

## As WTO prepares for "Millennium Round"

# World trade conflicts intensify

Nick Beams  
18 August 1999

An article published in the *Financial Times* last Saturday on some recent activities of the US Central Intelligence Agency has cast a revealing light on the tensions between the major capitalist powers as they prepare for the ministerial meeting of the World Trade Organisation to be held in Seattle in November to set the agenda for global trade negotiations in the so-called Millennium Round.

Entitled "CIA rehearses for sleepless night in Seattle", it reported that earlier this month the National Intelligence Council, which reports to CIA director George Tenet on potential threats to US national security, had held a mock WTO conference in Washington in order to prepare for the November meeting.

A CIA spokesman said the exercise had been undertaken to "prepare policymakers" for the meeting and that the agency "routinely" held such conferences "in order to help sharpen the level of debate about important issues."

According to the report: "Delegates to the mini conference included a wide range of intelligence officers, former senior trade officials, academics and others. Many are understood to have played the parts of representatives of other countries—in particular of traditional trade rivals such as the EU and Japan—to try and simulate what kinds of debate and disagreements might be heard in November."

It noted that while the CIA was widely rumoured to have stolen the position papers of the French delegation towards the conclusion of the so-called Uruguay Round of global trade negotiations in 1993, "the decision to give such prominence to the forthcoming ministerial meeting appears to mark a new departure for US intelligence."

Preparations for the WTO meeting have been underway for several months amid growing reports of deep divisions between the major economic blocs. Last Monday, for example, the *Australian Financial Review* reported that the tabling of policy positions by WTO members had "exposed a startling absence of consensus on the content of the negotiating round". While there was agreement of the need to include agriculture and services, there was "little common ground", particularly among the major countries on the rest of the agenda.

The EU and Japan are believed to be in favour of the development of global rules on investment and competition

policy. But the US is opposed to such a wide agenda fearing that it could take years to reach such broad agreement, thereby holding up the adoption of specific policies to open up markets in services, agriculture and industrial products.

Even before the talks get underway, this year has already seen the eruption of a bitter conflict between the US and the EU over agricultural policies with the US imposing punitive duties under WTO rules in retaliation for the refusal of the EU to abide by rulings on the imports of banana and hormone-treated beef.

But the beef and banana wars may well turn out to be just the preliminary skirmishes for a even bigger conflict over the issue of genetically modified foods, for which the EU decided to suspend authorisation in June until a new system of safety standards could be agreed upon.

Issuing his first major policy statement since taking up the post of US ambassador to the EU in July, Richard Morningstar warned that Europe and America are heading for a \$1 billion trade war if the EU persisted in its opposition.

In a biannual *Letter from Brussels*, Morningstar, who previously held the position of Special Adviser to the President on Caspian Basin energy, said that "politics and demagoguery have completely taken over the regulatory process" in regard to EU policy on genetically modified foods.

"Particularly in the UK, the media has learnt to love a good food safety scare, and the public debate all too often is dominated by scare stories and nightmare scenarios without any scientific basis. Until the EU can credibly separate science-based risk assessment and regulations from the political process the outlook for resolution of this issue is bleak."

There was a danger that the EU was over-reacting to the Belgian dioxin food scare and was moving to impose bans on animal feed substances which were permitted in the US. Hasty EU actions in this area risked becoming "another trade flashpoint".

With the market in genetically-modified foods likely to be worth billions of dollars in the coming years, the conflict over this issue would make the row over beef and bananas pale by comparison, he warned.

But agriculture is not the only area of dispute. Even more significant could be the demand by the US that a global free

market in services be established as a result of the WTO negotiations.

The significance of this area for US corporate interests and the wide ranging scope of the American agenda was set out in a speech delivered by US Trade Representative Charlene Barshefsky to the World Services Conference held in Washington on June 1.

The US, she said, was “laying the foundation for a very ambitious and challenging agenda on trade in services over the next few years” covering a “vast range of industries, from finance and telecommunications to distribution, health, education, environmental protection, travel and tourism, construction, law, engineering, architecture and more.”

The United States had created “the world's most efficient, competitive services sector” providing more than \$6 trillion worth of production—70 percent of American GDP and more than one dollar in seven of world production.

However, while 50 years of negotiations had provided substantially freer trade in industrial goods, the situation was very different in services where “rules and market access commitments are new.”

“Even for WTO members trade is highly restricted. In most service sectors we see few specific commitments. Seventy WTO members have signed the Financial Services Agreement ... and a comparable number the Agreement on Basic Telecommunications; that means over sixty have signed neither. Only 14 WTO members have made commitments in audiovisual services. No developing countries have made commitments on gathering and dissemination of news; fewer than 50 WTO members have made commitments in distribution. And economies outside the WTO have done even less.

“There are barriers to American exports and job creation. Our performance in a relatively closed world—\$265 billion in services exports last year, supporting four million jobs—is simply an indicator of how much we can achieve in an open market.”

Citing the importance of “regional initiatives” both for their direct and intrinsic benefits and as “models for what we might hope to achieve worldwide” in the forthcoming Millennium Round, Barshefsky pointed to the Transatlantic Economic Partnership with the EU, the aim of which was to “make it easier for US professionals and firms to operate in Europe, safeguard US interests as the EU expands and set an example of bilateral liberalization which the world can follow in the Round.”

“Our work in Japan,” she continued, “has similar implications. Here, our agenda will assist the Japanese government's efforts in the financial services ‘Big Bang’ and elsewhere to create a more flexible and efficient economy, open new opportunities for international business, and create areas of consensus as the Round approaches.”

The US agenda in Japan includes liberalization of key sectors such as distribution, professional service, finance, energy and

telecommunications.

In their public pronouncements, the representatives of the major capitalist powers proclaim the benefits of the free market agenda in terms of the expansion of economic growth and jobs. But behind closed doors, the discussion assumes a more hostile tone ... at least where the majority of poorer countries are concerned.

This week the Indian *Financial Express* reported on a WTO Trade and Development symposium held last March. Held with the aim of winning support from developing countries for the agenda of the new round of negotiations, it ended with threats and insults from the chairman.

The director of the World Bank's Development Research Group, Paul Collier, wound up the conference with a speech in which he attacked African countries for having marginalised themselves in the WTO by not participating in it, pressing for special treatment which did not meet their needs, aspiring to regional trade arrangements that were a “dead end” carrying out “low credibility liberalisation” and creating a “hostile environment” by focusing their trade on a few commodities.

According to the report, Collier denounced “African elites [who] did not want to undertake economic reforms because the status quo benefited them. ‘In political science we learn under what circumstances the elites would bite the bullet and make changes,’ he said. ‘Political science tells us that changes come when the elites get scared.’ He said the Africans ought now to be scared, because the future will be one of protectionism in the United States, unless the Americans could be offered something in a new round of trade negotiations.”

Collier's concluding remarks followed similar threats by the main speaker, Fred Bergsten, the director of the Washington-based Institute for International Economics, who warned developing countries that they faced “huge risks” if they did not agree to a new WTO round. They had to provide “increased and eventually full access” to their markets as part of a bargain with the US and the EU not to erect new protectionist barriers.

Now doubt when the conference opens in November, the air will be filled with the rhetoric of freedom, the rule of law, global economic expansion and international collaboration. But behind the scenes, with the activities of the CIA and the issuing of threats to smaller nations, it will be a very different story as the most powerful transnational corporations and their governments lay down the agenda for the next stage of their global expansion.



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