

Rachel's Environment & Health News

#673 - The WTO and Free Trade--Part 1

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What is being described as "the Protest of the Century" will take place in Seattle, Washington, November 29 to December 3 amid teach-ins, workshops, and strategy sessions all aiming to send a powerful message to members of the World Trade Organization (WTO), who will be in Seattle for the WTO's Third Ministerial Meeting. Activists are calling for people from all nations and all walks of life to make the journey to Seattle, to demand that the WTO change its ways. But what is the WTO?

Although many environmental and community activists in the U.S. know almost nothing about the WTO, in the 4 years since its creation the WTO has emerged as the policy voice, the muscle, and ultimately the fist of transnational corporations. Created by international treaty in 1995, and now boasting 134 nations as members, the WTO has written 700 pages of rules which add up to an enforceable commercial code governing markets and trade world-wide -- a code enforceable not by nation-states but by the WTO itself. No doubt about it, the WTO is a powerful new system of global governance.[1]

The structure of the WTO was designed by transnational corporations, so it should come as no surprise that the WTO is (a) radically undemocratic, fully insulated against pressure from ordinary citizens; and (b) a vehicle for transnationals to challenge and effectively repeal restrictions imposed on them by nation-states.[1] The main idea that the WTO was set up to define and enforce is "the global free market" or "global free trade." But what is "free trade"?

Far back in the mists of time, when humans began trading shells and beads with each other, the first markets emerged, but such traditional markets were never free. All traditional markets are embedded in societies and are regulated and restrained by those societies for the purpose of maintaining social cohesion. Familiar societal controls on markets include such things as:

- ** the Roman Catholic and Islamic religions' prohibitions against usury;
- ** medieval guilds, which set minimum wages, and which set standards and prices for goods;
- ** customary prohibitions or restrictions on the sale of certain goods, such as public spaces, sexual favors, spoiled food, and judicial decisions, for example;
- ** laws requiring government purchasing policies to give preference to businesses run by people of a particular city or region, or by women or minorities, or by some other identifiable group;
- ** regulations requiring that products be labeled with their ingredients or with their method of production (such as "organically grown"), and that the labels be certifiably true;
- ** laws discouraging monopolies, to promote competition;
- ** a guaranteed minimum income, regardless of employment, traceable to 1795 in England;
- ** laws requiring that production methods should protect endangered species (for example, that shrimp be harvested by methods that do not kill rare sea turtles);
- ** prohibitions against child labor;
- ** government ownership of certain public-service enterprises (municipal and state hospitals in the U.S., or the oil industry in Mexico, for example);
- ** limits on the length of a work day;
- ** restrictions on 100% ownership of businesses by foreign

nationals;

** tariffs intended to increase the price of imported goods as a way of protecting domestic producers;

** government subsidies to promote particular industries -- for example, planting many thousands of seedlings to assure a domestic timber industry in the future;

** Etc., etc.

As anyone can see from this list, market restrictions can be imposed by law, or merely by custom, with varying effects on different members of a society. It is not possible to generalize that all controls on markets are good or bad (though some free trade zealots do assert that all market restrictions are unnatural and evil).

In sum, history shows us, beyond any doubt, that, when humans develop markets spontaneously, such markets are subject to societal controls, which generally are aimed at maintaining social cohesion. Governments impose market restrictions as part of their primary duty, which is to provide security for the citizenry.

Free markets -- markets that are free of restrictions, regulations, and encumbrances -- do not occur spontaneously. Free markets only appear when they are engineered by the relentless application of state power. As a historical fact, free market regimes are extremely rare.

For a very brief period, and in one country only, a free market, or laissez faire, regime did emerge. In the latter half of the 19th century in England, a true free market economy functioned for a brief time. It did not occur spontaneously -- it was imposed by the brute power of the state, and at great cost to the average citizen of the time.[2] (Charles Dickens wrote novels about life during this period.) The British "free market" experiment collapsed into the trenches of World War I and was not heard from again until the ruling (business) class revived the idea in the late 1970s in Great Britain, the U.S., Australia, and New Zealand. Thus, actual experience with free market regimes is quite limited, principally because such regimes are very difficult to establish and maintain in the face of popular opposition. If a democracy is alive and well, free markets soon revert to traditional regulated markets because citizens demand and expect a modicum of security, equity, and humane treatment. Free market regimes are arguably efficient (in the narrowest economic meaning of that word) but the historical record demonstrates that they are exceedingly painful and costly for ordinary working people, incompatible with democratic institutions, and destructive of the natural environment. History shows that, left unregulated, markets cannot take into account that species are disappearing at unprecedented rates, economic inequalities are growing ominously, and the lives of families and communities are in tatters.

Now transnational corporations -- working through the governments that they dominate[3] -- have spent roughly 20 years exporting the "free market" model to all the nations of the world -- a utopian experiment in social engineering that takes your breath away for its scope, scale, and boldness. Even the most ruthless social engineers of the 20th century -- Josef Stalin and Mao Zedong -- did not attempt social engineering projects on the scale of the experiment that the free traders have undertaken today. And the World Trade Organization (WTO) is the vehicle for enforcing this colossal attempt to remake all of the world's economies according to a single utopian idea.

In principle, WTO rules are established by consensus of all 134 members, but in practice the so-called QUAD countries (U.S., Japan, Canada and the European Union) can meet behind closed doors and influence the rules. Within the WTO, the QUAD countries are the 900-pound gorilla. Within the QUAD countries, transnational corporations wield enormous influence, comparable to

the influence of the Christian Church in medieval Europe.[3]

The WTO allows countries to challenge each other's laws and regulations as violations of WTO rules. Cases are heard and decided by a tribunal of three trade bureaucrats, usually corporate lawyers. There are no rules on conflict of interest, nor is there any requirement that the three judges have any appreciation of the domestic laws of the countries involved. The judges meet in secret at locations and times that are not disclosed. Documents, hearings, and briefs are confidential. Only national governments are allowed to participate, even if a state law is being challenged. There are no appeals to anyone outside the WTO. Once a WTO ruling has been issued, losing countries face 3 options: They can (1) amend their laws to comply with WTO rules; (2) pay annual compensation to the winning country; or (3) face non-negotiated trade sanctions (penalties imposed on goods that the losing country exports to other WTO countries).

In its short history, the WTO has already begun to repeal environmental regulations and policies that took citizens 30 years to enact. For example, the WTO ruled in 1998 that the precautionary principle (see REHW #586) is not a valid basis for restricting markets because it is "non-scientific." When the European Union banned the sale of hormone-treated meat within EU countries, the U.S. lodged a formal complaint to the WTO. Despite a lengthy report by independent scientists showing that some hormones added to U.S. meat are "complete carcinogens" -- capable of causing cancer by themselves -- (see REHW #666) the WTO's 3-lawyer tribunal ruled that the EU did not have a "valid" scientific case for refusing to allow the import of U.S. beef. The losing countries are now required to pay the U.S. \$150 million each year as compensation for lost profits.

The WTO grew out of an earlier organization called the GATT (General Agreement on Tariffs and Trade). The GATT mainly focused on repealing tariffs, which are taxes on imported goods intended to protect domestic producers against foreign competition. But when the GATT merged into the WTO, the WTO gained the new responsibility of opposing "non-tariff barriers to trade." Non-tariff barriers to trade include such things as food safety laws, product standards, rules on the use of tax dollars, and investment policies.

Example: WTO has ruled that a nation cannot refuse to import goods based on the methods by which those goods were produced because such refusal constitutes an illegal "non-tariff barrier to trade." Thus the WTO in 1998 declared illegal a U.S. environmental regulation requiring that imported shrimp must be caught by methods that minimize harm to endangered sea turtles. In 1997, the WTO overturned part of the U.S. Clean Air Act, which prevented the import of low-quality gasoline with a high potential for air pollution. U.S. Environmental Protection Agency has acknowledged that this WTO ruling "creates the potential for adverse environmental impact." Thus at the behest of transnational corporations the WTO can -- and will -- repeal any nation's environmental protections.

Now the WTO is meeting in Seattle Nov. 29-Dec. 3 to initiate a new round of talks, the Millennium Round. In this new phase, the corporations that support the WTO intend to expand the WTO's power and reach even further.

Activists are demanding that the WTO be opened up to scrutiny and that its record of performance be formally evaluated before any new talks begin. They see the WTO as threatening democracy, quality of life, environmental integrity, environmental justice, and every nation's control of its own destiny. Clearly, a titanic clash has begun. For information about attending the Seattle protest, phone 1-877-STOP WTO. More next week.

-- by Peter Montague(National Writers Union, UAW Local 1981/AFL-CIO)and Jim Puckett

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[1] Lori Wallach and Michelle Sforza, WHOSE TRADE ORGANIZATION?: CORPORATE GLOBALIZATION AND THE EROSION OF DEMOCRACY (Washington, D.C.: Public Citizen, Inc., 1999). ISBN 1582310017; telephone (202) 588-1000.

[2] John Gray, FALSE DAWN (New York: The New Press, 1998). ISBN 1-56584-521-8, and Karl Polanyi, THE GREAT TRANSFORMATION (Boston: Beacon Press, 1944). Paper edition ISBN 0-8070-5679-0.

[3] David Korten, WHEN CORPORATIONS RULE TO WORLD (West Hartford, Connecticut and San Francisco: Kumarian Press and Berrett-Koehler Press, 1995. ISBN 1-887208-00-3. And see Charles Derber, CORPORATION NATION (New York: St. Martin's Press, 1998). ISBN 0-312-19288-6.

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