pushing its GATT agenda in other forums. Under the "Special 301" section of the 1988 Trade Act, the Office of the U.S. Trade Representative is required to impose sanctions on countries that do not provide strong intellectual-property protection. The U.S.T.R. imposed sanctions against Brazil under Special 301 in 1988. In April 1990, it identified twenty-three countries with which it plans to negotiate over intellectual-property standards. If those countries do not show signs of "improvement," they will face the same type of sanctions as those imposed on Brazil.

Even more ominous, the Bush Administration is preparing to enter into free-trade negotiations with Mexico. It has also proposed a free-trade agreement for the entire Western Hemisphere. These agreements would go beyond even GATT in usurping Third World sovereignty and opening the economies of developing countries to multinational corporations.

The industrialized countries' free-trade initiative comes at a time of economic crisis for the South. Hoping that improved access to industrialized countries' markets will jump-start their ailing economies, many developing countries are acquiescing in Northern demands. The tragedy is that, in so doing, the Third World is participating in its own recolonization. □

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Global Services: TNC Domination and Third World

The services sector accounts for over US\$700 billion in world trade and is by far the fastest growing segment in the global economy. Industrial countries account for 85% of total service exports. With greater concentration of control in a few mega companies, the Third World has become even more marginalised. The current Uruguay Round moves to liberalise services will further open up markets to the TNCs and thus go against Third World national interests.

by Frederick Clairmonte

IN the grand classical tradition of political economy from Adam Smith to Ricardo and Marx, the service sector was subsumed under the appellation of unproductive labour. This concept was never unequivocal, but it was not until the revolutionary advent of national accounts in the thirties that a colossal conceptual tool had been forged.

In a way, the Great Depression and its attendant New Deal provided the soil from which the concept¹ and the entire massive statistical apparatus—strikingly so in the US—burgeoned. By 1940, more than half of the US labour force was in the 'service economy', as it came to be designated. The attempt to classify, systematise and define services on a distinctive category owes much to the pioneering work of Colin Clark.²

Essentially, Clark subdivided the capitalist universe into three categories: primary (mainly agriculture), secondary (mining and manufacturing), and tertiary or the services sector: commerce, transport, communications, the gamut of financial services, insurance, government and professional services. Not merely are services heterogeneous commodities, and growing increasingly so, but there is no consensus on its definitional boundaries; nor can there be.

What this adds up to is that when one enters the international service sector one is instantaneously sucked into (blatantly so with unrecorded flows) a mapless labyrinth without a compass; a universe of demons without even the figleaf consolation of a conventionally mendacious, truncated and manipulated corporate balance sheet.

The frontiers of the service sector thus continue to remain a statistician's nightmare. 'It's a nasty little sector', Clark added humorously. To which it could be said that it continues very much to be 'nasty' but the magnitude of its power has grown exponentially into a colossus unimaginable to Clark and his associates.

Of the 47,600 commodities marketed internationally, services play a formidable role: at present, these measured trade flows exceed \$700 billion and their growth rate outstrips that of the primary and secondary export sectors. It engulfs a ragbag of activities: from the bordellos of Bangkok to the McDonalds in Moscow, the honky-tonky gambling joints of Reno, Donald Trump's Taj Mahal, the multi-billion financial deals of such financial mega-swindlers as Milken and Boesky, and the legal financial gambling institution as the Futures and Options markets, and etc.

One is generally familiar with the common sense distinction between goods and services. Goods are tangible and services are intangible. Goods are visible whereas services are invisible and many do not go beyond these pedestrian distinctions. Visible exports can be seen, touched, weighed as they meander through the various circuits of international trade. 'Invisibles'—another of Clark's conceptual innovations—are the earnings from the provision of services and finance to people living abroad.

More specifically, earnings on invisible exports emanate from the interest, profits and dividends by individual investors and capitalist corporations. In the subterranean world of international trade in services one becomes immersed in a tenebrous universe of ignorance,

ruled by faceless operators of Big Money, Big Politics and legions of contract killers.

An unambiguous definition of international trade in services is an impossibility, but UNCTAD³ has made an heroic attempt: the aggregate transactions in the current account of the balance of payments, excluding merchandise trade and private transfer payments. Its inadequacy is immediately apparent but as the blind man said: it's the only dog and chain I have.

Concentration of power

This spawning ground of definitions is analytically limited as they encompass only formal economic aggregates. As such, they sedulously bypass the structure and dynamics of capitalist power within the international service economy whose propelling force is the transnational service conglomerate. Between 1977 and 1988, world invisible trade rose from 22.6% to 27.8% of world trade. One of the most conspicuous traits has been the doubling of investment income (profits, interest and dividends) stemming from the phenomenal growth of foreign investment in the last two decades and the regional inegalitarianism it has generated.

The distribution of gains within global services continues to be hegemonised by a clutch of imperialist countries: three alone (USA, United Kingdom and Japan) have appropriated 43.8% of world invisible receipts, and the share of the big five rose (between 1977-88) from 54% to 59%. The disparity becomes more grotesque when one perceives that the UK alone has grabbed 23% of the world's investment receipts.⁴ Seen from another perspective the advanced capitalist economies (ACEs) still continue to grab for around 85% of aggregate service exports. Whereas that of the Third World is around 14.7%. That figure is misleading since West Asia and South- and South-East Asia account for 10% of all Third World services exports.

These include such powerhouses of finance capital as Saudi Arabia, Kuwait, Hong Kong, Taiwan and Singapore which cannot be bracketed as Third World economies. Further, there is a double count here since 'service exports' from these countries comprise, to a very large extent, exports from transnational banks, strikingly so the big Japanese banks.

The emergence of Japan as a major

Direct Investments Abroad 1975-1990: in percent

	Mining		Manufacturing		Services	
	1975	1990	1975	1990	1975	1990
USA	26	18	45	41	24	36
UK	11	7	69	23	29	41
Japan	28	0	32	23	36	68
Germany	4	2	46	41	42	57
Netherlands	26	33	39	17	15	31

Source: Calculated from national data and the author's estimates

Percentage Share of World Trade, 1977-1988

Main categories	1977	1988
Visible trade	<u>71.3</u>	<u>65.8</u>
Invisibles:	<u>22.6</u>	<u>27.8</u>
Investment income	6.3	12.0
Other services	6.1	6.2
Travel	4.2	4.9
Transport	6.0	4.7
Government & Transfers	<u>6.1</u>	<u>6.4</u>

Source: Calculated from IMF data.

Percentage Share of Global Concentration World Invisible Receipts 1977-1988

	1977	1988
USA	19.1 (2.7)	19.2 (3.9)
UK	12.2 (13.3)	14.5 (17.3)
Japan	4.7 (1.9)	10.1 (2.9)
France	10.3 (8.6)	8.4 (8.7)
Germany	7.7 (4.1)	6.8 (5.6)
	<u>54.0</u>	<u>59.0</u>

Source: Calculated from IMF data. Numbers in parenthesis refer to invisible trade as a percentage of GNP.

Global Exports of Services In per cent

	1970	1980	1988
World	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
ACEs	<u>86.1</u>	<u>82.2</u>	<u>85.3</u>
USA	22.7	17.6	18.6
UK	11.4	13.7	13.2
Japan	3.9	4.7	9.8
France	7.2	9.6	7.6
Third World	<u>13.9</u>	<u>17.8</u>	<u>14.7</u>
Developing Asia	5.6	9.4	9.5

Source: Based on UNCTAD data. Advanced Capitalist Economies

service exporter is of recent vintage indicating the ferocity of inter-imperialist battles in the service sector. Suggestive in this respect is the relative and absolute decline of the UK as an international service exporter. This is of great significance for understanding the changing structural configuration since Britain's international service economy has been, since 1875, one of the fundamental pillars of British imperialism.

In 1986, the UK appropriated a surplus of nearly £10 billion that compensated for the deficit in manufactured goods exports. A reversal of fortunes is apparent. That surplus, however is being whittled away; and fast hitting £4 billion at the end of 1990. Given the soaring cost of the Gulf War and the current recession already underway, the 1991 surplus forecast is anticipated to slide to around £1 billion. But even that wretched little sum is far too sanguine. Hence the obvious implications: to the extent that the surplus on invisibles has eroded the overall current account deficit, the latter

has shot past a record £23 billion by end of 1990.

Imperialist Britain, as a model parasite *par excellence* of imperialism, has always drawn its wealth from elsewhere and it continues to do so albeit at a less profligate rate. The reason for the erosion of the overall invisible surplus has been the relatively modest amount of capital flowing into the UK from interest, profits and dividends on overseas assets: the seedbed of imperialism. How does one explain, however, judged from the data of the Central Statistical Office, this diminution in earning given the very high level of assets held abroad?

There are certain specific factors at work. In all probability the British bourgeoisie are reinvesting their assets abroad rather than bringing them back home. This is certainly true between 1900-1914, although less marked than between 1919-1939. Moreover, as the organ of The City (of London), *The Financial Times* suggests a contributory factor in the slippage of these invisible earnings is that

the US banks have become large net borrowers relative to overseas rivals. This underscores the dilemmas of UK imperialism and bears kinship with what is precisely occurring within the US. The UK economy is taking on more and more overseas debt – that is, it is becoming more leveraged – to offset the still uncontrollably large visible deficit.

A historical reversal in the fortunes of imperialism are at work; instead of the institutions of finance capital, mainly the banks, sucking in colossal sums of interest on overseas loans, they have become net payers of interest. The managers of British finance capital are aware that the auguries for a re-bounce are poor. As the UK rapidly depletes its overseas assets (a fate that it shares with the US), service payments from interest and other financial transactions related to these assets will fall. The cost of the Gulf War is speeding up the liquidation of its overseas assets.

In addition to the relative decline of the UK as one of the leading players in

global services, there has been a shift in the pattern of direct investments abroad. What is striking is not merely the sectoral shift away from mining and manufacturing but the glaring shift of Japan's direct investments towards the service sector. These financial flows, as is now widely recognised, into the service sector are irrelevant to a genuine development of productive and job creating enterprise since they are massively directed towards parasitical and speculative ventures.

The extent of country concentration in services is far greater than in the concentration of goods. The Third World continues to be marginalised and there are no indications that reversals are in sight. Must we be surprised, therefore, that the handful of imperialist powers, and their transnational corporations spearheads that dominate international trade in services, are precisely those who are the most vociferous, but by no means uniform, advocates of services liberalisation in GATT? Here, too, the distribution of gains among the leading predators are far from equal. This explains also, despite its phoney credo on free trade, why the US has sought derogations from GATT's service blueprint.

Internationalisation and transnationalisation

In the past quarter of a century global capitalism has experienced the stunning growth of the service sector embracing two-thirds of world Gross Domestic Product; and even higher levels of employment. The figure of two-thirds, however, is misleading for these are recorded financial flows. No less pivotal is the gargantuan underworld of services which runs into hundreds of billions of dollars: one in which the institutional taxman and other regulatory interlopers have no place.

It is in this murky subterranean domain that capital accumulation (i.e. the capital flows of savings and investment) has acquired a new format. Restructuring of global capitalism, to a large extent is synonymous with the restructuring of the service sector. This trend is highlighted at the national level by the hypertrophied growth in the Grand Duchy's banking sector.

Speculative accumulation, given the flatness of the international equities markets, that was synonymous with the Thatcher/Reagan era are still very much

alive. It was a shift away from productive investment towards all kinds of institutionalised gambling (not least the Futures Market), and the shuffling of assets coupled to leverage buyouts, corporate acquisitions, and other pathological attributes of the Casino Society. The degenerative symptoms within the international service economy are also organically related to an estimated \$30 trillion of debt - and that's not decelerating - in which the global economy is now mired. In short, the world economy is floating on debt and Bush's Gulf War is vastly going to swell this figure.

What the world economy has witnessed over the last decades and dramatically so since 1980 has been the industrialisation of the services sector and less a tertiarisation of the industrial sector. Structurally, this process in the advanced capitalist economies has little in common with the spectacular Third World expansion of services which is a desperate employer of last resort exemplified in the informal sector: i.e., the tertiarisation of proliferating misery.

In the advanced capitalist economies, the propagation of services has not been an unmixed blessing, as Clark believed. A theme whose ramifications are beyond the scope of this article. The phenomenal pace of technical change, notably in telecommunications and informatics and the fusion of these two sectors in telematics, have generated an entirely new species of traded services namely transborder data flows. Information technology is highly centralised and entirely under TNC control. Changes in technology and the concomitant mutations in the economics of scale have speeded up the liquidation of the small and medium enterprises that hitherto dominated production and marketing of services.

The liquidators themselves (and here one best perceives the scope of the structural factor within the international economy) are not only the national agents

of Big Capital within a national economy. Illustrative is the takeover of huge chunks of the US entertainment sector, a major US service export, by Sony and Matsushita, world leaders in electronics manufacturing.⁵ This is now ushering in the rapid integration of the manufacturing and service sectors; as well as abetted the colonisation of yet more segment of the US economy.

In sum, the conquest of the service sector in all its aspects by the TNCs represents the final frontier in their global reach.⁶ The mega TNC as the most conspicuous economic agent of imperialism has blurred and, in many ways, demolished the distinction between the primary, secondary and tertiary sectors. It has done so as in all stages of capitalist development, to boost profits and augment market share. Thus the essential motivations of capitalism have not altered over the centuries; but the structural circumstances have, as the Sony/Matsushita annexations and others of its kind are demonstrating.

By 1990, more than two-thirds of the OECD's labour force were in services. Deeply polarised from an income perspective: it varies from the Milkens (his net worth: \$3.5 billion) on Wall Street to the quasi-subsistence non-unionised wage rates in the TNC fast-food outlets. The same competitive forces that propel technical change in manufacturing are also at work in the service sector: namely, the drive to limit quantitatively the inputs of labour and thereby reduce its political potency. 'McDonaldisation', with the de-skilling of its labour force as one of its central goals, has achieved both to a very high degree.

Growth of services in international trade can best be studied with the concepts of internationalisation⁷ and transnationalisation that Cavanagh and I pioneered several years ago.⁸ Both are functionally related. Internationalisation, however, is the dependent variable; transnationalisation the independ-

Luxembourg: The Banking Sector

	Assets 1/ \$bn	Index	Banks (no.)	Index
1970	6.6	100	37	100
1989	319.4	4839	180	486

Source: ABBL and other sources

ent variable which made its appearance in the sixties. The overall share of world GDP exported climbed from 16% to 35% between 1960 and 1990. There is a clear cut correlation over the same time span, as the aggregate sales of the world's top 200 corporations also leaped from 17% to around 34%.

Implications of growth

There is no single casual explanation for the growth of services. Certainly, it has not been generated exclusively by the free play of 'market forces', as the prophets of *laissez-fairyl* kept hammering home. Rather, major contributory stimuli have been the trillions of dollars spent on the military-industrial complexes and welfare services. Growth and proliferation of services have also been related to global manufacturing accompanied by the growth of telecommunications, shipping and transport linking the diverse production units, joined to a parasitical barrage of promotional and advertising technology, and retail networks ostensibly serving the consumer, but singularly irrelevant to meet authentic consumer requirements.

The computerised microelectronic era is not only pulling together a numerically vast number of services, but it also reinforces the historical relationship between services and manufacturing. Several parasitical service trades (e.g. law, security analysts, arbitrageurs, advertisers, etc.) have been welded together to boost the annexationist merger and acquisition offensives in recent years.

One upshot of such unbridled corporate annexationism is that while the Clark/Kuznets trinity has not lost its conceptual clarity it has undergone a metamorphosis with the successive mutations within the TNCs. Over time, the distinction between the classical trinity has become blurred. This differentiation is particularly striking within the financial sector, i.e. banking and insurance.

The American insurance periodical; *Best's Review*⁹ encapsulated the nature of these changes. 'The financial services world is an intricate one of competing conglomerates, interlocking directorates, foreign and domestic subsidiaries and spin-off companies, all interwoven with provincial and federal legislative policies that can present a daunting prospect for newcomers to the field.'

Deregulation of financial markets

and an accommodating legal climate have led to the dismantling of earlier structures and hastened the tempo of concentration. One which shows no signs of tapering off with the thunderous rumble of the global depression. Crumbling of sectoral frontiers are imputable not only to technology and massive deregulation, i.e. Big Bang, but to the creation of transnational integral conglomerates.¹⁰ This frantic thrust to conglomeration is one of the major triggers in the demolition of inter-sectoral barriers; a process that must be studied not only at the sectoral level but within specific corporations.

The rationale of these inter-sectoral mutations was lucidly described by R.J. Reynolds in the mid-seventies. The strategists of corporate aggrandisement succinctly justified their quest for alternative marketing outlets to canalise the rising tides of tobacco's cashflow into other diversified outlets in the following terms: 'First, having captured one-third of the US cigarette market the company could see a point of diminishing returns for growth potential. Adopting an unrestricted approach towards diversification, RJR moved into entirely new areas; shipping and petroleum, on the theory that it made sense, where appropriate, to apply *cash to any well-established business*' (emphasis added).¹¹

This is a *locus classicus*. In the simplest of language it defines the dynamics of accumulation which, at a point of time, leads to an overspill from one sector to another. Theoretically, there is no upper limit to capital expansionism; in reality, there is, namely market size and the purchasing power that sustain it. By the very logic of accumulation, it was not ironic that RJR/Nabisco, one of the world's biggest conglomerates that had gobbled up dozens of firms (and that only between the '60s and the '80s) was in turn to be swallowed up by a mega-service corporation. Kohlberg, Kravis, Roberts¹², in the biggest leverage buyout (\$25 billion) in world corporate history.

Concluding reflections

The agonising structural changes within global capitalism over the last two decades, glaringly so in the service economy, have been matched by precipitous drops in corporate accountability manifested in the propagation of every genre of financial swindles of

which the debacle of the Savings and Loans Associations, and the mega leverage buyouts in the 1980s were the most sordid expression. They were never autonomous changes but were galvanised, conspicuously so in the Thatcher/Reagan/Nakasone era, with the deregulatory benediction of centralised political power.

With very few, if any, exceptions (and Kuwait as the world's premier service economy can hardly be bracketed as a Third World country), the distribution of gains in the world service economy have bypassed the Third World. It was at the insistence of the US that inclusion of services be introduced into the Uruguay Round despite the vigorous resistance of Brazil and India.

It was Charlie Wilson who, in 1950, made the legendary quip that 'what is good for General Motors is good for the United States.' It's not fortuitous that Charlie Wilson's counterpart at American Express (chairman of the board) happens also to be the leader of the US services delegation in Geneva. Liberalisation in services, that is a multilateral investment regime designed to maximise TNCs interest, would, in fact, be tantamount to the Third World's unconditional recolonisation. A process, as the Uruguay Round revealed, which has made deep inroads.

Given the vast imperfections in product and factor markets the volume of foreign investment flows, which are determined solely by TNC interests, does not represent an efficient or optimum outcome from the perspective of Third World capital-importing countries.¹³ TNC restrictive business practices (RBPs) were not included in the Uruguay Round negotiations. This means that vital decisions of national interests on key trade and investment issues remains within the exclusive prerogative of the TNCs in the imperialist centre. There is exiguous public accountability of TNC operations in the advanced capitalist centres; there is none in the Third World.

In such a context it is obscene to describe as 'trade distortions' measures adopted by certain protagonists of the Third World to defend themselves, i.e. to slash the prejudicial and maximise the less obnoxious trends of foreign investment flows into their economies. Liberalisation, therefore, cannot be formulated independent of RBPs, TNC transfer pricing policies, market-sharing ar-

rangements, centralised pricing policies, and the categorical rejection of a code of conduct governing the freer flow of technology to the Third World.

The crux of the issue, however, lies not in the mystifying endless legal debate but in the monstrously unequal distribution of power in the global service economy that has exploded over the years. The upshot is that there is an incompatible divergence of interests between the service TNCs and the national interests of the Third World. The Third World is already marginalised and it will be shovelled even further down the gadarene slope.

Sectors such as banking, insurance, shipping, transport and telecommunications are of strategic importance to the development process. These sectors are not simply producers of services, but are strategic in the sense that they bear directly on national sovereignty, security and development.

Between black and white there are many shades; and the international TNC service economy is no exception. The US is now caught in a dilemma of its own making. In one breadth, it hollers for liberalisation of services while at the same time repudiating it in textiles. A very old and tragic story: it was Britain's textile interests and their parliamentary political cronies that exterminated the Indian textile industry. That accomplished, the UK transformed itself into the Praetorian Guard of economic liberalism.¹⁴ Now that India and several Third World economies are competitive in textiles once again, the UK and others have sought protection of its industry through the MFA. Precisely the same scenario it being reenacted in services.

In services, where the US possesses a comparative advantage, beating a retreat from its earlier posture in GATT [declaration of 21 November 1990] it repudiates a general non-discrimination rule for services trade of the kind that it advocated for goods, it is seeking exclusion of the MFN [most favoured nation] rule for civil aviation and shipping. Even the major actors of US finance capital (insurers, bankers and other service sectors) are scurrying for protection now that they are being battered by the hurricane winds of economic depression.

US telecommunications firms have demanded that access to the American market be used as a battering ram to extort concessions from foreign competitors. Added to this *volte face* is that

Congress, in its rabidly protectionist mood, is likely to push legislation (in early 1991) against those countries that are judged to be discriminating against US financial services. In conformity with the Hill Doctrine, the US will be the judge and jury of what constitutes 'discrimination'. In much the same manner as it is already the self-proclaimed judge and jury of what constitutes 'international morality', and 'human rights'.

It needs to be recognised that negotiations in GATT, dominated as they are by the conflictual and contradictory impulses of imperialism (and not only within the international service economy) touch the legal appearances of things and not their inner essence which is, once again, the asymmetric distribution of economic power in the international economy. The issue is not about the rules of the game for international trade in services which is the conventional alibi.

The ongoing acrimonious debate on international trade in services, exacerbated by Bush's Gulf War is symptomatic of the wider global crisis of capitalism that has already plunged into a period of sustained stagnation with intensified economic war as one of its corollaries.

NOTES

¹ In a genial but rudimentary form, the distinction between the diverse categories of 'unproductive' labour and other commodities harks back to Francois Quesnay (1694-1719) *Tableau Economique* that was a precursor of both input-output tables as well as national accounts.

² Colin Clark, *The Conditions of Economic Progress*, London 1940. This breakthrough coincided in time with the no less remarkable innovations in national accounts by Richard Stone at Cambridge University and Simon Kuznets of Harvard. To which could be added the complementary achievements of Vassili Leontieff's input-output matrices.

³ This is a definition seen through the spectrum of the balance of payments. It's not free of ambiguity. For one thing, the category of direct investment income in balance of payments statistics is not adequate because it does not make a distinction between direct foreign investment in goods and direct foreign investment in services, and simply lumps together income from investment abroad in both goods

and services, which tends to overestimate international trade in services. UNCTAD, *Production and Trade in Services: Policies and their underlying factors bearing upon international service transactions*, Geneva, 1985.

⁴ A tradition that harks back to the halcyon days of British imperialism (1875-1914). In the 1980s, the UK invested more than \$100 billion in the US; a sum that underscores both the volume and its vulnerability given the sharp US recession. About half the profits of the UK's quoted companies now comes from their foreign subsidiaries, with the largest share emanating from the US.

⁵ The Japanese now control 25% of the US entertainment empire. MCA was bought out by Matsushita for \$7 billion. Earlier Sony had gobbled up Columbia Pictures for \$3.5 billion. These two mega deals went hand in hand with the takeover by Giancarlo Piretti (Pathe Communications Co.) of MGM/UA communications. For all practical purposes, the US entertainment industry has been colonised.

⁶ See Frederick F. Clairmonte and John H. Cavanagh, 'Transnational Corporations and Services: The Final Frontier', *Trade and Development, an UNCTAD Review*, 1984.

⁷ Internationalisation is measured by the extent to which production of a given sector is exported.

⁸ Transnationalisation defines the extent to which the production and marketing of a given sector are controlled by TNCs.

⁹ *Best's Review*, July 1983

¹⁰ Conglomerate mergers are those between firms which are neither direct competitors nor a buyer-seller relationship with one another.

¹¹ *Our 100th Anniversary, 1875-1975* Winston Salem 1975

¹² Kohlberg, Kravis, Roberts. In contrast to the Sony/Matsushita annexations of the sector, the KKR coup revealed the annexationist capacity of the service sector on a manufacturing sector. What was staggering was that it doubled the size of any previous takeover; and raised to more than \$50 billion the combined annual turnover of the 35 odd companies KKR owned. The coup - the biggest the service economy has ever experienced - was done by a firm with at most 50 full-time employees. At one stroke KKR was propelled into the fifth largest US conglomerate.

¹³ The South Commission, Statement on Uruguay Round, Mexico 5-8 August 1988.

¹⁴ F. Clairmonte; *Economic Liberalism and Underdevelopment*.

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GATT Briefing

On Trade-Related Aspects of Intellectual Property Rights

PUBLISHED BY THE EUROPEAN NETWORK OF PROFESSIONAL AND NON-GOVERNMENTAL ORGANISATIONS IN CARRYING OUT DEVELOPMENT EDUCATION AND TRAINING PROGRAMS IN THE NORTH AND IN THE SOUTH.

The GATT Briefing is a series of 10 bulletins on the Uruguay Round negotiations, written and compiled by and for Non-Governmental Development, Environment and Agricultural Organisations through the Initiative of RONGEAD.

RONGEAD is a European Network founded in 1983. It acts as a support for Professional and Non-Governmental Organisations in carrying out development education and training programs in the North and in the South. Through the GATT Briefing, RONGEAD is continuing its work on the interlinkages between agricultural policies, international trade, environment and development.

The GATT Briefing is an information and exchange bulletin and does not necessarily reflect the views of RONGEAD.

OF MINDS AND MARKETS Intellectual Property Rights and the Poor

"Patents are a paradise for parasites".
"Patent protection forms a stumbling block against the development of trade and industry".
"The patent system is a playground for plundering patent agents and lawyers".

J. Geigy-Merian, Geigy Firm, (later Ciba-Geigy), 1883

"It is Ciba-Geigy's position that legal protection of intellectual property serves the public interest by stimulating continuing investment in technological innovation".

John H. Duesing, Ciba-Geigy, 1989

Perhaps no single item on the GATT Uruguay Round agenda is so contentious as that covering patents and other intellectual property rights. Through TRIPs (Trade-Related Aspects of Intellectual Property Rights), Northern governments, led by the U.S., are pressuring the industrializing countries of the Third World to align their intellectual property laws with those of the developed world and allow the multilateral trade forum to become the world's single-handed patent, trademark and copyright cop. At stake for Northern transnational companies are billions of dollars in alleged unpaid royalties and tighter control over global markets. At stake for the South are access to foreign technology and the possibility to develop indigenous capacities in vital economic fields. The outcome of negotiations on this point could "trip" in fact, over the North's own feet as lead governments diverge on whether life forms should be included in the deal or not. This leaves countries of the South a modicum of manoeuvring space to defend a final frontier in national sovereignty and to choose between development or dependency.

The rich countries of the North want patent laws and other systems of intellectual property rights (IPRs) built into international trade agreements. They have succeeded in forcing the so-called area of Trade Related aspects of Intellectual Property Rights (TRIPs) onto the agenda of the Uruguay Round of multilateral trade negotiations currently being held under the auspices of GATT - The General Agreement on Tariffs and Trade.

Swiss agri-chemical giant, claims that legal protection of intellectual property serves the public interest by stimulating continuing investment in technological innovation. Without patents, they won't invest. But only 100 years ago, the founders of the same company argued that patent protection was a block on the development of trade and industry.

The principles of patent law are laid down in the Paris Convention, originally negotiated in 1883. A patent is a deal between an inventor and society, where society gets knowledge about the invention, while the inventor gets monopoly rights over it. Since monopolies can be used against the public interest, all sorts of measures were set up to limit the economic costs of abusive patent practices. These included compulsory licenses and antitrust laws.

Throughout history and still today, the dividing line between patent partisans and adversaries is technology: those who have it and those who want it. Those who have the technology - the industrialized countries - claim that intellectual property rights stimulate investment and research. They argue that society benefits if private interests have the incentive to spend time and money coming up with new products and techniques to contribute to economic growth. Those who want the technology - the industrializing countries - see that government-created monopolies cut competition and effectively block access to protected inventions. They question why society should not only subsidize private investors but grant them exclusive monopoly over innovations as well ².

The pressure for increased patent power comes primarily from the transnational corporations (TNCs) of the North. They want patent systems to be applied worldwide and extended to cover all products including medicines and biotechnology products. Third World nations are worried that this will increase their dependency on foreign companies and inhibit technological development.

The big companies are sending representatives all over the globe to advocate stronger intellectual property protection for everything that can be made in their laboratories. And that includes life. With eloquent, often emotional arguments, companies now try to convince the world that there is no progress, no development and no happiness without strong patent systems. Those countries which do not have them are charged with "theft" and "piracy" and are accused of putting national interests above "internationally accepted principles of fair trade"¹. For example, Ciba-Geigy, the

(1) Duffey, W.H., Monsanto Co., "Intellectual Property Needs of Multinationals", in "Equitable Patent Protection for the Developing World", Cornell University Staff Paper 89-90, Ithaca, N.Y., Nov. 1988.

(2) Mooney, P. R., "From Cabbages to Kings: Intellectual Property vs. Intellectual Integrity", in "Patenting Life Forms in Europe", ICDA Seeds Campaign, Barcelona, 1989.

The Third World and the Patent System

Only one per cent of patents are owned by Third World Nationals. Of the 3.5 million patents in existence worldwide in the 1970s, only about 200,000 were granted by developing countries. Most of these Third World patents, some 84%, were owned by foreigners, essentially by transnational corporations from the five richest countries. But what is most significant is that less than 5% of these foreign-owned patents were used in production processes in the South.

As several UN agencies and the Inter-American Development Bank have pointed out, patents are used mostly by transnational corporations to secure Third World markets for sales of products produced in the North. Former Director-General of the World Health Organization, Dr Halfdan Mahler, denounced import monopolies for pharmaceuticals in the South created by patent control as "sheer drug colonialism."

The current IPR system is by and large biased against the interests of the poor. The UN Conference on Trade and Development (UNCTAD) pointed out that "the participation of the developing countries in

shaping as well as in the operation of the international patent system has remained minimal."¹ Indeed, most Third World countries' IPR legislations were handed down to them from the former colonial powers or modeled on those of other industrialized countries, as enshrined in the Paris Convention. Since its adoption in 1883, the Paris Convention has systematically strengthened the monopoly rights of patent holders and weakened the bargaining position both of the general public and of the Third World.² Developing countries, in the meantime, had no choice but to exercise their sovereign right to

"Of all the relationships between the developed and the developing countries, the patent system is the most iniquitous."

Surendra Patel
United Nations University

fashion their own IPR jurisdiction for their own needs.

That right has been widely used over the past decades as many developing countries have adapted their patent laws to promote technology transfer and defend themselves against subjugation. They have reduced patent terms, excluded vital sectors such as food and health from monopoly control and strengthened compulsory licensing - stipulating that patents must be used in local production processes or the patent right will be forfeited.

Progress at the UN and the Great Reversal

In the 1960s and 1970s, the problems connected with patent systems for developing countries were recognized by the North. In 1974, even the OECD - the club of rich countries warned its own members against abusive use of the patent system. Earlier, global efforts to adapt the function of IPRs to the needs of the developing countries were launched by Brazil³, and in 1961 a special resolution was adopted by the General Assembly of the United Nations calling for examination of the matter.

The work, taken up UNCTAD and WIPO (The World Intellectual Property Organization), resulted in the now classic study, "The Role of the Patent System in the Transfer of Technology to Developing Countries". The findings showed clearly that the developing countries were at a disadvantage in the world patent scene, a reflection of the profound technological inequalities between the North and the South. In 1975, the UN General Assembly adopted a follow-up resolution on the matter which accordingly stressed that "International conventions on patents and trade marks should be reviewed and revised to meet, in particular, the special needs of developing countries, in order that these conventions may become more satisfactory for aiding developing countries in the transfer and development of technology."⁴ For once, industrialized and developing countries agreed.

But then came what Surendra Patel, UNCTAD's former Director of Technology

Transfer, calls "The Great Reversal". While in the 1960s and the beginning of 1970s, calls for a New International Economic Order echoed loudly in corridors and meeting rooms of the United Nations, the late 1970s and 1980s witnessed a mounting economic crisis and the rise of "no-nonsense" and protectionist attitudes in the North. The industrialized countries, after having endorsed many measures in favour of the Third World's access to technology and markets, simply turned their heads the other way. Cooperative efforts to set up a more balanced IPR system in the interests of the poorer countries were cast aside as the North suddenly decided that the South had simply better pay lost royalties and pull in line with the patent systems of the North. The rich countries also decided that the patent system should be transferred from universal and competent fora such as the UN - where the world's majority rules - to GATT - effectively controlled by the North.

Behind TRIPs :

The pressure from the North.

The perceived need of the North, and of the US in particular, for strong patent protection comes from two long term problems: (i) the ongoing technological decline of US industry, forcing American businesses to try to artificially freeze their dwindling comparative advantage through government-administered IPRs; and (ii) the failure of successive US administrations to win international support for strengthened intellectual property schemes in the relevant UN fora⁵. For the US government, crusading

on behalf of "big business", it took no more than a little coercing and a lot of propaganda to get Japan and, more hesitantly, the EC to back up the move to include IPR principles on the Uruguay Round agenda.

Softer patent schemes in the poorer countries, designed to protect social welfare against monopolies and encourage access to foreign technology, are now seen as the ultimate rip-off in the world economy. Northern multinationals want to collect the same royalties in Brazil as they do in Switzerland and dictate who can use their technology as much in Rio as in Berne. Soft patent laws are no longer seen as a tool for development, but as a cover-up for economic embezzlement.

The US Chemical Manufacturers Association reports annual losses of up to US\$ 6 billion to the US chemical industry due to weak patent laws, while their pharmaceutical counterpart, claims losing US\$ 4 billion a year⁶. The US International Trade Commission (US-ITC) circulates estimates from a low US\$ 43 billion to a high US\$ 102 billion for American industries alone⁷.

These extravagant claims, though mostly unsubstantiated, are repeated by the US Government to increase the patent pressure on countries in GATT. If the US-ITC figures were to be extrapolated worldwide, we would be talking about anything between US\$ 100 and 300 billion. In practice the rich countries of the North are demanding, through strengthened patent systems in the South, that these extra funds be transferred from the poor countries of the South. This compares with a total Third World export income (including OPEC) in 1987 of some US\$ 500 billion ! If this absurd "scare strategy" were to work, it would exacerbate the current Third World debt crisis 10 times over. Such claims contrast sharply with more serious attempts to analyze the situation and amend IPR schemes to promote development, as pursued in UNCTAD and WIPO over the past 20 years.

The US is not just waiting for the outcome in GATT. Bilaterally, the US began sanctioning those developing countries without strong IPR regimes. The 1988 Trade Act set up a "watch list of 36 countries without strong patent laws. Brazil, China, India, Korea, Mexico, Taiwan and Thailand, amongst others, are under intense pressure to amend their patent laws. If they do not respond in a way that satisfies the US, trade sanctions could follow. Several countries can already explain what that means. US import tariffs on US\$ 165 million worth of goods from Thailand have been increased because of lax enforcement of intellectual property laws there⁸. Brazil faced punitive tariffs, valued at US\$ 39 million, on exports to the US because they would not grant patents on US drugs⁹. Some countries, such as Mexico, have given in to the pressure by changing their laws, but many are still resisting.

What the industrialized countries are now demanding in GATT is to freeze the existing world division of labour. Intellectual property rights are the key to controlling technology and are firmly in the hands of a few.

(1) UNCTAD/WIPO, "The Role of the Patent System in the Transfer of Technology to Developing Countries", UN, N.Y., 1975. (2) Patel, S., "Intellectual Property Rights in the Uruguay Round: A Disaster for the South?", in "Economic and Political Weekly", New Delhi, May 6, 1990. (3) Ibid. (4) UN General Assembly, Resolution 3362 (SVII), UN, N.Y., 16 Sept. 1975. (5) De Almeida, P., "The New Intellectual Property Regime and its

(6) Duffey ibid note (1), pg. 1. (7) USITC report quoted in, "Biotechnology, Patenter: Et Internasjonalt Perspektiv", NIEO Newsletter N° 1/2, Norwegian NIEO Group, Oslo, 1989. (8) Dwyer, P., "The Battle Raging Over 'Intellectual Property'", in "Financial Times", London, 13 July, 1989. (9) "Brazil Says US Sanctions Breach Standstill Deal", in "Financial Times", London, 17 Oct. 1989.

"One feature that sets intellectual property apart from other items on the Uruguay Round agenda is that the discussion is not really about liberalisation but about increased protection."

Peter Mantagnon, Financial Times,
London, 1989

The GATT Negotiations

At the beginning of the Uruguay Round at Punta del Este in 1986, a mandate was agreed upon to set the agenda of what was to be discussed in the Negotiating Group on TRIPs. It contains three distinct paragraphs. The first is the most fundamental, as it concerns the very scope of TRIPs. It states that the negotiating group should clarify existing GATT provisions as they relate to IPRs and trade distortions. On that basis, the group may elaborate new rules and practices "as appropriate". Paragraph Two calls for the establishment of a GATT framework to deal with trade in counterfeit goods, while the third part of the mandate calls for cooperation with ongoing international initiatives in the field.

Ministerial Declaration on the Uruguay Round Mandate on TRIPs

Paragraph 1, "In order to reduce the distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade, the negotiations shall aim to clarify GATT provisions and elaborate as appropriate new rules and disciplines."

Paragraph 2, "Negotiations shall aim to develop a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods, taking into account work already undertaken in the GATT."

Paragraph 3, "These negotiations shall be without prejudice to other complementary initiatives that may be taken in the World Intellectual Property Organization and elsewhere to deal with these matters."

This mandate has been interpreted in two widely different directions by the North and the South. For the South, international trade in counterfeit goods might have looked like legitimate grounds for GATT oversight. But the North has used the entire exercise as a means to lay down new international rules and norms for IPR protection. They have concentrated on new provisions for GATT, whilst almost ignoring the clarification of existing ones. They now show little interest in codes of conduct on trade in counterfeit goods, and certainly appear unhampered by any impact TRIPs might have on long-standing activities of WIPO, UNCTAD, or other bodies in the field. The mandate is meant to cover trade related aspects of IPRs. The North has re-constructed it to cover stronger patent protection worldwide and no more.

This approach of the North is clearly in breach of the commitments they made at the

opening session of the Uruguay Round which stated that, "The developed countries do not expect the developing countries, in the course of trade negotiations, to make contributions which are inconsistent with their individual development, financial and trade needs. Developed contracting parties shall therefore not seek, neither shall less-developed contracting parties be required to make, concessions that are inconsistent with the with latter's development, financial and trade needs."

Proposals from the North

The proposals for a legal agreement on TRIPs coming from Northern delegations have three basic objectives:

Firstly, to achieve uniform, international standards of IPR protection, and their proposals reflect their own level of standards. They want patents of long duration - 20 years from date of filing. In many Third World countries, patents are valid for much shorter terms. Apart, perhaps, from some life forms, the North would allow no exceptions as to what can be patented. In sharp contrast with the national laws of most developing countries, no provisions are made for excluding medicine, food or other goods vital for national security from IPR protection. In fact, the North wants to extend the menu of available IPRs to protect integrated circuit layout design, appellations of origin, and even trade secrets. This is essentially a means of raising "softer" forms of IPR protection to the level of the almighty industrial patent.

Secondly, the industrialized countries want agreement on enforcement measures. In what reads like a gangster novel, their proposals foresee border controls, seizure and destruction of infringing goods, imprison-

"A GATT Agreement must not permit a reduction in intellectual property protection from levels already afforded in major industrialized countries. Otherwise, the entire exercise has been a failure."

William Duffey,
Monsanto Co.,
1989

ment, forfeiture, criminal sanctions, fines, compensation and the like. In practice, this will mean that the multinational corporations will monitor their markets and inform the authorities of illegal manufacture or trade. Perhaps the most disturbing aspect is that

these provisions would extend to non-contracting parties of the agreement, as parties to TRIPs can sanction non-adhering countries for IPR infringement.

Thirdly, the North wants an institutional framework for monitoring and administering TRIPs.

The industrialized countries have boldly decided to disregard the past 20 years of discussion on the need to facilitate technology transfer to the developing countries, that have taken place at WIPO and UNCTAD. As pointed out by a member of the UNCTAD Secretariat, "A striking feature of the submissions so far presented by developed countries (on TRIPs) is the absence of any link between the granting of IPRs and the promotion of domestic technological development. Indeed, they are solely focused on the rights of IPR holders and silent on their obligations to society."

Throughout, the North's approach to IPR brahly assumes that "for trade purposes", intellectual property is not a matter of national public policy or sovereign jurisdiction. Instead, it is assumed that the world's intellectual property pool must be managed and policed according to the North's priorities, traditions and means.

Priorities of the South

The South's approach to the TRIPs negotiation is geared towards protecting the liberty of sovereign nations to establish their own norms and principles of IPR protection in relation to the needs of their people... not those of the multinationals' shareholders in the North. For the South, the obligations of IPR holders are

"The real issue behind the (GATT) negotiations is the freedom to adopt intellectual property regimes in accordance with the developmental interest of individual countries - whether developed or developing — as against an obligation to follow strictly determined and multilaterally enforced international norms which may not necessarily take into account such interests."

Paulo Roberto de Almeida,
Permanent Mission of Brazil
1989, Geneva

(1) Yusuf, A. A., "Developing Countries and Trade-Related Aspects of Intellectual Property Rights", in "Uruguay Round: Papers on Selected Issues", UNCTAD/IPP/10/UN, N.Y. 1989. (2) Ibid

just as important as their privileges, if not more so.

During the preparations of the Uruguay Round, the developing countries were opposed to using GATT, the trade watchdog, as a forum for establishing new IPR standards and principles. The World Intellectual Property Organization (WIPO), a UN body, was they felt, the appropriate body for such negotiations. At most, it appeared that trade in counterfeit goods could fall under the ambit of GATT jurisdiction.

Once at the negotiating table, Brazil and later India have served as an articulate representative for the Third World on the IPR agenda item. India presented the most elaborate Third World proposal to the negotiating group on IPR in July 1989¹. Clearly spelling out the main concerns of the developing countries on TRIPs. They reiterate that "only the restrictive and anti-competitive practices of IPR owners could be considered as related to trade."

The developing countries are very explicit in

their desire to maintain the right to exclude specific economic sectors from IPR protection. As put by the Indian delegation to GATT, "It would not be rational to stipulate any uniform criteria for nonpatentable inventions applicable alike both to industrialized and developing countries or to restrict the freedom of developing countries to exclude any specific sector or product from patentability"². Such exclusions commonly range from food, pharmaceuticals and chemicals to applications in the field of farming, energy and medicine. The point of excluding vital areas from patentability is to ensure that monopolies cannot be abused against the public interest in the form of price fixing, speculating, restricting production. This is especially important in the health field. Absence of patent protection for pharmaceutical products - practically the norm in the Third World - allows for the availability of cheaper generic versions of protected drugs on the local market.

The granting of compulsory licenses - despised by multinationals and dear to the South - is another point of contention on the

TRIPs negotiating table. Compulsory licensing allows the government, acting in the interests of public health or national security, to force an IPR holder to cede its exclusive monopoly and allow third parties to make use of the invention. Compulsory licensing is a fundamental provision of the Paris Convention and of the WIPO Model Law for developing countries. It is incorporated in the patent laws of most parties to the Paris Convention except, most notably, the United States.

While such non-voluntary licenses are little used today in the North, they are considered by the South as a vital check against monopoly abuse. TRIPs proposals from the industrialized countries strongly limit the exercise of compulsory licensing, against the interests of the developing countries which are firm in maintaining their current rights. Third World countries have also insisted that they should be free to set the duration of patent protection for a period consistent with their development interests.

Biotechnology : Life Forms as the Stumbling Block

"There is an incomplete understanding of the impact which the extension of intellectual property rights to plant genetic materials and plant varieties could have on the maintenance and preservation of genetic resources. This impact must be assessed before TRIPs negotiations in GATT are finalized."

Keystone International Dialogue
on Plant Genetic Resources,
Madras, 1990

Despite the North/South clash in their "world views" on the function of IPR systems and the role of GATT in regulating TRIPs, the biggest stumbling block toward reaching any consensus on IPR standards is to be found in the industrialized countries themselves. On no other point regarding intellectual property do the rich countries diverge so widely as on whether or not life forms can be patented. This matter has re-emerged to the scene of heated debate in light of the current development of biotechnologies.

The patenting of life forms carries profound ethical, economic and social implications that outweigh mere considerations of industrial competitiveness or technology transfer. Yet corporations engaged in biotechnology have been lobbying hard in the North to expand the industrial patent system to living products and processes. In not one OECD country is this matter settled. The United States is currently studying a bill in Congress to enforce a moratorium on animal patenting³. The EC is debating a controversial directive which would make virtually all forms of life patentable, while in other countries the matter is still far from closed⁴.

Biotechnology is a cutting-edge technological sector of the North, at the very forefront of the minds of the TRIPs negotiators. Yet the industrialized countries' total lack of coherence on this point is for the moment insurmountable. The Americans, playing the hardline, allow for "no exclusions" whatsoever from patent protection under the GATT negotiations. The Japanese assert that patents should not be available for inventions that are contrary to public order, morality or public health, and inventions manufactured through nuclear transformation. The EC, bound to its member states' commitments in the European Patent Convention, proposes that

parties to the TRIPs agreement "may exclude plant or animal varieties" from patentability, but "shall provide for the protection of varieties by patents and/or by an effective sui generis system." This means that if a country adhering to TRIPs cannot allow patent protection for plants, it must, in that case, provide plant breeders' rights protection.

Other Northern delegations have been more elaborate in their qualms about patenting life forms. The Scandinavians maintain that plant or animal varieties should be omitted from the patent system and they also expressly exclude human beings. And they explicitly state that "As regards biotechnological inventions, further limitations should be allowed under national law." Canada, for its part, holds that "National laws may provide that multicellular life forms or processes for producing new multicellular life forms are not patentable." The Austrians, not going so far as to say no, have requested "further studies concerning the patentability of plant and animal varieties."

Developing countries provide most of the biological diversity to the world economy under the current regime of "free access" to genetic resources. Those resources serve the basis of the biotechnology industry. Their "biopiracy" by the North through TRIPs would strip Third World countries of national sovereignty over their natural resources and oblige them to pay royalties on products derived from them.

Patentability of life forms will most directly affect the agricultural sector, the very backbone of most developing countries. It would result in higher prices for seed and increased use of agri-chemicals, thus draining foreign cash reserves, and exacerbate genetic uniformity in the field. It would also place global food security in the hands of a few transnational corporations who could then "own" the genes and species upon which the world food system is based.

With life forms and drugs being the key markets that the transnational companies want to be opened up in the South through TRIPs, domestic disharmony in the North could make a GATT compromise even harder to come by.

(1) Duforce, W., "India Seeks Patent Concession for Poor Countries", in "Financial Times", London, 13 July 1989. (2) GATT document MIN. GNG/NG11/W/32/REV.2, Geneva, date unknown.

(3) "New Bill Would Impose Five Year Moratorium on Animal Patenting", in "Regulation, Economics and Law", The Bureau of National Affairs, Inc., Washington D.C., 2 Mar. 1990. (4) GRAIN, "Disclosures: An Information Update on the Life Patenting Debate in Europe", Barcelona, Jan. 1990.

NEW DELHI DECLARATION

TOWARDS A THIRD WORLD CONVENTION ON INTELLECTUAL PROPERTY RIGHTS AND OBLIGATIONS (IPRO)

One hundred and eleven participants from several developing countries met in New Delhi (India) on March 15-16 1990 for the Third World Patent Convention. The Convention was organised by the National Working Group on Patent Laws of India (a non-official body representing fourteen organisations connected with different disciplines). Below we reprint part of the declaration adopted at this major conference as it represents a collective statement from concerned Third World citizens on the TRIPs negotiations.

We, the participants in the Third World Patent Convention, met in New Delhi on 15-16 March 1990 to deliberate on the impact of intellectual property rights on national development, particularly in the context of the Uruguay Round of GATT negotiations on the subject. We are deeply concerned at the grave threat posed by the TRIPs negotiations in GATT to the inalienable rights of our countries to design and operate national intellectual property regimes, corresponding to our national genius and serving our national interests. There is no connection between intellectual property and trade. GATT is not the proper forum in which the question of intellectual property rights should be negotiated.

We believe that any revision of the intellectual property system should take into account the fact that the larger public interests have precedence over commercial interests, and over the rights arising out of monopolistic proposals aiming at enhancing the rights of the owners of intellectual property without any obligations towards the interests of the people, both as consumers and producers.

The application of the TRIPs proposals to the emerging technologies will involve not only commercialisation but also grant of exclusive monopoly rights to biological processes, naturally occurring substances, systems of logic, algorithms, etc. The monopolistic hold of MNCs over these technologies would lead to distortions in the world development process. Rather than optimising the welfare of the peoples of the Third World, the TRIPs proposals would legalise the internationalisation by the MNCs of their benefits. The basic objective behind patenting, viz. of rewarding the scientists and technologists engaged in the creation of inventions and innovations, would thus be lost.

TRIPs would distort the ethos of world scientific community. The free flow of scientific knowledge and information within the scientific community would be severely restricted. It would therefore obstruct the very development of science and technology in the public interest. A highly disturbing feature of the TRIPs proposals made by the developed countries is the total lack of any reference to the obligations incumbent upon IPR holders towards societies granting them such rights. A system of rights without obligations is no system at all.

The TRIPs proposals aim at reserving the domestic markets of the Third World countries for the manufactured goods of the developed countries. The proposals would arrest the promotion of indigenous technological capabilities. They would constrain research and development of frontier technologies in these countries. The TRIPs proposals would strengthen the vicious circle of limited scientific and technological activities creating conditions for brain-drain.

It follows that there can be no uniform set of standards and norms of equal validity or relevance applicable to a wide range of developing

countries which are obliged to respond to the imperative of their respective cultural and socio-economic needs. The holding of a global monopoly of patents representing a massive stock of science and technology by a group of industrialised countries is no justification for common standards and norms to be demanded from the developing countries, or a price for being admitted to a global multilateral system of trade and exchange.

In order to demonstrate their good faith, the developed countries should agree to the resumption of the negotiations on the UNCTAD Code of Conduct on Technology and participate in them with enough political will in order to complete them expeditiously. Similarly, the negotiations on the revision of the Paris Convention in WIPO should also be rapidly brought to a successful conclusion.

A revision of IPRO (Intellectual Property Rights and Obligations) based on these directions can alone protect the public interests of the Third World countries. The opposition of those countries to the TRIPs proposals, in fact, champions the goal of global scientific and technological progress.

As the Uruguay Round enters its final phase, developing countries need to take a clear stand on the basic issues affecting their vital interests and development aspirations. The Third World delegations should use the TRIPs negotiations as a forum and an opportunity to present their own views and position with respect to intellectual property protection and improved access to technology.

In light of the severe pressures on Third World governments to accept the TRIPs proposals under the Uruguay Round, we urge governments, non-governmental organisations, scientists, technologists, intellectuals, industrialists and consumers to set themselves the following objective for vigorous action:

1. To generate and spread awareness of the issues relating to national and global intellectual property systems and their impact on development of Third World countries;
2. To promote dissemination of information and discussions on the implications of TRIPs proposals on the scientific and technological development and legitimate aspirations of the people, particularly in the developing countries;
3. To influence the decision-making processes in the developing countries in order to ensure that science and technology shall serve as the common heritage of mankind, open to free access for the benefit and welfare of all people all over the world.

We agree that a Third World Network on a People's Intellectual Property Order (PIPO) be established.

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Strategy Options for the South

In the current GATT negotiations the South is under tremendous pressure. Either the developing countries accept the far-reaching Northern proposals at GATT or they block an agreement and submit themselves to bilateral action enforced by the United States and others.

Given that the industrialized countries are hard-pressed to save something of the multilateral system before this GATT exercise closes in Brussels this December, the developing countries might best choose to achieve something in their interest within the Uruguay Round framework. Two strategies are open for reaching alternative solutions to the destructive proposals from the North¹. First, the South could pressure the negotiating group to return to its original understanding of the TRIPs mandate as laid out in the Punta del Este Ministerial Declaration. This would re-limit TRIPs to the clarification of GATT provisions concerning trade distortions and barriers related to IPRs in a strict sense. Secondly, the South could use the GATT forum to reintroduce the issues raised in UNCTAD and WIPO and other bodies regarding IPRs and the transfer of technology in favour of developing countries. The two strategies are both credible and complementary.

The first approach would consist of bringing the trade negotiators back to their Uruguay Round roots and discussing the three items of the Ministerial Declaration of 1986 with equal emphasis. The mandate of the Negotiating Group is clear: firstly to "clarify GATT provisions" as related to trade aspects of IPRs, and then to "elaborate new rules and disciplines if necessary." The North has up until now by-passed or dismissed the first part of this and simply laid down its own rules and disciplines in the form of standards for the harmonization of IPR laws.

The second strategy is also consistent with the mandate of the Uruguay Round in that it takes the third paragraph of the TRIPs mandate more seriously. Urgent attention should be granted by the TRIPs negotiators to ongoing IPR-related negotiations carried out in other UN bodies such as UNESCO - the UN's Educational, Scientific and Cultural Organization, The Food and Agricultural Organization (FAO), and the UN Environment Programme (UNEP) on farmers' rights, informal innovation systems and an international convention on folklore². These discussions are aimed at protecting the intellectual rights of Third World communities through appropriate new channels.

The concept of farmers' rights (informal innovation systems) has emerged in recent years in order to protect and reward the intellectual genius of Third World communities which have long

invested in the development and conservation of genetic resources. Most of the world's biological diversity is found in today's developing countries. While the developing countries have shared those resources with the international scientific community for free, increasingly, they are falling under the ambit of monopoly control in the North³.

Farmers' rights aim to compensate Third-World communities for their work in developing the genetic resources. At the last FAO Conference in November 1989, all member governments agreed on the logic and necessity of farmers' rights and pressed for their incorporation into other international conventions and national laws⁴. The mechanism to reward local communities in the South still has to be finalized but it will function through an international fund created for the purpose.

UNEP, for its part, is currently examining the incorporation of farmers' rights and other informal innovation systems into the protocol of the proposed UN Convention on Biological Diversity, presently under intense negotiation. Endorsement by UNEP of the concept of farmers' rights would give the new legal tool increased importance in the UN arena.

In parallel, UNESCO is preparing to turn the UNESCO/WIPO Model Law on the Protection of Expressions of Folklore into a fully fledged international convention. The Model Law recognizes that local communities produce inventions in the form of folklore - "knowledge of the common people" - and that their intellectual property should be properly recognized and protected. Folklore inventions could include farmers' crop varieties and livestock, as well as medicinal plants.

The negotiations in FAO, UNEP and UNESCO are based on consensus, meaning that both the North and the South have agreed to the end result. The TRIPs negotiators from the North, on the other hand, do not seem to care much about this UN-style democracy. If their current proposals go through, the results obtained in the other agencies would be eliminated by the mere stroke of a pen. This, in itself, is reason enough to take the parallel initiatives into account, not least since the participating delegations have already agreed to that in principle! Pressing for linking up the GATT discussion with FAO, WIPO, UNEP and UNESCO would allow the Third World to re-integrate development interests into the discussion on Intellectual Property Rights and broaden the focus on intellectual property to include both the obligations of monopoly rights holders and the alternative rights of their own national innovators.

ACRONYMS

EPC	European Patent Convention
FAO	UN Food and Agriculture Organisation
ILO	International Labour Office
IPRs	Intellectual Property Rights
OECD	Organisation for Economic Cooperation and Development
TRIPs	Trade-Related Aspects of Intellectual Property Rights
UNCTAD	UN Conference on Trade and Development
UNEP	UN Environment Programme
UNESCO	UN Educational, Scientific and Cultural Organisation
UPOV	Union for the Protection of New Varieties of Plants
USITC	U.S. International Trade Commission
WIPO	World Intellectual Property Organisation

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(1) See Yusuf, note p. 3. (2) RAFI, "Farmers' Rights: The Informal Innovation System at GATT (TRIPs) & in Intellectual Property Negotiations in the Context of New 24: Biotechnologies", Pittsboro, North Carolina, May/June 1989.

(3) ICDA Seeds Campaign, "Seedling", Special Edition on FAO Gene Fund, Barcelona, May 1988. (4) GRAIN, "FAO Endorses Farmers' Rights", in "Seedling", Barcelona, Jan. 1990.

"An opened, improved and strengthened trading system (...) implies inter alia a balance between the privileges provided to investors and the social costs of such privileges, the reduction of the possibilities of abusive use of intellectual property rights and recognition and reinforcement of the right of developing countries to develop their indigenous technological capacities, including the right of promoting and maintaining legislation and regulations compatible with their development."

UNCTAD
Impact of Technological Change
on Patterns of International Trade, 1989

"It is now obvious that the positions taken by some in the negotiations on TRIPs are designed to evolve a new international system that will intensify the pressures on the developing countries to bring their intellectual property regime legislation in line with the perceived interests of technology exporters, without addressing the basic development concerns of the Third World. This unbalanced and inequitable approach can never command the willing support of the developing countries. Its acceptance would severely inhibit technological change and act as a major

Miscellaneous Quotes

barrier to the development of the Third World."

The South Commission on
the Uruguay Round
Mexico City, 8th August, 1988

"The objectives of the GATT IPP (Intellectual Property Protection) should be the elimination of distortions in the trade of goods, both tangible and intangible, caused by the lack of respect for intellectual property by taking two important steps that should not lead to barriers and legitimate trade : (a) the creation of an effective deterrent to international trade in goods where there is an infringement of intellectual property rights and (b) the adoption and implementation of adequate and effective rules for the protection of intellectual property."

Basic Framework of GATT Provisions on
Intellectual Property - Statement of Views of the
European, Japanese, and United States Business
Communities, June 1988.

"Traditionally, foreign investors have used a variety of methods to increase the security and profitability of their investments, ranging from gunboat diplomacy to bilateral investment treaties ; although the most prevalent and effective means in recent times has simply been the threat of withholding future financing from "offending developing countries. No "right" of establishment has ever been accepted. multilaterally, the Havana Charter, for example, clearly recognized the rights of any country "to determine whether, and to what extent and upon what terms it will allow future foreign investment".....Proposals on the negotiating table in the Uruguay Round in the areas of TRIPs and TRIMs are clearly intended to incorporate property rights within the balances of rights and obligations of GATT, in such a way that a contracting party which fails to respect such rights or applies development-oriented or other conditions on intellectual property rights or foreign investment will be open to retaliation in the form of restrictions on its export trade."

Assessment of the
Uruguay Round,
UNCTAD, April, 1990

Delegation	TRIP Objectives	Exception to Patentability	Special Proposals
EEC	Provide effective and adequate protection of patents and procedures in order to ensure that such protection does not lead to distortions and impediments to international trade.	Inventions contrary to morality or public order; plants and animals, and biological processes for production of plants and animals.	All parties must adhere to Paris and Berne Conventions. First-to-file principle. Parties encouraged to provide protection beyond 20 years. Reversal of the burden of proof for patented processes.
USA	Same as EEC	None	Parties may not subject adherence to reservations. Agreement shall enter into force on Jan 1, 1992. TRIPs could provide a degree of protection for unmarketed products, which is not insurable through patent protection in particular territory, at the time of invention, due to subject matter provisions in the patent law. A patent application or patent may be refused from a jurisdiction, due to the information contained therein would be detrimental to the national security.
Japan	Same as EEC	Inventions which are contrary to public order or morality, and inventions relating to plants and animals, and biological processes for production of plants and animals.	
Nordics	Delegations should aim at securing an effective and adequate protection of patents and procedures in order to ensure that such protection does not lead to distortions and impediments to international trade.	Inventions contrary to morality or public order; plants and animals, and biological processes for production of plants and animals, human or non-human.	Compulsory Licensing von Patents for sufficient working of patent. Patent covers for importation of products.
Swiss	Each and every national government has the right to determine the conditions under which it will grant and protect patents and procedures in order to ensure that such protection does not lead to distortions and impediments to international trade.	Inventions contrary to morality or public order; plants and animals, and biological processes for production of plants and animals, human or non-human.	For purposes of TRIPs, Paris Convention shall not apply.

TRIPs: MAIN POSITIONS FROM THE NORTH

PATENT PLUNDER: TRIPping the Third World

By Robert Weissman

Charging that Third World "pirates" are stealing tens of billions of dollars worth of their goods each year, multinational corporations involved in high technology have lobbied governments in the industrialized countries to push for strong intellectual property provisions in the Third World. Ever accommodating to big business, the Northern governments have used negotiations over the General Agreement on Tariffs and Trade (GATT) as a forum in which to demand that Third World countries enact strict patent, copyright and trademark laws.

Developing countries have put up some resistance to this campaign. They argue that loose patent laws speed their industrialization and development by enabling them to copy state-of-the-art technologies. They have refused to make concessions in the area of trade-related intellectual property (TRIPS) unless the industrialized countries guarantee them greater access to Northern markets for goods like textiles and agricultural products.

But the Third World may be selling itself short. Critics fear that the adoption of the industrialized countries' intellectual property proposals will seal multinational companies' control over valuable Third World resources and cement their dominance of high technology.

Claims of piracy

The essence of the industrialized countries' position regarding intellectual property is simple. The United States wants to strengthen intellectual property protection and establish an obligation for countries to enforce those stronger standards, according to Emery Simon, director for intellectual property at the Office of the U.S. Trade Representative (USTR). These goals involve lengthening patents' lifespans, making inventions of all products patentable, sharply limiting restrictions on patents (such as requirements that an invention be produced domestically to preserve a patent's validity) and ensuring that countries prohibit copies of items ranging from movies to Gucci bags to Rolex watches.

The strongest proponent of strengthened intellectual property provisions in GATT is the United States; not coincidentally, the companies most concerned about intellectual property are U.S.-based. Individual companies, as well as industry groups like the Pharmaceutical Manufacturers Association (PMA) and the Intellectual Property Committee (IPC), a coalition of 13 major U.S. compa-

nies, including IBM, DuPont, General Motors, Merck and Co. and Pfizer, have strongly lobbied the Reagan and Bush administrations on intellectual property issues. The IPC claims to have "played a key advisory role, at USTR's request, in developing the official U.S. proposal on intellectual property that the U.S. Government tabled before the GATT TRIPS working groups in October 1987." The industry lobby group adds that its "close relationship with USTR and Commerce has permitted the IPC to shape the U.S. proposals and negotiating positions during the course of the negotiations."

The United States developed its proposal in response to company claims that they are losing billions of dollars in revenue to "pirates" who counterfeit their goods and infringe on their patents. A joint report of the IPC and business associations in Japan and Europe asserts that "losses to worldwide industry as a result of inadequate and ineffective protection of intellectual property have been extensive and are growing."

A study by the U.S. International Trade Commission places the cost to U.S. industry of inadequate intellectual property protection at between \$43 billion and \$61 billion. The findings of the much quoted study — one of the only to attempt to quantify the losses due to inadequate intellectual property protection — may be biased, however. It was based on a survey which asked companies to estimate their own losses from counterfeit goods and patent infringements.

The negotiations

GATT, an international agreement which regulates most of the world's trade and has not traditionally addressed intellectual property issues, was not the obvious forum in which to debate intellectual property protection. Third World countries were distrustful of GATT, which was largely constructed, and has been dominated, by industrialized countries. Developing countries favored discussing intellectual property protection in United Nations-affiliated organizations, such as the World Intellectual Property Organization (WIPO), where the Third World exerts greater influence. WIPO oversees two existing international agreements on intellectual property: the Berne Convention, which establishes standards regulating copyrights, and the Paris Convention, which governs patents.

When GATT signatories negotiated the mandate for the current round of negotiations (known as the Uruguay Round) prior to its start in 1986, the developing countries strongly resisted the industrialized countries efforts to include intellectual property. Eventually, a compromise was forged which the developing countries understood to mean that the intellectual property discussions which would take place in GATT would be strictly limited.

In the negotiations, Third World countries have emphasized that GATT is only supposed to address the trade-related aspects of intellectual property protection, which they assert are minimal. Chile argued in early 1990 that intellectual property standards themselves are trade-neutral and that all substantive proposals on intellectual property made in GATT should be forwarded to WIPO. Chile urged GATT to limit itself to developing sanctions which could be imposed on countries whose failure to adequately protect intellectual property has demonstrable trade consequences.

The developing countries have sought to address directly the Northern concerns about counterfeit goods, which they generally agree are legitimate. Third World countries have proposed that separate agreements be negotiated for counterfeit goods (involving copyrights and trademarks) and patents. The proposal to divide the two areas has met with hostility in the industrialized countries. Simon says the United States has "no interest" in that proposal and that it wants "to improve the intellectual property regime overall." Jacques Gorlin, the Washington, D.C. representative of the IPC, calls the proposal to divide counterfeit goods from patents a "non-starter for the private sector."

The industrialized countries have instead introduced proposals in the TRIPS negotiations which cover all aspects of intellectual property protection. U.S. Trade Representative Carla Hills said the May 1990 U.S. proposal is so comprehensive that it amounts to a "bill of rights" for intellectual property.

How close the industrialized and developing countries have come to hammering out a final TRIPS agreement is unclear. The GATT negotiations were scheduled to conclude in early December 1990, but stalled, largely over agricultural issues. According to Simon, many Third World countries, expecting their concessions on TRIPS to be offset by gains in the agriculture negotiations, refused to reveal their TRIPS positions until they were convinced an agreement would be reached on agriculture.

The real pirates

The industrialized countries' denunciations of "Third World pirates" has set the tone for the TRIPS debate. But critics charge that claims of piracy obscure the important issue of how strengthened and expanded intellectual property protections will tighten multinationals' hold on Third World genetic resources.

One important thrust of the United States' TRIPS proposal is the plan to extend patents to "all products and processes, which are new, useful and unobvious." Of most interest to the multinational food, chemical and pharmaceutical companies are the world's genetic resources, most of which are embedded in seeds and herbs in Third World countries.

Multinationals hope to gather information from the genetically rich Third World, manipulate it through rapidly evolving biotechnology techniques and then patent the new seeds, pharmaceuticals and other products they develop. The Third World will receive nothing in the bargain because the "naturally occurring organisms" that they provide are not patentable. Genetic resources are not valued and are not considered the province of the nation in which they occur (as minerals, for example, are) due to a campaign by industrialized countries to have them classified as "a universal common heritage."

But the companies take more than genetic resources from Third World countries. When botanists for multinational corporations go to the Third World to gather plants, says Pat Mooney of the Rural Advancement Fund International (RAFI), "they do not just collect plants, they collect the knowledge of [local] people; the botanists don't have the slightest idea" which plants are valuable. The botanists gather the plants that local farmers and herbalists have cultivated and bred and which they unsuspectingly report as useful to the multinational's representatives.

This process is already underway, according to RAFI, since the United States and some other countries have already extended patent coverage to genetically altered organisms. For example, a gene isolated from an African cowpea, when inserted into crops ranging from soybeans and maize, has been found to provide excellent resistance to insect pests. IC Industries and Pioneer Hi-Bred are now seeking licensing rights to insert the cowpea gene in their own patented varieties, and industry observers believe the gene will be worth hundreds of millions of dollars to its inventors. "The question is," RAFI notes, "who are the inventors? [The scientists] who isolated the gene? Or West African farmers who identified the value of the plant holding the gene and then developed and protected it?"

If the industrialized countries' patent proposals are implemented, RAFI's question will be answered. The scientists will be the legal owners of the gene, and the African farmers will receive nothing.

The United States dismisses the argument that the African farmers deserve compensation as illogical. If indigenous plant varieties are naturally occurring, they are not patentable, Simon told *Multinational Monitor*. If Third World farmers have done work on a plant, then they have the right to make a patent claim as innovators.

In addition to ignoring the obvious fact that most Third World farmers do not have the resources to pursue patent claims, Simon ignores the farmers' non-patentable contributions in identifying, cultivating and protecting plant varieties. Jack Kloppenburg, Jr., a rural sociologist at the University of Wisconsin, points out the asymmetry of assigning value to genetic information when it is processed in corporate laboratories but not when it is developed by Third World farmers and indigenous people.

RAFI hopes that the corrective to GATT lies in a little-noticed model law passed by WIPO and the United Nations Education, Science and Cultural Organization (UNESCO). The UNESCO/WIPO model law, which has been supported by the United States, was designed to protect folklore. The model law recognizes that innova-

tions can be developed by communities rather than individuals and assigns ownership of the innovations to communities as long as they continue to innovate. RAFI believes folklore includes "folkseed," or farmers' seeds bred outside the formal innovation system, and folk medicinal plants.

If the model law is adopted by member states and determined to cover seeds and plants, it would ensure that the Third World would be compensated for the genetic resources it has cultivated and preserved. If multinationals were required to compensate the Third World for the genetic resources which they use as industrial inputs, RAFI claims that they would owe the Third World approximately the same amount they claim to be losing to pirated goods. Using standard royalty rates, RAFI calculates that multinationals would owe at least \$302 million annually for crop chemicals which use farmers' seeds and over \$5 billion each year for products derived from medicinal plants.

The likelihood of the model law being applied in the intellectual property area, however, is not great. If current trends continue

unabated and the industrialized countries' TRIPS proposals are enacted, the consequences for the Third World will be severe. An international roundtable discussion held in 1990 which included representatives from Third World governments, Third World and Northern non-governmental groups, UN agencies, the U.S. government, industry and academia concluded that "the twin dangers of expansion of the scope of formal patent rights on the one hand, and non-recognition of informal innovation systems on the other, will lead to a widening of the economic gap between industrialized and poor nations."

Drug wars

The flip side of how the industrialized countries' TRIPS proposals devalue Third World knowledge is that it makes private sector patents virtually sacrosanct. By requiring Third World countries to adopt U.S.-style patent laws, the industrialized countries' TRIPS proposals would strengthen the monopoly power of multinational pharmaceutical companies, drive up the prices of drugs for Third World consumers and devastate fledgling Third World pharmaceutical companies.

The Argentinian pharmaceutical manufacturers association placed an advertisement in U.S. newspapers in November 1990 which illustrated how GATT would raise pharmaceutical prices for Argentine consumers. The

advertisement pointed out that an anti-arthritis drug which sells in the United States for \$169.84 costs only \$35.08 in Argentina. Argentina's lax patent laws enable other companies to compete with the drug's patent holder, Pfizer. Were the United States' TRIPS proposal accepted, Argentinian companies would not be able to undersell Pfizer.

India provides another example of how lax patent



A pesticide store in Solala, Guatemala.

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laws have benefitted Third World pharmaceutical consumers and producers. In 1970, the country revised its patent law, which previously had guaranteed strict patent protection. The 1970 Indian Patents Act sought to encourage domestic production of patented inventions and ensure that the products were available at a reasonable price. It allows patents for manufacturing processes only, not products. Thus a company is legally allowed to produce a patented pharmaceutical if it develops a new process to create it. The 1970 Act also allows the government to require a company to license its patent to another company if it is not manufacturing its product in India and making it available in sufficient quantities at a reasonable price within three years after a patent is granted.

The 1970 Indian Patents Act has been extraordinarily successful at accomplishing its goals, according to B.K. Keayla, the convener of the Indian National Working Group on Patent Laws. Keayla reports that: drug prices in India, among the highest in the world before the 1970 law, are now among the lowest; the Indian pharmaceutical industry has flourished due to the process patent system; and India is nearly self-sufficient in the production of bulk drugs.

Despite its beneficial effect in India, the Indian patent law is exactly the sort targetted by the U.S. Pharmaceutical Manufacturers Association. Roger Brooks, assistant

vice president in the PMA's international division, says that an acceptable TRIPS agreement must guarantee the protection of pharmaceutical products as well as processes, have "reasonable working requirements" which do not require domestic production of patented pharmaceuticals, and prohibit compulsory licensing requirements except in cases of "national emergency."

Controlling technology

The industrialized and developing countries' conflict over intellectual property protection of pharmaceuticals mirrors the broader conflict over protection for high technology. High technology multinationals, citing the figures developed by the U.S. International Trade Commission, claim imitation goods, many emanating from the Third World, cause them to suffer large losses. The industrial countries do not say, however, that in order for the multinationals' to recover those "losses" a massive transfer of income from the poor countries to the rich would be required, even if the ITC figures are inflated.

Yet the industrialized countries and high technology multinationals claim that stronger intellectual property laws will not hurt the developing countries. "Improved protection will lead to increased investment, innovation and technology transfer to [developing] countries," the USTR's Simon says. He states that foreign companies will invest and domestic companies will innovate only when afforded strong intellectual property protection.

Third World countries dispute these claims. They point to the historical record of the industrialized countries, most of which did not have strong intellectual property laws when they were developing. For example, the United States in the nineteenth century and Japan through most of the twentieth engaged in exactly the sort of activities the United States now labels piracy. More recently, the "four tigers" of East Asia — Taiwan, South Korea, Hong Kong and Singapore — industrialized with the help of weak intellectual property protections.

Now, with the emergence of high technology, copying inventions seems especially beneficial to Third World countries. While high technology in areas such as pharmaceuticals, chemicals and computers requires significant investment to develop new products, the inventions themselves — drug or chemical compounds and computer software — are easy and cheap to copy. Perhaps more importantly, because high technology is knowledge, rather than capital, intensive, copying can enable countries to accumulate the vital inputs for industrialization quickly. Surendra Patel, a senior adviser at the UN University in Helsinki, argues that "once the skill level in any country has reached a critical mass, the opportunities for benefitting from [the skills] are considerable. They offer the developing countries unparalleled opportunities of short-circuiting the development process, of leap-frogging over several phases of technological evolution."

Given this sort of perspective, Third World activists make exactly the opposite arguments of representatives of the Northern countries. The key to technology transfer is to have a patented item produced ("worked") in Third World countries, either by the patentee, licensee or imitator. C. Niranjana Rao explains in the Indian *Economic and Political Weekly* that "technological development or tech-

nology transfer will be possible only if the patent is worked in the patent-granting country. If it is used only as an import monopoly [with the product imported by the patentee and not produced in the country at all], then it will have adverse effects on industrialization and innovation in these countries."

This points to an important contradiction in the position of industrialized countries. Gorlin, for example, argues that genuine technology transfer, involving the development of infrastructure and an educated workforce, follows from foreign investment in Third World countries, which is in turn contingent on the Third World having strong intellectual property laws. Yet these proposed strong laws guarantee companies the right *not* to produce in the Third World by eliminating developing countries' ability to require patents to be worked domestically. Simon says the United States strongly rejects provisions which allow countries to require patents be worked locally, calling them "as antithetical to trade as you can get."

But for Third World countries, the technological consequences of the industrialized countries' TRIPS proposals are antithetical to development. Certainly they would undermine successes like those achieved under India's 1970 patent law. Keayla states that "the consequences will be disastrous to the Indian economy" if GATT adopts the Northern countries' TRIPS proposals, which would overturn all of the significant provisions of India's patent law. Martin Kohr, vice president of the Malaysia-based Third World Network, asserts that the Northern countries TRIPS proposals will lead to "the greater monopolization of technology in the hands of a few multinational companies" and the elimination of possibilities for "developing countries to develop their own industries based on technology which already exists."

An ominous future

Even if the GATT talks are not resuscitated and the Northern countries' TRIPS proposals are not adopted, strong intellectual property laws may yet be imposed on the Third World.

The greatest threat comes from the United States. The "Special 301" section of the 1988 Trade Act requires the USTR to impose tariffs on countries which it determines are engaging in unfair trade practices by not offering strong enough intellectual property protection. In July 1988, after strong lobbying from the PMA, the Reagan administration imposed trade sanctions against Brazil for its failure to provide patent protection to U.S. pharmaceutical firms. The United States lifted the sanctions in June 1990, after Brazil pledged to adopt strong patent protection legislation. In April 1990, the USTR identified 23 countries with whom it planned to negotiate over intellectual property standards. If those countries do not show signs of "improvement," they will face the same type of sanctions the United States imposed on Brazil.

For Third World countries, the aggressive U.S. intellectual property initiatives in GATT and in bilateral negotiations are ominous. A successful U.S. campaign will lock the developing countries into a technologically dependent state and usurp the Third World's control over its own genetic resources. ■



Third World Network FEATURES

GOVERNMENTS MAY LOSE RIGHT TO CONTROL FOREIGN FILMS. TV SHOWS

In the Uruguay Round trade talks, a battle has developed as to whether governments should retain the right to control the import of films and TV programmes or whether there should be 'free trade' in audio-visual products. This issue will have tremendous implications for the development of culture world wide.

By Chakravarthi Raghavan
Third World Network Features

Geneva: Should there be 'free trade' in the sale of television programmes and video shows or should governments be allowed to restrict and control audio-visual services so as to protect national cultures?

A battle over this issue is shaping up at the Uruguay Round trade talks. How it eventually ends could well determine whether governments will lose their existing powers to shield their peoples from the full cultural impact of foreign films and TV programmes.

On one side are the United States and Japan, insisting that new regulations be drawn up allowing audio-visual companies to sell their products wherever they want, with no or minimal controls from governments.

...2/

Most Third World countries and the European Community however want audio-visual services to be exempted from a general agreement on trade in services on the ground that governments should retain the right to control the import of films and TV or video programmes in order to safeguard national cultures.

The conflict of views emerged at a two-day meeting in Geneva at the end of August of a working group on audio-visual services, which is part of the Uruguay Round trade negotiations.

The working group on audio-visual services had been convened at the instance of the European Community. The intention has been to draw up a sectoral annotation or annex to these services, but the Community has not so far presented any paper or ideas of its own.

The Community, as well as a number of other participants (both among industrial countries and in the Third World), want to ensure protection of national cultures.

The chairman's text of a draft multilateral framework on services already has a general exception clause on a provision that would enable participating countries to institute regulations on certain services on the ground of 'cultural protection', in addition to others like 'national security', 'health', 'public morals', etc.

The US and Japan are opposed to any such exception in the agreement and also do not want any annex in this sector.

The US film industry is one of those pushing Washington on a framework in services to facilitate their exports.

Japan - whose language, script and nature of its society act as powerful non-tariff barriers against outsiders - is also opposed like Washington: Japan has a flourishing export trade in audio-visual children's cartoon and comic programmes where it has been using high-tech (computer-drawn cartoons and programmes) to dominate the market.

Both are eyeing the post-1992 Europe and its single market for TV and films, and have already been objecting to the EEC's own plans to reserve a portion of the market for domestic production of films and TV programmes.

But other countries - including Australia, Canada, the Nordic countries and most Third World countries - also want to ensure their right to 'cultural protection' from the onslaught of imported services.

In a paper to the working group the US delegation said that it believes audio-visual services are 'a vital element of global trade in services' and that the framework agreement should fully apply to this sector 'with very limited exceptions'.

A footnote in the paper shows that the US, while opposing cultural exceptions or a separate annex, wants to preserve what it calls the 'wide-spread' restrictions on ownership of TV and radio broadcast facilities 'for reasons of national security'.

As other participants noted, the Australian media tycoon, Murdoch (with extensive print and audio-visual media ownership in the UK and Australia), who also owns print media in the US, when he wanted to acquire TV stations, had to renounce his Australian nationality and (quickly) acquired US nationality.

But the US has also been adept in using 'national security' to block foreign ownership in many sectors in both goods and services.

While the US, with its large motion-picture and video exports, is opposed to both a separate annex and 'cultural' exception in the main framework, other leading film producers/exporters, like Egypt and India, favoured the 'cultural exception' clause but saw no need for any particular sectoral annex or annotation.

'Culture', India reportedly said, went beyond audio-visual issues and every nation had the sovereign right to protect the cultures of its peoples.

Some countries like Switzerland and Austria joined India in underlining the 'public service' aspects in the audio-visual sector.

The EEC wants a sectoral annex to deal with production and distribution of films, video and TV programmes.

The US has been arguing that with so much of co-production and joint production these days, it was not possible to restrict audio-visual products on the basis of origin. Also, some of the restrictions on these services would also have an impact on trade in goods.

A more general argument of Japan was that since the General Agreement on Tariffs and Trade (GATT) had no 'cultural' exception clause, there was no need for one in the proposed GATS (General Agreement on Trade in Services).

This view is not shared by other countries' delegations,

who underscored the qualitative difference in these matters between 'services' and 'goods'.

The working group is expected to meet again at a future date, by when perhaps the EC might put forward its own draft. Meanwhile the secretariat too is to look into the past history of GATT Art. IV (special provisions relating to cinematograph films) and prepare a general concept paper. - Third World Network Features

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About the writer: Chakravarthi Raghavan is Chief Editor of *SUNS*, a daily bulletin, and the Geneva representative of the Third World Network.

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US executive pessimism over Gatt services pact

By William Dullforce in Geneva

TOP US executives say that there is too little time to negotiate the removal of barriers to financial services under the current schedule for completing the Uruguay Round trade talks. They may decide not to back an international services agreement when it is presented to Congress for ratification early in March.

Without binding commitments by other countries to open their markets to financial services an agreement would "provide virtually no tangible economic benefits to the US", the chairmen and executives of 15 large US services companies and trade associations said in a letter to President George Bush last month.

The chairmen of American Express, Citicorp and American International Group have told the Senate finance committee that a services agreement which did not eliminate existing barriers to trade would lock the US market open and the markets of many other countries closed. On Monday chief executives pressed their case to senior officials of the State Department and the National Security Council.

Officials from the US Coalition of Service Industries have been making the same points to trade negotiators in Geneva.

The US services industry would regard as inadequate an agreement comprising a tough framework of international

rules and an annex for financial services, but with little or no assurance that foreign markets would be opened, and with no mechanism to prevent "free riders" - countries that would sign the agreement but would make few, if any, binding commitments to liberalise.

More than 40 countries have tabled offers of liberalisation but US services executives say it would be impossible to negotiate detailed commitments in such a complicated field in six or seven weeks after January 13, the target date for the completion of final agreements in the Round.

"If there is not time to do it right, then negotiators must at least secure a down payment of initial commitments and address the free rider issue," Mr William Canis, vice-president for international corporate affairs at American Express, said.

"An agreement will not run in Congress if we say we have got a good set of international rules, and a standstill agreement under which countries promise not to raise new hindrances, but that rollback of restrictions might be five years down the road."

The situation is ironical because it was the US services industry that insisted against strong foreign opposition on having services put onto the agenda of the Uruguay Round.

US officials in Geneva say it

is technically feasible to negotiate liberalisation commitments by March 1, but governments would need to be more serious about doing business and commit more staff and resources than they have done so far.

They say the US is insisting on including in the agreement provisions that would allow it to refuse to apply benefits to countries that in the US view did not offer sufficient liberalisation in financial services.

■ US semiconductor companies plan to ally with computer manufacturers in Europe to press for abolition of EC tariffs on imported computer chips.

Europe's chip manufacturers - led by SGS Thomson, Siemens and Philips - have long been at loggerheads with European computer manufacturers over their insistence on tariff protection.

News of the alliance - between the Semiconductor Industries Association (SIA) in the US, and Olivetti and Machines Bull in Europe - is therefore not unexpected, but heightens political pressure on EC chip makers. The EC charges a 14 per cent tariff on imported chips. European chip exporters complain that this costs them \$340m a year.

EC computer manufacturers complain at the same time that the tariffs raise their costs and undermine their international competitiveness.

Tear Down Barriers To Export of Services

To the Editor:

Your July 15 editorial on the London economic summit starts on a strong, clear note about the critical importance of finishing the Uruguay Round trade negotiations, but loses its way on the trade in services.

Services are a particular United States concern. Industries such as banking, accounting, securities, telecommunications and transport now account for 78 percent of United States employment, 67 percent of United States gross national product and 24 percent of United States exports. If we don't tear down some barriers to service exports, one of our most efficient sectors will continue to face protectionist walls abroad.

I was disappointed to see you advocate the lowest common denominator in the services negotiations. A mere statement of principles, instead of liberalization, is not progress.

An unfavorable services agreement would legally lock in services protectionism abroad. The United States can get at some of the barriers with United States trade law. But an agreement such as you suggest could freeze the United States market open, while leaving many foreign markets closed. Such a deal would make it more difficult to pry open services markets abroad.

Barriers would not fall in isolated services negotiations. Services liberalization requires comprehensive negotiations like the Uruguay Round.

While it is true there must be compromise in any negotiations, your proposal on services would be closer to capitulation.

JOAN E. SPERO
Executive Vice President
Corporate Affairs & Communications
American Express Company
New York, July 17, 1991

The Frustrating Campaign to Stop Thai Drug Copying

By CHARLES P. WALLACE
TIMES STAFF WRITER

12/3/90
LAT

BANGKOK, Thailand—When a patient suffering from an ulcer shows up at his doctor's office in Thailand, chances are good that the physician, like doctors everywhere in the world, will prescribe the American drug Tagamet.

But something unusual happens when the patient arrives at the drugstore to buy the drug: He is offered the choice of Tagamet, at up to \$1.50 a tablet, or one of 40 to 50 different, locally produced "copycat drugs" bearing such names as Ulcermet and Simadine and costing a fraction of the original.

While cimetidine, the chemical ingredient in Tagamet, is protected by patent in the United States and other developed countries, Thailand has no laws that prevent Tagamet or any other drugs from being copied.

Ian Boulton, general manager of Smith Kline & French (Thailand) Ltd., the local subsidiary of the American drug maker, estimates that his company has lost four-fifths of the market for ulcer drugs to copycat manufacturers because of the absence of Thai patent protection legislation. One survey suggested that the U.S. pharmaceutical industry as a whole loses \$30 million to \$40 million a year in Thailand.

Patents on medicine are just one of the many complicated issues at the so-called

Please see DRUGS, D3

DRUGS: Thais Say U.S. Prices Are Too High

Continued from D1

Uruguay round of negotiations for the General Agreement on Tariffs and Trade, or GATT. The talks are scheduled to enter their windup phase in Brussels this week.

The Thai government has signed the Trade in Intellectual Property (TRIP) agreement, part of the GATT labyrinth. It protects such items as drug patents and computer software. The agreement will oblige the Thais to enact patent legislation protecting drugs by a deadline to be determined.

But the success of the overall GATT negotiations hinges on such wider issues as agricultural subsidies and textile exports. If the talks collapse without agreement, Thailand will not be required to act on the patent issue.

The question of intellectual property rights has been a sore point between Thailand and the United States for several years because Thailand is infamous as a source of counterfeit goods ranging from fake watches to pirated audiotapes and videotapes selling for as little as \$1 each.

Three U.S. industry groups have recently filed a trade complaint calling for retaliatory steps to force Thailand to protect American copyrights. Jack Valenti, chairman of the Motion Picture Export Assn. of America, called the country "the worst offender of intellectual property rights in Asia."

While Thailand has a copyright law that authorities could use to control pirating of music and films, the drug issue is far more emotional here.

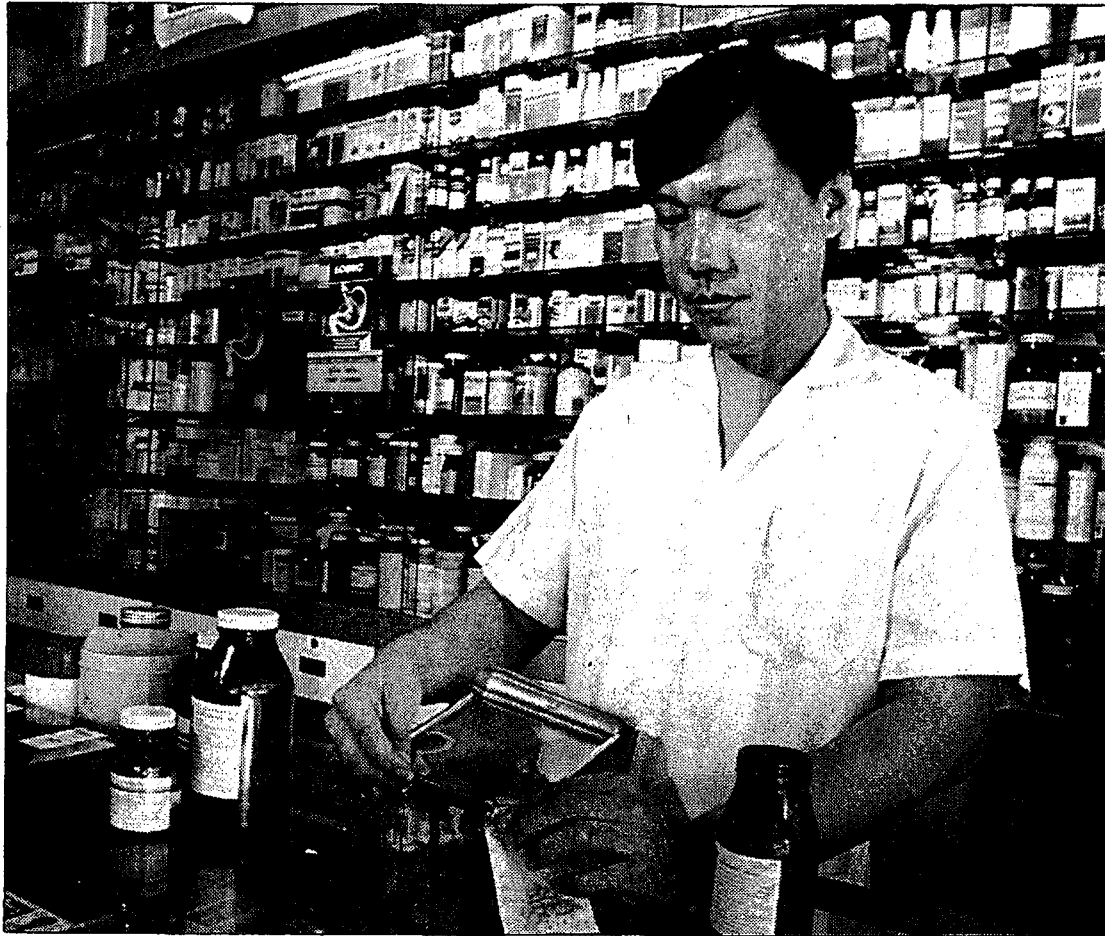
Thailand's drug industry has lobbied effectively against patent legislation, arguing that, because Thailand is so poor, it is unfair to make consumers pay high Western prices when local drug equivalents are cheaper.

The debate has many of the elements of the generic drug argument in the United States, with the added dimension of a local industry seeking shelter from outside competition.

"You have to weigh the social gains against the benefits to the private companies," said Preeya Sibunruang, president of the Thai Pharmaceutical Manufacturers Assn. "There should be a lot of competition to bring prices down

12/3/90 LAT

The Pacific



DOMINIC FAULDER / For The Times

A pharmacy in Bangkok, where copycat drugs go for a fraction of the price of the original American drugs.

for the poor consumer. Western drugs are frequently between 50% and 300% more expensive than the local equivalents."

According to data supplied by the Thai group, there are 20 foreign-owned drug manufacturers in Thailand and 111 local manufacturers, which produce drugs without license.

Dr. Vaivudhi Thanesvorakul, a chemical producer, uses a diarrhea drug as an example of the steep price differences between Western and locally produced treatments. He said a Western manufacturer of a patented drug for diarrhea, a common problem in rural areas, was charging 30 times the price of local manufacturers. (Even the most potent drugs are sold without prescription in Thailand, and pharmacists in rural areas often substitute for doctors.)

Western drug manufacturers reject the price argument. They say that when patent legislation is adopted, it will affect only new drugs coming on the market, leaving plenty of competition.

Dirk Naumann, president of the

Pharmaceutical Producers Assn., a Western drug lobby, said Western drug prices are already substantially cheaper in Thailand than in the United States or Western Europe.

"The question is, does mankind want continuing medical research?" Naumann said. "Americans pay more than Thais pay for drug prices. We're financing the research of tomorrow."

A new generation of antibiotics called quinolones was developed in Japan, and the United States in recent years. The drugs are so new that the U.S. Food and Drug Administration has not yet approved them for sale, yet copies are already on the market in Bangkok.

In addition, Western manufacturers have raised the possibility that local copycat drugs will not have the same quality or effectiveness as the originals, although Thailand does have a food and drug agency that is supposed to monitor drug purity.

Most of the local manufacturers

obtain the ingredients for their products from China, South Korea or factories in Eastern Europe, where standards are not always up to Western levels.

Another factor is that Western companies have begun to withhold new drugs from the Thai market, because registration with the Thai government requires them to disclose manufacturing details that could help copycat producers duplicate the process. The result may be fewer new drugs reaching the market.

Still, an ethical dilemma exists in poor countries, such as Thailand, Argentina, India and other places where medicines are not protected by patents.

What happens, for example, when researchers finally find an immunization against the AIDS virus or a cure for cancer—and companies price it beyond the reach of the poor?

For the moment, the answer lies in the obscure GATT negotiations.

An Uncommon Market for U.S. Entertainment

■ **Commerce:** Europe buys Hollywood's goods to the tune of \$1 billion annually, but some Europeans are pushing for import limits to curtail what they see as a threat to traditional values.

By KAREN TUMULTY
and JOEL HAVEMANN
TIMES STAFF WRITERS

BRUSSELS—An American looking for a taste of home need only turn to the entertainment listings in the local newspaper.

Hollywood movies ranging from "The Little Mermaid" to "Total Recall" are playing, dubbed or subtitled, on 19 of the 27 screens at the Kinopolis, Europe's largest multiplex. A typical evening's television fare includes current U.S. prime-time favorites, steamy American soap operas and long-ago-canceled sitcoms from the studios of Burbank.

Europe's growing purchases of movies and television programs account for almost \$1 billion in sales annually for the big Hollywood studios and independent producers, and have become an important means of shoring up their bottom lines.

But European leaders say they fear that such a steady diet of "Falcon Crest" and "Mr. Ed" threatens to undermine culture and traditions built over centuries. Already, some countries have moved to impose their own quotas, and the European Community's 12 member countries in October adopted a resolution recommending limits on the amount of U.S. programming that may be shown on European television stations once the Continent becomes a single market at the end of 1992.

"We are entitled to ensure that our culture somehow will be preserved," said Nico Wegter, spokesman for EC Trade Minister Frans Andriessen.

But Jack Valenti, president of the Motion Picture Assn. of America, dismisses such arguments about culture as "a disguise. Everybody in the business knows they are talking about commerce."

The issue is on the GATT (General Agreement on Tariffs and Trade) agenda here this week, as negotiators from 107 countries

meet in the final days of an ambitious four-year round of talks aimed at revamping the entire worldwide trading system.

The Europeans have insisted that anything relating to culture be excluded from the final agreement, which would leave them free to go their own way in limiting foreign films and TV shows with less fear of retaliation. The United States thus far has said it will oppose such an exemption.

Valenti has been here, lobbying furiously to make sure that the agreement makes it clear that quotas on entertainment and other cultural products such as books are not allowed under the final agreement, if there is one.

At a time when other American businesses have lost ground against foreign competition, this country's unquestioned domination of the worldwide entertainment market is "a most precious American trade jewel" that provides a \$3-billion trade surplus, he said.

Thus far, Valenti said, he has gotten no indication that the Europeans may be flexible on the issue: "What I'm saying is going over the gentlemen's heads, and what they are saying is going over mine."

U.S. Trade Representative Carla Hills has offered "total support," Valenti added. However, recent experience suggests that the cultural quotas issue is one that the United States may be willing to bargain on in the final hours of talks.

One source recalls that when the United States struck a free-trade agreement with Canada a few years ago, Secretary of State James A. Baker III telephoned Valenti at home at midnight and said: "I'm sorry, Jack. We had to throw you overboard."

As a result, the United States agreed that it was permissible for Canada to impose trade quotas it deemed necessary to protect its culture.

Hoping to assure that this does not happen again, Valenti has enlisted the aid of 34 senators, who have written to Hills warning that they would view a trade agreement as "seriously flawed" if it allows the Europeans to limit their imports of foreign culture. Thus, they suggest that congressional approval of the trade agreement could hinge in part on that issue.

The EC directive approved in October asks that broadcasters reserve at least half of their transmission time for European shows. That directive is non-binding, and does not cover time devoted to news, sports, game shows and advertisements.

Andriessen insists that the 50% target would actually allow an increase in U.S. programming, because current levels overall amount to only 40%.

But that figure masks wide variation within Europe. Local producers are responsible for 80% of French programming, and the 50% target could open that market up to many U.S. producers. Many other European countries already accept more than half of their programming from overseas, however, and the new EC position could pressure them to cut back.

U.S. entertainment industry officials also warn that the 50% target could be the first step toward mandatory limits. France, for example, has argued for mandatory quotas of 60% European-produced programming. If that standard went into effect, one 1988 study suggested that well over half of European stations would have to reduce their U.S. programming.

European countries have moved to restrict the showing of U.S. movies in their theaters as well. Italy, for example, requires its theaters to show Italian films at least 100 days a year, and is planning to increase the quota to 120 days, Valenti said.

He and other officials have noted that it is difficult to determine how exactly to interpret the quotas. How, for example, would a country account for a movie made by a U.S. production company, with an Italian crew, from a British screenplay, with French actors?

However they are used in practice, Valenti said, "the quotas are there. They are as visible as a boil on your nose—and twice as painful."

U.S. Trade Office Is Playing Odd Role in Japan Politics

By KARL SCHOENBERGER
TIMES STAFF WRITER

TOKYO—What does a prominent Japanese business leader do when he wants his government to revise a law that damages his overseas corporate interests?

He might be expected to petition representatives in Parliament or seek the aid of powerful bureaucrats. But in this age of economic interdependence, a new lobbying service is available to reform-minded Japanese: the U.S. Trade Representative's Office in Washington.

Akio Morita, chairman of Sony Corp., discovered this last year. Morita, knowledgeable sources say, availed himself of this curious alternative in the politics of influence in an effort to seek better copyright protection in Japan for the huge

inventory of sound recordings owned by Sony's U.S. subsidiary, CBS Records, one of the world's largest record companies.

Morita met U.S. Trade Representative Carla A. Hills and suggested that she apply pressure on Japan to revise its copyright law, which does not protect foreign recordings the same way it protects domestic recordings. He apparently neglected to make his views on the trade dispute known at home.

Asked whether Morita, or anyone at Sony, had ever contacted a Japanese official on this matter, a company spokesman said no.

"The answer is negative," said Tsutomu Sugiyama, manager of Sony's corporate communication department. "We have not sent out any official company request to

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Akio Morita

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LA Times

TRADE: Copyright Issue Is a Top Priority in Negotiations

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the Cultural Affairs Agency or any other government agency regarding this matter."

Morita's appeal to the U.S. government was a rather unusual example of *gai-atsu*, or external pressure, an old trick in the convoluted world of Japanese policy decision making.

Ever since the postwar U.S. occupation, inside political and economic interests have discreetly encouraged pressure from abroad to accomplish structural and legal reforms too hot to handle—or take accountability for—on the domestic front.

Even the Structural Impediments Initiative talks, in which U.S. negotiators are cast in the role of arrogant meddlers interfering in Japan's internal affairs, are moving in the direction of accomplishing structural reforms long sought by business circles here, acknowledged Kazuo Nukazawa, managing director of the Federation of Economic Organizations or *Keidanren*. "We like their objectives," such as tougher antitrust regulation and more rational distribution channels, Nukazawa said. "We just don't like their high-handed approach."

That touchy attitude was registered in "The Japan That Can Say No," a controversial book that Morita wrote last year with Shintaro Ishihara, a right-wing member of the ruling party in Parliament. Both authors argued that Japan should stand up to America, be more assertive.

Embarrassed by the negative publicity that followed a bootleg English translation of the book,

Morita has since distanced himself from his nationalistic co-author and refused to allow an official translation of his portion of the book.

The spat over the copyright law, meanwhile, was one of several unresolved bilateral trade issues—one that until late last week seemed destined to take the form of an unfair trade complaint under Section 301 of the U.S. Trade Law, which can in theory result in retaliatory sanctions.

The Recording Industry Assn. of America alleges that discriminatory treatment in Japan deprives its members (including CBS Records) of annual royalties of between \$100 million and more than \$1 billion. The current copyright law does not cover foreign recordings made before 1978—the year Japan signed the Geneva Phonograms Convention. Nor does it require the country's approximately 6,000 compact disc rental shops to pay royalties on music recorded outside Japan.

The result has been a booming new industry in which pirate CDs are being sold at deep discount in Japan, without violating the law. And though Japanese record companies receive royalties from rental shops, their foreign counterparts are not compensated.

"There's an insatiable demand for American music here," Jason S. Berman, president of the Recording Industry Assn., said last week in an interview in Tokyo. "It's an important economic activity, and we think we're entitled to protection."

Berman said he had been talking about the problem with Japan's Cultural Affairs Agency and the

Ministry of International Trade and Industry for the past 2½ years, to no avail. Then last Thursday, at a multilateral trade meeting in Puerto Vallarta, Mexico, Japanese Foreign Minister Taro Nakayama suddenly assured Hills, the U.S. trade representative, that his government would attempt to revise the copyright law.

"It's only now that we've explored the process of filing a trade complaint against Japan that the Foreign Ministry has stepped in," Berman said in the interview.

Japanese officials say they plan to propose amendments that, if approved by Parliament next year, will extend copyright protection for foreign recordings back to 1968 and also guarantee rental royalties.

Although Hills had adopted the copyright cause as one of her top concerns, it is not clear whether the entreaty by Sony's Morita played any role in getting the matter resolved. One veteran observer of U.S.-Japan trade negotiations believes that it did not, but was still struck by the irony of the situation.

"It takes a bit of cheek," said the observer, who asked not to be identified. "Is Mr. Morita relying on

the U.S. government to do all the work for him?"

Tomonori Kudo, manager of the copyright division in the Cultural Affairs Agency, sees things differently. He said neither Sony nor any other Japanese company had made any special appeal to change the law.

Kudo said revision of the law was already under study when the threat of the U.S. trade complaint cropped up. The fact that the Foreign Ministry had to intervene in the matter was strictly a matter of form, he suggested.

"It's impossible to change the law on copyright protection with foreign pressure," Kudo said. "It's all based on international conventions anyway."

Sugiyama, the Sony spokesman, said he thought that Morita probably raised the question of copyright protection with Hills out of his long-established concern for "free trade" and "improved bilateral relations" between Japan and the United States.

"You could say that as a result of this Sony will benefit," Sugiyama said. "But that's probably an ironic result."



Part 8: GATT: The Final Accord

The 441-page draft Final Accord, embodying the result of the five years of negotiations in the Uruguay Round, was presented to 108 contracting countries within the GATT by Director-General Arthur Dunkel on December 20, 1991. The document was billed as "the most ambitious effort to open up world markets and to stimulate international trade." A deadline for ratification of the global accord has been set for April 1992.

The three most contentious areas – agriculture, trade in services and anti-dumping – have not yet been resolved. An editorial in the Third World Economics magazine by GATT observer and author, Chakravarthi Raghavan, states that, "Third World countries will receive few immediate benefits from the proposals which, in the long run, could seriously interfere with development efforts."

The Codex Alimentarius, an agency of the U.N. Food and Agriculture Organization (FAO) based in Rome, will set the international standard for food quality. Consumer advocates in the U.S. are concerned that new regulations referring to contamination, processing, inspection, packaging and labelling, and other standards for food, livestock, and feedstuffs, that are contained in the Final Accord would preempt U.S. and other nations' law if it is stronger than the international standard. New GATT rules also may require nations to bring the laws of their internal regional governments into compliance with GATT. This will discourage state and local governments from taking leadership in creating new models for health and environmental policy.

Multilateral Trade Organization: This "draft final text" creates a powerful new agency for dispute resolution that limits the sovereignty of each member state. The Multilateral Trade Organization will oversee a uniform and binding system of dispute settlement and allow for cross-retaliation within all areas of trade. Unlike the previous GATT, the Multilateral Trade Organization would have the power to enforce the new

rules of trade and require nations to cede substantial sovereignty. It "shall enjoy in the territories of each of the Members such legal capacity, privileges, and immunities as may be necessary for the exercise of its functions."

Under previous GATT rules, all panel decisions were adopted by consensus. In this draft final text, dispute resolution rules have been dramatically changed: panel decisions are adopted by default 60 days after publication, unless there is consensus among the 108 GATT members to stop such adoption. This change reverses the democratic intent of consensus. The final draft institutionalizes the absolute secrecy of dispute resolution panel arguments and the GATT's internally published papers.

Third World negotiators succeeded in limiting the power of strong trading partners, like the U.S., to impose unilateral trade sanctions. The Multilateral Trade Organization will, in effect, eliminate the ability of the U.S. Congress to impose the Special 301 provision of the Omnibus Trade and Competitiveness Act of 1988, which it has used to impose trade sanctions unilaterally on foreign governments if they did not agree with U.S. policies or trade practice. Among many negatives in this document, this development can be seen as positive for the less developed nations, though it remains to be seen how effectively such practices can be controlled.

National Sovereignty Issues: Under ordinary circumstances, the U.S. Congress would not be likely to cede the Special 301 power and give such substantial authority to a new world agency. But since the Multilateral Trade Organization is attached to the GATT agreement and presented to Congress under the "fast track" rule, it may traditionally only vote up or down on the entire package. After receiving legislation from the Executive Branch, Congress is allowed only 60 days to sift through thousands of pages of documents that will have enormous implications and require massive changes to U.S. laws. There simply will not be enough time or oversight ability to be able

to ascertain the new law's impact on labor, the environment, or economic sovereignty.

The Multilateral Trade Organization's authority to resolve and enforce trade disputes could be seen as a positive curtailment of the power of strong trading nations to impose unilateral sanctions. But this infringement on national sovereignty is a problem for all contracting partners to the GATT. Transnational Corporations, in spite of the criticism raised by Third World governments against their unfair trading practices, (price fixing, import and export restrictions) still will not be subject to the same scrutiny as regulatory powers of government. As the power of governments is reduced, the transnational corporations gain in influence. In the U.S., large corporate entities become virtually an extension of the executive branch, to ensure "managed" trade in agriculture and textiles over Third World economies well into the 21st century.

Agriculture: The reduction of farm subsidies has been the major point of contention between the two most powerful negotiating teams among GATT members; those of the U.S. and the European Community. The combined subsidies that industrialized countries pay to farming amount to \$299 billion, giving them an advantage over agriculture-dependent economies around the world. There is now agreement over the need for subsidy cuts, but disagreement over how deep they should be. Washington has proposed cuts of 30% to 35% over five or six years. U.S. farm sectors such as dairy, peanuts, cotton and sugar, which benefited from a virtual import ban for nearly 30 years, are expected to lobby against the Dunkel accords. Large grain exporters however, will gain from a reduction in the European Community's export subsidies which previously allowed them to undercut grain prices from the U.S.

Some countries in the South feel that the constraints on agricultural subsidies will severely limit their ability to provide domestic support to agriculture which they need in order to feed their own people and retain their sovereignty. The South might make some gains through minimum access to markets in the North, but it would be a long time before they realized much more than marginal gains because the import tariffs and agricultural subsidies would be phased out over

15 years. As their exports continue to be subject to tariffs, they will have to compete with the importing country's subsidized agricultural products. These developing countries did obtain a concession in this area of the proposed new GATT rules, allowing them to reduce subsidies to their domestic agriculture at a lower rate than the developed nations, two-thirds of that imposed on the latter. The least developed nations will be exempt from any reductions.

Textiles: Third World countries also have won some limited concessions in the agreement to gradually phase out the trade restrictions and the 1974 Multi-Fibre Arrangement which have governed the \$200 billion textile trade for the past 30 years. However, the new export quotas are based on the volume of current trade and appear to offer a better deal for well-established exporters like Hong Kong and Korea, but offer little benefit to countries which are still in the process of building up their industries. The U.S. textile industry bitterly opposes the 10 year phase-out of the Multi-Fibre Arrangement and has asked for an extension of 15 years.

Trade-Related Intellectual Property Rights (TRIPS): Some Southern countries, notably India, will be given 10 more years before they must abide by U.S. patent rules. Their pharmaceutical sector will have a bit more time to provide their citizens with inexpensive drugs. The European Community tried to exempt trade in the audio visual market for cultural reasons, but the U.S. entertainment business lobby, headed by Jack Valenti, is very powerful, and succeeded in striking any cultural-exemptions reference from the agreement.

General Agreements on Trade in Services (GATS): The Dunkel package proposes an administrative framework to oversee the transition to more liberalized trade in services. The proposals give some recognition to the special position of developing countries, but provides for "exemptions and derogations" which partially meet the Bush administration's demands. This General Agreement on Trade in Services cursorily recognizes the need to examine environmental and other exemption issues through "a working party," but the secretive, anti-democratic style of deliberation established under the old GATT will be

institutionalized.

Despite the many drawbacks in the package, some GATT negotiators and officials believe that countries will ultimately find it easier to accept it, rather than prolong the negotiations. But many negotiators from other countries feel it will be President Bush's campaign staff that will decide on the package – on the basis of whether it will help or hinder his re-election campaign.

To those of us who care about the environment and sustainable development, the Dunkel package still spells danger in that the GATT would “preempt any negotiations in key areas of technology or other economic instruments,” even if they were designed to protect the environment, promote sustainable development or help eradicate poverty.

Resources

“The Draft-Final Act of the Uruguay Round: A Third World Analysis,” Chakravarthi Raghavan, *A Third World Network Report*; and miscellaneous news clippings.

US environment, consumer groups call for rejection of Dunkel draft

OPPOSITION to the Dunkel draft is by no means confined to the Third World. The following letter, jointly written by about 30 US environment and Consumer Organisations unconditionally condemns the Dunkel draft and calls for its rejection:

On 20 December, GATT Director General Arthur Dunkel published the final text of the Uruguay Round of GATT. We have analysed the draft. It is far worse from an environmental and consumer standpoint than earlier problematic GATT drafts. We consider the GATT 'Final Act' text to be unacceptable.

As America's leading environmental, consumer and animal protection groups, we urge you to join us in rejecting the proposed GATT text, and in sending the message to the White House that no GATT Agreement is better than a bad GATT Agreement.

The GATT text threatens existing US environmental and consumer laws, undermines national sovereignty to create such laws in the future, and attacks the American federal system of government by mandating preemption of state environmental and consumer laws. The GATT text also codifies the worst elements of the recent GATT tuna-dolphin panel decision.

Further, the text includes expanded dispute resolution powers, and even establishes a new powerful global commerce agency which strengthens GATT's power without addressing GATT's fundamental problems. Finally, on-going GATT negotiations separate from the 'Final Act' in market access and tariffs are likely to result in limitations on nations' ability to protect or sustainably manage national and international natural resources.

To avoid confronting these and other issues in a finalised GATT, or in the subsequent Congressional implementing legislation, US environmental and consumer groups worked for the past three years with the Administration and Congress to create alternative GATT proposals in areas key to environmental and

consumer protection. During these discussions, the President pledged not to promote trade agreements which would undermine environmental and consumer protections. If the President endorses this text in Geneva, we believe the President has broken his promise.

Specifically, the GATT text:

A) 'Harmonises' environmental and consumer laws downwards by subjecting strong US laws to challenge and eliminations as trade barriers

Any US environmental or consumer standard that is stronger than named international standards is presumed to be a trade barrier. The text exposes such laws to challenge from other GATT nations, promoting the downwards 'harmonisation' of strong US environmental and consumer standards.

The text names the Codex Alimentarius Commission as GATT's standard setter for food. Many Codex standards are less stringent than ours. For example, under Codex the US would be required to accept imported food containing residues of DDT and other chemicals banned here.

B) Codifies the ruling in the GATT tuna-dolphin case

Despite Congressional urging, the Final Act does nothing to limit the damage of the August 1991 GATT tuna-dolphin ruling which declared key provisions of the US Marine Mammal Protection Act (MMPA) of 1972 to be illegal barriers to trade. In the fall, 64 Senators and nearly 100 Representatives sent letters to the President opposing the panel ruling, refusing to weaken the MMPA and demanding changes to the GATT to make it compatible with environmental protections.

Instead, the GATT text codifies several of the worst aspects of the panel ruling. For instance, the text prohibits nations from enforcing environmental

or health laws that reach beyond their borders. US laws such as the Endangered Species Act and the African Elephant Conservation Act which use trade measures to protect species and the environment outside the US could be decreed GATT-illegal under the text, and targeted for elimination.

Additionally, US laws and international treaties protecting the 'global commons' – the air, seas and species inhabiting them – which use the threat of trade sanctions for enforcement could also be decreed GATT illegal under the text. Examples of such laws include the Clean Air Act, which uses trade sanctions to enforce the Montreal Protocol for ozone layer protection, and laws to protect whales, fish and birds such as the Pelly Amendment to the Fisherman's Protective Act.

C) Mandates 'Affirmative' action to preempt state and local environmental and consumer laws

The GATT text requires signatory countries to take 'positive measures' to bring their subfederal governments into compliance with GATT rules. For the U.S., this rule would mandate sweeping preemption of state and local standards. GATT's strong preemption rule would ensure that state governments could never be 'ahead' of federal policy, thus effectively stopping progressive states that have cut the path for federal environmental and consumer policy for decades. California's 'Proposition 65' is an example of a strong state environmental law that could be abolished.

D) Procedures stacked against environmental and consumer protections

The GATT text delegates to unaccountable trade officials future decision-making power over issues such as food safety and US natural resource conservation. It requires all rule-setting and dispute resolution to occur in secrecy, and without any citizen participation or government accountability. Further, the GATT text places the burden of proof on nations defending environmental and consumer laws from GATT challenge. Thus, if a US environmental law were challenged, the US would be required to prove our law is not an unfair trade barrier in a secret panel hearing.

E) Strong enforcement of anti-consumer, anti-environment rules

New dispute resolution provisions include the automatic adoption of GATT

dispute panel decisions 60 days after publication, unless there is consensus among the 108 GATT nations to reject, or an appeal is filed. All appeals must be decided within 90 days, and are automatically adopted unless there is consensus against within 30 days of publication. The GATT panel tuna-dolphin ruling, which the US has temporarily blocked using current GATT rules, would have been adopted months ago under this rule. Congress would now be under strong international pressure to eliminate the popularly supported law (MMPA) in order to avoid US liability for countervailing trade sanctions.

F) New global commerce agency administers the GATT rules

The Final Act text creates a new global commerce agency called the Multilateral Trading Organization (MTO) with a 'legal personality,' like the UN.

The creation of a new multilateral trading agency is not problematic per se. However, the MTO proposed in the 'Final Act' text is charged with enhanced administration and enforcement of GATT rules. As explained above, those GATT rules are so problematic from the consumer and environmental standpoint that we believe strengthening GATT authority at this time is ill advised. The idea of an MTO based on GATT rules was rejected by over 800 non-governmental groups from the North and South meeting December 1991 in Paris on the upcoming UNCED meeting in Brazil.

Further, the MTO proposal contained in the GATT text requires nations to cede substantial sovereignty over local, state, and national issues. (The MTO 'shall enjoy in the territories of each of the Members such legal capacity, privileges and immunities as may be necessary for the exercise of its functions.')

Because the MTO proposal is part of the GATT 'Final Act' text, Congress would vote on it as part of the Uruguay Round implementing legislation under the fast track Congressional rule which allows no amendments and limited debate.

G) On-going negotiations will limit national sovereignty to sustainable management of natural resources

One important element of the Uruguay Round's negative impact on the environment is not codified in the 'Final Act' text. GATT negotiations separate from the 'Final Act' are still underway on tariffs and market access issues. A goal of

those negotiations is the expansion of trade in tropical timber, fisheries, minerals and forestry products. The likely outcome of those negotiations will be limitations on Congress' ability to protect or sustainably manage national and international natural resources.

For instance, Congress and several states have passed laws to limit logging by banning the export of raw logs taken from old growth forests. Several tropical nations have similar laws to protect their rain forests. Such export bans would be GATT-illegal under the rules now being negotiated. Japan, the world's largest raw log importer, has threatened to use the new GATT rules to eliminate the US forestry laws to which it has long objected.

CONCLUSION

The GATT Final Act undermines environmental and consumer protection in the US and across the world. It prevents nations from acting as global health and environmental leaders, eliminates the voices of those who must bear the environmental and health burdens of expanded economic activity, and provides no mechanism for popular sovereignty over the outcomes of the international decision-making process. While we recognize the importance of promoting sustainable international trade, we must reject the proposed GATT text.

Sincerely yours,

AMERICAN CETACEAN SOCIETY
ANIMAL WELFARE INSTITUTE
ARIZONA TOXICS INFORMATION
BORDER ECOLOGY PROJECT
CENTER FOR SCIENCE IN THE PUBLIC
INTEREST
CITIZEN ACTION
COMMITTEE FOR HUMANE LEGISLATION
COMMUNITY NUTRITION INSTITUTE
CLEAN WATER ACTION PROJECT
CONSUMER FEDERATION OF AMERICA
DEFENDERS OF WILDLIFE
EARTH ISLAND INSTITUTE
ENVIRONMENTAL INVESTIGATIVE
AGENCY
FRIENDS OF THE EARTH
GOVERNMENT ACCOUNTABILITY
PROJECT
GREENPEACE USA
HUMANE SOCIETY OF THE U.S.
MARINE MAMMAL FUND
NATIONAL COALITION AGAINST THE
MISUSE OF PESTICIDES
NATIONAL CONSUMERS LEAGUE
NATIONAL TOXICS CAMPAIGN
PUBLIC CITIZEN
PUBLIC VOICE FOR FOOD & HEALTH
POLICY
RAINFOREST ACTION NETWORK
SIERRA CLUB
SOCIETY FOR ANIMAL PROTECTIVE
LEGISLATION
TEXAS CENTER FOR POLICY STUDIES □

Trade Talks Set Mid-April as Goal to Resolve Key Issues

By FERDINAND PROTZMAN

Special to The New York Times

GENEVA, Jan. 13 — Seeking to salvage more than five years of talks on liberalizing world trade, officials of the world's principal trading nations agreed today to begin a four-track negotiation process intended to resolve the most hotly disputed issues by mid-April.

The new approach, announced on the first day of the latest phase of the GATT negotiations, will be based on a compromise proposal presented in December and will try to deal with the most contentious topics, including agricultural subsidies, without unraveling the broader proposal.

Exactly how that process will work is still unclear. Senior negotiators from the European Community, the United States, Japan and other nations have voiced unhappiness in the last few days over various provisions of the draft agreement put forward on Dec. 20 by Arthur Dunkel, the Director General of the General Agreement on Tariffs and Trade, the Geneva-based organization that sets rules for international trade.

The impression many officials shared at the end of today's meeting was that Mr. Dunkel was betting that the nations would compromise on the contentious issues rather than risk being blamed for destroying hopes of liberalizing the world's \$4.3 trillion in annual trade. Failure of the talks could have severe economic and po-

litical consequences.

Today's meeting was the first chance the GATT nations had to formally discuss Mr. Dunkel's draft proposal, a document that ran 450 pages. It calls for cutting subsidies to farmers, phasing out quota agreements that limit imports, strengthening protections for patents and copyrights, ending restrictions on third world textile exports and creating liberal rules to cover trade in services, like banking and telecommunications.

Mr. Dunkel's strategy appears to be to make senior politicians, rather than trade specialists, ultimately responsible for quick progress in settling the disputes that still block a final agreement on a new set of rules governing global trade into the next century. The emphasis is on keeping negotiations moving and the timetable loose.

"There is no precise timetable,"

said a GATT official, who quoted Mr. Dunkel as saying in today's meeting: "In confusion, there is sometimes profit."

Tran Van Thinh, the European Community's chief GATT negotiator, seemed to echo that view after today's meeting, telling reporters: "You can be too specific, sometimes. Improvements to the agreement will be assessed on a global basis."

Working on Trade Barriers

On the first track of Mr. Dunkel's four-track approach, according to his opening remarks to the meeting, the 108 nations that began the trade negotiations in late 1986 in Punta del Este, Uruguay, will begin intensive bilateral and multilateral negotiations on market access. Presumably, this would cover a wide range of trade barriers on products in various markets.

Similar negotiations on opening markets to services would constitute the second track.

In the third track, the nations would work "to insure the legal conformity and internal consistency of the agreements constituting the Final Act." This group, it appears, would concentrate on methods for enforcement, setting a strong legal foundation and sanctions for noncompliance.

Track four is where the toughest issues would be dealt with. It calls for "work at the level of the Trade Negotiations Committee with a view to examining whether and if it is possible to adjust the package in certain specific places."

The Trade Negotiations Committee, which met here today, is the group of most senior negotiators.

It is unclear how extensively negotiators will revise Mr. Dunkel's original proposals. But agriculture will be the primary area of disagreement the GATT nations will face on track four, and it is a genuine threat to derail the process. It forced GATT officials 13 months ago to extend the first deadline for conclusion of the Uruguay

Round beyond December 1990 and has been a bone of contention since the negotiations began.

The European Community today reiterated its position opposing Mr. Dunkel's proposals to cut subsidies to farmers, contending his plan calls into question the basis of the community's agricultural policy. The community's council of trade ministers had first stated its opposition three days after the proposal was made, and then reaffirmed it on Saturday despite three weeks of pressure from the United States to accept the proposed agricultural changes.

Japan, meanwhile, has rejected a provision in the proposal that would open its domestic markets to rice imports, which are currently banned to protect that nation's rice farmers. And the United States' position is that the draft does not go far enough in reducing subsidies and price supports for agricultural products around the world.

Rufus H. Yerxa, the United States Ambassador to GATT, said Mr. Dunkel's final draft agreement does provide the basic ingredients for concluding the Uruguay Round. But he added that in some cases the draft does not go far enough in reducing barriers, setting rigorous standards or providing strong disciplines and remedies against unfair behavior.

Difficulties Foreseen

While the United States wants some changes in the issues to be considered under track four, Mr. Yerxa said some other countries "seem to take the view that this text is wide open for revision." That, he said, "is going to make it difficult to conclude the round."

Any changes to the Dunkel proposals will have to be made through a controlled and consensus process, he said. "I would say the burden is on the party seeking change," he added.

Simply agreeing on what constitutes a consensus may prove difficult in light of various statements made today.

The New Zealand representative, for example, told the meeting flatly: "New Zealand is opposed to changes in the 20th December package."

Ambassador Mounir Zahran of Egypt, on the other hand, said, "Egypt, together with other parties, would have the sovereign right to put forward proposals to amend the final act."

The New York Times

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A Wily Ploy in Geneva

Arthur Dunkel, head of the international organization that oversees world trade, dropped a 500-page bombshell last week in Geneva. He proposed a radical overhaul of trade rules and instructed negotiators, deadlocked after five years of talks, to consider his proposal on an all-or-nothing basis.

It's a shrewd tactic. Even though everyone, including Mr. Dunkel, knows that bargaining over specifics will be necessary, his document presented an enticing vision of what a general trade agreement might look like if the more parochial disputes were set aside. By forcing negotiators to examine the benefits of an overall settlement, he hopes to stiffen their resistance to lobbyists trying to scuttle agreement for the sake of protectionist privileges.

The proposal has ignited ferocious objections. Some are patently parochial, like the European Community's defense of its swollen farm subsidies and the U.S. textile industry's defense of quotas. Other critics, however, raise more fundamental complaints.

Environmentalists, for example, label the plan monstrous, claiming it would interfere with a country's right to set health, safety and environmental standards.

Though Mr. Dunkel may have misstepped in places, he also suggested pathbreaking improvements. For the first time, trade in services, agriculture and intellectual property would be subject to rules of fair play: signatories would be obligated to treat imports from all countries on a non-discrimi-

natory basis and regulate domestic and foreign companies alike. The agreement would generally curtail piracy of patents and copyrights, a big victory for U.S. exports. And third-world exporters would gain access to food and textile markets in Japan, Europe and the U.S.

The first step in reaching a final agreement will be for negotiators, upon reconvening next month, to drop the pretense of an all-or-nothing proposal. Raising that possibility was a useful ploy on Mr. Dunkel's part, but remaining differences will have to be negotiated separately.

The danger, of course, is that the negotiators will slide back into another deadlock. The way to avoid that danger is for each country to stop waiting for someone else to go first. That would require Japan, for example, to accept the need to replace its prohibition on rice imports with stiff tariffs. It would require a similar compromise from the U.S. and E.C. on agriculture subsidies.

That shouldn't be impossible. Mr. Dunkel's gambit has exposed how small a gap remains on many trade issues. The difference between the bargaining positions of the U.S. and E.C. on the question of subsidizing wheat exports, for instance, has narrowed to a few million tons.

Relatively minor arguments like these ought not to be allowed to sidetrack an agreement that could add trillions of dollars to the world's living standards by the end of the decade. Mr. Dunkel's wise ploy was to rivet attention on that grand prize.

A Big Gamble by GATT's Director

By STEVEN GREENHOUSE

Special to The New York Times

PARIS, Dec. 22 — With his take-it-or-leave-it plan for bringing five years of global trade negotiations to a conclusion, Arthur Dunkel, the Director General of the General Agreement on Tariffs and Trade has taken a high-stakes gamble.

News Analysis If he wins, he will have laid down the rules by which the world conducts \$4.3 trillion in annual trade.

"I would not for a moment expect all participants to be fully content with all of the decisions I have had to make," he told the trade negotiators on Friday, adding, "I am confident that if we continue to share the vision which brought us together in Punta del Este five years ago, your governments will judge the package favorably."

Despite the criticism that followed the release of his plan, Mr. Dunkel said he was hoping all the major parties to the talks — the United States and other food-exporting nations, the European Community, Japan and the developing world — would go along.

Package Is a First

Trade experts said this was the first time in eight rounds of trade talks over four decades that GATT's Director General had put forward such a sweeping package to end the negotiations. Mr. Dunkel hopes the approach will prevent governments from picking it apart piece by piece.

Although he runs the risk of a thumbs-down from some countries, Mr. Dunkel feared that unless he put together an overall package, the round might die because the negotiators seemed unable to agree on the most contentious issues.

Mr. Dunkel has called senior trade negotiators back to Geneva on Jan. 13 to make final the details on the plan. But some experts predict that a lot of horse-trading will take place and that the package may face some major amendments.

Calls for Cutting Subsidies

Mr. Dunkel's proposals, which he issued to try to break the stalemate among negotiators, calls for cutting subsidies to farmers, phasing out quota agreements that limit imports, strengthening protections for patents and copyrights, ending restrictions on third world textile exports, and creating liberal rules to cover trade in services, like banking and telecommunications.

Officials at GATT's headquarters in Geneva are optimistic that trading nations will find more in the plan that they like than that they dislike.

Still, a horde of groups threatened by the plan, including French grain farmers, American textile workers and Japanese rice growers, will no doubt do their best to make their governments block the plan.

Seeing that Mr. Dunkel's plan would force Japan to open its market to imported rice, Teruka Ishikura, the managing director of Japan's Central Union of Agricultural Cooperatives, called the plan "unforgivable" and "biased in favor of exporting countries."

Some trade experts say interest groups may indeed be able to persuade their governments to oppose the plan, noting that there is little lobbying on behalf of many consumers and industries that will benefit.

Some Specifics

While his plan would open Japan and South Korea to rice imports, it also gives the countries some of the language they were seeking on other fronts, making it harder for companies or countries to bring dumping complaints, in which they accuse some manufacturers of selling their products below cost overseas.

In France, Europe's largest agricultural producer, farmers are angrily protesting the proposed cuts in farm subsidies. But the plan would help some farmers by prohibiting grape growers from outside France to call their products Cognac, cham-

pagne or Burgundy.

The United States would also win some and lose some under the Dunkel plan. The package calls for phasing out over 10 years the Multifiber Arrangement, which allows industrial countries to limit textile imports from third world countries. Washington was seeking a longer phase-out. American companies also grumble about language that would make it harder to prove anti-dumping charges.

In addition, pharmaceutical companies are unhappy about a clause, put in at India's behest, that would allow countries to produce a patented good without a license if those countries fail to negotiate a license at a reasonable price.

More Copyright Protection

In the plus column for American companies, the package would increase copyright protection for software, setting patent protection for 20 years and copyright protection for 50 years. American companies are also glad that the package, for the first time, would set international rules on the trade in services, rules that would go far to force developing nations to open their markets to American financial-services and telecommunications companies.

Washington had demanded that the creation of a stronger mechanism for resolving trade disputes, and the package calls for setting up a Multilateral Trading Organization that would have real teeth.

Many countries, though not the United States, are pleased that Mr.

Dunkel's plan would generally prohibit countries from taking unilateral trade actions, as Washington often threatens to do.

The Subsidy Issue

Even as Mr. Dunkel circulated his plan, American and European Community officials in Brussels failed once again to agree on how much to cut subsidies to farmers. The United States and other farm-exporting nations had sought cuts of 75 to 90 percent over 10 years, but the European Community proposed cuts of 30 percent over the period.

Mr. Dunkel's plan calls for a 20 percent cut in domestic supports from 1993 to 1999, and a 36 percent cut in tariffs and other import barriers during the period. On export subsidies, he proposes a 36 percent cut in outlays and a 24 percent reduction in the quantity of subsidized exports.

The European Community's Farm Commissioner, Ray MacSharry of Ireland, called the proposal unacceptable, saying, "it is much worse than expected."

Some trade experts say the Europeans are engaged in political posturing and have to speak out against the Dunkel plan for tactical purposes. Nonetheless, many experts say the biggest threat to the success of the plan is the rift over farm subsidies.

Still, with the talks having come this far, the European Community, which has long boasted of its commitment to liberalized trade, might be reluctant to torpedo the whole package over agriculture.

A Third World Network Report
by Chakravarthi Raghavan

**THE DRAFT-FINAL ACT
OF THE URUGUAY ROUND:
A Third World Analysis**
(January 1992)

Summary:

In a final bid to save the Uruguay Round negotiations, GATT Director-General Dunkel on 20 December 1991 presented to negotiators an almost binding draft global trade accord, embodying the accumulated results of 5 years of discussions. The package offers little immediate benefit to Third World countries and could in the longer term seriously interfere with development efforts in the South. The draft Final Act clearly reveals losses to the South through the continuation of protectionism and domestic support in the North, as in the agriculture and textiles sector, while the gains for the developing world are only in terms of some damage limitation. The draft also proposes the establishment of a Multilateral Trade Organisation which would expand GATT's powers in a manner detrimental to Third World interests and that may preempt negotiations on environment/sustainable development as in the UNCED fora.

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PART I: AN OVERVIEW OF THE MAJOR LOSSES AND MINIMAL GAINS TO THE THIRD WORLD OF THE FINAL GATT PACKAGE

Developing countries appear likely to gain little or nothing in terms of market openings and export opportunities in primary or manufactured products from the 'global package' of Uruguay Round results proposed on 20 December by General Agreement on Tariffs and Trade (GATT) Director-General Arthur Dunkel. And in the medium- to long-term, Third World countries will find themselves facing greater obstacles and handicaps in their development efforts due to the new rules proposed in the package in the areas of intellectual property and investment.

The 441-page draft Final Act embodying the results of the five years of negotiations in the Uruguay Round and termed a 'complete and consolidated' package of draft agreements, was formally tabled by Dunkel at an official-level meeting of the Trade Negotiations Committee (TNC), which he chairs. But the document became available to delegations and the media only at midnight on 20 December, because, as Dunkel explained at the TNC, of 'purely technical reasons of translation and printing'.

The late delivery made it impossible for outside observers to comment on the draft, and initial media reports on 21 December carried only the views Dunkel expressed in presenting the draft to the TNC. Dunkel said the TNC would be reconvened on 13 January, as he has put it to 'complete the negotiations.' Though Dunkel did not characterise it as a take-it-or-leave-it text, he underlined the 'global nature' of the package and commended it for 'the most serious and urgent consideration at the highest political levels in the capitals.' The text, he said, was comprehensive, it 'seeks the best possible balance across the board of the long negotiating agenda... addresses all areas of negotiations... nails down and captures the very substantial progress we have made since January this year.'

Dunkel added however, that 'no one is infallible and I would not for a moment expect all participants to be fully content with all the decisions I have had to make.' 'Nevertheless,' he said, 'you chose this route yourselves, in full awareness of the possible consequences involved, and there is no going back.' 'The document forms a single package, and it is as a package that it should be judged,' he told the delegates. 'Your evaluation should not therefore be hasty, but well-considered and measured, looking to the future of the multilateral trading system and the opportunity it holds out for all our countries.'

But reactions from Brussels and Washington in succeeding days belied his hopes, and called into question his time-table for completion of the round. Both sides have indicated they will come back on 13 January and seek 'adjustments' and 'refinements' which, as the GATT spokesman put it some days before, could mean the unravelling of the whole package.

On 21 December, European Community (EC) officials rejected the Dunkel proposals, following the failure of the US-EC farm talks in Brussels on the 20-21 December and the US-EC meeting of foreign ministers. The EC Council of Ministers (trade and agriculture) were due to meet on 23 December to consider the package and their stance. In Washington too, both lobbyists and administration officials were taking pot-shots at the package, with US Trade Representative (USTR), Carla Hills wanting 'refinements,' a euphemism for reopening of negotiations so that the US can get what it wants and prevent any changes that Third World countries might seek.

The fate of the package in the US will depend not on its merits but on how it is judged to affect President George Bush's re-election campaign, and whether Congress will accept the proposed Multilateral Trade Organisation (MTO) which would oversee compliance to the new GATT regime. For Congress accepting the MTO would mean having to abandon the unilateralism of the widely-utilised Special 301 of the US Trade Law. At the same time, the legislative body would have to accept some provisions similar in effect to those in the Havana Charter of the 1940s, which the Truman Administration was persuaded not to put before Congress for ratification. 'It will be Bush's campaign staff that will decide (on the package) on the basis of whether the fight over it in the Congress and with domestic lobbies will help or hinder his re-election campaign, and not the USTR and others who have invested so much of their time and energy on it,' one American observer said.

Despite these drawbacks, some GATT negotiators and officials were of the opinion that countries would ultimately find it easier to accept the package rather than prolonging negotiations further. Such views may, however, spring more from wishful thinking than objective analysis.

Addressing the TNC before the document became available, Dunkel described the package in these terms: 'It offers us, for the first time, a concrete idea of the scope and scale of the benefits of broad-based liberalisation and strengthened rules which are within our grasp. In short a promise given, a promise kept'. But despite these claims, the Dunkel proposal in fact is likely to ensure 'managed' trade in agriculture and textiles and clothing for the rest of the century, to make the emerging new trading system more neo-mercantilist, and to tighten the grip of transnational enterprises over Third World economies.

The TNC is due to reconvene on 13 January when the Dunkel text is to be considered as a package, rather than in individual negotiating areas or clusters. But a preliminary assessment of the text showed that Third World countries gain little or nothing, and at best will be able to draw some satisfaction only from damage limitation. In Agriculture, the South might make some marginal gains through minimum access levels, but their exports would continue to face high levels of border protection and domestic support in importing countries. Particularly worrying given the medium- to long-term forecasts of supply constraints and the needs of Third World countries to feed burgeoning populations and develop agriculture, are the proposed constraints on their ability to provide domestic support to agriculture. Furthermore, support limits would be fixed to a border price which would be determined by subsidised exports of the North.

In Textiles and Clothing, meanwhile, the discriminatory Multifibre Agreement regime (ending December 1992) will continue, in a different form and under a different name, until 2003. Importing countries would be able to retain current restrictions on 49% of their imports, covering most of what they consider 'sensitive' and 'very sensitive' products, till 2000. Straining all credibility, the draft provides that from then to 2003, in just three years, the US and EC will remove all these restrictions and end the 43-years of managed trade protection that their domestic industries will have enjoyed by then. The only beneficiaries in the Third World will be the Far East established suppliers (South Korea, Hong Kong) who would be able to preserve their quotas and rentier income benefits.

A major beneficiary of the proposed accord will be the GATT and its officials, and aspirants for jobs in the new MTO, which will have an expanded bureaucracy to service the agreements. The

accord probably will not spur trade or economic growth; but despite its very detailed rules, or perhaps because of them, it will spawn even more disputes and provide fruitful employment for panelists, trade lawyers to prepare and argue the cases, generally making the trading community and trade policy officials more litigation-minded. But in the medium- and long-term, the new GATT and the international trading system it spawns, working in tandem with the IMF and the World Bank, would arrest and reverse many of the Third World gains in the post-colonial era.

In some areas however -notably safeguards, subsidies and anti-dumping and countervailing measures, and dispute settlement-the rules might improve the position of Third world Countries in the system, although the assertion of their rights and protection of their interests still depends on the jungle law of retaliation which they cannot exercise.

Third World negotiators could perhaps comfort themselves on their success in terms of damage limitation, notably turning back some of the more extravagant demands on them by the US, Japan and EC and other industrial countries on behalf of their trans-national corporations (TNCs). One such area is in respect of the MTO, with its integrated dispute settlement understanding and its provision for cross-retaliation. In the area of cross-retaliation in particular, the ability of powerful countries to use this weapon has been somewhat blunted, notably by the requirement for 'arbitration' if retaliation across the different agreements is sought.

But before the negotiations can be concluded on the basis of the package, the market access negotiations and the negotiations on initial commitments in services have to be completed, and the entire document reviewed for 'legal conformity and internal consistency'. Also, the Group of Negotiations on Goods is to conduct a final evaluation of the results, mandated by the Punta del Este Declaration, from the perspective of the developing countries, though it is difficult to envisage any changes resulting from such an evaluation given the way the package has been presented.

Though Dunkel stopped short of characterising the package as a take-it-or-leave-it text, unless either or both of the two majors, the US and EC, find the package difficult to accept, few Third World delegates expect any of their countries being able to propose and get any significant changes of substance to be made.

Several of the Third World countries, viewing the exercise as a damaging-limiting one, want to wind up the negotiations rather than letting them drag on. They hope thus to be able to avail themselves of the limited security of multilateral disciplines in the new system, and thus ward off further bilateral pressures on them from the US. Even the US, EC and other major industrialised countries, with their new priorities and preoccupations, may in fact be in favour of winding up the round and the embarrassment its prolongation is causing them, though they will still run into difficulties in dealing with domestic lobbies.

Despite neo-classical economists and their theories in text books about 'free trade' and its benefits, political leaders will judge the outcome from a neo-mercantilist view, paying heed to what Dunkel told journalists just a few weeks ago: 'the philosophy of GATT is not about free trade but about market openings. Even such an assessment, some of the Third World delegates said, would depend on results of their bilateral and plurilateral negotiations for market access in goods and for initial commitments in services. The former, particularly on tropical products, have so

far been held ransom to the negotiations on agriculture, while that on services could not begin without completion of the work on the framework.

Both will begin in January and may go on till end February. But with the US in the grip of a recession and Europe possibly slipping into one, and with rising unemployment in both places, few Third World delegates expect any significant market opening concessions, tariff or non-tariff, in areas of trade in goods.

Delegates from both the North and the South agreed that the proposals in the Dunkel package are very modest in terms of the objectives set out in the Punta del Este Declaration of September 1986, representing a considerable scaling down of the ambitions, demands and proposals of the majors on behalf of their trading enterprises and goods and service industries. And in terms of the current ongoing multilateral negotiations on biodiversity, climate change and environment and sustainable development issues, the Dunkel package is not governed by the 'precautionary principle': the Dunkel package would 'pre-empt' these negotiations in key areas of technology or use of some economic instruments to protect the environment and promote sustainable development and eradication of poverty

PART II: DUNKEL'S COMPROMISE ON AGRICULTURE LEAVES FARMERS AND TRADERS AT THE LOSING END

The compromises on agriculture proposed by GATT Director-General Arthur Dunkel are unlikely to change the trade very much, but they might make a beginning towards a rule-based regime. The Dunkel text hews to the draft he put forward in early December. The new text supplies some additional figures, arrived at essentially by splitting the differences between the US and EC, with perhaps a slight lean in favour of the EC. However, it has made no provision for 'rebalancing' of border protection, sought by the EC, nor does it include in a non-actionable 'green box' several of the EC's reform proposals that the Commission is trying to get the Ministers to agree to.

The text also provides for continuance of the reform programme, but the commitment is in terms of an agreement of participants to initiate further negotiations one year before the end of the implementation period. The scheme provides for complete tariffication of all border measures other than ordinary customs duties (on the basis of data for years 1986 to 1988), using the difference between internal and external prices, establishing the price for each product at four-digit level of the HS (harmonised system of customs classifications).

Developing countries are exempt from tariffing their restrictions for balance-of-payments purposes. The tariffs are to be reduced on a simple average basis of 36% over the period 1993 to 1999, with a minimum rate of reduction for each tariff line of 15%. Where there have been no significant imports in the past, there will have to be a minimum access provided of not less than 3% of the corresponding domestic consumption in the base period (1986-1988) in the first year of implementation and expanded to 5% by end of 1999.

In terms of domestic support, expressed as Aggregate Measure of Support (AMS) or its equivalent, calculated according to specific modalities, it is to be reduced from 1993 to 1999 by 20%, taking

1986 to 1988 as the base period. Domestic support measures that are non-actionable and exempt from reduction commitments, the so-called production decoupled payments and others, are set out in an annex. These do not include several of the proposed payments under the EC's internal reform plans under consideration, whose inclusion has been an important source of dispute between EC and others in the talks.

In developing countries, investment subsidies available to agriculture, agricultural input subsidies to low-income or resource-poor producers, and support provided to encourage diversification from growing illicit narcotic crops are to be exempt from domestic support reduction commitments. But these may in fact prove to be illusory gains: the IMF and the World Bank, both controlled by the major industrialised nations, are already forcing cuts in these areas under their ideologically oriented adjustment programmes.

The modalities require calculation of the gap between the domestic administered price and the external reference price (base years 1986-1988) on the fob unit value price of a net exporting country and the average cif unit value of an importing country. No reduction will be required if the support does not exceed 5% of total value of production of a product (in case of product-specific supports) and 5% of value of total agricultural production for sector-wide supports. The percentages for developing countries has been put at ten.

In many developing countries there is probably negative support now, but if they try to develop their agriculture they may run into problems: they cannot provide production decoupled support, and any price-production support will have to result in an AMS based on the external reference price decided by the subsidised exports of the North which even in 2000 could amount to 64% of current budgetary outlay. In cases of sugar or some vegetable oilseeds and oils, and some others they thus have to keep their support below the heavy current subsidisation of the EC and other 'exporters'.

As for export subsidies, the proposal provides for reduction commitments in budgetary outlays and quantity of exports between 1993 and 1999. But the base period for calculation is 1986 to 1990. The budgetary outlays and quantities are to be reduced by 36% and 24% respectively.

In terms of the publicly disputed figures between the US and EC in this regard (the US demanding a volume limitation of 11 million tonnes of wheat and the EC agreeable only 15 million), some EC sources said that the Dunkel proposal would involve slightly less than a four-million tonne cut in present subsidised exports, mostly by France.

First reports from Brussels and Paris suggest that this will not be accepted. The types of export subsidies are listed, but developing countries will be permitted to provide subsidies to reduce costs of marketing agricultural exports including handling, upgrading and other processing costs and costs of international transport and freight (which are weighted against them). They will also be allowed to subsidise internal transport and freight charges on export shipments.

Other special and differential treatment for developing countries include:

- Exemption of least developed countries from reduction commitments;
- Flexibility to apply lower rates of reduction in market access, domestic support and export subsidies, provided the reduction is not less than two thirds specified in the agreement;

reduction commitments may be implemented over a 10-year period instead of the six for industrialised countries.

In terms of market access, the industrialised countries have been asked to 'take fully into account' (which does not really involve any commitment but a kind of best endeavor clause) the needs and conditions of developing countries for greater improvement of opportunities and terms of access for agricultural products, including tropical products, something which was promised to the developing countries as long ago as 1963 but only very partially implemented.

PART III: THE CURRENT MFA RESTRICTIONS WOULD BE PERPETUATED UNTIL YEAR 2000 HURTING THIRD WORLD TEXTILES AND CLOTHING

The Dunkel compromise proposals for integrating the textiles and clothing trade into the GATT and doing away with discriminatory restrictions against Third World exports would enable major importing countries to retain their restrictions on what they view as 'sensitive' and 'very sensitive' categories until at least the year 2000.

The economic clauses of the 'back-loaded' integration formula provided by Dunkel would mean that having retained restrictions on 49% of this trade till 2000, the industrialised countries would then phase them out over the next three years. Though this might appear to be a self-implementing accord, given the overall context of the North-South trade relations, in reality it is simply a promise for the future. The virtual continuance of the existing Multi-fibre Agreement (MFA)-quota regime in another form, and the very small growth rates, would benefit the dominant exporters of the Far East (South Korea and Hong Kong), and the 'small suppliers' and 'new comers' such as those in the Caribbean benefiting from the various 'out-ward processing' arrangements under which textiles and cut pieces are exported, sewed and imported back.

Restrictions on textiles and clothing began in 1961 as arrangements governing cotton textiles, and have gradually been extended to cover virtually all fibres and categories. While some of the new fibres and categories of textiles and clothing have come under restraint for shorter periods, the cotton textiles and clothing exporters have been subject to the regime for a much longer period, and under the Dunkel formula will face restraints until 2001.

All the textiles and clothing products have been put into an annex; this contains both those under restraint and those not restrained now, and will be subject to the MFA-type safeguard actions, which are to be written as transitional provisions into the accord until the final integration. Some categories, listed in the annex, are however to be excluded from the transitional safeguard actions: handloom fabrics of cottage industry type, some 'historically traded textiles' such as bags, carpet backing etc. made from specified fibres like jute, sisal etc., and products made of pure silk.

Under the four-stage Dunkel integration formula, based on 1990 import volumes of the products:

- On the date of entry into force of the agreement, each party is to integrate into the GATT products which in 1990 accounted for no less than 12% of the total volume of imports of products in the annex. This integration is to be done in each of four specified groups: tops and yarns, fabrics, made-up textiles products and clothing. Also, prior to this, 4% is to be integrated by excluding them from the product coverage in the annex.

● In the second four-year stage, beginning 1 January 1996, 17% of the products are to be integrated, encompassing products in each of the four groups.

● In the third three-year stage beginning 1 January 2000, another 18%, comprising all the groups, is to be integrated. The remaining 49% is to be integrated overnight on 1 January 2003, a requirement that exporters have repeatedly described as lacking credibility, particularly as none of the present negotiators and officials will be around at that time.

In stage one of the agreement (1993 to 1995), the growth rates (under the existing bilateral accords) on restrictions in each product is to be increased by 16%. While the original MFA had called for 6% growth rates, these have been whittled down with in most sensitive products to very nominal (below a percentage point) levels. A 16% rise in those very low rates will thus mean only a marginal hike in most cases.

In stage two, the agreed growth rate is to be increased by 25% while in stage three it is to be increased by 27%. The flexibility provisions of current bilateral accords in force in 1992 - swing, carry over and carry forward - are to remain and no quantitative limits are to be placed on their combined use.

All restrictions maintained by parties, other than those under MFA, whether justified in GATT or not, are to be notified within 60 days of entry into force. Those not justified in GATT are to be brought into conformity within one year or phased out according to a programme to be presented to the textiles monitoring body set up under the accord.

A number of developing countries restrain imports, though in a non-discriminatory way, for balance-of-payments (bop) reasons justified by GATT. But these countries would be hit by the procedures for bop in the draft, in terms of conversion into tariffs and being subject to phase-out over a period or having to be justified to the bop committee and the GATT Council. Unless approved by those authorities, restrictions will become subject to dispute settlement that others can invoke under the catch-all nullification clause.

PART IV: THE SOUTH LOOSES ON TRADE-RELATED INTELLECTUAL PROPERTY RIGHTS, EXCEPT FOR FEW OUTRAGEOUS US DEMANDS

Dunkel's draft agreement on Trade-related Intellectual Property Rights (TRIPs) will set up global standards and norms, and establish global monopolies, including import monopolies, for holders of such rights now covered by the various international conventions administered by the World Intellectual Property Organisation (WIPO).

One of the most contentious areas of negotiations in the Uruguay Round, involving disputes among Northern countries, and a combined assault by them on the South to further the rentier incomes of their TNCs, is a 'gain' for developing countries only to the extent that some of the wilder and more extravagant demands of the North, and the US in particular, were derailed. Two of the principal driving forces in the US were the pharmaceutical industry in respect of patents (especially regarding the period for patent rights and extending process to product patents), and the motion picture industry regarding 'copyright' and film and video exports.

The developing countries started the negotiations with more or less a united front, but gradually

this unity faded. The diminishing unity was largely due to US arm-twisting through threats to use its 'Special 301' provisions. Over the last two years particularly, the US has forced many of these countries to yield bilaterally, particularly on pharmaceutical patents.

However, under the current accord, developing countries not at present providing pharmaceutical product patents will have a 'transitional period' of ten years to introduce such patents. This is a longer period than what the US has been pushing for and has gained in some bilateral accords. The main remaining target was India, and the ten-year period will provide some 'political breathing space' in that country, where the domestic drug lobby arguments against change have received the support of a majority in Parliament. The US pharmaceutical lobby, which has been looking towards this 'rentier income', is the loser.

The US also had another extravagant demand, the so-called 'pipe-line protection', which in effect would require retrospective application by countries of any changes in laws they have to implement. But the agreement specifically provides that there will be no obligations before the date of application of agreement to any party. The period in which Third World countries and economies in 'transition' (ie. the east Europeans) are obliged to apply the agreement is five years from the date of entry, as compared to one year for Industrial Countries.

From then on, subject matter coming under the agreement and protected in that country or meeting the criteria for protection will have to be provided protection. But there will be no obligation to restore protection to subject matter which, on the date of application, had fallen into the public domain. This would mean, for example, in cases where the term of the patent (even if it be lower than the norm in the agreement), as provided in the country's law, has expired and the subject matter has fallen into public domain, there will be no obligation to restore rights.

There are also to be limitations with respect to infringements arising out of actions that occur prior to the ratification of the agreement by a party. The agreement currently provides that patents are to be available for any inventions, whether products or processes, in all fields of technology, provided they are new, involve an inventive step, and are capable of industrial application. The exceptions are:

- For diagnostic, therapeutic and surgical methods for treatment of humans and animals;
- Plants and animals other than micro-organisms and essentially biological processes, though not non-biological or micro-biological processes. Parties must, however, provide protection to plant varieties by patents, by some sui generis system, or through a combination of the two.

The extent to which Third World countries have to give way is illustrated by reference to the Brussels text in which they had sought exclusion for plants and animals, including micro-organisms and parts and processes for their production, as well as right to provide further limitations in national laws on biotechnological inventions. Southern countries had also sought exclusion of products and processes from patentability on grounds of public interest, public health or nutrition including on food, chemical and pharmaceutical products and processes for manufacture of pharmaceutical products.

Some of the compulsory licensing provisions are to be permitted under the new draft agreement, but subject to certain limitations. The term of protection is now to be 20 years for patents and

ten years for designs for integrated circuits. Computer programmes will be protected under the Berne copyright convention.

In the case of process patents, in which a party claims a product is being produced by a different process, the burden of proof could be shifted to a defendant by judicial authorities. The demand of US and others for a mandatory shifting is not provided for.

The controversy between the US and the rest of the world over the first to file and first to invent system (used by the US) is not expressly settled. But the US, which applies its system in a discriminatory way, ie. on the basis whether the invention was abroad or in the US, would now be required to make patent rights available without discrimination as to the place of invention, field of technology or whether products are imported or locally produced.

Another dispute involving the US and others over copyright and rights of performers etc., in which the former claimed that these issues should be governed by contractual relationships between film companies and artists, has also not been accepted. Instead, the moral rights of performers and authors under the Berne Convention will prevail. On the compromise on geographical indications of origin – a sore point for Europeans in respect of wines, spirits etc. – parties are obliged to provide legal recourse against designations that mislead the public about the true place of origin. Developing countries and the 'exhaustion of rights'

A distinct gain for developing countries is the provision that the TRIPs agreement cannot be used for purposes of dispute settlement on the issue of exhaustion of intellectual property rights. This means that though the TRIPs agreement (which treats the world as a single market to secure intellectual property rights (IPR) process/product privileges for holders) itself does not specifically provide for exhaustion of rights, each country in its national legislation could make such a provision to attack cartelisation and the import monopoly privileges against abuse. The theory of 'exhaustion of rights' is used inside countries – which under the WIPO regime have their autonomous rules on the granting of these privileges and conditions – to prevent abusive use of the privilege through segmentation of markets. In any particular country if the IPR holder licenses production, they cannot prevent others in that country from buying that product.

Although each of the European Community (EC) states had its own IPR and granted national monopoly privileges, the EC courts since early 1960's have treated the EC (which had community-wide competition laws) as a single market. So in applying the exhaustion of rights theory this prohibited the segmentation of the markets. Thus, if a patent in a drug is licensed for production in Italy by a patent-holder who produces it himself in Germany and sells it at a particular price, the holder cannot prevent the drug being imported from Italy if it is cheaper.

The same concept can be applied by developing countries – treating the world as a single market – which should be able to import any patented product or process from anywhere in the world. This would help developing countries to mitigate the excesses of monopoly privileges they are now forced to grant, and enable them to import a patented product from anywhere in the world with the IPR regime being made into a global monopoly for the holders under TRIPs.

PART V: THE SERVICES AGREEMENT WILL CREATE AN ADMINISTRATIVE FRAMEWORK WHICH WILL LIBERALISE TRADE IN SERVICES

The proposed new General Agreement on Trade in Services (GATS) provides for the progressive liberalisation of such trade and creates a framework for its administration, recognising at least partially the special position of the developing countries.

In terms of the framework and the guidelines laid down under it, the participants will engage in January in negotiations on initial commitments to be incorporated in a schedule. Only countries filing such a schedule, after negotiations on initial commitments, will be able to sign the GATS.

While the GATS provides for application of the most-favoured-nation (MFN) principle, there is also provision for individual exemptions and derogations, partly meeting US demands. The exemptions and derogations (for any Party to the GATS) from the application of the most-favoured-nation principle for any 'measure' covered by the GATS must be listed by a Party and is to be part of Annex II of the Agreement. Any Party seeking such individual exemptions from the MFN rule must provide a description of the measure, the treatment under the measure which is to be inconsistent with the MFN rule, the intended duration of the exemption, and the conditions which create the need for the exemption.

Any new exemption from MFN sought by a Party after the entry into force of the GATS is to be dealt with through application and grant of a waiver from the obligation. Waivers are to be granted by the Parties (to the GATS) through Joint Action by two-thirds majority of the votes cast and a simple majority of the Parties. The waiver is to be granted in exceptional circumstances not elsewhere provided for in the GATS. Any waiver is to state the exceptional circumstances justifying the waiver, the terms and conditions governing the application of the waiver and the date on which the waiver will terminate.

The exemptions are to terminate after the period provided for, which in principle should not to exceed ten years, and will be subject to negotiation in subsequent rounds for liberalisation. All exemptions of more than five years are to be reviewed by the Parties to the GATS.

The GATS recognises that initial commitments of Third World countries could be less. Another provision calls for increased participation of developing countries in world trade in services to be facilitated through negotiated specific commitments on strengthening of their domestic service sectors, improvements of access to distribution channels and information networks, and liberalisation of market access in sectors and modes of export of interest to Southern countries. There are also provisions for dealing with business practices of enterprises that restrain competition and restrict trade. But these are weak, in effect providing only for the exchange of information and cooperation among Parties.

The general exceptions from obligations include those for protection of privacy of individuals in relation to processing and dissemination of personal data and confidentiality of individual records and accounts. While there are no specific exceptions on grounds of environment apart from those relating to protection of human, animal or plant life or health, the GATS recognises in a separate decision that this issue and any need for modification of the Exception Clause should be examined through a working party. There are separate annexes relating to the movement of natural persons to provide services, on financial services, on telecommunications and on air transport.

The GATS also contains provisions relating to institutional issues, dispute settlement, balance of payments, and provisions for progressive liberalisation through further rounds of negotiations.

PART VI: NEW RULES ON ANTI-DUMPING, SUBSIDIES AND SAFEGUARDS

The Uruguay Round package of accords in relation to GATT rules provide for some improvements and certainty in the application of anti-dumping, subsidies and counter-vailing duty actions and measures, as well as of safeguards.

Anti-dumping

In anti-dumping measures, the rules and procedures for invoking them have been tightened up, making it more difficult for importing countries (usually developing countries) to use them as they now do to substitute for discriminatory protection against particular producers and countries of origin. It also tightens up rules to prevent 'circumvention,' which has resulted in exporters using third countries to export when their own exports have been found to involve dumping and anti-dumping countervailing duties have been imposed. It will also be used in cases where the same goods are exported as components and assembled for sale in the country levying such countervailing duties.

These circumvention provisions had been sought by both the US and EC as a counter to tightened anti-dumping rules. Under the circumvention, particularly for what the EC calls 'screw-driver assembly plants', the US and EC had wanted such anti-circumvention actions to be permitted if the imported components were more than 20%, while some of the countries being hit had pitched for as little as 40-45% of local content. The compromise suggested by Dunkel calls for use of the provisions only in the event that 70% or more of imported parts are used.

Another provision of some benefit to Third World countries is the de minimise provision. This provision calls for the termination of investigations if the dumping margin is 2% or less and the volume of dumped imports is less than 1% of the domestic market, subject to a cumulation of all dumped imports from several sources to 2.5% of the market.

Subsidies

In the case of subsidies, all least developed countries (LDCs) are exempt. A number of countries specified in the annex with per capita incomes of less than US\$1000 are also exempt from the general prohibition of the use of subsidies to promote exports. Other developing countries will have eight years to phase out their export subsidies.

Developing countries, in either category, who have gained export competitiveness' in a particular product will also have to phase out subsidies, over a period of two years for LDCs and over eight years for specific low income countries. The test for export competitiveness is 3.25% of world trade in the product for two consecutive years. There is also a de minimise provision against actions if the overall level of subsidy does not exceed 2% of the unit value, or if the volume of such subsidised imports is less than 4% of the total imports into the importing country, or 9% of such exempted imports calculated cumulatively.

Safeguards

Where 'safeguards' measures against imports are taken by quotas and the quotas are allocated

among supplying countries, the contracting party applying the restriction could seek agreement on the allocation of shares in the quota with all other contracting parties having a substantial interest in supplying the product. Where an agreement is not practicable, the individual country share in the overall quota is to be allocated among those with substantial interest in supplying the product on the basis of past performance in the overall imports of that product.

No safeguards measures can be applied against a product originating from a developing country so long as its share of the imports does not exceed 3% and where the cumulative totals of such shares of each country does not exceed 9%. But where no agreement is reached, the importing country may allocate quotas on the basis of past import shares in a representative period. The quotas must be allocated and restraints imposed in a non-discriminatory way, unless the importing country is authorised to depart from this by the Safeguards Committee which will administer the accord. The rules also provide for time limitation and degressivity and compensation in suitable cases.

All existing grey area measures - voluntary export restraints, orderly marketing arrangements etc. - are to be phased out, in accordance with a time-table to be specified, the only exception being the Japan-EC agreements on imports of cars, off road vehicles, light commercial vehicles and light trucks.

PART VII: MULTILATERAL TRADE ORGANISATION (MTO): THE NEW INSTITUTION TO ADMINISTER THE URUGUAY ROUND RESULTS AND THE INTEGRATED DISPUTE SETTLEMENT MECHANISM

If the Uruguay Round package of agreements in the Final Act are accepted and ratified as a single-package as provided in the Dunkel proposals, a new General Agreement on Trade and Tariffs (GATT) will come into being and a Multilateral Trade Organisation (MTO) will be created to administer the package as well as the Services and TRIPs Agreements.

There will also be an integrated dispute settlement mechanism under the MTO which would enable cross-retaliation across agreements. This right though, sought by the US and EC, has been somewhat circumscribed and blunted by the various levels and processes that contracting parties have to go through before enforcing cross-retaliation. And while the intention of the major industrialised countries is to usher in the new GATT and bury the old (including its best endeavour clauses in Part IV relating to trade and development), Third World sources suggest that the problems that African countries who form a sizeable group will face in ratifying the MTO would mean that, for many years to come, the old GATT too would co-exist with the new.

'Empty Oh': campaign slogan against MTO

GATT publicists and officials do not like the title MTO which whose English sound - 'empty oh' - fearing the name will be used by critics against the organisation when the full implications of the accord become known.

The EC resorted to the MTO concept after it came up against legal objections to its original call for an 'International Trade Organisation' (ITO). The legal objection was due to the term's (ITO) origins in the Havana Charter and probable legal quagmires of whether GATT and Uruguay Round could by agreement create an international organisation or if only the UN could do so.

GATT publicists are now trying to change the MTO term to WTO (World Trade Organisation). But this too would run into trouble.

The MTO would effectively put an end to any attempt through the UN or UNCTAD to create a trade organisation dealing with a broad variety of issues and enabling contractual negotiated agreements to be evolved. The danger of the MTO is that, while subjects like commodities and restrictive business practices which were raised in the original Havana Charter and some of the new issues of environment and sustainable development would be dealt with, these will gradually be taken over by both the old GATT and the proposed new MTO. In the process these concepts may be changed to fit the currently dominant philosophy of GATT: GATT, as its Director General Arthur Dunkel recently put it, 'is not about free trade but market opportunities and rules for competition' (meaning competition between domestic producers and transnational suppliers and covers government actions only).

What the Final Act and MTO entails

The Final Act would establish the MTO which will be open to all countries who accept and ratify the entire package of Uruguay Round Agreements, the agreement on the MTO itself, the General Agreement on Tariffs and Trade resulting from the Final Act and its associated legal instruments except the protocol of provisional application, the Tokyo Round agreements and arrangements resulting from the Final Act, the General Agreement on Trade in Services (GATS), the Agreement on Trade-Related Aspects of Intellectual Property Rights including Trade in Counterfeit goods (TRIPs), the Integrated Dispute Settlement Understanding, and the Trade Policy Review mechanism. Some of the plurilateral agreements – Trade in Civil Aircraft, Government Procurement, Dairy Arrangement and Bovine Meat Arrangement – will also be 'housed' in the new MTO but need not be accepted by all MTO participants.

The MTO will be chartered with facilitating the administration of the MTO and annexed agreements, providing a framework for their implementation, and providing the forum for further negotiations among members on their 'multilateral trade relations' as decided by the Ministerial Conference of the MTO. This last mandate is such that anything that the Ministerial Conference agrees to can be discussed in the MTO, just as the intellectual property and other issues extraneous to the GATT jurisdiction of trade in goods were incorporated into the GATT negotiations. Another function of the MTO would be to administer the integrated dispute settlement understanding.

Apart from provisions relating to the structures of the MTO, the Secretariat and its functions and budget, the catchall provision in Article XXV of the current GATT, namely for Joint Actions, is retained in the MTO. There is the provision for non-application by signatories of the agreements (the new GATT, the Trade Related Intellectual Property Rights [TRIPs] and General Agreement on Trade in Services [GATS]) to other signatories to be exercised at the time others become members. The non-application in relation to the GATT can be used only to the extent it has been used under the old GATT or agreements under it. This provision has been a compromise between the EC proposal, which would have envisaged total non-application, either of all the agreements or none, and the US call for 'flexibility,' which would enable it to use the 'non-application' clause in sectors and subsectors of the GATS to deny benefits to others who it finds are not ready to agree to the US demands.

The MTO will have a Ministerial Conference meeting once in two years as its supreme authority. There will also be a General Council meeting regularly and, a range of subsidiary bodies, a Dispute Settlement Body, the TPRM and subsidiary bodies, the Goods Council, Services Council, and a TRIPs Council, each overseeing the administration of their respective agreements. There will also be a Committee on Budget, Finance and Administration, a Trade and Development Committee and a Balance of Payments Committee.

Integrated dispute settlement

Under the integrated dispute settlement system, if the complaining party wants to resort to 'retaliation' through withdrawal of equivalent concessions it must first, as a general principle, seek to suspend concessions or other obligations in the same sector (all goods in respect of goods, principal sectors under Services, and rights conferred in any area under Trips in respect of violations under TRIPs) in which there has been a finding of violation or nullification or impairment. If this is not practicable, the retaliation can be sought in other sectors but under the same agreement. If this too is not practicable and when circumstances are serious enough, and only then, may the complaining party seek to suspend concessions or other obligations under another agreement. In applying these principles, account must be taken of the trade in the sector or Agreement and its importance to the complaining party as well as the broader economic elements related to the nullification and the economic consequences of the withdrawal of concessions.

The request or claim for 'cross-retaliation' would need to be referred to arbitration. Under the new GATT dispute settlement understanding, the arbitrator would only be able to go into the value of the concessions or retaliation to be allowed. With respect to cross-retaliation sought, however, the arbitrator would have to determine both whether the procedures for successive layers of retaliation have been explored and also the extent to which it is to be allowed.

The Dispute Settlements Procedure also provides, apart from the automatic establishment of panels and terms of reference and the other procedural improvements effected under the Mid-term accord, for the acceptance of panel rulings, unless the GATT (or Goods Council) decides otherwise. In addition, the dispute settlement procedure provides for an appeals route, though again with the appeals body ruling similarly adopted automatically

PART VIII: THE PROPOSED MTO WILL PRE-EMPT NEW ENVIRONMENT/ DEVELOPMENT ORDER

The proposed Multilateral Trade Organization, to be established as part of the 'global package' under the Uruguay Round will provide a framework for the powerful to use the trade instruments in future to enforce their views on environment and sustainable development, pre-empting any decisions and agreements that could come out of next year's 'earth summit' at Rio de Janeiro.

The worldwide environment/sustainable development movement is looking to next year's summit level meeting of the UN Conference on Environment and Development to lay a new framework of international cooperation and economic relations into the 21st century - through the proposed 'Earth Charter' and the 'Agenda 21' action plans and programmes.

The run-up to the Rio summit - at the UNCED Prepcom meetings, as well as in the parallel

Though it will still need consensus of the Ministerial Conferences, the Uruguay Round and pre-Uruguay Round processes show that developing countries lack the 'will' to deny consensus individually, and do not act collectively in pushing for the inclusion of a Southern agenda..

There are also other provisions that in the long run will go against the interests of the South. The establishment of the MTO will force an abandonment of the long-term objective of the international community to establish a comprehensive, universal International Trade Organization along the lines of the Havana Charter.

The provisions for the MTO secretariat, envisaging as it does the incorporation of the secretariat of the Interim Committee for the International Trade Organization (the enabling arrangement created under the Havana Charter and by the ECOSOC) and naming the GATT Director-General (who now legally holds that office as the Executive Director of the ICITO) as the Director-General of the MTO, imply even if not formally so stipulated that the MTO is the successor organization to the Havana Charter's ITO.

A related setback to the South is that since the articles of the MTO do not specifically provide for its association in any form with the United Nations — unlike the ITO of the Havana Charter, or the IMF and the World Bank which are specialized agencies of the UN though with very loose links — there will be no mechanism, as in the UN, which will make some attempt to ensure the participation of developing countries in global trade negotiations.

The only reference to the UN is the provision for registering the MTO agreement with the United Nations under Article 102. This too is because without it, the provisions of the MTO could not be cited in any international legal disputes.

The present GATT has the most fundamental rule of international relations - the most-favoured-nation treatment clause - incorporated in its Article I. This, and the provision in Art XXIX (about GATT's relationship to the Havana Charter) can be modified only through the route of amendments under Art XXX, and any such amendment will become effective only upon acceptance by "all the contracting parties".

All other amendments to the GATT, for example, can become effective, in respect of those which accept them, upon acceptance by two-thirds of the contracting parties.

The MTO has subtly changed this.

The MTO requires that negotiations for amendments to the MTO or to any of the agreements in its annex I (the GATT and the Tokyo Round agreements, as modified, the GATS and the TRIPs) are to be concluded by consensus. They become effective, for the parties accepting it, upon acceptance by two-thirds of the members. This has thus taken away the GATT's unanimity requirement in ratifications before taking away the most-favoured-nation treatment for all members.

The provision for accession to 'any State or separate customs territory' may open the way in future for parts of territories, claiming separate customs administration, seeking accession without the consent or sponsorship of the State to which it is politically a part of. This might open

the way for Taiwan in future or for that matter, the smaller units and groups in eastern Europe or Asia, Africa or elsewhere. There will be other political constraints, but the legal way would be opened.

The non-application clause in the GATT is so worded as to prevent the threat of non-application being used to force additional concessions.

Under GATT Art XXXV, the General Agreement or the tariff schedules under it, shall not apply as between a contracting party and any other if: (a) the two contracting parties (cps) have not entered into tariff negotiations with each other, and (b) either of the cps, at the time either becomes a contracting party, does not consent to such application.

Thus one of the two limitations on application by a cp to another is that the cp against whom there is to be nonapplication has not entered into tariff negotiations. The outcome is immaterial.

The MTO provides for non-application as between any member and any other member if either of the members, at the time either become a member, does not consent to such application.

This much wider power for nonapplication can easily be used, and will be during the ensuing negotiations for initial commitments on services by the powerful to deny benefits to those who do not yield their demands.

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