New GATT treaty initialed

Antidirigist measures prompt Third World boycott

"A successful Tokyo Round," U.S. Deputy Special Trade Representative Alonzo McDonald enthused April 4 to a Senate subcommittee, "will do more in the short run and in the long term as well, to forestall protectionism than any other program I could imagine." President Carter a few days later hailed the new General Agreement on Trade and Tariffs (GATT) pact as "the most far-reaching and comprehensive" agreement in three decades," a pact which would "increase the opportunities of all nations, rich and poor, to exchange their goods under equitable conditions."

At the April 12 ceremony in Geneva the GATT convention was initialed by the industrialized nations. This followed five and a half years of Multilateral Trade (MLT) Negotiations, which were dominated by the British-run European Community Commission in Brussels and Alonzo McDonald. McDonald, a friend and collaborator of British Chancellor of the Exchequer Denis Healey, formerly headed the New York-based McKinsey consulting firm, an important intelligence center for profiling and manipulating U.S. and other corporations. He had little trouble pulling his nominal senior, Robert Strauss, into backing, if not fully understanding, the GATT game plan. On the European end,

promote GATT.

The agreement is being touted as a victory for "liberalization," with a planned average of 30 percent in tariff reductions to be implemented over an eight-year period, starting next year, coupled with shocking "anti-subsidy" provisions aimed at blocking dirigist programs by member nations seeking to aid the development of their national industry. The details by tariff and sector will only emerge as the signing is followed by ratification discussions in each of the 99 participating countries. Should a nation try to sign the tariff provisions and not the subsidy/countervailing duty code, the U.S. Treasury has already enunciated its eagerness to retaliate, bilaterally and in third markets.

A majority of the nations that participated in the Tokyo Round talks for a new GATT (General Agreement on Tariffs and Trade) pact are appalled by the results. As the *New York Times* noted April 13, "Developing countries boycotted the signing ceremony ... among the more than 60 developing countries that participated in the talks, only Argentina signed the treaty, or even attended the signing ceremony."

The new GATT pact, in short, has already successfully brought about a major "North-South" confrontation between the advanced capitalist sector and the underdeveloped countries. This confrontation can only become more acute as pressures on both the advanced and underdeveloped sector economies increase under the worsening world economic conditions inevitable in the wake of the post-Iran oil price hikes and tightening interest rates around the world. It is not too much to say that the new GATT pact has been jerry-rigged to set up the Third World and also actively promote protectionist warfare among advanced-sector nations.

As Strauss has repeatedly boasted in his sales talks for the new agreement, the agreement's novelty is in its significant prohibitions against the "non-tariff barriers to trade," which translated out of GATT-ese means the prohibition of virtually all national government efforts to foster production. Thus, under the just-initialed Geneva agreements, there is:

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- an absolute ban on direct government subsidization of exports;
- provisions for forcing governments to rescind any domestic measures which can be argued to affect their export costs—a provision so vaguely worded as to cover virtually all dirigist measures;
- a major provision requiring governments to open up their own government contracts to foreign bidders;
- provisions for setting up transnationally controlled buffer stocks, as for example a wheat stockpile, as a further lever over GATT member nations' sovereignty.

It is this package which has created widespread anger among the underdeveloped sector and a few perceptive circles in the advanced capitalist sector. The underdeveloped sector nations realize, to various degrees, that no nation has ever industrialized without major government fostering of industry, through collaboration with the private sector or founding state-sector industries or both. Any international trade treaty put together on the axiomatic basis of accepting given levels of world economic output—which today means stagnation and recession conditions—must necessarily lead to breakdown of that pact itself, as increasingly desperate national economies seek to forestall their worsening situations through economic-nationalist measures. No trade treaty worth more than the paper it is written on will accept a fixed or declining economic pie. The central feature of any actually viable international trade pact is the extent to which it implements in a treaty-negotiated manner major net expansions in world productive output and trade. Under such desirable conditions, the treaty participants are merely negotiating the division of what for each of them is a portion of expanded net global wealth. All the participant countries are losers under GATT, with the underdeveloped countries hardest hit in the short run.

If an underdeveloped sector nation had had any doubts with regard to GATT's intentions, such naivete would have been removed by a series of blunt statements by U.S. National Security Director Zbigniew Brzezinski and U.S. Treasury Undersecretary C. Fred Bergsten, connecting GATT to efforts to ban technology transfer to the Less Developed Countries (LDCs).

During President Carter's ill-fated March trip to Mexico, Brzezinski told a Mexican television audience that Mexico—the acknowledged leader of the LDC countries for current government plans to industrialize through heavy government-private sector coordination—must join GATT immediately. Brzezinski's intention was that the transnational GATT institution's newly expanded antidirigist rules would be a huge step to clinching his goal of "preventing the emergence of another Japan on our southern border."

Bergsten was even more direct. At the close of the GATT negotiations last month, Bergsten gave a speech before the Symposia Society of America in Washington, D.C. on the proposed GATT agreement. In his speech, titled "Toward Fairer International Trade: the New Subsidy/Countervailing Duty Code," Bergsten stressed the Carter Administration's commitment to obstructing technology transfer, its determination to punish exporters who do not sign the subsidy code, and its regret that it was unable to win provisions against government export credits. Bergsten added unconvincingly that the third point means the U.S. instead will beef up the Ex-Im Bank (see box).

According to informed sources, Brazil among the developing nations was armtwisted into acting as "point man" for the antisubsidy program. The Brazilians now say they are "already developed" and don't need dirigism.

Not to be outshone by Bergsten's Treasury Department, Cyrus Vance's State Department has been coordinating a "sucker operation" to trap the GATT-provoked LDC nations. If the underdeveloped sector behaves according to anticipated British and allied profile, they will move aggressively at the upcoming May UNCTAD meeting to implement the "Common Fund," a London-promoted buffer scheme designed to raise or stabilize key commodity prices, just as the same circles have done with crude oil. Speaking before the Northwest Regional Council on Emerging International Economic Order on March 30 in Seattle, Vance stated his support for the Common Fund. GATT itself has also been supportive of such measures, especially with respect to setting up a wheat buffer stock.

The final phases of the GATT negotiation coincided with a pronounced cave-in by Europe and Japan to the International Monetary Fund's policy of triage and genocidal chaos in the Third World. This drastic

C. Fred Bergsten on GATT

We sought as major components of the new code... acceptance by advanced developing countries of increased obligations on subsidies, as their industries become internationally competitive. (The GATT codes provide that) counteraction can be in the form of increased import duties on the product concerned, or can involve alternative measures in third market or import substitution cases.... This provision specifically sanctions for the first time countermeasures against subsidized competition in third markets.....

It should be noted that nations which do not accept the obligation of the code, whether industrial or developing, will not receive its benefits. In particular, the U.S. does not intend to apply the injury test to subsidized exports from those nations that fail to sign the code and assume appropriate obligations. In the absence of such obligations, we would countervail subsidized imports without an injury determination as in the past....

We had hoped that the international arrangement on official export credits...would form a basis for cooperation to curb excessive competition in the use of official export credits.... We have seen no real progress to date and now find the only realistic alternative is to meet foreign official export credit financing through aggressive action by our own Export-Import Bank....

postponement of the drive to industrialize the entire world necessarily means that the advanced sector opens itself to the dangers of autarkic regional trade blocs.

Two features of the GATT parleys show the existing momentum of this danger. Europe agreed to open government procurement contracts to foreign bidders, effectively squelching its underdeveloped high-technology domestic sectors to the benefit of IBM, ITT and other U.S. corporations. In return, European governments are being encouraged to cream for a loophole provision that would allow selective trade barriers—against Japan and the more-developed LDCs—if a domestic industrial sector were imperiled by imports.

Japan meanwhile will be forced to accept overall 50 percent tariff reductions (versus a far lesser reduction by the U.S.). Thus far, Japan has refused to sign the code opening up its semipublic Nippon Telephone and Telegraph Co. and other strategic telecommunications-related concerns to foreign bids; Japan's telecommunications and electronics sector until now has been the one remaining such national sector still independent of Anglo-American intelligence control.

In an apparently coordinated move two weeks before the MTNs concluded, Strauss suddenly canceled the trade negotiations with Japan, bitterly protesting over Japan's adamancy on the Nippon Telephone issue. Within days, the European Commission issued an unprecedently provocative, racially slurring report against the Japanese, charging them with exporting the fruits of underpaid laborers whose housing resembles "rabbit hutches." In the long run, such assaults are intended to provoke Japan into preparing an autarkic "Greater Asian Co-Prosperity Sphere" response; meanwhile the Japanese are being blackmailed into the GATT farce.

On the American side, the Geneva agreement's tariff provisions will thus bolster the U.S.'s military-related sectors and triage (through reduction of other

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Problems in the investment area are becoming more serious as well.... We have had particular problems with government intervention in the investment process. ... In recent years, offset requirements have been most common in defense procurement, but they are quickly spreading.... Foreign governments frequently require that, for a U.S. firm to do business with the government, it must agree to transfer technology to the nation.... Inconsistent with the spirit of GATT, these requirements are rapidly becoming pervasive. ... A major objective of U.S. policy must be to achieve multilateral discipline on such inventives and other interventions....

—March 7, in a speech to the Symposia Society in Washington, D.C. titled "Toward Fairer International Trade: The New Subsidy/Countervailing Duty Code"

The MTN affords a major opportunity for broader cooperation. One of the U.S. Government's most important objectives in the MTN was the negotiation of a code regulating the use of subsidies and countervailing measures.... The code provides new guidelines regarding the use of subsidies in the following areas:

1. There is a *much stronger prohibition of industrial export subsidies*, complemented by an updated list of prohibited export subsidy practices. This new list includes practices such as export inflation insurance, exchange risk guarantees, and duty drawbacks in addition to items carried over from the previous GATT list.
2. There is an explicit recognition that *countries must accept responsibility for the trade effects of their domestic subsidy programs*, and commit themselves to *avoid granting such subsidies that adversely affect the trade interest of other countries.*
3. *Domestic subsidies which impair GATT tariff bindings through import substitution are subject to countermeasures* as a violation of GATT commitments. Such subsidies may include, but are not limited to, regional development grants, research and development grants, government provision of infrastructure services and government financing of commercial enterprises, including provision of loans and guarantees on non-commerical terms.
4. *Export subsidies* on industrial products *to third markets are subject to countermeasures*, as are export subsidies on agricultural products which displace the exports of others or involve material price undercutting in a particular market.
5. *Developing countries for the first time are agreeing to phase out the use of export subsidies* as part of their obligations, commensurate with their competitive needs, under the new code.... (All emphasis in original—ed.)

—March 30, from a speech titled "U.S.-Canadian Economic Cooperation: Harbinger of Global Accords," to the Canadian-American Committee.

countries' aerospace tariffs, for example) the U.S.'s deteriorated shoe, textile and related sectors, throwing enough people out of work in the northeastern U.S. that a hue and cry can be raised in favor of the corporativist, labor-intensive Energy Corporation of the Northeast (ENCONO) program being promoted by Lazard Freres' Felix Rohatyn, Gov. Carey of New York, and Federal Reserve Board chairman William Miller, an ENCONO founding member. Beaverbook protégé Rupert Murdoch, published an anti-Third World diatribe in his *New York Post* the day after the Geneva ceremony in an immediate effort to use the new pact to foment protectionist sentiment in the U.S. and move the New York area toward a support for ENCONO.

GATT's attacks on the LDCs and especially Mexico, the push for an autarkical North American energy program of which ENCONO plus a subjugated Mexico would be components, and the jerry-rigged new GATT pact add up to a package to break the world economy into 1930s-style regional trade blocs. C. Fred Bergsten's activities confirm the North American Common Market dimension. On March 30, Bergsten spoke in New York before the Canadian-American Committee, a prominent supporting body for the North American Common Market, an energy and trade scheme directed against the national sovereignty of Mexico, the U.S., and Canada. Bergsten's talk, titled "U.S.-Canadian Economic Cooperation: Harbinger of Global Accords," was dedicated to emphasis on the importance of U.S.-Canadian collaboration to harness the world economy through transnational antidirigist institutions such as GATT, with the concluding portion of his speech being dedicated to a detailed description of GATT's bridles on the Third World.

—Richard Schulman

Brascan bids for Woolworths

CORPORATE STRATEGY

The $1.13 billion takeover bid on the Woolworth retail giant by Brascan Ltd. of Toronto is the latest and biggest of a series of politically contested corporate takeovers including the Hong Kong and Shanghai Banking Corporation's bid for Midland Marine Bank and the aborted attempt on McGraw Hill by American Express.

Brascan's move was timed with major initiatives launched by a tightly interwoven network of British intelligence-linked individuals and entities toward Britain s espoused political goal of consolidating all of North American into a single war economy and trade war bloc or "Common Market" by the mid 1980s.

The Brascan bid began April 8 on the advice of consultant David Yunich, former president of Macy's and was promptly opposed by the Woolworth board of directors, who subsequently filed suit in a U.S. federal court in New York State. The suit cites both Brascan and the Canadian Imperial Bank of Commerce as defendants, charging among other things unprincipled and unethical collusion between those entities. The CIBC is bankrolling $700 million worth of Brascan's bid, the remaining $400 million coming from Brascan's sale of its Brazilian power subsidiary to the Brazilian government late last year.

The Woolworth suit also charges that Brascan's objective is to largely dismantle the retail chain and its international holdings for the purpose of generating liquidity for subsequent "resource and energy speculations."

Although the Brascan bid is seemingly complicated by a number of factors, including the existence of a rival bid for Brascan itself by Edgar and Peter Bronfman's Toronto-based holding company Edper, already a substantial minority shareholder of Brascan, the details on the bid gleaned by this publication, combined with the information in previous *Executive Intelligence Review* reports on the North American Common Market proposal, combine to identify the akeover attempt as part of Britain's North American geopolitical design

Brascan and British intelligence

Brascan, Ltd, a holding company with assets largely in energy, resources and retail foods and liquors, constitutes one of several extensively interlocked British-Canadian corporate entities run by British intelligence since World War II. Its chairman and chief executive officer, M.H. (Jake) Moore, for example, is a close personal and business associate of Walter L. Gordon, honorary president and former chairman of the Canadian branch of the London Royal Institute of International Affairs.

Both Moore and Brascan director A.J. MacIntosh, himself a CIIA director, are directors of Gordon's firm, Canadian Corporate Management of Toronto. Brascan's board also includes Henry Borden, CIIA director and son of CIIA founder and former Canadian Prime