

Sand in the wheels

Weekly newsletter - n°98 – Wednesday 03 October 2001.

FREE TRADE IS NOT THE ANSWER

Content

1- Is the World Bank against the WTO?

In this drafted World Bank report, one can very well imagine that it could be a call for action against further trade talks in Doha (next WTO Ministerial). Once the "free trade is good" diplomatic bias taken out of the few sentences where it can be found, the critics are direct and hit hard upon the functioning and even the existence of the WTO. Well that is before the official report... to be withdrawn or let as is?

2- A briefing on the GATS

The GATS is designed to be capable of overturning almost any regulation (local or national) governing services, in the interests of trade liberalization. Sometimes called "the MAI in disguise", it favours international business by contraining the processes of democratic governance.

3- Draft WTO Ministerial Declaration

A draft ministerial declaration crafted this week by General Council Chairman Stuart Harbinson and Director General Mike Moore presents stark choices before World Trade Organization members between launching full-fledged negotiations on investment and competition at the November Ministerial or relegating these controversial subjects to further study.

4- Corporate Driven Free Trade

The TABD is much more than just another example of a corporate lobby group influencing and manipulating the political environment on behalf of its member companies - it has the advantage of having been initiated and nurtured by governments. Through the TABD, EU and US-based corporations develop policy demands which (parts of) the European Commission and the US government then attempt to implement.

5- Will the Drive to War Kill International Labor Solidarity?

As the U.S. government prepares for war, the labor movement should reflect on what the impact of the attacks will be, and proceed with caution. The labor movement has been trying to rebuild itself, in fits and starts, for the past six years, and the new situation places us at a crossroads.

6- Good Havens! - Bank secrecy gives terror safe haven

October 6 a European action against tax Havens will take place in Luxembourg. Global money laundering made easy by loose rules on secret accounts. Terrorists work the levers of global banking laws to move money that finance their efforts from phony banks to real ones, like Britain's Barclays Bank, which Osama bin Laden allegedly used.

7- Meeting ATTAC worldwide

Is the World Bank against the WTO?

by World Bank – The Acting Secretary

Official Use Only
SecM2001-0505

Draft Policy Research Report

"Globalization, Growth and Poverty: Facts, Fears and an Agenda for Action"

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(...) p. 57 >



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Despite the dramatic increases in the size of the membership, and in the coverage of the multilateral system with formation of the WTO, relatively few changes were made in the operation of the system. The consensus principle is still used for major decisions, and all members are represented equally on the executive governing body, the General Council, as well as at Ministerial meetings. While this gives smaller developing countries much more representation than they would have with a smaller executive body, they have much less influence than the equality of representation would imply. Logistical difficulties mean that many developing countries are inadequately represented in Geneva, and hence unable to participate fully in the wide range of WTO activities. Further, size matters in many cases, particularly in areas such as dispute settlement where only the larger countries can effectively threaten to retaliate against illegal measures. If the US wins an unfair trade practices case against Bangladesh it is allowed to impose punitive duties on Bangladeshi products. Owing to the asymmetry in the size of these economies the penalties are likely to impose a small cost on US consumers and a large one on Bangladeshi producers. Now, suppose the situation is reversed and Bangladesh wins a judgment against the US. For Bangladesh to impose punitive duties on US products is likely to hurt its own economy much more than the US. (...)

The antidumping rules of the WTO make no economic sense, and allow countries to restrict imports when there is no economic justification. Developing countries bear a disproportionate burden of these measures, both in the industrial country markets, and in other developing countries. While Japan is seriously burdened by antidumping actions, Finger NG and Sonam (2000) show that some developing countries face 30 times as many antidumping actions per dollar of exports as does Japan. It is clear that some form of contingent protection is needed when countries find themselves politically unable to maintain an open stance, but safeguard systems that do not involve the abuses of antidumping can be developed (Finger 1998).

A number of Uruguay Round agreements, such as those on TRIPS, customs valuation and product standards, require developing countries to establish institutions that they did not previously have, or to greatly strengthen their existing institutions. Further, some of these agreements effectively codify the established practices of the industrial countries, rather than seeking

approaches to deal with these problems in the developing-country context. Finger and Schuler (2001) conclude that the Customs Valuation Agreement does not address the problems faced by developing countries, and may cause serious losses of customs revenues under the conditions prevailing in many developing countries.

The TRIPS agreement has raised many concerns about its implications for the cost of essential medications. While there is widespread appreciation in developing countries of the need for some form of intellectual property protection in the emerging knowledge economy, there are concerns that the current rules might price many patent drugs and other vital patented goods out of reach of poor people in developing countries. This issue has been highlighted by a recent court case against South Africa government for, inter alia, allowing parallel imports of drugs in an attempt to lower prices. Jean Lanjouw (2001) provides an interesting proposal for how the intellectual property rights for pharmaceuticals could be altered to ensure that poor countries have access to critical drugs at the marginal cost of production (box 2.1)

Box 2.1. Altering Intellectual Property Rights over Pharmaceuticals to Benefit Poor Countries

Jean Lanjouw (2001) has an innovative proposal for amending the international system for Intellectual Property Rights concerns for drugs that address global diseases. In her scheme, pharmaceutical innovators can choose to have IPRs in either rich country markets or poor country markets, but not both. So, in the case of the anti-viral drugs that fights HIV/AIDS, it would be in the interest of the pharmaceutical companies – who did the research and development primarily with rich country markets in mind – to choose to have patents for rich country markets. The technologies would then be freely available in developing countries, but producers there could not export cheap drugs back to the rich countries. Lanjouw's point is that this system would be a very minor disincentive to innovation because most of the potential rents are in rich country markets. So, poor countries would have access to cheap drugs but the incentives for innovation worldwide would still be strong. The nice thing about this proposal is that it would not discourage pharmaceutical companies from R&D on global diseases for which the main market is in developing countries. Where there is little demand in OECD markets for an innovation, then IPRs in developing countries can be an important



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incentive for firms (based anywhere) to research and develop products addressing the problem. Lanjouw's regime illustrates that IPRs are important to stimulate innovation and that it is developing countries' interests to protect rights that will lead to more innovation on their problems. On the other hand, there is nothing in it for developing countries to protect IPRs on treatments for AIDS or cancers that are common in rich countries, because that research is going to go ahead anyway based on returns in OECD markets.

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The participation problem for the smaller developing countries remains serious. Even for those countries that have permanent representative in Geneva, the diversity and complexity of the issues makes it impossible to participate effectively on more than a small range of issues. Almost half of the least developed countries are not even represented in Geneva, making it impossible for them to participate fully.

The proposals for new issues generated a number of concerns among developing countries. In particular, developing countries oppose the notion of using trade sanctions to impose labor and environmental standards. There is a real danger that these will turn into new protectionist tools. We think that a new round of trade negotiations is more likely to succeed and to accelerate development if it sticks to the core concerns of market access.

A final trade issue that we want to touch is regional trade blocs. The regional approach to international engagement frequently appears attractive for two reasons: because it provides preferential access to partner markets, and because it may be easier to make progress with as small number of partners than with the 140 members of the WTO. These perceptions, and the increasing length of multilateral negotiations, have contributed to the dramatic increase in the number of regional trade agreements during recent years. However, the advantages of South South trade blocs are typically much less substantial than they might at first appear. They risk divisive redistributions without generating many overall gains. (...)

A briefing on the GATS

compiled by Sarah Sexton

Amid the shouts of demonstrators, the protests of Southern delegations and the disagreements between the US and European Union, the World Trade Organisation (WTO) failed to launch a comprehensive revision of international trade rules in November 1999 in Seattle, USA. But talks have since begun to change one of the 28 agreements overseen by the WTO - the General Agreement on Trade in Services or GATS.

The US, EU, Japan and Canada are trying to revise GATS so that it could be used to overturn almost any legislation governing services from national to local level. Domestic policy making, even on matters such as shop opening hours or the height and location of new buildings, could, in effect, be turned over to the WTO. All legislation would primarily be aimed at increasing trade.

Particularly under threat from GATS are public services - health care, education, energy, water and sanitation, for instance. All of these are already coming under the control of the commercial sector as a result of privatisation, structural adjustment and reductions in public spending. A revised GATS could give the commercial sector further access and could make existing privatisations effectively irreversible. Experience in the United States and several Latin American countries, where health services have been run for profit over the past decade or so, suggests that the result will be a decline in accessibility to health care worldwide.

Most elected officials and civil servants, let alone the general public, are not aware of GATS, nor of its implications. But several countries are demanding that a wide-ranging assessment of the impact of a free market in services be carried out before any more so-called trade barriers are removed. And non-government organisations (NGOs) and trade unions are demanding that services in the public interest be clearly exempt from GATS.

Rules governing international trade are certainly necessary. But such rules should place people before the entrenchment of corporate power.

This briefing outlines the growth in services in recent years, the main provisions of GATS, the proposed revisions to the Agreement, and some key corporate aims in extending it.

Everything Under the Sun



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Heart surgery and electricity transmission, education and childcare, water purification and pesticide application, sewerage and sports centres, road construction and film making, toxic waste disposal and mobile 'phone communication - all are services, not tangible commodities. Some services are luxuries, such as tourism and entertainment. Others are essential: health care, education, transport, water and energy.

Services have become an important part of many countries' economies, overtaking manufactured goods in significance in some places. Providing services (excluding public services) now represents over 60 per cent of the GDP of industrialised countries and 50 per cent of that of others. International trade in commercial services was worth US \$1.35 trillion in 1999 - about one-quarter of the global trade in goods - up from some \$400 billion in 1985 and from \$1.2 trillion in 1995.⁵ This trade is firmly in the grip of the industrialised countries, which exported nearly 71 per cent of services traded internationally in 1997 and imported 67 per cent.

Developing countries import and export less than one-third of the services traded internationally. Because of the vast differences between the capacities of developed and developing countries to supply services, it is major traders in the industrialised world which have most to gain from increased access to services markets.

General Agreement on Trade in Services (GATS)

Services first came under the rules of the world trading system in 1995 when the WTO came into effect. The ambitious and ambiguous General Agreement on Trade in Services (GATS) sets out rules governing international trade in practically all services. It does not define what it means by a service, instead offering a classification list of 160 of them based on a United Nations system which, according to Canadian researcher and activist Scott Sinclair, "reads like a catalogue of occupations and human needs". The classification makes no distinction between public (or voluntary) services and those provided on a for-profit basis. Because distribution is a service, moreover, GATS also encompasses goods. As the EU says, "Goods cannot walk, they need to be distributed and transported".

Because the main way of governing services has traditionally been via complex national rules and regulations, GATS is also "fiendishly complex". Like the GATT agreement before it covering trade

in goods, GATS encourages trade across national borders in services by requiring a WTO member country to treat all countries the same (most-favoured nation) and to treat foreign companies as if they were domestic (national treatment).

But GATS differs from the agreement governing international trade in goods in several critical ways. At present, some of its rules and requirements do not apply to all services, but only to those sectors which each country has indicated it is prepared to open up to foreign competition.

Moreover, whereas trade in goods involves simply transporting products from one country to another (cross-border trade), trade in services is more varied because services are not so tangible or physical. Airlines, telephone companies, banks and accountants all provide their services in different ways. Thus GATS lists another three ways (or "modes") in which services can be supplied besides cross-border supply - movement of consumers, foreign commercial presence and movement of persons - because "the supply of many services is possible only through the simultaneous physical presence of both producer and consumer". Some services can be supplied in several ways, others not. A business adviser, for instance, can supply her services to a client in another country by mail, by the client visiting her, through an office in the client's country or by visiting the client. To be a tourist, someone has to go to another country to consume tourism-related services, as does an "exported" street cleaner to carry out "environmental services". A government thus provides the WTO with a "schedule of specific commitments" listing which services and the ways of supplying that service it is prepared to open up to competition under GATS.

The majority of the WTO's 141 member countries have so far committed themselves to liberalising just a small part of their services. Most commitments have been made in tourism, hotels and restaurants, computer-related services and value-added telecommunications. The least number of concessions have been made in river transportation, basic telecommunications, recreational and cultural services, education and postal services.

A country can alter a commitment but has to wait three years after it has listed it before it can do so. The country also has to negotiate a substitute commitment as compensation in a way which satisfies all other WTO members. The WTO Secretariat admits that country commitments



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undertaken in GATS "have the effect of protecting liberalization policies, regardless of their underlying rationale, from slippages and reversals" The former WTO Services Division Director, David Hartridge, said that GATS "can and will speed up the process of liberalisation and reform, and make it irreversible".

"The developing countries have lost the flexibility of modifying their policy in the light of future experience . . . even if it is assumed that they benefit by importing services."

The power of GATS, as with all WTO agreements, is that its rules can be enforced by trade sanctions. GATS does allow countries to protect human, animal and plant life or health (Article XIV) through measures which might otherwise contravene the Agreement, but its preamble, according to the US Alliance for Democracy, "has a caveat large enough to drive a truck through". WTO dispute panels have interpreted exemptions and exclusions narrowly and forcefully in favour of trade in GATT disputes and have usually ruled against environmental protection measures. These rulings "show that GATS can be used to challenge an almost unlimited range of government regulatory measures that, even indirectly or unintentionally, affect the conditions of competition of international service suppliers".

The GATS standard for "national treatment", for instance, extends well beyond conventional notions of non-discrimination between domestic and foreign companies. It applies to any measure from any level of government - national, provincial, state, regional, municipal or local - that alters the conditions of competition in any way that might disadvantage a foreign service or supplier. The WTO's Council for Trade in Services (the permanent body responsible for GATS) has discussed restrictions on large-scale retail outlets, shop opening hours, zoning and planning laws, controls on land use, building regulations, building permits, registration of contractors and professionals, regulation of professional fees, environmental regulations, worker health and safety regulations, local content and employment policies, urban planning rules and environmental protection policies. Even legislation to ensure that a country benefits from foreign investment - minimum number of local jobs or content, for instance - could be considered trade restrictive. No government measure or practice, whatever its aim, is beyond GATS scrutiny if it might affect trade in services. Countries could thus use GATS to "frustrate government policies, practices and

programs that allegedly adversely affect foreign commercial interests in services".

David Hartridge, WTO's former director of services, described GATS as "the first multilateral agreement to provide legally enforceable rights to trade in all services" and "the world's first multilateral agreement on investment, since it covers . . . every possible means of supplying a service, including the right to set up a commercial presence in the export market." According to the EU, GATS "aims to end arbitrary regulatory intervention, and assure predictability of laws, to generate growth in trade and investment".

Unsurprisingly, critics call GATS "the MAI in disguise". According to them, rules and disciplines with effects similar to those of the abandoned Multilateral Agreement on Investment are being incorporated in the WTO through the back door. The former WTO Director-General, Renato Ruggiero, acknowledged in 1998 that GATS extended into "areas never before recognised as trade policy" and warned that "neither governments nor industries have yet appreciated the full scope of these guarantees or the full value of existing commitments".

Researcher Scott Sinclair says that GATS "is designed to facilitate international business by constraining democratic governance". Indeed, the WTO expressly states that the Agreement will help its members overcome "domestic resistance to change" and that it will facilitate "more ambitious reforms . . . than would be attainable on a national basis alone".

GATS 2000

GATS is innovative, complex and without legal precedent. Few of its provisions have been tested or clarified by challenges brought to the WTO dispute panel. Little information exists on the impact of GATS so far in facilitating trade in services, or on the economic benefits countries have accrued from services liberalisation, let alone their social and environmental effects. There is little baseline data upon which to make comparisons. The WTO Secretariat recognises this lack of data upon which to base an assessment of trade in services, while the UK government says it has yet to work out how such statistics can even be collected. Nonetheless, WTO representatives have begun to negotiate to extend the scope of GATS.



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When the Agreement was signed in 1995, some countries considered it to be incomplete. A clause (Article XIX) was therefore included mandating "successive rounds of negotiations . . . aimed at achieving a progressively higher level of liberalization" - in practice, privatisation and deregulation. It specifies that the first "successive round" of negotiation should begin within five years of GATS coming into effect, that is, by the year 2000. As Canadian trade and investment researcher Ellen Gould points out, "under the GATS, liberalization could just keep on going and going, presumably until negotiators run out of sectors to open up to foreign competition and ownership". The WTO Secretariat describes Article XIX as "a guarantee that the present GATS package is only the first fruit of a continuing enterprise." Other clauses provide for further rules to be developed for domestic regulation, government procurement of services, subsidies and emergency safeguards

When he was European Commission Vice President, Leon Brittan made clear that "the aim [of GATS 2000 negotiations] must be . . . to conclude an ambitious package of additional liberalisation by developing as well as developed countries, in politically difficult as well as in other sectors". The EU Commissioner for Trade, Pascal Lamy, has argued that "if we want to improve our own access to foreign markets, then we can't keep our protected areas out of the sunlight. We have to be open about negotiating them all if we are going to have the material for a big deal."

The US, European Union, Japan and Canada (known as the Quadrilateral or "Quad" governments) are pushing hard to:

- increase the services and ways of supplying services that WTO member countries agree to open up to foreign competition (market access);
- re-classify services to get around some countries' reluctance to open them up to foreign competition;
- insert new rules and restrictions that apply to all members, services, sectors of services and ways in which services are supplied, irrespective of whether countries have agreed to open such services to competition;
- place new constraints on domestic regulation.

They are seeking more access to Southern markets, to each other's public services, and

further deregulation of services already in private hands but publicly-regulated, such as media, publishing, telecommunications, energy, transport, financial and postal services. Northern countries are interested in service liberalisation in Southern countries in construction and engineering; distribution; education; environmental, health and social services; and recreational and cultural services.

These revisions, if they are agreed upon, could mean that the voluntary nature of GATS - under which a country decides which services to list as open to foreign competition - would in effect be meaningless. It could be irrelevant whether a country offers up its services or not if other rules apply to all services. Guarantees, such as those from the UK's Department of Trade and Industry that "the UK government has no intention whatsoever of offering to privatise public health care or education under the GATS 2000 negotiations", would have little force.

(to be continued) Cornerhouse briefings :
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Drafted WTO Ministerial Declaration

On investment and competition, where the Quad countries favor negotiations and most developing countries are more resistant, the declaration eschewed any attempt to craft a compromise as it did on other issues. One possible compromise would have been to delay the start of negotiations to a later date.

The draft declaration, released to WTO countries Wednesday (Sept. 22) and reprinted below, reflects Harbinson and Moore's judgment of the best possible basis for reaching consensus on a text for the Qatar ministerial in November.

It includes draft mandates for negotiations on market access for industrial products, transparency in government procurement, geographical indications, antidumping and subsidies rules, services and dispute settlement rules.

The draft declaration also did not attempt to draft language for a mandate on agriculture talks, where the Cairns Group of agriculture exporters are at loggerheads with the European Union, Japan and others over how specifically the mandate should address goals on market access, domestic support and export subsidies. Instead, it simply referred to these and other points as



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needing to be addressed after future consultations, leading some trade officials to believe they would not be addressed until Qatar.

At a secretariat briefing prior to the circulation of the draft declaration, Cairns countries squared off with the EU-Japan camp over the mandate language, and developing countries argued for greater prominence for special and differential treatment, trade sources said. The U.S., which shares many of the Cairns countries' goals, argued against overly specific language that could block agreement on the mandate, sources said.

While the U.S. wants as ambitious a mandate as possible, it would prefer to avoid fights over language that could jeopardize the launch of a round, industry sources said. Cairns countries, by contrast, want to maximize their current leverage over those demanding a broad round, like the EU and Japan, by pushing for very specific language on agriculture.

The draft paper is also silent on the end date for negotiations or on when the negotiations would start after Qatar with actual market access proposals and requests.

But the Moore/Harbinson paper does flesh out proposed text that would launch negotiations on antidumping and subsidies rules, subject areas that are sensitive to the U.S.

A U.S. trade official this week maintained the Administration steadfast silence on its negotiating position on these areas.

"We will be consulting with Congress and others about what is in the document, including whatever is in on antidumping and then our negotiating position will be determined by the result of those consultations," the official said.

Under the rubric of "WTO Rules," the draft declaration has Ministers' agreeing "to negotiations aimed at clarifying and improving disciplines under the existing" antidumping and subsidies agreements. That sentence also contains a bracketed ellipsis, indicating that other agreements could be the subject of rules negotiations. This opens the door for negotiations on some of developing countries' implementation demands or the EU's push for negotiations on environmental rules, such as interpretations of rules governing precautionary measures in the agreement on sanitary and phytosanitary

measures. This demand is not mentioned specifically in the draft declaration.

The EU's other two environmental demands -- clarification of the relationship between WTO rules and multilateral environmental treaties and clarification of rules on government-sponsored eco-labels -- are relegated to further study in the draft declaration. The Committee on Trade and Environment is mandated to continue discussion "to deepen the understanding between the multilateral trading system and multilateral environment agreements." The Committee on Technical Barriers to Trade is told to "expedite its work on labeling, bearing in mind that any measures in this field should not become disguised restrictions on trade." Both committees should report back on their work to the fifth Ministerial conference in 2003.

The Moore/Harbinson paper does say that the work program as a whole "must evolve in a balanced and forward-looking manner" and that "elements which do not involve negotiations are also accorded high priority."

The draft leaves open how developing countries' implementation demands that are not settled by the ministerial will be addressed, although it stresses their "utmost importance" (see separate story).

On possible investment negotiations, the Moore/Harbinson paper seems to leave the door open to new rules that would cover portfolio investment, such as stock shares, bonds, bank accounts and loans, not just foreign direct investment (FDI) by companies in foreign countries. Both types of investment would be subject to requirements to provide transparent and non-discriminatory treatment under agreed rules.

According to the paper, the negotiations would aim to "establish a multilateral framework of rules to secure transparent, stable and predictable conditions for long-term cross-border investment, particularly foreign direct investment." Although the addition of the phrase "long-term" could exempt from investment rules some potentially volatile capital flows that developing countries want to control in order to maintain financial stability, the negotiations are not exclusively focused on foreign direct investment and thus could include portfolio investments, sources said.

The U.S. official praised Harbinson's language for striking a good balance protecting a "broad range of investment and still dealing with [developing countries'] concerns about short term capital."

The U.S. pushed for inclusion of portfolio investment in negotiations with Quad countries in a paper submitted to Harbinson. That paper also leaves the door open to covering portfolio investment by not clearly limiting negotiations to FDI, according to trade sources. The EU and Japan, the major investment proponents, had sought to sell the subject to developing countries by keeping it focused on FDI, which has a more plausible link to investment that can boost development, trade sources said.

The U.S. wants negotiations to cover portfolio investment because international organizations' definitions of what constitutes foreign direct investment are too limiting, sources said. Some international organizations consider FDI only in cases where foreign investors have managing influence of their investment. Others set a threshold of 10 percent equity to meet the definition.

Otherwise, the investment section of the paper incorporates the points originally advocated by proponents, including the ability to carve-out pre-establishment protections for sectors, as was done in the services agreement, and the settlement of disputes on a government-to-government basis, not allowing investors to bring WTO cases against governments.

As an alternative to negotiations, the Moore/Harbinson paper proposes "further focused analytic work" by the investment working group with a report back to the 2003 ministerial, but no mandate to start negotiations. A similar scenario is presented as an alternative to competition negotiations.

Neither the investment or competition texts calling for negotiations mention the proposal floated by the EU that would give countries an option to opt out of a potential agreement at the end of negotiations. The EU is not pushing this feature, but is open to it as a safety valve to garner support for these negotiating topics. As a result, it was not included in the Quad papers on these issues.

The competition proposal also does not mention what enforcement mechanism would be employed. While the EU wants dispute settlement, others

have advocated a peer-review mechanism as more likely to bring aboard more support, particularly from developing country members.

By contrast, the sections on transparency in government procurement and trade facilitation have phrases indicating the possibility of alternatives to dispute settlement. The phrase reads "Issues relating to compliance with any new obligations to be agreed shall be addressed in the negotiations, taking into account the situation of developing and least-developed country participants."

In other areas, the paper deals with intellectual property protection by calling for completion of negotiations for an international registration system for the geographical indications of wines and spirits, a demand being pushed by the EU and others. The paper also offers an option to negotiate extending protections for geographical indications to other products, which also has EU support, but is also backed by such varied countries as Switzerland, India and Bulgaria. The U.S. and Australia have opposed this effort. The paper offers as an alternative to negotiations continued examination in the Council for Trade Related Intellectual Property Rights.

The draft declaration calls for agreement to maintain a moratorium on customs duties on electronic commerce until the 2003 ministerial and calls for continuation of the work program in that area.

On dispute settlement, Moore and Harbinson look to agreement on possible amendments by May 2003. Negotiations should be based on work done so far, which has largely focused on clarifying the sequence between compliance reviews and authorization to retaliate, in cases where dispute settlement decisions are not implemented.

The declaration also outlines new negotiations on market access for non-agricultural products, incorporating developing countries' demands that tariff peaks and tariff escalation be reduced or eliminated. The mandate also allows "less than full reciprocity" for the tariff reduction commitments developing and least-developed countries would have to make. Non-tariff barriers would also be addressed.

The draft declaration incorporates the Like Minded Group of developing countries' recent push for working groups on trade and finance and debt, trade and transfer of technology, but leaves open



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which is the "most appropriate" institution to handle these issues. Industrialized countries argue the International Monetary Fund and the World Bank are the proper institutions to cover these issues (Inside U.S. Trade, Sept. 21, p. 6).

The declaration puts off any mandate for negotiations on a framework agreement on special and differential treatment for developing countries -- also pushed by the Like Minded Group -- until a report is out from the Committee on Trade and Development.

On labor, the preamble affirms a previous decision on core labor standards and takes "note" of ongoing work in the International Labor Organization on the social dimension of globalization.

To read the Draft Declaration
<http://attac.org/fra/orga/doc/omc3.htm>

Corporate Driven Free Trade

An open letter sent to EU Trade Commissioner Pascal Lamy today, by 20 groups from 11 European countries (all part of the "Seattle to Brussels Network") as well as several members of the European Parliament urges him and the rest of the European Commission delegation to cancel their planned participation at the upcoming "CEO Summit" of the Transatlantic Business Dialogue (TABD) [2]. The groups are "deeply concerned about the inappropriate, undemocratic powers" of the TABD. The TABD announced earlier this week that it considers moving its summit (scheduled for 11-12 October) to Washington D.C. instead of the planned venue, the Swedish capital Stockholm. Regardless what the venue will be, the EC withdrawing its participation would be a long overdue step towards disengaging itself from the TABD process.

Despite the possible change of venue of the TABD conference, Corporate Europe Observatory, Attac Sweden, Friends of the Earth and other groups will go ahead with the counter-summit in Stockholm on October 12 and 13. The counter-summit is intended to inform the Swedish public and to build NGO strategies to undermine the TABD's inappropriate powers.

OPEN LETTER TO EU TRADE COMMISSIONER
LAMY CONCERNING THE TRANSATLANTIC
BUSINESS DIALOGUE (TABD)

Dear Mr. Lamy,

With this letter, signed by 20 groups from 11 European countries, we appeal to you and the rest of the European Commission delegation not to attend the Transatlantic Business Dialogue (TABD)'s CEO Conference in Stockholm, 11-12 October 2001. We are deeply concerned about the inappropriate, undemocratic powers over trade policies and regulatory decision-making granted to large corporations through the TABD process.

The TABD is much more than just another example of a corporate lobby group influencing and manipulating the political environment on behalf of its member companies - it has the advantage of having been initiated and nurtured by governments. Through the TABD, EU and US-based corporations develop policy demands which (parts of) the European Commission and the US government then attempt to implement. Government support for the TABD process is reflected not only by the active participation of high-level officials in the business dialogue's conferences, but also by the fact that TABD representatives and government officials in Brussels and Washington D.C. are cooperating on a daily basis to implement the business demands. The TABD process takes place in the absence of even minimum transparency. What's more, in sharp contrast with the TABD's powers, the transatlantic consumer, labour and environment dialogues have not been granted any role of importance in shaping EU-US trade and regulatory policies.

Arguing that "the new obstacles to trade are now domestic regulations", the TABD produces deregulation hit lists that include numerous democratically established environmental, health or safety regulations on both sides of the Atlantic. Not only existing protective legislation is at stake - the EU-US 'Early Warning' system for potential trade conflicts (established in late 1999 at the demand of the TABD), has given the business dialogue a new tool to obstruct, delay and/or weaken proposals for new progressive regulations. Issues that the TABD has brought into the Early Warning system include restrictions on EU market access for genetically modified agricultural products, plans for a phase-out of HFCs (potent greenhouse gasses) and a possible ban on animal testing for cosmetics. To further tighten corporate control, the TABD now demands that trade interests are further 'upstreamed' in the decision making process, for instance through 'trade impact assessments' for all new regulatory and legislative proposals.

Another major component of the TABD's work is shaping joint EU-US strategies in international trade negotiations, most prominently within the World Trade Organisation (WTO). Transatlantic business consensus is used by the EU and US to overcome differences in their WTO negotiating positions. In this way, large corporations are able to effectively pre-cook the outcome of WTO negotiations, taking advantage of deeply unequal power relations within the WTO, an organisation dominated by the large Northern trade blocs. The TABD's main demand for the Stockholm meeting is that the WTO's Ministerial Conference in Qatar in early November launches a broad new round of talks on trade and investment deregulation. We find it entirely inappropriate for European Commissioners and other top EC officials to meet for two days with the transatlantic business elite in an attempt to hammer out consensus negotiating goals and strategies for Qatar. The plans are completely at odds with the EC's claims that lessons have been learned from Seattle and that the proposed new round will promote "the interests of developing countries" and "the concerns of civil society". Clearly, the EC intends to continue the harmful and deeply undemocratic practice of shaping its WTO policies and negotiating strategies around corporate priorities. We remind you that a global coalition of civil society groups continues to oppose the EU's proposals for a new WTO round, including the expansion of the corporate-biased WTO rules to new areas like foreign investment. Instead of another round of WTO negotiations to accelerate trade and investment liberalisation, the coalition calls for a fundamentally different set of trade policies, centered around democratising decision-making, global social justice and environmental sustainability.

As the international backlash against the neoliberal model of globalisation continues to grow and calls for the pursuit of alternative development models gather momentum, the Stockholm meeting is a crucial point for the European Commission. We call upon you and the rest of the EC delegation to cancel your participation as a first step in breaking the links between the EC and the TABD. Instead of working with corporations on deregulating and 'harmonising' downwards, the EC should promote binding international regulations on corporate activities to guarantee rising environmental and social standards around the world.

Will the Drive to War Kill International Labor Solidarity?

by Teófilo Reyes

We are all horrified by the terrorist attacks on New York City and Washington. Thousands of working men and women were senselessly murdered, and unions across the world have joined to condemn the act.

We are proud of how working people, and unions in particular, have responded to support the victims of terror. The firefighters who died in the rescue attempt, the volunteers searching for survivors, the nurses tending the wounded, the Ironworkers sent to shore up buildings, the locals that organized gate collections and blood drives have shown the generosity of spirit that is our best hope for a collective and humane solution to these horrors and others still to come.

CROSSROADS

As the U.S. government prepares for war, the labor movement should reflect on what the impact of the attacks will be, and proceed with caution. The labor movement has been trying to rebuild itself, in fits and starts, for the past six years, and the new situation places us at a crossroads.

Will we continue to fight against corporate globalization and deepen ties to workers in other countries, or will we fall in with an "America First" attitude? Will we continue to fight for immigrant rights, or will we fall out along national fault lines? Will we continue to search for new organizing strategies if union campaigns in certain industries are labeled divisive and "un-American"? Will we fight concessions when corporations promise layoffs?

In short, will we step up to our responsibility to be the voice for what's best in American workers' hearts? Or will we slip further into irrelevancy, as corporate America wishes, by giving up our right to challenge the consensus?

The early responses from labor offer both possibilities.

The AFL-CIO quickly declared full support for any actions President Bush chose to carry out, and the UAW followed suit. The Teamsters recovered their Reagan-era fervor and immediately called for war against all states harboring terrorists. John Sweeney said he had called President Bush to



offer support and said, "We stand fully behind the President and the leadership of our nation in this time of national crisis....We will fully support the appropriate American response."

The Steelworkers called for justice, but added that the U.S. should not harm innocent civilians and pointed to the poverty and injustice that provides "recruits for the armies of the intolerant."

The SEIU, with a large immigrant membership, called for all appropriate measures to be taken but strongly warned against scapegoating immigrants and Arabs in particular. The United Farm Workers also called for retribution, but tempered it by drawing on the memory of Cesar Chavez and his legacy of nonviolence. The UFW has continued its corporate campaign against Pict-Sweet through prayer vigils, and the UFW and SEIU have called unity marches to help fight anti-Arab and anti-immigrant backlash.

BACK BURNER

Perhaps the greatest danger facing the labor movement in the coming months will be the government's attempt to manufacture a consensus around war and all the ugly things that go with it. In wartime all the legitimate demands of labor or of any other group in society (save the corporations that make the weapons) are deemed to be selfish--note the immediate calls for raiding workers' Social Security funds.

Any questioning of our leaders—even on issues unrelated to the war— is seen as wrong. This is how the government defends curtailment of the right not to be spied upon and how some Congressmen can justify their attempt to ram a "bipartisan" Fast Track bill through Congress in the coming weeks.

RISE TO THE CHALLENGE

This tragedy is a challenge for the American labor movement to deepen its internationalist stance. The AFL-CIO is unique among labor in industrialized nations in the degree to which it has joined, if not always consistently, in the broader movement against globalization.

Many union members have responded warmly to calls for international solidarity, as evidenced in campaigns for justice in sweatshops and maquiladoras. In the United States recently some rank and file activists have been pushing for the AFL-CIO to open its Cold War files to repudiate its

past actions against labor movements in other countries and to strengthen trust with workers there.

Union activists who are shocked by the rush to war should call for a rethinking of U.S. international priorities and actions, and deepen their solidarity with labor across the globe. The human costs of war will be borne first and foremost by the dispossessed and the working class in each country. Leo Gerard, the Steelworkers' new president, has noted that poverty and injustice swell the ranks of fanatic organizations. It is labor's duty, now more than ever, to push for a new social order.

WHY THE HATRED?

Hatred of America abroad is based largely on the behavior of U.S. corporations in other countries and the military might that the U.S. government uses to back up the existing order. But corporations are not "America." They are the same forces with the same dog-eat-dog values that labor and the global justice movement are fighting.

Our movements are, in a very real sense, the only alternative to the irrational forces that arise from frustration combined with fanaticism. International organized labor and the global justice movement can be the alternative beacon that says to the world: There is another way that is democratic to the core and whose power derives from our numbers--not wealth, terror, or military might. There is hope.

To put aside our oppositional character is to surrender that alternative, that hope. To offer a blank check to the Bush Administration, the most anti-labor administration in decades, is to invite the drowning of any alternative in the tide of military might and terrorist escalation.

The globalized economy means that both the terrorist attacks on September 11 and the actions the U.S. takes in response will affect workers the world over. American labor has made progress in throwing in its lot with workers across the globe. Can labor step back up to the plate, or will only peace activists do that now?

International solidarity is the high road, and it is the course that should be followed ever more resolutely in the months ahead.

Teófilo Reyes is co-director of Labor Notes

'Labor Notes' is a monthly magazine based in Detroit, USA. We are committed to reforming and revitalizing the labor movement. We report news about the labor movement that you won't find anywhere else. News about grassroots labor activity, innovative organizing tactics, international labor struggles, immigrant workers, and problems that some union leaders would rather keep quiet. Subscribe and receive a copy of 'Labor Notes' in your mailbox! Subscription information can be found at our website at www.labornotes.org

Bank secrecy gives terror safe haven

By Lucy Komisar

Terrorist networks all over the world depend on the international bank and corporate secrecy system to hide and move their money. This structure is allowed to exist by agreement of the world's banks and financial powers. A lot of people make money from it, including the owners and managers of banks that hide customers' deposits from tax authorities. But an unintended consequence is that it aids and abets worldwide networks of terrorists.

If the United States wants to stop the money flow that supports terrorism, it needs to cut the pipeline. The administration should rethink its hostility to international efforts to pierce the bank secrecy essential to terrorists' money laundering.

TERRORISTS NEED a way to finance operations in dozens of countries around the globe, to pay for houses, salaries, transport, weapons and explosives. They need to move millions quickly and without detection. They can't carry the cash in suitcases. But transferring millions of dollars using secret bank accounts and shell companies is easy.

HOW THE PIPELINE WORKS

In about 60 countries around the world, known as "offshore" or "tax haven" countries, people can set up companies and open accounts without real names or identification. Phony banks — which are really just letter-drops — funnel money to real banks. Real banks in the U.S. routinely ask no questions when the phony banks open "correspondent accounts" to move money here for their customers.

Right now, there's nothing in U.S. law to stop the Al-Shamal Islamic Bank in Khartoum, Sudan, from opening an account in a U.S. bank to wire money

to use here or in another country. That bank was set up by Osama bin Laden. If there's a stop put on that bank, it can easily go through a third party in Nauru or Liechtenstein or some other offshore haven. Because U.S. banks are not required to ask about the owners of the money, foreign banks bundle cash from numerous customers and send the lump sum to their correspondent accounts in the U.S. Then they move the money wherever their clients order.

The Sunday Times of London reports that a suspected bin Laden lieutenant, Saudi dissident Khalid al-Fawwaz, used an account at a branch of Barclays Bank in London to finance circulation of bin Laden's edicts and contacts with other parts of the organization's global network. Khalid al-Fawwaz is being held awaiting extradition proceedings to the United States for participation in the conspiracy to murder Americans.

WORKING THE LEVERS

Swiss federal prosecutors are investigating whether any money linked to the terrorists flowed through its banks. According to the "Blick" newspaper, Al Taqwa Management Organization AG, a financial services company based in Lugano, in the southern part of the country, had links with Osama bin Laden. Lugano is notorious as a home for "financial services companies," whose function is to discreetly move money, as well as for shell companies and secret bank accounts.

The system is no surprise to the U.S. government, because America and its allies have used it, too. BCCI, the Bank of Credit and Commerce International, was a British-Pakistani bank that used secret offshore accounts to effect a global money-laundering fraud that cost victims \$8 billion. Before it was shut down in 1991, it was used to fund the Mujahedin, then fighting the Soviet-supported government of Afghanistan. The money came from U.S. and Saudi intelligence.

Now many of the Mujahedin are members of bin Laden's network. They know all about how to launder money through the international bank secrecy system.

CUTTING OFF THE MONEY

If the U.S. wants to stop the money flow that supports terrorism, it needs to cut that pipeline. The administration should rethink its hostility to international efforts to pierce the bank secrecy essential to terrorists' money laundering.

The first step should be immediate passage of legislation sponsored by Michigan Sen. Carl Levin (and opposed by Republican leaders last year). Levin is pressing to make his bill part of the anti-terrorism package that will be considered by Congress. The measure has two key elements:

It would bar U.S. banks from providing banking services to foreign shell banks with no physical presence in any country.

It would also require U.S. banks to conduct in depth investigations when opening accounts for \$1 million or more for foreigners or correspondent accounts for offshore banks or banks in countries with high money-laundering risks.

A GLOBAL RESPONSIBILITY

Other countries also need to change their practices. In London, a favorite center for Middle East money, banks connected to the Saudi royal family enjoy "sovereign immunity," which England grants to monarchies. They are exempt from the scrutiny of the Financial Service Authority, which supervises banks and tries to head off money laundering.

Now, British Chancellor of the Exchequer Gordon Brown has called for global action to counter

terrorist money laundering. He would give security services access to secret banking systems in countries such as Switzerland and require reporting to international institutions of "suspicious transactions involving what may be terrorist activities" so that there is "no hiding place for terrorist money." European Union governments are meeting to adopt a common position on the issue this weekend.

The Bush Administration needs to change its policy that has been hostile toward challenging bank secrecy. It needs to get behind and strengthen existing efforts by the OECD and the G-7 to crack down on this perfidious system. We must realize that globalized terrorism is financed by globalized money.

Lucy Komisar is a New York journalist who writes on foreign affairs and in recent years has focused on the offshore bank and corporate secrecy system.

October 6: European action against tax havens. For more information:

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Thursday 04: FRANCE: CAEN – PARIS CENTRE – LILLE – RENNES – IEP BORDEAUX – CLERMONT FERRAND - RIOM

Friday 05: ESPANA: MADRID / FRANCE: EVREUX – MONTREUIL – CHINON – VILLENEUVE SUR LOT / SUISSE : NEUCHATEL / SVERIGE : BRUNNSVIK

Saturday 06: ESPANA: MADRID / LUXEMBOURG / FRANCE: PARIS 11 – AVIGNON – NANTES – AIX – ORLEANS – GRENOBLE – EVREUX – VERNEUIL – BORDEAUX – METZ – CHATEAU THIERRY – PARIS – RAMBOUILLET / SUISSE : NEUCHATEL

Sunday 07: ESPANA: MADRID / FRANCE: PARIS 11 – METZ / SUISSE : NEUCHATEL

Monday 08: FRANCE: CLISSON – EVREUX – MACON – ARLES – AUBAGNE – SOYAUX – ANNEMASSE – MOUANS SARTOUX – CAEN / SVERIGE : STOCKHOLM - ALINGSAS

Tuesday 09: FRANCE: UZES – PERNES LES FONTAINES – CHALON – MARIGNIER – SOPHIA ANTIPOLIS – ANTIBES – FOIX / SVERIGE : UPPSALA



Newsletter 98- page 14(14)
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Wednesday 10: FRANCE: PARIS 11 – NANTES – TOULOUSE – CLERMONT FERRAND – REIMS – PARIS 12 – AIX – ORLEANS – PARIS 13 – VENDOME / ITALIA: ROMA