World Bank tries to sell GATT to Third World

Has the World Bank become the underdeveloped countries' champion, leading the battle against restrictive advanced-sector tariffs and import quotas?

That is one message Robert McNamara and his associates at the Washington, D.C.-based World Bank hope to convey through their new "World Development Report, 1979," issued last month. Several key sections of the report focus on questions of international trade. These sections call for Third World government action to build up export-oriented manufacturing. The report

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also attacks recent advanced sector moves toward protectionism which would restrict such efforts.

Upon closer reading, however, one discovers that what the World Bank is advocating is a short-term effort to build up a few labor-intensive export sectors in each underdeveloped country—notably in clothing and footwear and related consumer goods sectors accessible to labor-intensive production techniques. Furthermore, the World Bank Report specifically counterposes its "export drive" approach to underdeveloped countries' efforts to achieve a broad-based, high-technology-oriented industrialization.

In the report, high-technology-industrialization efforts are not attacked openly but rather under the guise of the code phrase "import substitution."

The report's perspective is at bottom that of the financial circles who intend to stop at nothing to prevent the emergence of new South Koreas and Mexicos in the Third World. These are the circles whose political and financial control networks are inextricably tied up with mass-market consumer goods production and distribution. The network in question notably includes such U.S. department-store giants as R.H. Macy & Co. and Federated Department Stores, which controls New York's Bloomingdale's, among others.

Selling a new GATT pact

The immediate task of the World Bank's "World Development Report, 1979," is to sell to the underdeveloped sector the Multilateral Trade Negotiations (MTN) pact (also known as the "Tokyo Round") initialed by the industrialized capitalist countries at Geneva this past April. The MTN seeks to eliminate the "non-tariff barriers to trade"—a euphemism for government subsidies and other dirigist measures that have allowed underdeveloped nations to launch new industries which otherwise would have been crushed by "free trade."

A current problem for the international "Limits to Growth" circles who control key United Nations bodies, the IMF, the World Bank, and the Geneva-based GATT is selling the Tokyo Round to the underdeveloped sector. Almost all the underdeveloped countries refused to sign the pact last April on the grounds that it represents a major attack on underdeveloped nations' ability to industrialize, as indeed it does.

In May, World Bank head Robert McNamara appeared as a featured speaker at the UNCTAD development conference in Manila. The former Defense Secretary, who sought to bomb Vietnam back to the Stone Age, posed as a "Third Worldist" opponent of advanced sector restrictions against the exports of the underdeveloped sector. McNamara was seeking to sell the Tokyo Round's anti-dirigist free-trade package to the underdeveloped sector. The World Bank's subsequently issued "World Development Report, 1979" is the back-up.

The report's premise that the underdeveloped sector must focus on labor-intensive exports over dirigist "import substitution"—broad-based industrialization—is used as the key argument as to why the less-developed countries should support the Tokyo Round pact. The report's argument is roughly this: The halcyon days of world trade were 1965-1973, when the volume growth in world trade expanded around 9 percent each year, as contrasted with the drop to just over 4 percent growth each year in the subsequent 1974-1977 period. During the 1965-1973 period, the annual growth in underdeveloped sector exports was 6.4 percent; this fell to 3.6 percent in the subsequent three years. In 1978, terms of trade remained unfavorable for the underdeveloped sector, given inflation and weakness in primary commodity prices. This deterioration in the post-1973 world economy, the World Bank continues—as though the oil hoax was an act of God—has prompted strong protectionist impulses in both the advanced sector and the underdeveloped sector. Given these worsening terms of trade, the report continues, many underdeveloped countries have found themselves tempted to defend themselves through national plans of "import substitution." The report then cites with horror the "inefficiencies" of India under Nehru (when India became a world industrial power)!

Rather than go this "inefficient" route, the report continues, the middle-tier underdeveloped countries should launch short-term export drives centered around low-skill, low-technology, low-capital manufacturing sectors

to be successful, free trade and the removal of the nontariff barriers to trade must be supported by the underdeveloped sector, lest the advanced sector impose barriers against the Third World's selective export drive.

What the Bank proposes for the underdeveloped sector is thus an enforced colonial backwardness on the Singapore model in which selected manufacturing sectors in "free trade zones" become the surrogate for actual industrialization and merely supplement a traditional policy of keeping the aggregate underdeveloped sector as a primary commodity producer.

The effects of such a policy on the advanced sector would be equally invidious. A flood of Third World, cheap-labor-produced textiles, clothing, and shoes would be (indeed, already is) used as a battering ram against the advanced sector labor force (and consumer manufacturers). Precisely such a translation of World Bank "Third World" policy to the advanced sector is already slated for the United Kingdom (see Britain). It is also the thrust of a campaign for Bronx (New York) Borough President now being waged by State Senator Joseph Galiber, a protégé of Lazard Freres' Felix Rohatyn. Galiber advocates the establishment of a Hong Kong-modeled international free-trade zone in the Hunts Point section of the Bronx.

The payoff is not far to seek. The Macy's and Bloomingdale's of the advanced sector seek to purchase the child- and sweat-labor-produced consumer goods—whether of the "Third World" or "Third World" enclaves set up in the U.S.—at a fraction of the cost at which the goods are then sold to the consumer. The retail chains pocket the difference while their cash flow and accounts-receivables conceal receipts of illegal traffic in drugs. Bloomingdale's has conducted public relations campaigns on behalf of Israel, whose intelligence services are heavily involved in the illegal narcotics trade, and has offered the People's Republic of China, the world's leading opium exporter, a major purchase order for PRC-produced consumer goods.

rejection of the MTN pact and the related perspectives of the Worl

would be doing almost everyone a big favor.

—Richard Schulman

Fed investigates Midwest Air charter

The Federal Reserve Board has decided to "review" its contract with Midwest Air Charter in the wake of U.S. Labor Party charges that the Ohio-based air cargo firm is handling illegal narcotics shipments. Midwest Air since 1973 has held a contract for nationwide transport of the Federal Reserve System's "time-sensitive" financial statements, principally checks. Midwest Air's other major customer is the Airborne Freight Corp. of Seattle, a company which is closely linked to reputed Detroit organized crime kingpin Max Fisher. USLP officials charge that, according to Ohio business sources, Midwest is carrying illegal drug shipments for Airborne on the same flights servicing the Federal Reserve. Midwest is notorious for its frequent failures to transport Fed checks on time, a fact which, USLP representatives say, could point to a conspiracy to manipulate the "float" in the national money supply for speculative or other purposes. In early August, USLP chairman Lyndon LaRouche called for the reopening of Congressional hearings on the Miller and Volcker appointments based on this

corruption of Federal Reserve officials by the international drug trade."

James Kudlinski, Director of the Fed Board's Operations Division, notified the USLP of its review of Midwest Air in a letter dated August 22. The text of Mr. Kudlinski's letter was made available to *EIR* and is reproduced below:

"This is to acknowledge receipt of your letter of August 10 concerning Midwest Air Charter.

"Our contract wiih Midwest recently has been under review due to scheduling problems. We will keep your letter in mind as this review process continues."