

## GATT, NAFTA talks renewed amid production collapse

by Marcia Merry

In the month of March, renewed imperial decrees went out from President George Bush, British Prime Minister John Major, and Henry Kissinger that free trade treaties must be secured this year, "or else": the Uruguay Round of the GATT (General Agreement on Tariffs and Trade,) NAFTA (North American Free Trade Agreement,) and related bilateral deals. The bankrupt Anglo-American financial powers these figures represent are desperate to expand their looting rights through more "free trade." The immediate occasion for treaty demands is the breakout of openly anti-International Monetary Fund (IMF), anti-free trade sentiment in Venezuela and elsewhere in South America, eastern Europe, and Canada.

Fortunately, all signs are that the frenzy for free trade treaties will fail. The resistance, though disorganized, is too great.

On March 23, negotiators for Mexico, Canada, and the United States gathered in Washington, D.C. to begin a new round of talks on NAFTA. In mid-April in Geneva, yet another bout of talks will take place among the 108 member nations of the GATT, in the stalled, five-year-old Uruguay Round negotiations aimed at eliminating obstacles to "free trade." On March 25-26 in Paris, agriculture ministers of the 24 member countries of the Organization for Economic Cooperation and Development (OECD) met to discuss farm trade issues, preparatory to the April GATT talks.

The backdrop to these negotiations is that worldwide production of agriculture commodities and merchandise of all types is sharply declining per capita, trade volumes are plunging, and the only economic indicators on the increase are trade disputes and threats of trade war.

The GATT annual trade report, issued in March by the GATT Secretariat in Geneva, gives statistics for the downturn in trade volume. The survey laments, "Last year marked the third consecutive year of decelerating growth in the vol-

ume of world output and trade . . . growth in the value of world merchandise trade declined sharply last year, recording the smallest gain since 1985." The only area experiencing trade volume increase in 1991, in combined exports and imports, was Asia. Everywhere else fell. The GATT report states, "Rough estimates suggest that the countries of eastern and central Europe and the former U.S.S.R. registered a 20% fall in the value of their collective exports and a 25% drop in imports. The former U.S.S.R. experienced a 42% fall in imports."

This has occurred while GATT is adding more members to its roster—11 nations joined since the 1986 launch of the Uruguay Round, and arrangements are underway for Taiwan and China to join. Meantime, the GATT Secretariat is attempting to play an ever bigger role, and now churns out reviews of national trade policies: three in 1989, nine in 1990, eleven in 1991, and 13 this year so far.

### Fight grows over shrinking markets

The GATT press release on its annual trade report, entitled "Council Overviews of Developments in International Trade and the Trading System," released March 18, stressed, "The director general's report reflects a high level of activity in GATT outside the Uruguay Round negotiations, especially in the context of dispute settlement, new accessions, regional trading areas, and the surveillance of national trade policies."

Over the past two years, the number of GATT anti-dumping investigations rose from 96 to 175, with the United States alone notifying 52 cases, and Australia 46. There is a reported "increased use of GATT dispute settlement procedures, but a widening concern at inadequate implementation of adopted panel reports."

In 1991, four special GATT panels were conducted to adjudicate disputes, more than in any one previous year. But in all

the panels conducted since the 1986 start of the Uruguay Round, 90% of them involved only the European Community (EC) and three countries: the United States, Canada, and Japan.

The dispute fever is nowhere more evident than in President Bush's own backyard: the U.S.-Canadian free trade relationship, created by the U.S.-Canada Free Trade Agreement almost three years ago. Almost every month, there is a new area of dispute—some brought to GATT, some to special adjudication procedures under the U.S.-Canada treaty, and others fought out in the courts and media.

- **Wheat.** Congressmen from North and South Dakota, and others, are protesting that Canadian wheat is entering the United States under unfair conditions.

- **Hogs.** The U.S. Pork Council has demanded an investigation of unfair hog imports from Canada.

- **Beer.** Interested parties on both sides of the border have issued complaints about export violations.

- **Autos.** Canadian-assembled vehicles previously exempt from U.S. import duties now have been re-classified as eligible for duty because more than 50% of the parts are from neither the United States nor Canada.

Complaints over trade are also pouring forth from Mexico, in advance of any grand "Yukon to Yucatan" treaty that Bush is demanding. In the latest move, 74 Mexican agriculture organizations from 14 states, came out against including grain in any free trade pact. Leaders from four of the largest groups gave a press conference March 24 where they charged that 3 million farmers on unirrigated lands would be ruined by open border grain movements. Corn production on this land is only 1.8 tons per hectare, compared to seven for the United States.

Even the executives who run the *maquiladora* slave labor factories are now griping against the false free trade promises, on grounds that they were not prepared for the tax levels in Mexico. The March 25 *Washington Post* reported that 20 new U.S. projects or plant expansions in Mexico are on hold. "The loudest complaints came from more than 3,000 U.S. executives who were shocked to learn that they will have to pay steep Mexican income taxes." The execs felt they were better off in the hands of the Internal Revenue Service.

The potential for conflicts under NAFTA is shown by all the blank spaces in the 500-page draft treaty document leaked to three Mexican newspapers on the eve of the March 23 talks in Washington. Canadian opponents of NAFTA reportedly supplied the secret document. According to *El Financiero*, the chapter on agriculture is full of "brackets," i.e., optional sections, indicating areas of disagreement, and blank spaces where issues such as the timetable for tariff liberalization and levels of farm subsidies should be. The three sides also differ on treatment of textiles, investment protection, and dispute settlement mechanisms. Other areas left undecided include auto parts, energy, financial services, and copyrights.

In the face of these deep national rifts, Henry Kissinger nevertheless demands action. He said in an interview with *El Financiero* on March 19, "The United States cannot afford

the luxury of abandoning its commitment to conclude a free trade agreement with Mexico this year, since that would send a very negative message" to all of Ibero-America. Kissinger stressed that concluding NAFTA with Mexico is important to show support for Venezuelan President Carlos Andrés Pérez, who is pursuing the same economic model in his country as that applied in Mexico. Kissinger called NAFTA "the most important [agreement] that we have ever negotiated with Latin America." He worried that Pérez faces potential ouster, and forecast that the U.S. Congress will respond by passing NAFTA.

## Resistance grows

During the March 21-22 talks at Camp David between German Chancellor Helmut Kohl and Bush, the GATT Uruguay Round was a focus, but with no resolution. Kohl gave lip service to the desirability of reaching an agreement by late April, but Bush gave no leeway in his demands that the EC drastically reduce support for their farmers—the sticking point between the Anglo-American/IMF bloc versus others in the GATT. Soon after Kohl left, Bush told a conference of grocery suppliers, "Let me assure you, we'll be working as hard as possible the next few weeks to make a breakthrough in GATT, but as we see it, if there's no fair deal for agriculture, there simply cannot be a good GATT agreement." Bush said that the EC spends 10 times as much as the United States on agriculture subsidies and "this cannot and must not go on."

The reality is that a select few companies in the world food cartel are reaping profits from subsidies, underpaying farmers, and monopolizing trade. But resistance is mounting as economic activity and trade disintegrate. On Feb. 21, a record number of 40,000 farmers rallied in Ottawa, Canada to protest the GATT demand that the Canadian Wheat Board be eliminated as an obstacle to free trade.

When Kohl returned to Bonn on March 23, he dismissed reporters' queries about whether he would pressure Paris into accepting cuts in EC agriculture supports demanded by Washington. France is the chief grain-producing nation of the EC. Kohl said, "Anybody who knows the slightest thing about French politics knows that would be an absolutely deadly thing to do." Over the past two years, French farmers have repeatedly staged mass protests against EC and GATT price support cuts and free trade practices.

On March 26, EC Agriculture Commissioner Ray MacSharry met with U.S. Agriculture Secretary Edward Madigan in Paris to find common ground for a GATT Uruguay Round compromise. But none exists. The only way out is to resume production-based farm, food, and foreign trade policies. Germany has taken that initiative in the past regarding food relief to eastern Europe and Russia, but now Bush and London are demanding that Germany capitulate.

Kohl is engaged in "a tightrope act," according to the *Westdeutsche Zeitung*. The newspaper is concerned that his failure could lead Germany into "a highly dangerous trade war with the United States."