

First bananas, now beef fuels US-EU trade war

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The stage is set for an escalation of the trade war between the United States and the European Union following the EU's decision not to comply with a World Trade Organization deadline of May 13 for the lifting of a 10-year ban on hormone-treated beef imports.

The issue will now come before the WTO at a meeting on May 26 in Geneva. The US has threatened to seek the imposition of \$900 million worth of sanctions on European imports.

The European Commission says it will not lift the ban because studies carried out by European scientists point to a possible health risk posed by the six growth hormones used by beef producers. The US claims that the health concerns are a "ruse" to refuse the entry of US beef.

Announcing the decision to retain the ban, European Commission trade spokesman Nigel Gardner said negotiations were continuing with the US on compensation in order to head off the threat of sanctions. But talks between EU Trade Commissioner Leon Brittan and US Trade Representative Charlene Barshefsky in Tokyo on Wednesday failed to reach agreement on the issue. Barshefsky insisted that the US reserved its right to seek WTO authorization for the imposition of sanctions.

The beef hormone conflict has erupted less than a month after the WTO gave permission to the US to impose \$191 million worth of sanctions on European imports in retaliation for EU measures which favour banana imports from its former Caribbean colonies over Latin American exports by the US companies Dole and Chiquita. Now even more European exports are threatened by sanctions that could lead to the doubling in the price of items as diverse as chocolate and motor bikes.

And as the beef row goes to the WTO, another conflict is building up over the issue of genetically-modified crops. Next year it is predicted that almost all the soya growing in the United States will be genetically modified. However, the EU has banned the commercial growth of genetically-modified crops and the US Agriculture Under-Secretary Gus Schumacher has warned that America will take action if the

EU delays approval of the new crops and food.

The implications of the widening US-EU trade conflicts have been the subject of several comments in the British financial press.

In an editorial comment published on May 7 under the title "At Daggers drawn" *The Economist* magazine noted:

"Trade relations between America and Europe have rarely been so bad. Even as they fight side-by-side against Serbia, they are taking aim at each other across the Atlantic. They are embroiled in a battle over hormone-treated beef. They are at loggerheads over genetically modified crops. They have fallen out over noisy aircraft, mobile telephones and data privacy. They are coming to blows over aerospace subsidies and champagne. And they have yet to patch up their split over bananas.

"True, transatlantic trade tiffs are nothing new. Indeed, some friction is perhaps inevitable between the world's top two trading entities, which do trade of around \$400 billion a year with each other. But this is different. The mood in both Washington and Brussels is resentful and uncompromising. Events could easily get out of hand. The current conflict is about more than just hormones in beef or aircraft noise. It is a battle about how far countries are willing to accept constraints on domestic policy in sensitive areas such as food safety or environmental protection for the sake of free trade."

Similar sentiments were expressed in an article by William Wallace, professor of international relations at the London School of Economics, published in the April 15 edition of the *Financial Times*.

"Economic setbacks in East Asia and Latin America and political stalemate in Japan," Wallace wrote, "make transatlantic co-operation even more central to an open global economy and a stable world order. Yet the gap in mutual understanding between US policymakers and their European counterparts is wide."

Wallace claimed there was "an alarming mixture of resentment, self-righteousness and plain misinformation in the Washington debate." He pointed out that some two thirds

of the world's population is now covered by some form of US economic sanctions but that if the Europeans tried to take the Iran-Libya Sanctions Act or US legislation on Cuba before the WTO Washington would insist that "political priorities must override legal determination".

"Yet where European domestic politics constrains trade negotiations, as on beef hormones and genetically modified organisms, Washington is narrowly litigious. Triumphalism about the American economic model is accompanied by aggressive attacks on European social capitalism, by Democrats as well as Republicans."

The article pointed to wider geo-political issues of which trade relations form a part.

"The White House sees NATO as its preferred framework for US-European relations, with the US as an alliance leader and the European allies following that lead."

The consensus in Washington is that Europe should be drawn into a "global strategic partnership" with the assumption that this is a "partnership on American terms".

The economic core of this geo-political strategy is the insistence that economic, social and legal relations in every country should be adapted to ensure the penetration not just of US goods but financial interests as well.

These issues are set to dominate the so-called Millenium Round of negotiations within the WTO scheduled to begin in Seattle on November 30.

Outlining the US agenda in a speech last month, Barshefsky said the US sought "market-opening results" not only after the conclusion of the negotiations, but while they were taking place and even before they commenced.

She said the formal negotiations should have an accelerated schedule and include agriculture, services, government procurement procedures, intellectual property rights as well as tariff and non-tariff barriers.

In advance of the discussions the US has launched a series of actions under the WTO against India, Canada, Argentina and South Korea, as well as the measures against the EU. The complaints cover manufacturing, agriculture, intellectual property rights and government procurements.

Reporting on the measures to the US Congress, Barshefsky said action against foreign government practices that conflicted with international obligations would enable "the United States to open markets to US exports" and "identify US priorities for our future trade negotiations."

But as the US pushes forward its economic agenda, its actions have resulted in a deep split in the WTO, the organization responsible for enforcing global trade regulations.

The conflict centres on the appointment of a new director-general to replace Renato Ruggiero, whose term expired on April 30. Initially, Thai deputy premier Supachai

Panitchpakdi was considered to have a firm grip on the post, but his support started to shift after intense lobbying by the United States in support of its favoured candidate, former New Zealand Labour Party prime minister Mike Moore. Supachai is regarded as more inclined to take his cue from Tokyo rather than Washington.

The US campaign has provoked deep opposition in Thailand, where it is linked to the savage measures imposed by the IMF in the wake of the financial crisis.

One Thai newspaper described America as a disgusting superpower while politicians have been quoted in the press as saying that it was time to stop kow-towing to America and review relations with Washington. Significantly the Thai government has criticised the US-led bombing of Yugoslavia.

Other countries see the US push for Moore as signifying an even more intensive drive to impose a "free market" agenda in the coming negotiations. A representative of Zimbabwe, for example, has accused the Americans of launching "Scud missiles" at the Third World.

More is at stake in the conflict than who will ultimately assume leadership of the WTO.

As *The Economist* noted, the four-year old WTO, which replaced the previous world trade body GATT, is "at a crossroads".

"It has become a quasi-judicial body, an embryo world government whose rulings on world trade are supposed to be binding even on America and the EU. Yet it is now being asked to arbitrate on matters which are intensely political. It lacks the legitimacy to do so."

If the WTO broke down, it warned, then the possibility of a "catastrophic retreat into protectionism" was "all too likely".



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