World Trade by David Goldman

GATT opens trade offensive for IMF

Every nation is damned, unless they dump the world trade program along with the Fund.

Over protests from Brazil, India, and other nations, the U.S. delegation to the General Agreement on Trade and Tariffs (GATT) forced through a decision the last week of August to hold preparatory talks for an international conference on "liberalizing trade in services." Under the plan, first offered by former Treasury Secretary Donald Regan in cooperation with the International Monetary Fund, all nations would have to open their borders to international banks, insurance, and shipping companies.

Since "trade in services," to use the GATT's double-talk, impinges on sectors which decisively effect the total national economy, and therefore bear on national sovereignty, the developing sector has bitterly opposed the new initiative. Nonetheless, the GATT—created in 1947 as a sister organization of the IMF—already bears principal responsibility for a system of world trade which has ruined the developing sector's economies. Although it lacks the enforcement powers of the IMF, its role has been just as destructive.

The GATT's low-profile bureaucrats have quietly, but steadily, twisted the arms of hard-pressed developing-sector governments. "We will institute a grand compromise," they tell governments which have been through the debt mill. "To pay your debts, you must export more to the industrial nations. We will try to prevent protectionism from shutting down your exports. But they, in return, demand the right to export 'services' to your economies."

A recent study by *EIR* provides a useful measure of the results of the GATT program: *EIR* compared the unit price of commodities exported to the United States by Ibero-American countries during the period 1981-84, and found that the price of most major items (excluding oil) had fallen by 30% to 40%.

In turn, perhaps 15% of all goods consumed in the United States are net imports, and roughly half of the net imports are from the developing sector. But the more Ibero-America exports to the United States, the less they earn; the supposed "improvement" in these countries' balance of payments is almost entirely due to import reduction, despite the huge increase in physical volume of exports.

Thus, the GATT, whose "free trade" system fits into the IMF's "conditionalities" program, has managed to impose a trading system which is in the interest of none of the world's nations. The only beneficiaries of the low-priced import flood are rentier financier interests, who meanwhile preside over the dismantling of America's own industrial base.

Whether the United States continues to purchase goods from Ibero-America at less than their cost of production, or whether it adopts protectionist measures to prevent these imports from replacing yet more domestic production, the GATT's policy will lead to roughly the same consequences. The threat of protectionist legislation in the industrial nations is employed to blackmail developing nations into accepting "free trade" terms. However, the threat may well turn into reality at the point that the industrial nations' own economies suffer the aggravated consequences of the GATT-IMF system. Trade barriers which the United States recently enacted against Thai textile exports, which threaten about 40% of that country's industrial jobs, could represent such a turning point.

Meanwhile, Sen. Lloyd Bentson (D-Tex.) has introduced legislation, directed principally against Japan, which mandates a 25% import tariff against the goods of any country which exports to the United States more than 165% of what it imports. The U.S. Department of Agriculture in-house magazine demanded a revision of the entire postwar policy regarding farm exports, under which protection of internal agricultural markets has been accepted as a matter of course. In effect, this is a demand that bankrupt farmers dump their surplus on world markets at prices below cost of production, causing chaos in developing nations' markets.

When Treasury officials address the October GATT meeting in Geneva, they will cite these developments, insisting that unless developing nations sanction the wholesale buyout of their economies, they will be unable to contain the "protectionist wave in Congress."

With the national currencies of most developing nations undervalued by 40% to 60%, and with the prices of most raw materials in international trade at well below cost, the GATT's discussion of "free trade" is a disgusting charade. It should be abandoned along with the IMF. Instead, the industrial and developing nations should undertake concerted efforts to expand trade in capital goods, with special emphasis on "great projects" preparatory to the rapid industrialization of the developing world.