

# The World Trade Organization is a one-world tool for economic ruin

by Richard Freeman

On Sept. 27, Senate Finance Committee Chairman Daniel Patrick Moynihan (D-N.Y.) introduced a bill which, if enacted, would decimate world trade levels, create an institution for world trade dictatorship, and tie down President Bill Clinton with yet another piece of Bush-league legislation.

The bill, S. 2467, entitled the "Final Act of the Uruguay Round of GATT" (General Agreement on Tariffs and Trade), will create a World Trade Organization with dictatorial powers over world trade and economic policy. Its purpose is to crush every nation's sovereign right to implement dirigistic-mercantilist policies for trade, as well as internal development. The sponsors of the WTO plan to closely link its operations with the International Monetary Fund (IMF) and the World Bank, forming a financial-economic triumvirate. Modeled on imperial Rome, it will enforce the existence of a backward, deindustrialized world order.

The vote on the bill will be according to special fast track rules which do not allow amendments or reservations, just an up-or-down vote. Further, even though the Final Act is a treaty every bit as significant as NATO or the legislation that created the IMF, it is being treated by Congress as an ordinary piece of legislation. Were it to be treated procedurally as a treaty, only the Senate could vote on it (through the Constitution's "advise and consent" clause), it would require a two-thirds vote to pass, and amendments and reservations would be allowed.

Based on the intense rate of looting of the productive economy that the WTO plans demand, mixed in with the imminent disintegration of world financial markets, the WTO's financier sponsors show themselves to be clinically insane. The WTO will accelerate the collapse of the world economy and hurt the very financial institutions that subsist by leeching off this economy.

The GATT hierarchy, run by Venetian-British financial interests, is putting intense pressure on the United States to pass this legislation. In a speech on Sept. 2 at the Villa d'Este conference in Cernobbio, Italy, GATT Director General Peter Sutherland lamented that if the U.S. Congress does not ratify the Final Act, it could jeopardize the accord. Other nations might follow suit.

It is not assured that the Final Act will pass Congress this session. Sens. Ernest Hollings (D-S.C.), Jesse Helms (R-N.C.), Paul Coverdell (R-Ga.), and Larry Craig (R-Id.) lead the opposition. Often, Congress has correctly viewed these supranational schemes as a threat to U.S. sovereignty. In 1948, Congress refused to join GATT. In 1949, Congress refused to join the International Trade Organization, British Lord John Maynard Keynes's 1942 model organization for world trade, which the WTO today imitates to a "T." Nonetheless, Senator Moynihan's office is crowing that the WTO will pass.

## Immense powers granted WTO

From interviews conducted over the past two weeks and from documents, it is clear that the powers of the WTO are immense, going far beyond the powers of GATT. The WTO's powers include:

- Effective upon the WTO's creation on Jan. 1, 1995, the WTO would cut tariffs on all goods by more than one-third and remove "non-tariff" barriers. The purpose: to set off a deadly "levelling process," and to pit cheap agriculture and cheap manufacturing products in the poorer areas of the world against the more technologically developed agriculture and manufacturing in the more advanced areas. The result will be ratcheting the world as a whole downward to lower, more backward, less capital-intensive, energy-intensive levels of production. The physical existence of the human race, its relative potential population density, will plummet.

- Whereas currently under GATT, for a new trade regulation to be passed, every government that is a member of GATT has to approve it, often dragging out the negotiating process and leading to compromises, under the WTO, in most cases, a bare majority of the members of the WTO can change world trade rules. Unlike under GATT, where the rulings are effectively optional, under the WTO, final votes would be binding on all governments, and heavy sanctions can be applied against any nation that is found to be "in violation of WTO regulations."

- Under the terms of the Final Act, the WTO would set up a "Trade Review Policy Body" and a "Dispute Settlement

Body.” These units, each of which would have its own chairman and staff, would set up panels that would have the final say-so, respectively, on how to interpret the world’s trade agreements and relations, and who is in violation and how stiff the sanctions will be. A nation can appeal, but the rulings of these bodies would be final.

- The WTO would be established as an insular body unto itself, above the sovereign interests and concerns of nations. Article IV states: “The responsibilities of the director general and the staff of the Secretariat shall be exclusively international in character. The director general and the staff of the Secretariat shall not seek or accept instructions from any government or any authority external to the World Trade Organization.”

- Under Article III, “cooperation” between the IMF, World Bank, and WTO is specified, to “achieve greater coherence in global economic policy-making.” Thus, an IMF-World Bank-WTO supranational triumvirate would come into existence, having the dictatorial final say on every aspect of global as well as national economic policy. This was John Maynard Keynes’s original intent when, in November 1942, he first formulated plans for what became known as the IMF and International Trade Organization.

### **Attack on Hamiltonian dirigism**

In the tradition of free trade ideologue Adam Smith, the new WTO would attack dirigistic Hamiltonian measures by governments to foster growth, and would override the laws of nations, and states and provinces within nations.

Bryan Little of the U.S. Business and Industrial Council, a pro-protectionist organization that opposes the WTO, stated that while the WTO, which is still only a proposal, has no track record on how it will implement its authority, nonetheless, what has already occurred under the U.S.-Canada Free Trade Agreement provides a foretaste of what can be expected.

“A few years ago, the state of Minnesota, in order to develop its internal beer industry and encourage brewing beer, enacted a tax break for micro-breweries, which are very small breweries. This would cause the beer industry to grow,” Little stated. “But the Canadian brewery cartels—and these are big operations, they are cartels—protested, and said that this represents ‘special dispensation and tax breaks,’ and violates the U.S.-Canada Free Trade Agreement. They protested to the GATT apparatus.”

On Feb. 7, 1992, a GATT panel ruled in favor of the Canadian brewery interests, which are run by mobsters such as the Bronfmans (who own Canada’s LaBatt’s Breweries). GATT ruled that the state of Minnesota cannot grant tax breaks that favor industry and create jobs. In the case of the micro-breweries, this could force several of them into financial difficulty.

The micro-breweries hired the Washington, D.C. law firm of Rosapepe and Spanos to represent them in the dispute,

which became known as *Beer II*. In a Feb. 10, 1994 statement, under the heading “GATT Overrides the U.S. Constitution,” the firm states:

“The Beer II panel decision does not recognize government powers that are reserved to the states under the U.S. Constitution. The panel found in *Beer II* the states’ alcohol regulatory practices, which could not be described as intended to discriminate against foreign or interstate commerce or to promote economic protectionism, to violate GATT obligations. This violation was found even in the face of the central government’s (federal government’s) lack of power to require the states to change their alcohol regulatory practices that are reserved to the states under the Twenty-First Amendment of the U.S. Constitution. In essence, the panel has used a congressionally approved trade agreement to overrule the U.S. Constitution—something even the U.S. Supreme Court cannot do.”

The *Beer II* case is being generalized. Little said that the office of U.S. Trade Representative Mickey Kantor has written language into the Final Act bill that effectively makes each attorney general of the 50 states of the United States an enforcement officer for WTO rulings, and will force states to rewrite laws. The dilemma, Little said, is that “if a state and/or a company within a state violates a WTO ruling, it is the U.S. federal government that must pay the fine. Either the federal government pays the fines, which could total hundreds of millions of dollars, or it sues the violating state to recover the money. In that case, either the attorney general’s office of the [offending] state chooses to spend the money to defend the state in a lawsuit, or else it pressures the state to change its laws” to conform to the WTO. The National Association of State Attorneys General, which represents the attorney generals of the 50 states, protested the original language of the bill. The office of the Trade Representative gave vague assurances that the requests of the government would not be too onerous.

### **Attack on agriculture**

A spokesman for GATT in Geneva, Switzerland stated on Sept. 23 that “the WTO will integrate world trade and dismantle all trade barriers within 5 to 10 years.” He said that “on rice, Japan will have to drop its import ban and open its market.” This is part of the process of “levelling” all protection that a nation gives to its vital industries.

The special focus of the WTO will be on farm subsidies. “We aim to make farm subsidies transparent,” he said. “Some countries will tax [agricultural] imports and use that money to subsidize farmers. We are saying, make that subsidy direct [i.e., get rid of the agricultural import tax]. Put the subsidy out in the open, don’t hide it.”

“In France,” he stated, “the government will give indirect subsidies, export subsidies to soybean farmers, to compete in soybeans. We want those subsidies made direct, made transparent, *then we can put the subsidies on a schedule to*

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*phase them out.* We want also to eliminate export enhancement payments [for agricultural products]. We have agreed to rules that are multilateral” and enforceable.

The spokesman said that the difference between GATT and the WTO is that “GATT was provisional. So, under GATT, if a country lost a trade dispute, a trade complaint, did it have to change its practices? No, years would pass, and the violating country would do nothing different. But now, the WTO is legally binding. If a country does not change its trade measures, then trade sanctions can be taken.” These sanctions include erecting trade barriers against the offending country.

As bad as the United States’ “Super 301” trade legislation is, under the WTO that would not be allowed, because, the GATT spokesman stated, “that represents unilateralism. Unilateralism is not permitted.”

Further, the WTO will be used to open all countries’ financial markets to derivatives, collateralized mortgage obligations, and other speculative instruments. The GATT spokesman said that the Japanese and other Asian nations oppose this, but this is part of “giving everyone equal access to markets.” Currently, GATT has a Council on Services, headed by a Mr. Manhausen, the Swedish ambassador to GATT. Within that council, the financial services laws and regulations of the future WTO are being worked out.

### The shanghaiing of Clinton

In 1942, Keynes worked out a world federalist plan for rule of all the economic and trade functions. At the core of Keynes’s thinking was a plan for a world central bank, which would issue its own autonomous currency, called the bancor. The world central bank would thus be the ultimate arbiter on the amount of liquidity supplied to the world’s nations and the cost of the funds.

Keynes also proposed, in his words, “state trading for commodities,” including commodity stockpiling schemes, “international cartels for necessary manufactures,” and other plans. Some of these were to be implemented through his plan for an International Trade Organization (ITO).

Keynes’s plans were not implemented in full in the form he called for. The world central bank became effectively, with modifications, the IMF and World Bank. The ITO was approved by a meeting of nations’ ministers in Havana, Cuba in 1948. But the U.S. Congress refused to approve the ITO enabling legislation, and that killed it.

GATT, which was conceived in 1947 as a temporary agreement to fill the gap until the ITO could be approved, was pressed into emergency service when the ITO died in 1949. But GATT was an agreement, not an organization. Over the years, GATT has gone through various rounds and modifications.

Today, President Clinton is being confronted with a WTO proposal—like the North American Free Trade Agreement (NAFTA) and the Haiti situation—inherited from the

Bush administration. Most of the U.S. Congress is ignorant of the situation, as is the American public generally. A bit of recent history will help.

The current Uruguay Round of GATT started in Punto del Este, Uruguay in 1986. Much of the work on the Final Act bill was done during the George Bush administration by Bush's Trade Representative Carla Hills, whose husband, Richard Hills, was on the board of Drexel Burnham Lambert, which led the speculative surges in the United States and worldwide during the 1980s. The current proposal for a permanent World Trade Organization to replace GATT was introduced in a draft text in 1991 by Britain's Sir Arthur Dunkel, then director general of GATT. Queen Elizabeth II of the House of Windsor knighted Dunkel for this work. According to a July 1994 report of the U.S. General Accounting Office, "The United States was at first ambivalent toward the Dunkel text proposal for a new international trade organization." But the Bush administration agreed, and was soon readily championing the proposal, which is now before Clinton.

In his recent book *The Agenda*, the *Washington Post's* Bob Woodward quoted an angry President Clinton denouncing NAFTA, budget balancing, and GATT as Eisenhower Republican economics. But various forces and circumstances shanghaied Clinton into supporting them.

### The markets won't be there

Banks from around the world are pushing for the creation of the WTO including, in the United States, Morgan Bank, Citibank, and Chase. The banks are insane. In reality, they are accelerating the imminent disintegration of the financial markets and, thus, of their own financial power. They are trying to gain control of financial markets *that won't be there*.

The banks plan to use specific WTO rule provisions to open the financial markets of countries in Asia, Ibero-America, and Europe to derivatives, collateralized mortgage obligations, and other speculative instruments. A GATT spokesman based in Geneva said that the Japanese and other Asian nations oppose this, but this is part of "giving everyone equal access to markets." Yet, contrary to the alleged benefits of free trade over the last three decades, because of the reality of the world physical economic depression world trade continues collapsing: In 1974, to take just one example, 834 tons of ocean-borne goods were shipped worldwide per 1,000 persons; in 1990, that had fallen to 750 tons of goods shipped worldwide per 1,000 persons, a collapse of 11%.

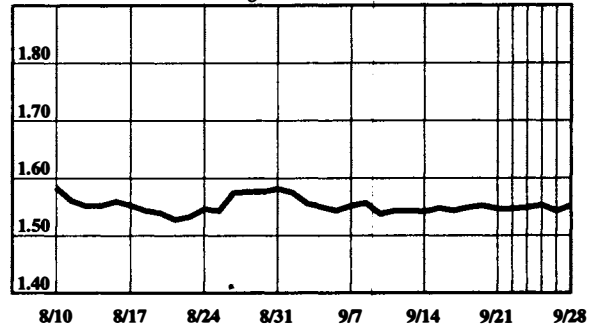
The plans for the WTO will accelerate this process, both by using the lowering of tariffs as a "levelling process" to lower world production, and by directly facilitating the generation and spread of a greater mass of derivatives instruments which suck off increasing amounts of wealth, contracting world production and trade even further.

The banks are oblivious to this reality; they blindly push ahead. The fight over S. 2467 may prove intense. But if it becomes law, the world economy will be the loser.

## Currency Rates

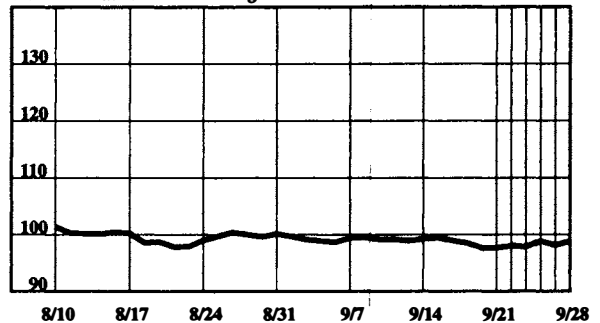
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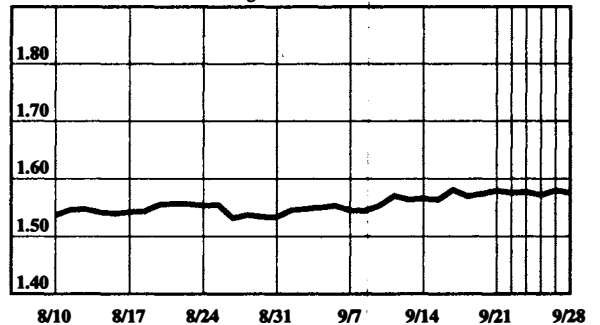
### The dollar in yen

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing

