

# The End of Free Trade: Revolt Begins Against British Policy

by Helga Zepp-LaRouche

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Not a moment too soon, a group of seven former European heads of state, five former finance ministers, and two former presidents of the European Commission, including former EU Commission head Jacques Delors, former French Prime Minister Michel Rocard, and former German Chancellor Helmut Schmidt, have gone public with an open letter to the EU Presidency and the EU Commission. They warn that the systemic collapse of the global financial system—a collapse which had been foreseen by “farsighted individuals”—brings with it the threat of unprecedented poverty, the proliferation of “failed states,” migration of entire populations, and further military conflicts. The financial world, they argue, has accumulated a massive amount of “fictitious capital” (!), with very little improvement for humanity. Among the immediate countermeasures they propose, is creation of a European Crisis Committee, and the convening of a world financial conference to “reconsider” the current international system and the globalized world order.

Although their letter, which was made public on May 21, does not expressly state so, its unusually sharp tone clearly reflects that the signers are aware of the imminent danger of the eruption of a new fascism: “But when everything is for sale [for profit—HZL], social cohesion melts and the system breaks down.” And even though the letter’s call for an emergency conference does not use the term “New Bretton Woods system,” its tenor clearly reflects the years-long campaign which the LaRouche movement has been waging for just such

a conference. It is also an implicit admission that, in view of the current systemic collapse, the entire design of the Lisbon Treaty, with its cementing into place of a neo-liberal policy, is a non-starter.

The reaction came promptly from one of the most notorious mouthpieces for the British Empire, Ambrose Evans-Pritchard. Writing in the *Daily Telegraph*, he characterized the letter’s “fulminating text” as the clearest proof of the existence of a European-wide publicity campaign for a “super regulator,” who would protect citizens from the social risks of modern capitalism. And that, in turn, threatens to reduce Britain’s Financial Services Authority to “a regional branch,” and would thus “pose a grave threat to the City of London” (!).

Mr. Evans-Pritchard deserves our thanks for his frankness! He couldn’t have been more direct: Any impediment to vulture capitalism in defense of the citizenry, represents a threat to London, which wants to remain the undisputed headquarters of the British Empire (see, for example, “Britannia Redux,” in *The Economist*, Feb. 3, 2007), and certainly not a “regional branch.”

The champions of what 19th-Century German-American economist Friedrich List termed the “British free-trade doctrine,” also must surely be irked that this “fulminating text” has been made public just at the point when the World Trade Organization (WTO) is attempting to bring the so-called “Doha Round” to a conclusion, so that, in conjunction with the EU, the last remaining measures to protect physical production and citizens’ general welfare, could be entirely eliminated in favor of unrestricted profit maximization. And the last thing they need right now, is a new round of the “financial locust” debate earlier sparked by former German Vice-Chancellor Franz Müntefering—only now with 14 former top po-

litical leaders backing it. Already before the 14 former leaders had issued their letter, an open confrontation had broken out between Pascal Lamy, director-general of the WTO, and French Agriculture Minister Michel Barnier, with the latter rising to the defense of the last remnants of protectionism provided by the European Common Agricultural Policy (CAP), and even proposing the CAP as a model to be followed by Africa and Latin America.

The former UN Special Rapporteur on the Right to Food, Jean Zeigler, in his 2002 book *The New Rulers of the World and Those Who Resist Them*, describes how at the time of writing, the WTO had already registered over 60,000 transnational firms for trade, finance, services, etc., but that world trade is dominated by only 300-500 firms in the United States, Europe, and Japan. He calls the WTO a “fearsome machine in the service of pirates.” And it is precisely this war machine which is now attempting, in cahoots with the EU—yet another non-elected, and therefore non-accountable bureaucracy—to achieve optimum conditions for speculators to make a profit.

When one hears that the United States or the EU are negotiating, Zeigler says, in reality it is the planet’s 200 most powerful transcontinental corporations which are setting the tone; and that is why the WTO has always been dominated by the transcontinental corporations’ rationales, and never by the interests of peoples and their respective states.

This unbridgeable conflict of interest between people on the one side, and the British imperialist, free-trade doctrinaire vulture capitalists on the other, who are threatening entire continents and are plunging ever greater masses of people into poverty, has never been clearer than it is right now, at a time when even the financial media are mooted that central banks could go bankrupt, and that the taxpayers will have to pay for speculative losses suffered by private firms.

## Separating the Wheat from the Chaff

And surely, the wheat never been more cleanly separated from the chaff than it is today, as far as heads of state are concerned. By their own words ye shall know them: The British Empire’s neo-liberal free-traders speak of “sustainable development,” “renewable energy sources,” “appropriate technologies,” etc., whereas the defenders of the general welfare speak of “food and energy security,” and the need for expanded production.

And so, the Schiller Institute’s worldwide campaign for placing a doubling of food production onto the agenda of the UN Food and Agriculture Organization’s conference in early June, is now intersecting a sense of responsibility being shown by a quite a few heads of state in the face of the worldwide crisis.

In a speech which has been completely blacked out by the Western media, Egyptian President Hosni Mubarak told the World Economic Forum in Sharm el-Sheikh on May 18, that the world must take responsibility for the poor—not only in the developing countries, but also for the poor in the rich in-

dustrialized nations. And therefore it is utterly irresponsible to speculate on food and to use it for producing fuels, which simply ends up making food still more expensive. He promised that he will make this important issue a topic at the FAO conference (see *Documentation*).

## Eurasia Defends Itself

But the most important strategic shift by far, is the one currently under way in the aftermath of the newly upgraded strategic partnership among Russia, China, and India, which was agreed upon at a meeting of those three countries’ foreign ministers in Yekaterinburg, Russia, on May 15. Underlying this strengthening of their strategic triangle, is the British Empire faction’s intent to isolate each nation, so that it may be first destabilized, and then destroyed. Included in this, is London’s longstanding campaign against Russian Prime Minister Vladimir Putin, as well as the campaign against China around the Dalai Lama and the Uighurs in Xinjiang. Because, as they rightly fear: Russia, China, and India not only represent together more than one-third of humanity, with the world’s fastest-growing economies, but these countries are also now demonstrating clear determination to work jointly to establish a new international order.

In keeping with this, the new Russian President Dmitri Medvedev took his first foreign trip to Kazakstan and China, his top agenda item being extensive cooperation, which, in the words of former Indian Foreign Minister Salman Haidar, is going to tap the full potential of mutual relations among India, Russia, and China.

Shortly before, at an agricultural conference on May 19 in Yessentuki, Russia, Putin declared that food security, stable prices, and developing the agricultural sector are going to be his government’s top priorities. Russia not only has the potential to become self-sufficient, he said; it can simultaneously become a food exporter, and can become a major player on the world food market. Putin’s remarks at the conference, along with those of Agriculture Minister Alexei Gordeyev, left no doubt that Russia—a country which today must import about 40% of its food, thanks to the “shock therapy” of the 1990s—will use all necessary subsidies and protective trade measures, and is prepared to ignore the WTO’s rules, in order to achieve its goal.

Putin emphasized that in view of the steep rise in food prices on world markets, agriculture has been moved to the top of his government’s agenda, because it so strongly influences Russia’s domestic situation, and because it especially afflicts the poorest layers of the population. Putin laid out five objectives for Russian agriculture: 1) increase gross output, through increasing the area under cultivation, as well as yields; 2) technological re-equipping of agriculture and the food-processing industry, using long-term credit; 3) achieve price stability by using anti-monopoly regulation and subsidies; 4) risk management; and 5) constant monitoring of the food products markets, and automatic regulation, using import and export tariffs. Putin also ordered a re-evaluation to deter-

mine whether Russia's existing agricultural trade agreements are in harmony with its national interests (see *Documentation*).

### A Question of Morality

It remains an open question, whether the governments of Europe's nations have the intelligence and moral integrity to follow Russia's example, or whether they will allow the negotiations between the WTO and the EU, and the policies of European Commissioner for Agriculture Mariann Fischer-Boel and of British Commissioner of the EU for Trade Peter Mandelson, to cause Europe's farmers to suffer losses which agricultural experts estimate will be on the order of 30 billion euros (\$47.4 billion). The Irish Farmers Association, for one, has announced that it will refuse to accept the WTO agreement. And we can assume that the policies set forth by the EU in these negotiations, will only serve to massively heat up the ferment in favor of a "no" vote against the Lisbon Treaty in Ireland's upcoming referendum.

The battle between the proponents of "British imperial free trade" and the defenders of the general welfare and of food security, is the most important conflict facing us today, because the future of civilization hangs in the balance. On the positive side, we can note resolutions passed by the state House of Representatives in Alabama, and submitted to the Michigan House, which call upon the U.S. Congress to take measures to double food production, to halt production of biofuels, to pay farmers parity prices for food products, and to cause the United States to immediately withdraw from the WTO and NAFTA.

It is furthermore extremely significant that for the first time in the post-war era, Japan has now broken from the "Washington consensus" and is preparing joint measures with a number of African organizations, to set a Green Revolution in agriculture into motion, on the model of what was done in the 1970s.

The FAO conference in early June provides us with an excellent opportunity to correct the failures of globalization, and to take up measures aimed at doubling food production as rapidly as possible. For, if the use of food to produce biofuels is a crime against humanity, then speculating on food is doubly so, and must be outlawed with stiff criminal penalties.

The British imperial free-trade system is more bankrupt today, than the Communist system was in 1989-91, and there can only be one answer to it: The New Bretton Woods system which Lyndon LaRouche had the foresight to propose years ago, must be immediately discussed and adopted at an emergency conference of the world's leading nations. The "fictitious capital" must be removed from the system, and the economy must once again become dedicated to securing humanity's long-term existence. One part of the Establishment is beginning to understand this. Therefore, if we are to preserve the world's population from immense suffering, there is no time to lose!

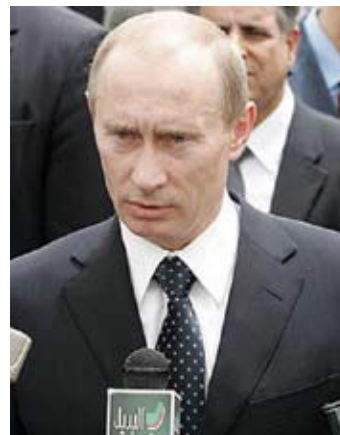
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## Documentation

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### Putin Vows, Russia Will Become a Food Exporter

*Russian Prime Minister Vladimir Putin made these remarks to a meeting on agriculture on May 19, in the town of Yessentuki, Stavropol Territory. The speech was translated from Russian for EIR. For more on this conference, see article, p. 34.*



Vladimir Putin

As agreed, we are going to be dealing with the problems of agriculture and the agroindustrial complex as a top priority, among other questions. Today we are holding the first conference on this topic. You are aware that the steep rise of prices on world food markets has seriously affected the situation in our country, too. Pensioners, families with many children, and other socially vulnerable groups in the population, for whom food is their biggest item in their family budgets, have felt this the most.

Under these conditions, we need to pay close attention to the development of our agroindustrial complex (APK) and to increasing the stability of our domestic food market.

Russia's agrarian potential is truly unique. It makes it possible not only to meet our own needs, but to make our presence known as a major player in world food markets.

A serious basis for this has already been laid, including through implementation of the National Project. Development of the APK has really become a priority for the Federal and regional governments. Many billions of rubles have been invested in the sector.

You know, the Minister of Agriculture and I were recalling just now, how in the late 1990s, ninety percent of the agricultural enterprises in the country were loss-making. 90%! Today there are still quite a few—around 25%. But it was 90%! And the most important thing now, is that the state of mind of people living and working in rural areas has begun to improve.

An important step was the adoption of a Federal Law on the Development of Agriculture, and the five-year State Program.

Our key objectives are to ensure the steady development of agricultural areas, raise the quality of rural life, and achieve substantially increased efficiency of the APK, and competitiveness of our agricultural production. That means protecting ourselves from world market fluctuations.

Our policy must guarantee access to food and stable prices, for the population, while creating incentives for efficient agrarian production.

I would like to mention the following key points.

First. We must substantially increase production of the main types of agricultural production. Above all this concerns meat, milk, and grain. And grain needs the most attention, since it is the main raw material for all of agriculture.

In world practice, production of one ton of grain per capita is considered optimal. We have increased our grain production and already have an export capability which is not bad. But, to reach that world level, we need not only to increase the area under cultivation, but also to work seriously on raising yields and efficiencies in grain production.

Second. Technological re-equipping of the sector. For this purpose, we should develop effective leasing schemes and expand the use of long-term credit.

Third. It is important for us to achieve price stability for the main types of resources used in the APK. I am not saying anything new here: This means, above all, motor lubricants and fertilizer. To achieve this we need to improve the effectiveness of anti-monopoly regulation and subsidies.

Fourth. A modern risk-management system. The State Program provides for developing agricultural insurance.

Fifth. We need modern market techniques for reacting to conjunctural changes that affect the main types of agricultural products. This requires a system for constant monitoring. And if prices exceed established limits, there should be automatic measures, and I mean purchasing interventions, and regulation using import and export tariffs. This array of instruments exists and is in use, but unsystematically, and often very late, unfortunately.

Under rapidly changing conjunctural conditions and rising prices on world food markets, the Ministry of Economic Development and the Ministry of Industry and Trade must make an inventory of all of our foreign trade agreements in the agroindustrial area and, jointly with the Ministry of Agriculture, present specific proposals to improve our foreign economic policy in this area. Being guided, of course, exclusively by the interests of our domestic producers and consumers.

In this connection, we need to update our regulatory base for production and sale of food products, and adopt modern technical regulations.

Lastly, steady development of the APK and the food market require that we shape an effective trade policy, one which allows us to reduce costs along the pathway a product takes from the producer to the consumer.

We shall formulate the relevant orders, based on the results of today's meeting.

## Egypt's Mubarak Will Take Biofoolery to FAO

*Speaking at the World Economic Forum in Sharm el-Sheikh, Egypt on May 18, Egyptian President Hosni Mubarak said the burning of food in the current global food emergency must end, and he promised to take up the issue at the June 3 meeting of the UN Food and Agriculture Organization (FAO) in Rome. Mubarak's call to arms against bio-fuels has been almost completely blacked out of the Western press, in favor of reporting the ranting speech, at the same conference, of President George Bush, lecturing the Arabs on "democracy."*

*The following are excerpts from Mubarak's speech, translated from Arabic by EIR:*



Agência Brasil

Hosni Mubarak

The Davos conference is returning to Sharm El-Sheikh, as the Middle East and the world are facing a crossroads, amid difficult regional and international conditions. The world is facing an acute economic crisis that started with the collapse of the U.S. mortgage credit market, together with which the expectations for the rates of growth of the world economy declined. Severe inflationary currents are sweeping the world, where we are witnessing unprecedented record hikes in prices of energy, basic foodstuffs, and raw materials. These are throwing the greater part of their impact and consequences on poor nations, and the people of least income within each nation...

Ensuring food security for the poor is an essential challenge. It is a great responsibility towards the poor and those of lower income, including those in the rich, developed nations. And this target must not become a subject for speculation that raises the price of food, or other tendencies that use the food of human beings as fuel in car motors. Is it reasonable that some would go ahead with the production of biofuels, with support from the governments for its producers? Is it reasonable or even acceptable that agricultural crops are used for the production of ethanol, making the crisis of food prices worse?

The international community is in need of reassessing the



real cost of the production of biofuels, including all the social and environmental effects, and the consequences for the food security of humans. The need for an international dialogue is becoming urgent, where the exporters and importers of energy and food from developing and industrial nations meet around one table: a dialogue which would present solutions ensuring the meeting of the needs of the world population for food, and would provide, at the same time, the necessary supplies of energy internationally. A dialogue which will result in solutions that we all agree on and commit ourselves to.... We are facing a vicious cycle, imposed by the correlation between food supplies and energy, whereby each of the two factors becomes both a cause and an effect, simultaneously, for the current crisis of the world economy. The two are threatening to turn the crisis into a permanent one, unless we move swiftly to contain them.

I will carry this call for dialogue on this important international issue to the coming meeting of the FAO in Rome next month. And I am looking forward to seeing this meeting place both the developing and industrial nations on the right track.

## Kirchner: Argentina Could Feed 500 Million People

*Below are excerpted remarks by Argentinian President Cristina Fernández de Kirchner, speaking May 16 at the "Poverty, Inequality, and Inclusion" panel of the Fifth European Union-Latin American Summit, held in Lima, Peru, May 16-17, 2008. The speech was translated from Spanish for EIR.*



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Christina Fernández de Kirchner

...What we have called neoliberal policies, which were showcased in our region over the previous decade, ... caused the virtual disappearance of the State, and in the particular case of my country, pushed us to a 22-23% unemployment rate, ... a 54% poverty rate, and 28% indigence rate. ... I also think that many times the particular processes that occurred in the region led us to conceive of the State ... not as the omnipresent State of earlier times ... but a State that intervenes to balance out the imbalances that the market can't address. I think that we've learned the tough lesson: that both the State and the market have to coexist, but that it's the State that definitely has to do

those things the market can't. This is essential....

We've already warned that neoliberal policies, otherwise known as the Washington Consensus, were a dismal failure throughout the region, leaving an unprecedented social tragedy in their wake, which now presents us with a new challenge in this 21st Century....

The day I took office, I asserted that the problems of the 21st Century would be energy and food....

And, if the food crisis weren't bad enough, on top of that we've had to deal with the issue of financial speculation, which unleashed additional problems we hadn't faced before. Isn't it strange—that we've had an international order that valued the protection and autonomy of our central banks, with a rigorous oversight of everything that is the formal international financial system. Yet despite that, a system of [private] funds developed right next to—or parallel to—that system, and while nobody knew where they were, or how they were used, they created one of the biggest crises in memory. Now it turns out that for the longest time, that capital was involved purely in financial speculation, operating inside financial entities. But now, they've shifted into the domain of food, because obviously that's where the higher profits are. Since it's difficult to know, or know with certainty, what the status is of each financial entity, [these funds] find it easier to take refuge in fixed or tangible assets, such as commodities, etc.

We now see that the causes of the food crisis are the same ones behind [the growth of] poverty and indigence: [prioritizing] speculation above production, and profit above productive labor. Since [the speculators] are no longer getting results in the financial arena, they've moved into food, without governments or multilateral lending agencies offering any clear or specific policies—and *they* were supposed to be monitoring this. This isn't just a matter of feeding the hungry. If we don't deal with the causes that led to this situation, we're only going to be able to offer palliatives. I think that one of the keys to approaching the problem of indigence and poverty is to see them as phenomena caused by bad economic and financial policies—apart from the responsibility that each government may or may not have had in the deepening or exacerbation of these crises....

I think what's important now is for us to determine how we got into this situation, not just to place blame, but to be able to find the tools and policies to reverse it....

More than 100 years ago, my country was a raw materials producer, and in that capacity became the seventh largest economy in the world. But this isn't the position we wish for ourselves today, because we know that the producer only of raw materials operates only in very short economic cycles. We know that the key for our countries is to have a lot of value added, so as to be able to generate jobs and internal [income] distribution, to make this process sustainable....

Today, as a commodities producer, we find ourselves in a privileged position, and I think this is an opportunity both for us and for you: for you, because you can't produce food on the

scale that we can, and for us, because we need technology and investment. For example, with its 40 million people, my country has the ability to produce food for 400 or 500 million people. We can't do that only with raw materials, but also with

a lot of value added to become, for example, a food multinational. We are well situated, because of our geographical location, climate diversity, and state-of-the-art technology in agro-industry.

## Australia's CEC Issues Call on Food Crisis

*The Citizens Electoral Council (CEC), Lyndon LaRouche's co-thinkers in Australia, issued this statement on May 19, titled "Australia Must Act Now To Address Global Food Crisis." It is being circulated as a petition throughout the country, with contact information for all the Federal and state agriculture, fisheries, water, and related ministers.*

The world is in the midst of an horrific global food crisis. The UN Food and Agriculture Organization (FAO) lists 82 nations as in "food deficit," 37 of which it classifies as "in crisis," while 850 million people are in dire need and over 2 billion suffer daily hunger. UN Secretary-General Ban Ki-moon has issued an urgent appeal for aid, warning that, "Without these funds, we risk the specter of famine, malnutrition, and unprecedented social uprising." Food riots have already broken out in over 40 countries.

Australia can and must play a big role in addressing this crisis. We are amongst the world's largest exporters of dairy, barley, wheat, beef, and lamb, and, up until recently, rice. A few years ago, we produced enough rice to feed almost 40 million people a meal a day for 365 days, and Australian rice was exported to 72 countries. We are the world's second-largest wheat exporter, with 14% of the global export market, and we export about 20% of the global feed barley trade. We are also the world's second-largest exporter of both beef, and lamb and mutton. Our dairy exports make up 12% of world dairy trade.

Within the next four weeks, almost all broadacre farmers in Australia will make decisions on how much acreage they will sow, and thus, how much food will be harvested not long after. Leaving aside intermediate and longer-term measures, we must commit to the following immediately:

1. The Government must move to purchase existing wheat and other food reserves, to provide immediate food aid to the FAO and the World Food Program.

2. The Government must cease all subsidies for biofuel production, and instead send the equivalent quantity of food/grain overseas to countries in distress.

3. The Government must immediately regulate domes-

tically manufactured fertilizer prices, and subsidise imported fertilizers (relative to world prices), so that farmers pay no more than what they did in January 2006, when the current hyperinflationary spiral really took off.

4. The Government must slash the cost of all petroleum products for the agricultural sector, by suspending the hyperinflated international pricing for domestically produced oil, and by eliminating the fuel excise.

5. The Government must immediately regulate domestically manufactured agricultural chemicals, especially weedicides and herbicides, and subsidise imported agricultural chemicals, to January 2006 prices. These chemical costs have soared, just like the cost of fertilizer and petrol. The hyperinflated costs of these three items, together with the slashing of water allocations in the Murray-Darling Basin, form the immediate chokehold stopping Australian farmers from making a dramatic contribution to the world food crisis.

6. The Government must guarantee a minimum floor price for the resulting harvests.

7. The Government and quasi-governmental agencies must immediately cease all "environmental flows" of water in the Murray-Darling Basin, and cease government purchases of water, which is driving the cost of it to \$1,000 per megalitre or more, this in one of the richest agricultural areas in the entire world, which provides more than 40% of our agricultural production, and over \$20 billion per annum in agricultural exports.

8. The Government must take immediate steps to keep our pig, sheep, and dairy industries alive and producing, by imposing a significant tariff on pork imports, by subsidising hay and other feed grain for our diminishing sheep flock, and by reinstating water allocations to dairy farmers in the Murray-Darling Basin.

There is no excuse for inaction on any of these points. Given that the budget surplus estimate for 2008-09 is \$21.7 billion, the Government has more than adequate funds to implement all of the above. And, if it can create a \$20 billion investment fund largely for the benefit of British mineral cartel giants Rio Tinto and BHP, as it has just done, it can certainly find the resources to feed starving human beings.

We, the undersigned, endorse the above measures and call on the Federal and State Governments to respond immediately.