As everyone now knows, the World Trade Organization’s (WTO) meeting in Seattle was interrupted by protestors who were mostly peaceful. One reaction by local police led to the “Battle of Seattle.” As an acknowledgment of this over-reaction, the Seattle chief of police has now resigned.[1

The main goal of the WTO's Seattle meeting was to begin a new round of international talks, the so-called "millennium round," which was expected to last 3 years. That goal was thwarted. Emboldened partly by protests in Seattle’s streets, Third World envoys to the WTO rejected a new round of talks.[2 So the millennium round will not begin, at least not right away. Delaying the new talks was a sweet victory for the protestors and an important assertion of independence by Third World countries.

But we should not fool ourselves. The WTO is still entirely intact. It was not changed in any fundamental way by the protests. More importantly, the goals and the power of those who created the WTO remain untouched.

The people who created the WTO have one main goal: an integrated global economy unencumbered by government restrictions. This economic goal has two parts: globalization and unencumbered.

The globalization of the world's economies is proceeding steadily and cannot be stopped. The world's economies are being laced (or yoked) together by communication technologies (radio, TV, telephones, fiber optic cables, satellites and computers, among others). A flood of invention is inexorably weaving (or chaining) the strands of the world's economies into a single huge network of relationships.

No one can stop globalization from happening. However, governments could take many steps to reduce the harmful consequences for human societies.[3 Unfortunately the people who created the WTO are ideologically opposed to any government involvement. They have their own utopian vision, a globalized economy unencumbered by government restrictions -- global free trade. Economists have a name for such an economy: LAISSEZ FAIRE. In a LAISSEZ FAIRE economy, the owners of capital are free to make all the important decisions -- they decide what to make, how to make it, where to get the raw materials, whom to employ (under what conditions and at what wages), and where to sell their products or services. In a LAISSEZ FAIRE economy, the role of government is limited to enforcing property rights, assuring a stable currency, providing a system of justice for resolving disputes, and maintaining a military apparatus to enforce civil and international peace.

Government has one other key role in a LAISSEZ FAIRE economy: to maintain such an economy, government must relentlessly thwart democratic tendencies among the governed. (For example, When President Reagan destroyed the Air Traffic Controllers union in 1981, he was using the powers of government to bolster a wannabe LAISSEZ FAIRE regime.) If governments don't relentlessly oppose democratic tendencies, people will soon direct their government to (for example) limit the length of the workday, guarantee their right to form a trade union, insist that everyone deserves health care, and set minimum wages, all of which doom laisseez faire. This is why laisseez faire economies are incompatible with political democracy; laisseez faire economies do not arise spontaneously and can only be sustained if the state aggressively suppresses democratic tendencies.

In sum, the WTO isn't mainly about trade. It is mainly about establishing the kind of economy, worldwide, in which the owning class gets to make all important decisions without interference from governments or from anyone else. Today the key institution of the owning class is the corporation, so the aim of the WTO is to ensure that corporations are empowered to make all the important decisions without interference.

To put it another way, the main work of the WTO isn't promoting world trade -- it is getting rid of rules made by governments, rules that restrict the freedom of corporations to make decisions affecting production and labor. Government rules are described as "restrictions on trade" but this "trade" language is a euphemism for "restrictions on corporate freedom." To summarize, then, the WTO isn't chiefly concerned with trade -- it is chiefly concerned with "Who gets to decide?" When governments are weakened, corporations are strengthened. The WTO was set up to weaken governments.

There are two other realities that we need to remember, if we want to make sense out of the WTO: (1) The developed countries have exhausted many of their reserves of raw materials, and (2) they have built too much productive capacity, so there aren't enough customers for all the goods they can produce.[3 Thus, to maintain reasonably profitable operations, corporations need to mine the Third World's raw materials, and they need to sell goods and services to people in the Third World.

Take the U.S. as an example. The U.S. has depleted many of its domestic reserves of raw materials, such as petroleum, chromium, cobalt, manganese, nickel, and tin, among others.[4] Therefore, it is important for U.S. corporations to be free to extract such materials from Third World countries and ship them elsewhere. Furthermore, the U.S. produces far more food each year than Americans can eat. So agribusiness corporations need to "open new markets" in the rest of the world to sell our excess production, competing head-to-head with local farmers abroad.[5] When foreign governments are reluctant to import hormone-treated meat, or genetically-modified corn oil from the U.S., our agribusiness corporations insist that those governments are restricting their corporate freedoms and they turn to the WTO to whittle those governments down to size.

And of course the U.S. is not alone in this need: Japan, Canada, and the European Union (EU) have exhausted many of their own raw materials and/or have built excess capacity, so they too need access to the mineral reserves and markets of the Third World.

The WTO has established numerous ground rules that facilitate extraction and marketing in Third World countries. Under WTO rules,

(1) governments are not allowed to pass laws that favor local firms and discriminate against foreign-owned corporations;
(2) governments are not allowed to prevent foreign nationals from buying a controlling interest in local companies;
(3) governments are not allowed to subsidize domestic industries. For example, Canada is considering asking the WTO to outlaw the U.S. food stamp program because Canada views the U.S. program as a government subsidy to U.S. farmers. (Food stamps create a market for food among poor people that would not exist in a true LAISSEZ FAIRE economy).[6,pg.164] For its part, the U.S. is demanding that the WTO outlaw subsidies to farmers in many European countries. These various claims before the WTO may seem contradictory, but they all serve to weaken governments, thus enhancing the freedom of corporations, That is the key idea that elucidates the purpose and behavior of the WTO.

(4) The WTO's tariff schedules provide for rising tariff rates as value is added to a product. A tariff is a tax on imported goods. The lowest tariff rate is set for a raw material. The tariff rate increases for processed and manufactured goods.[6,pg.137] Thus, furniture manufactured from local timber in a Third World country faces a relatively high tariff when it is imported into a developed country. On the other hand, raw logs exported from a developing country face a relatively low tariff when they cross the border into a developed country. Thus the WTO's tariff schedule promotes policies of "rip and ship" in Third World countries, and discourages those countries from manufacturing. These WTO tariff schedules can be viewed as a way of "recolonizing" nations that had won
political freedom in recent decades.

(5) Governments are not allowed to pass laws that would provide favorable terms of trade to particular trading partners. For example, through the Lomé Convention the European Union (EU) created favorable terms of trade for some of its former colonies in Africa, the Caribbean, and the Pacific. Now this arrangement has been successfully overturned by the WTO. Here are the details:[6, pgs.141-147]

The EU agreed to buy 8% of all its bananas from Caribbean countries. These banana sales are crucial to the economies of some of the Caribbean nations involved. For example, in the Windward Island nations of St. Lucia, Dominica, St. Vincent and the Grenadines, 94% of all banana exports go to the EU and bananas account for 63% to 91% of all export earnings. Caribbean bananas are grown on small family farms set on hilly terrain, so they are more costly than bananas grown by low-wage labor on huge Central American plantations.

The Chiquita company -- a U.S. firm which produces no bananas in the U.S. but employs thousands of people at rock-bottom wages on plantations in Colombia, Costa Rica, Honduras and Panama --supplies 50% of the EU's banana imports each year. But Chiquita wanted even more market share, so the corporation donated $500,000 to the U.S. Democratic Party. A few days later the Clinton/Gore administration filed a complaint with the WTO on behalf of Chiquita.

St. Lucia and St. Vincent did not have local experts they could send to Geneva, Switzerland to argue their case before the WTO, so they hired outside counsel to represent them. The WTO ruled that only official government representatives -- not hired experts -- could appear before WTO tribunals. So St. Lucia and St. Vincent were unrepresented in the WTO proceedings.

To no one's surprise, the WTO ruled in favor of the U.S. The EU initially refused to comply with the WTO ruling, insisting it had a right and a moral duty to aid its former colonies by providing a market for their bananas.

Chiquita then donated $350,000 to the Republican Party and the Republican-dominated Congress prepared legislation to impose tariffs on goods imported from the EU as punishment for refusing to comply with the WTO's ruling. Not to be outdone by the Republicans in currying favor with corporations, the Clinton/Gore administration then pressured the EU into revoking its Lomé Convention preferences for Caribbean bananas.

The Caribbean nations that produce bananas are democratic countries with long-established traditions of human and worker rights. They have been good friends to the United States. Now their economies have been devastated and destabilized by "globalized free trade," basically sacrificed on the altar of LAISSEZ FAIRE economics and corporate freedoms.[6, pgs.141-145]

--Peter Montague (National Writers Union, UAW Local 1981/AFL-CIO)

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Descriptor terms: free trade; WTO; corporations; economics; laissez faire; bananas; globalization;