

WTO

Globalisation at Gunpoint

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Globalisation at Gunpoint

Through the instrument of the World Trade Organisation, the United States and the other rich First World countries are attempting to impose their inhuman neoliberal economic regime on the entire world.

The aim is to maximise the market penetration of goods and services from the US and other imperialist countries, irrespective of any impact this may have on the health and livelihood of the people.

It's enforced "free trade" for the Third World and protectionism and export subsidies for the First World. Washington is pushing countries to accept GM foods produced by US agribusiness. It is trying to force Third World countries to use only expensive life-saving medicines from Western pharmaceutical companies rather than produce or import cheaper equivalents. And health, education, power and water-supply services are all slated for privatisation; in the WTO's gunights they are seen simply as so many further opportunities for Western big business to make a profit.

And while Australia is only a middle-rank imperialist power, it is firmly part of this criminal profits-before-everything shakedown, especially in the Pacific and South-East Asia.

This collection of articles from *Green Left Weekly* is a primer on the issues for activists and all those opposed to the WTO's "globalisation at gunpoint". ■



*Anti-WTO protest, Sydney, November 15, 2002.
(Photo from sydney.indymedia.org)*

Trade Talks in Limbo

By Eva Cheng

When the world's six top business clubs unite to call on the eight most powerful governments to help breathe new life into global trade talks, you can be sure those negotiations have hit a rock.

The European Round of Industrialists, the US Business Round Table, the International Chamber of Commerce (ICC), the Canadian Council of Chief Executives, Japan's Nippon Keidanren and the Union of Industrial and Employers' Confederation of Europe issued a joint statement on May 21. It urged the June 1-3 G8 summit to "demonstrate leadership" and steer current World Trade Organisation (WTO) trade talks back on track.

The trade negotiations, dubbed the "Doha round", were launched at the November 2001 fourth WTO ministerial summit in Doha, Qatar. A mid-term "stocktaking" of those talks is to take place at the fifth WTO ministerial meeting in Cancun, Mexico, on September 10-14. The goal will be to complete the talks and implement the resulting trade rules on January 1, 2005.

The joint statement was not the first expression of concern by world capitalist bodies about the prospects of the Doha round talks. At the April 29-30 ministerial meeting of the Organisation for Economic Cooperation and Development, New Zealand Prime Minister Helen Clark, who chaired that meeting, admitted that "not enough progress has been made to date on the development agenda". Clark was referring to the concern of Third World WTO members that the organisation's rules (and their implementation) have ignored their development needs.

In early May, the International Business Council of the World Economic Forum circulated a statement among politicians expressing its concern that, in the absence of "significant breakthroughs in the next few months", there is a danger of a delay or even collapse of the Doha round. The top executives of key multinational corporations,

such as Unilever, Pfizer, Nestle and Deutsche Bank, authored the statement.

On May 14, 18 influential Americans — including former US secretaries of state Madeleine Albright and Alexander Haig, former US national security adviser Zbigniew Brzezinski and former US Trade Representative Carla Hills — published a joint statement in the French daily *Le Monde*, urging that “the Doha round be pursued with the utmost sense of urgency so that it can be successfully completed at the earliest possible time”.

“Admittedly”, the statement conceded, “it may prove difficult to conclude those negotiations by January 1, 2005 but, at the very least, on the way to completing the Doha round, other existing divisive trade issues between the United States and the [European Union] should be resolved by that time”. The statement urged the US and the EU to put their differences behind them and to rebuild the “transatlantic partnership”.

The ICC shares this concern and spelled it out more explicitly in a May 20 statement addressed to the G8: “Our key message, now that the war in Iraq is over is to urge governments to put their divisions behind them and commit themselves to renewed multilateral cooperation for the vital purposes of reinvigorating a weak global economy.”

Missed deadlines

Since the second world war, imperialist countries have been trying to force open markets in the Third World, and undermine the power of Third World governments to make sovereign decisions on trade policy, through instituting a one-size-fits-all global trade regime for all countries, regardless of differing economic strengths and development needs.

During the last trade talks round in 1986-94, binding trade rules, which can attract sanctions for noncompliance, were extended from trade in physical goods to “nonphysical” services, intellectual property and “trade-related investment matters”. These rules still have not been consolidated.

Meanwhile, the trade rules on physical goods, such as on agricultural products, still have to be tightened. As well, the imperialist countries, especially the EU, are keen to extend the trade order to four other areas (dubbed the “new issues” or “Singapore issues”): investment matters, competition policy, transparency in government procurement and trade facilitation.

Already struggling to comply with the rules instituted in 1994, and realising that the imperialist countries were unwilling to deliver on earlier promises, many Third World representatives revolted at the 1999 Seattle WTO ministerial meeting, thus frustrating the rich countries’ hopes of launching a new trade round. That launch was

delayed until November 2001 in Qatar and was achieved in the shadow of the intimidating US war drive in the wake of the 9/11 attacks in the US.

But the differences between key EU countries (France and Germany) and the US over the war on Iraq provided breathing space for the Third World during the Doha round negotiations.

One after the other, key deadlines — on drug patents and public health, agriculture, “special and differential treatment” and “implementation issues” — were missed over the last few months, calling into question what could possibly be achieved in Cancun and whether the whole trade round may suffer a major delay.

Despite the revolt at Seattle, the imperialist countries have failed to ease the pain that many Third World countries are suffering under the existing trade rules. All four deadlines missed so far are issues of high concern to the Third World.

The drug patent issue revolves around the US refusal to allow Third World countries suffering severe disease emergencies to ignore drug patents and import cheaper, generic medicines. The agriculture talks failed because the EU and the US want to continue to pay huge subsidies to their farmers and their exports, which seriously undermines the competitiveness of Third World producers. At the same time, the West rejects Third World demands to retain the right to protect their farmers.

“Special and differential treatment” relates to the Third World governments’ demand that they be entitled to concessional treatment because of their countries’ pressing developmental needs.

“Implementation issues” deal with Third World countries’ complaint that First World governments fail to observe the trade rules in spirit, thus depriving poor countries of the much-needed benefits promised them.

The Third World also wants longer grace periods in meeting some existing rules because the rich countries’ empty promises have seriously undermined their ability to meet other WTO obligations.

Agreement on the “new issues” will provide imperialist capital with new avenues to economically recolonise the Third World. In order to entice developing countries into accepting these rules, the EU is blackmailing Third World countries by saying that their demands during the Doha round won’t be considered unless they accept the new issues rules.

WTO ‘democracy’

While the WTO formally adheres to decisions by consensus among its almost 150 member countries, the WTO bureaucracy is notorious for colluding with the rich countries in the decision-making process. The infamous green room meetings, to

which only a handful of selected national representatives are invited and where the real negotiations and decisions take shape, are a key tool to that end. A new trick is the projected heavy use of open-ended informal head of delegations meetings (HODs) to engineer key decisions.

The May 29 *Geneva Update* newsletter analysed the danger: “Open-ended means all members are welcome to come, but given the frequency of these meetings in the run up to Cancun, it is unlikely that all heads of delegations will attend ... For many developing country ambassadors it will simply be impossible to attend because of the number of meetings taking place in the WTO and the UN ... it is also clear that once the HODs process gets under way and closer to Cancun, many will not even know about all the meetings taking place.”

A new measure announced in May was that the chairperson of the WTO general council and its director-general will consult “in a variety of smaller configurations” on specific issues and the results will be “reported back” to the HODs. *Geneva Update* warned that this procedure will remove “any documentation of the consultations ... thus people not present in the room (including [mainly poor] governments who do not have missions in Geneva) are completely removed from this process”.

So much for “WTO democracy”. ■

Agricultural Talks Enter Crucial Stage

By Eva Cheng

On July 28-30, the World Trade Organisation (WTO) will hold yet another “mini-ministerial” — its fourth since the Doha ministerial summit in November 2001 launched a new round of global trade talks.

The meeting, in Montreal, is an eleventh-hour attempt to cobble together enough agreement among WTO member-states to avoid the September 10-14 mid-term review, to be held in Cancun, Mexico, looking like a flop.

The first post-Doha mini-ministerial was held in Sydney last November. A month later, the first major deadline of the negotiations was missed. Another mini-ministerial, held in Tokyo in February, failed to achieve a breakthrough. Three more key deadlines failed to be met in the lead up to a further mini-ministerial held in Sharm el-Sheikh, Egypt, on June 21-22. It, again, failed to turn things round.

The Doha-initiated round of talks were scheduled for completion in December 2004, with new trade rules set to take effect on January 1, 2005.

Make or break

While the negotiations cover about a dozen areas, agricultural trade is widely viewed as the make-or-break issue. The round operates on the basis that “nothing is agreed unless everything is agreed”. It is widely believed that many countries will be willing to go easier in other areas if they get what they want on agriculture.

However, the talks on agriculture are not going well. A basic framework — “modality” in WTO-speak — on agriculture was scheduled to be agreed upon by March 31. But that target wasn’t met. Three months later, not only had the opposing

negotiating positions not been bridged, some of them had hardened.

The most widely reported dispute is between the US and the 17-member Cairns Group of agricultural exporters on the one hand, and the European Union (EU) and Japan, on the other. Australia chairs the Cairns Group, which mainly supports US positions.

The US-Cairns camp is opposed to nominal export subsidies for farm products, and holds the EU as the key culprit. Other forms of subsidies that indirectly enhance exports are rarely scrutinised.

The EU's Common Agricultural Policy provides about US\$60 billion in subsidies to EU agricultural producers, mainly in the form of export subsidies. However, this is only a fraction of the \$300 billion-plus of farm subsidies of different shapes and forms that the rich countries dish out each year to their richest farmers and agribusiness corporations.

The US has managed to massage the Agreement on Agriculture (AoA), the WTO framework which regulates agricultural trade, in such a way that Washington's huge farm subsidies are ruled "WTO-consistent". US farm subsidies act to depress world farm product prices, making imports from the US and EU cheaper than homegrown products in many underdeveloped countries, thus forcing local farmers out of business.

The US government will provide \$180 billion in farm subsidies over the next 10 years under a farm bill introduced by President George Bush in 2002.

Crooked agreement

The US is not the only rich country to benefit from the crooked nature of the AoA. Like the rest of the WTO trade rule regime, AoA builds on the hypothesis that minimal trade restrictions will bring maximum benefits to all countries. It was introduced in January 1, 1995, coinciding with the formation of the WTO, and extended global trade rules for the first time to agricultural products.

The General Agreement on Tariffs and Trade, the WTO's predecessor, started in 1948.

The agricultural rules were structured under three main headings — market access, domestic support and export subsidies. The first was to be expanded, and the other two minimised over time. All tariff and non-tariff barriers to trade were to be converted to a composite total — "aggregate measure of support" and "bounded" at that level, for forced reduction within a defined period (by 36% within six years for developed member countries and by 24% within nine years for underdeveloped member countries). Reduction is exempted for the least developed member countries.

Domestic support is to be reduced by 20% and 13.3% respectively by the developed

and underdeveloped countries. Export subsidies must be slashed by 21% in volume terms and 36% in value terms.

Throughout the agreement, concessions were incorporated nominally for underdeveloped countries, giving the impression that their interests and difficulties were given serious consideration. The reality is quite different.

Some domestic farm supports are exempted from reduction or challenge on the excuse that they are not “trade distorting”. Those supposedly distorting trade only minimally receive “green box” protection and those linked to production control can claim “blue box” exemption, leaving only the output-enhancing measures — labelled “amber box” — targeted for reduction.

Seven years after they were allowed for, these exemptions were found to be a major source of abuse, primarily to the advantage of the richer countries.

In the January 1999 issue of *Third World Insurgence*, Bhagirath Lal Das, the former director of international trade programs in the UN Conference on Trade and Development, said the exempted subsidies “are generally prevalent in developed countries whereas subsidies which are generally prevalent in developing countries, e.g., investment subsidy and input subsidy, covered by Article 6, do not have such dispensation.”

These exemptions were tailored for the rich countries, since countries which didn't have them weren't allowed to have them after the AoA was introduced.

Writing in the July/August 2000 edition of the bulletin of the Federal Reserve Bank of St. Louis, Stanford University's Professor Timothy Josling admitted it is “widely accepted” that the AoA “did little to liberalize trade in agricultural products and improve market access”, adding that “tariffs on agricultural goods are still on average about three times as high as on manufacture goods”.

The ratio of agricultural to industrial tariffs in industrialised countries was, in fact, nearly 10-to-1, indicating the rich countries' greater success in circumventing the WTO's flimsy rules to maintain effective barriers to agricultural imports.

Following a schedule decided during the Uruguay Round, the renegotiation of the AoA started in March 2000. Three drafts have been put forward so far (in December 2002, February and March, respectively). They have essentially the same approach and have all been knocked back by the majority of WTO member-countries. They were all drafted by pro-US WTO bureaucrat Stuart Harbinson and had attracted no complaints from Washington.

The EU's main objection to those drafts was that the US is too aggressive in demanding the EU reduce its farm sector supports while allowing US farm subsidies to hide behind the “WTO-consistent” support categories, such as export credits and

food aid. The EU accuses the US of using “food aid” as a means to indirectly subsidise its agricultural exports.

In a joint statement issued on March 18, EU agricultural commissioner Franz Fischler and EU trade commissioner Pascal Lamy wrote: “We find the [March] draft unbalanced against those developed countries like the EU that have pursued an internal reform path and in favour of those who had increased trade-distorting support.”

The Third World’s concerns are more fundamental. After seven years of implementation of the Uruguay Round agreements, the leaders of the underdeveloped countries have come to realise that many of the benefits that they have been promised within the AoA, and the trade-offs of benefits between the AoA and other areas of the global trade rules, have not been delivered.

Speaking to a February 19-21 NGO meeting in Geneva, Bhagirath Lal Das said the Harbinson [February] draft is “grossly inadequate” because it neither “addresses the basic problems in the trade in agriculture”, nor does it “take into account the basic problems of the developing countries in this area”.

Uneven ‘playing field’

Lal Das said the main problems were that “the playing field in the international trade in agriculture is highly uneven and distorted” and the underdeveloped countries suffered “additional handicaps” due to “their weak economies and heavy dependence of their populations on agriculture”. He said the AoA in fact enhanced those distortions and handicaps.

On June 10, a group of 27 poor countries put forward a position paper on the Doha Round, calling for a refocus on the promised “developmental dimension” of the whole Doha package, the need for “overall delicate balance” and the importance of all member-countries participating in the WTO’s decision-making processes. The WTO is infamous for marginalising the input of Third World countries.

The statement said agriculture is of central importance but cannot be taken as a “self-contained” issue. China, Brazil, Cuba, Venezuela, India, Malaysia, Mexico, Argentina and South Africa are signatories to the statement.

In the Sharm el-Sheikh mini-ministerial, Singapore led the call for a brand new draft on agriculture, supported by Japan, South Korea and Switzerland.

The rich countries’ bid to skew the AoA rules to their advantage comes as no surprise. To maintain their domination of world farm product trade, the US and EU seek to maintain and increase the underdeveloped countries’ dependence upon food imports by driving local farmers out of business. ■

Services Rules Expansion Threatens National Sovereignty

By Eva Cheng

Of the myriad of global trade rules being negotiated under the auspices of the World Trade Organisation (WTO), the General Agreement on Trade in Services (GATS) is among the least understood. However, it is also among the most dangerous, undermining not only the economic interests of Third World nations but also their national sovereignty.

Asserting the economic domination of First World corporations over the underdeveloped countries, the General Agreement on Tariffs and Trade (GATT) — the WTO's predecessor — had for the first four decades of its existence focused on obtaining bigger foreign markets only for physical goods.

However, the governments of the developed capitalist countries — particularly those of the US, the European Union and Japan — wanted more from the “Uruguay Round” of global trade talks which started in 1986. Eight years later, during the final push to seal the vast trade rules package, they succeeded in bringing “trade in services” into the global trade rule regime. The result was GATS.

Since the new global round of trade talks was launched in Doha, Qatar, in November 2001, the major First World governments have sought to re-negotiate GATS as part of a broad package of trade rules covering agricultural produce, industrial goods, “intellectual property” rights and investment measures.

The state of the negotiations will be reviewed at the WTO ministerial meeting in Cancun, Mexico, over September 10-14.

Sweeping coverage

The rich countries' attempt to expand the Uruguay Round agenda, including its extension into “services”, was stubbornly resisted by the poor countries. But the whole

package was eventually adopted on the understanding that the developed countries, in return, were going to open more of their markets to exports vital to the underdeveloped countries, such as textiles and agricultural goods.

Eight years later, most Third World governments have realised that the developed countries weren't serious about delivering the substance of the 1994 compromise. On GATS, they realised it was full of traps and many of its safeguards were illusionary.

Meanwhile, a growing number of people in the rich countries also came to appreciate the danger of GATS in undermining the democratic rights and social gains of working people in all WTO member-countries.

A striking feature of GATS is its coverage. It claims to cover any exchanges of nonphysical goods, ranging from personal services of all sorts, and entertainment and cultural activities, as well as the wide range of commercial activities associated the circulation of physical goods, such as transport, communications, banking and insurance.

It seeks to commercialise essential social service and basic utilities, including the provision of education and medical care, as well as postal services, water and energy supplies, toxic waste disposal and environment management.

The agreement hasn't spelled out where the "services" boundary ends. Its long reach was further enhanced by a generous definition of the "modes of delivery". This include a service supplier's overseas "commercial presence", thus giving GATS jurisdiction over direct foreign investment.

Critics rightly pointed out that GATS is a backdoor way to revive the Multilateral Agreement on Investment which was ditched after a major international public campaign in 1998. The MAI sought to free foreign investors from any government controls, whether in services sectors or not.

Like the rest of the WTO trade rule regime, GATS shrouded its real agenda under an array of deceptive safeguards. It comprises two key sections: 17 areas of "general obligations and disciplines", which are unconditionally applied to all services sectors (unless exempted), and two main areas of "specific commitments", the exact shape of which is at member-countries' discretion, allowing for exclusions.

While this might sound fair, when GATS was sealed in 1994, as part of the extensive Uruguay Round, not many Third World governments were fully aware that the option under GATS to specify the limits and exclusions in their specific commitments was an one-off opportunity. Many have missed the boat.

No changes could be made to those commitments within three years of implementation and changes would only be permitted after "acceptable" compensation was made to all other WTO members.

Considering the vast scope and complexity of GATS and under intense pressure from their rich country trading partners to open up their markets, many underdeveloped countries were coerced into making “specific commitments” detrimental to their interests.

Even for exemptions already granted, they will be subjected to renegotiation on a regular basis and some automatically expire after a limited period. The “most-favoured-nation” (MFN) provision, for example, is subject to renegotiations after five years and will expire altogether after 10 years.

Within the sectors where specific commitments had been made, tough obligations must be observed on market access and “national treatment”.

In the name of enhancing “market access”, many quantitative or value prescriptions were banned on the “service suppliers” or their operations. Any governmental interventions, for whatever social considerations, in the areas specified are thereby seriously discouraged because they are easily liable to legal challenge under GATS.

‘None of your business’

However, neither the national parliaments nor the provincial governments of many WTO member-countries, let alone their constituencies, were ever consulted on the powerful reach of GATS. Very few people, in the developed and underdeveloped countries alike, were aware in 1994 that they would be kissing good-bye to a big part of their democratic rights under GATS.

Formally and deceptively, member-governments’ “right to regulate” was assured in GATS’ preamble. But that section of GATS had no legal sanction. In the agreement proper, “services provided in the exercise of government authority” were exempted from GATS obligations. However, the qualifying conditions of what constitute such activities under GATS were so stringent that in practice they would disqualify most public services.

Services which are in any way deemed to be supplied on a “commercial basis” — e.g., when a fee is charged — or are in competition with any other supplier (are, therefore, not supplied 100% by a government agency, will not qualify as government services.

Under the “national treatment” requirement, conditions set for foreign service suppliers mustn’t be less favourable than those applied to domestic suppliers.

Of GATS general obligations, the MFN provision is among the most threatening to the non-commercialised provision of social services. A Canadian Centre for Policy Alternatives study, *A Guide to GATS Debate*, released last year, spells out the danger: “In effect, MFN requires that any regulatory or funding advantage gained by a single

foreign commercial provider must be extended, immediately and unconditionally, to all. MFN rights ... helps to consolidate commercialisation wherever it occurs.”

Another highly problematic GATS general obligation relates to “monopolies and exclusive service suppliers”. To ensure universal access to essential services, government organisations have to become exclusive service suppliers. But such arrangements could be charged under GATS as being unfair to other “service suppliers”, i.e., private corporations.

Another GATS general obligation relates to “domestic regulation”. It requires member countries to ensure that their measures are “not more burdensome than necessary” and must prove that is the case. Similar “necessity tests” are also required under GATS and have been interpreted in ways that undermined legitimate public interests.

A *Guide to GATS Debate* says: “Such restrictions [on domestic regulation of corporate activities], if ever agreed to, would be an extraordinary intrusion into democratic policy-making on a broad range of important regulatory matters that are only obliquely related to trade.”

In fact, restrictions on government regulation of corporate activities permeates the entire GATS agreement. The US and the EU had already demanded under GATS that certain countries open up their essential services, such as water provision and education to corporate competition. GATS’ “built-in” agenda to force member-countries to “renegotiate” every few years with the goal to achieve escalating “liberalisation” (read: privatisation) will turn more essential services into sources of corporate profit-making.

[To find out more about the global anti-GATS campaign, visit <<http://www.gatswatch.org>>.]■

US Blocks AIDS Medicines for the Poor

By Eva Cheng

To get Third World countries to agree to a new round of global talks on trade rules, in November 2001, at the Doha ministerial summit, US President George Bush's administration supported a declaration that reaffirmed the right of poor-country governments to suspend patent laws so that cheap, life-saving medicines can be manufactured or imported in public health emergencies.

Since then, the Bush regime and the big US pharmaceutical corporations have manoeuvred to undermine that commitment. Washington's moves threaten to aggravate the Third World's already mammoth health crisis.

Most poor people in the Third World cannot afford medicines, which are priced beyond their reach so that the big drug companies can maintain their super-profits. According to the US *Fortune* magazine, the pharmaceutical industry has been the most profitable in the world for the past 11 years.

The huge profits of the drug industry are only possible because a patent on a new drug gives a corporation a 20-year monopoly on its production and marketing. Drug companies claim that these super profits are justified in order to recoup the money they spend on research and development, and as an incentive to develop new drugs. This is untrue.

Western governments generously subsidise drug industry research and allow companies to market discoveries made in government and university laboratories. The lion's share of new drug development costs are in preclinical research, and much of that is performed by universities and government-funded facilities, not the drug companies.

According to the aid agency Oxfam, each year 14 million people die from infectious diseases, such as tuberculosis, malaria and lower respiratory infections, mostly in the Third World. In 2002, 3.1 million people died from AIDS, in many cases because they couldn't afford treatment.

Yet, just over 1% of the 1393 new medicines approved by the multinational drug companies between 1975 and 1999 were designed to treat these diseases. Only a tiny proportion of the industry's massive annual research budget (the eight largest drug corporations spent US\$19 billion on R&D in 2002) is devoted to combating diseases in the Third World that afflict more than half a billion people.

While people's movements and governments in the Third World have scored some successes in recent years in their struggle for increased access to cheaper drugs, Washington and the big drug producers won't lie down.

The battle is expected to continue during the fifth ministerial summit of the World Trade Organisation (WTO) in Cancun, Mexico, September 10-14, when all elements of the ongoing negotiations on new global trade rules will be reviewed. This includes the Trade-Related Aspects of Intellectual Property Rights agreement (TRIPS), the WTO rule that governs patents.

The WTO wants to complete all negotiations by December 2004. However, given the serious lack of progress in the negotiations, it can be expected that Washington and the big drug corporations will continue to push their profit-gouging agenda at the Cancun gathering.

Long battle

The TRIPS agreement offers blatant protectionism for the pharmaceutical industry, whose operating profit rate is more than 20% per annum. Drug companies, and especially the powerful Pharmaceutical Research and Manufacturers of America (PhRMA), were closely involved in drafting the agreement, which was signed in 1994.

TRIPS creates a global patent regime, replacing the patchwork of many different sets of national rules. Developing countries have until 2005, and least-developed countries until 2016, to enforce the uniform system, which includes 20-year protection for new drug patents, with no exceptions. Failure to enforce patents can lead to trade sanctions against a country.

The gains for the Western-dominated pharmaceutical companies are obvious: they hold 90% of all patents on pharmaceuticals and companies can charge what they like during the life of their monopoly on production and marketing. Patented antiretroviral drugs, used to keep HIV from developing into full-blown AIDS, typically cost between three and 15 times their generic (as cheaper, non-brand-name versions

are called) equivalents.

The new global patent regime is clearly directed against those Third World countries, like India, Brazil and Egypt, which have managed to build up pharmaceutical industries of their own, using patent regimes which don't favour Western companies.

By enforcing patents on everything from industrial processes to biotechnological processes, including those applied to agricultural products and life processes, the advanced capitalist countries are trying to prevent Third World countries from having easy or rapid access to existing inventions.

While Third World countries do not have to legislate to enforce patents for pharmaceuticals until 2005, many governments have been arm-twisted into doing so by their strong First World trading partners.

While the Doha WTO ministerial meeting reaffirmed that Third World governments could activate the TRIPS provisions to suspend drug patents when public health is endangered, the US and the drug barons have sought to undermine them by insisting on "alternative interpretations".

Under article 31 of TRIPS, for example, member-countries have the right to engage in "compulsory licensing", which allows domestic manufacturers to produce much cheaper generic versions of patented drugs.

In response to the AIDS crisis, Brazil produced its own generic anti-AIDS medicines in 1996. This enabled Brazil to provide the country's AIDS victims with free treatment, cutting the country's AIDS mortality by half and slashing the hospitalisation rate by 80%.

In response, Washington put Brazil on the "watch list" under the US trade law's infamous "special 301" clause, which threatens trade sanctions. The US also launched a formal action against Brazil in the WTO to stop Brazil's production of generic drugs.

When South Africa passed a law in 1997 enabling the production of generic drugs to deal with its AIDS crisis, US President Bill Clinton's administration in 1998 suspended the country from additional benefits under a preferential trade scheme. In 1999, Washington also put South Africa on the "special 301" watch list. In 2000, the US offered cheap trade credits to South Africa on condition that it does not produce generic anti-AIDS drugs. Soon after, 39 pharmaceutical transnational companies unsuccessfully sued South Africa in a bid to stop it from producing or importing generic drugs.

These outrageous actions unleashed a major international defence campaign, which contributed to the drug companies dropping their case against South Africa in April 2001 and Washington withdrawing its WTO case against Brazil.

Boosted by the victories, African countries, and at least 17 other Third World

countries (including Brazil, India, Cuba, Venezuela and Indonesia), led a campaign within the WTO to reaffirm the TRIPS provision that recognises the priority of public health over patents. This resulted in the Doha Declaration on Public Health, issued by the WTO's fourth ministerial summit in Doha, in November 2001.

The Doha Declaration stated: "The TRIPS agreement does not and should not prevent members from taking measures to protect public health. Accordingly, while reiterating our commitment to the TRIPS agreement, we affirm that the agreement can and should be interpreted and implemented in a manner supportive of WTO members' right to protect public health and, in particular, to promote medicines for all."

The declaration was a setback to the big drug corporations and the US government. However, it did serve as a "sweetener" by the First World to win enough Third World support for the next round of global trade talks. The launching of these negotiations had been delayed by two years following the revolt in Seattle in 1999.

New US offensive

As many Third World countries don't have the capability to produce essential generic drugs, paragraph 6 of the Doha Declaration instructed the TRIPS Council to find a solution to this problem by the end of 2002. At issue was whether member-countries have the right to import generic drugs. As the few Third World drug manufacturing countries charge much less than those produced by the big corporations based in the US and Europe, uninhibited importation of generic drugs would hurt the drug barons' profits.

Liaising closely with US drug firms, Washington immediately focused its fire on paragraph 6. In a May 2003 analysis, entitled "Reneging on Doha", *Medicins Sans Frontieres* (Doctors Without Borders) explained: "Originally, the US argued that [production and importation of generic drugs] should be restricted to a handful of infectious diseases — AIDS, TB, malaria and 'other epidemics of comparable gravity and scale', later extending this to a shortlist of AIDS, TB, malaria, plus an additional 19 infectious diseases."

In December 2002, negotiations on paragraph 6 broke down when, despite all other WTO members agreeing to a common solution, the lone objection of the US stalled the whole process. The US insisted that there be a precise list of diseases for which generic drug production is permitted.

The recent SARS epidemic exposed just how Washington's position is fundamentally hostile to the interests of public health; obviously SARS was not on the list and there was no provision for hitherto unknown epidemics.

Most revealing, the MSF article pointed out, was that Washington's proposed list of diseases included "mostly diseases for which patents are not a barrier (because there is no treatment, or no patented treatment)". In other words, "this 'compulsory licensing' list includes mostly commercially irrelevant diseases, and excludes many commercially important diseases for which treatments could require a compulsory licence".

In January, the European Union proposed a compromise that was little different from the original US proposal. The MSF article explained that the EU and US proposals will create a two-tier system in which countries without drug-production capacity not only have to meet more onerous conditions but also "lose the right to determine what constitutes a public health need in their own territories".

At the World Health Assembly in May, the US again pushed its antihealth agenda. But its proposal received virtually no support from the WHA's other 191 members. According to Partners In Health's Sanjay Basu, in a May 29 article "Patents and pharmaceutical access", the US refused to support a counterproposal by Brazil — cosponsored by Bolivia, Ecuador, Indonesia, Peru, Venezuela and South Africa — which reaffirmed the main aspects of the Doha Declaration.

Unable to defeat Brazil's motion, Washington refused to support it until all mention of the Doha Declaration, bilateral and multilateral trade agreements, and language of the "public good" were removed.

Washington didn't want multilateral trade agreements mentioned in the resolution because it might enhance the WHA's role in shaping WTO rules. Washington has increasingly used bilateral trade agreements to impose harsh trade rules on trading partners when the WTO rules fall short of delivering what the US wants. Though watered down, Brazil's proposal was adopted by the WHA.

[*Postscript.* On August 30, the US struck a deal with some key WTO member-countries, supposedly allowing poor countries to import generic drugs to address public health emergencies. However, Oxfam and MSF immediately criticised the deal as cosmetic, pointing out that it imposes so many restrictions as to seriously undermine the purported protection.]■

EU-US Trade War Heating Up

By Eva Cheng

Bilateral trade conflicts between the world's two biggest economic blocs — the US and the European Union — are escalating, threatening to undermine their collective ability to screw the Third World, especially within the framework of the ongoing Doha Round of global trade talks under the auspices of the World Trade Organisation (WTO).

Various sections of the capitalist ruling classes of the US and the EU are seeking to sort out their differences before the September 10-14 WTO ministerial summit in Cancun, Mexico. They aim to ensure that their agenda, rather than that of the Third World, will prevail.

But to achieve this won't be easy, because the room to manoeuvre for both blocs is being seriously squeezed by the continuing stagnation of the world capitalist economy.

On the US side, even though its 2001 recession was officially declared to have ended in November 2001, employment has continued to contract, with more than 1 million jobs lost since then.

Despite US GDP growing 1.4% and 2.4% respectively in the first two quarters of this year, following a 2.4% increase in 2002, 85,000 jobs were lost in July bringing the job losses since early 2001 to 3.3 million.

Though a much smaller portion of US output is exported than is the case with its major capitalist competitors, external trade is not insignificant to the US. The US continues to import more goods than it exports to all major regions of the world.

The US current account deficit rose from US\$393.7 billion in 2001 — roughly the size of the Australian economy — to \$480.8 billion in 2002. It rose a further \$136.1 billion in the first quarter of this year alone.

The 15-member EU is similarly in trouble. Its combined GDP growth rate fell

from 3.5% in 2000 to 1.6% in 2001 and 1% last year. Indicative of worse to come, the biggest economy in the EU, Germany, reported a GDP growth of 2.9%, 0.6% and 0.2% respectively in those three years. Four million Germans are now unemployed.

Both the US and the EU are anxious to export more to boost their economies. Whether they can pierce open each other's markets further is also important because they are one another's biggest trade partners. In 2002, the goods, services and foreign investment flow between them totalled more than \$1.1 trillion.

Commenting on the rising trade contradictions between the EU and the US, EU trade commissioner Pascal Lamy said as early as November 20, 2000, that the problems "seem to get worse". Speaking on the same subject, Richard Morningstar, then US ambassador to the EU, said on January 23, 2001, that EU-US trade disputes "are growing in both number and severity" and their inability to resolve them "is beginning to overshadow the rest of [their] relationship".

Then on April 28 this year, the US undersecretary of commerce for international trade, Grant Aldonas, warned that while the world is no longer operating "strictly on the US-European axis" and organisations such as the WTO have been created to perform some of those functions, "those organisations can't function" if the US and Europe can't agree.

EU-US trade conflicts began to escalate following the 1997-98 economic crisis in Asia, Latin America and Russia. Still hyping the "new economy" myth, Washington claimed the US would not be hit by the crisis.

However, not long after the crisis started, the US steel industry launched a series of "antidumping and countervailing duty" legal actions against EU steel exporters. This culminated in US President George Bush's March 20, 2002, decision to impose punitive tariffs of up to 30% on \$8 billion worth of steel imports for three years. Those tariffs made a mockery of Washington's rhetoric on "free trade".

Spearheaded by the EU, eight steel-exporting countries (including Japan, South Korea, China and Brazil) swiftly filed a formal challenge with the WTO against Bush's tariff hike. They pointed out while the US included the steel imports from Mexico and Canada in the calculation of alleged foreign "dumping" (selling below cost) in the US market, both countries (along with Israel and Jordan) had been exempted from the associated punishment.

A WTO panel ruled in favour of the eight complainants on July 11 this year, which allows them to retaliate if the US doesn't lift its steel tariff within a designated time frame. The US has appealed to the WTO and a final judgement is expected later this year.

Apparently in response to aggressive US trade tactics, in November 1997, the EU

found fault with a 14-year-old US practice in subsidising its exporters through partial tax exemption under a “foreign sales corporation” (FSC) provision. The EU challenged that practice and won a WTO judgement in its favour in October 1999.

The US was given a year to comply and at the end of that period, it replaced the FSC with an “extraterritorial income” (ETI) regime. The EU immediately launched a complaint against the ETI, calling it a repackaged FSC, and won a positive WTO ruling on May 7. This enables the EU to immediately impose \$4 billion worth of punitive duties on US exports to the EU. To date, the EU hasn’t done so.

In 1999, Washington exercised its right to impose a punitive tariff on \$308 million worth of EU exports in retaliation for the EU’s refusal to stop preferencing banana imports from some of its former colonies or to lift a 1989 ban on the import of hormone-treated beef. Hormone treatment is common in US beef production.

Washington insisted on retaliating rather than accepting EU compensation for its beef importing policies.

The WTO ruled against the EU in both cases but the EU refused to comply — citing health concerns in the wake of the mad cow and the foot-and-mouth epidemics.

Since 1999, the EU has also imposed a *de facto* ban on new approvals of genetically modified (GM) food products. This has significantly reduced US agricultural exports to the EU since most of them are genetically modified products.

The EU is also seeking to require all products with GM ingredients to be declared and labelled. In response, in a May 21 public speech, Bush held the EU responsible for worsening African hunger due to its GM food policy. On June 19, Washington formally launched a WTO dispute against the EU on the issue.

Despite having long attacked the EU for its export subsidies for farm products, the US last year announced a massive new farm subsidy scheme to benefit its own agribusinesses on the pretext that the measures weren’t trade distorting.

The long-running dispute between the US and the EU over the latter’s subsidy for aircraft manufacture has heated up again since 2000 when Airbus, the EU’s prime civil aircraft manufacturer, announced a plan to build a new jumbo jet.

Washington contended that the EU was subsidising Airbus under various disguises in contradiction with WTO rules. The EU replied by calling attention to Washington’s subsidies to the major US manufacturer of civil passenger aircraft, Boeing, through the contracts granted by the Pentagon to Boeing’s military aircraft and space technology division.

What underlies this conflict is the massive levels of underutilisation of manufacturing capacity in the US and EU. US manufacturers are now using only 73.5% of capacity, comparing to an average of 80.9% between 1967 and 2001. Their European competitors

are facing a similar problem. Hence, their growing bilateral battle for increased foreign market outlets, and attempts to protect their domestic markets from both each other's and the industrialised Third World's exports. ■

Australia-US FTA: Sick & Poor Will Lose Out

By Alison Dellit

Playing “Deputy Dawg” to US President George Bush has its rewards, and the big bone that Prime Minister John Howard anticipates being tossed as a reward for sending Australian troops to Bush’s war in Iraq is a free trade agreement (FTA) with the United States. Like all of Howard’s enthusiasms, however, this is a gift for big business — not for the rest of us.

Howard has wanted an FTA with the US for years, believing it will strengthen Australia’s export industries. Australian agribusinesses and manufacturers want to be able to sell more to the US market.

Both the US and Australia put tariffs (customs duties) on imported items in order to make them more expensive, and therefore less attractive alongside locally made products. The US government also enforces quotas to restrict the import of Australian sugar, beef, cotton, peanuts and dairy products.

In theory, the FTA will ease these restrictions, allowing Australian-based corporations to export more of their products to the US. How much Australian business gains from the agreement, however, will only become clear when the US specifies how fast such barriers will be removed.

Washington’s willingness to negotiate an FTA with Canberra is widely seen as a coup for the Coalition parties. While Australian exports are a relatively negligible concern for most US corporations, US agribusiness is trenchantly opposed to competition from Australian sugar and beef exports to the US.

Washington is fast tracking the negotiations, declaring that they will be completed by the end of this year. The first round of negotiations was held in Hawaii on July 21-

25.

A “Friends of Australia” caucus was formed in the US Congress on July 17 to lobby support for the agreement. Forty-one members of Congress have joined. At a press conference at the launch of the caucus, congresswoman Jennifer Dunn explained in oblique terms the reason for the push: “I think we noticed, in a very important way, the people who were there to help after 9/11. I think it will count for something.”

Washington wants it to be clear that the Australian ruling elite is being rewarded for supporting the US war in Iraq. Australia is held up by Washington as an example of what other countries can gain from cosying up to the US rulers’ neo-imperial ambitions.

But the FTA will not be a gift — in order for Howard to get his corporate mates easier US sales, he will have to give US corporations some goodies. The US market is much more protected than the Australian market, meaning Canberra has less tariff reduction to offer in exchange for US tariff reductions.

What Washington wants instead is changes to legislation that reduce the profits that US corporations can make in Australia. So to get concessions for Australian big business, Howard intends to destroy services that benefit Australian workers.

Although the details of the negotiations are secret, Washington’s objectives were set out in a November 13 letter from US Trade Representative Robert Zoellick to Congress.

Threat to PBS

The biggest attack the US is planning is upon Australia’s Pharmaceutical Benefits Scheme. The PBS is a cornerstone of Australia’s public health system. Under the scheme, all Medicare card holders are entitled to subsidised prescription medicines.

The government pays the difference between what the drug companies charge and what consumers are charged. The scheme works because the government maintains a monopoly on prescription drug purchases, and employs a cost-effectiveness measure to determine what is a fair price.

Under reference pricing, drugs with similar benefits are clumped together, and the government will reimburse the patient for the cost of the cheapest drug. Patients who want a more expensive alternative must pay the difference themselves.

In practice, this means most Australians use generic drugs instead of newer, patented versions. This is infuriating US pharmaceutical companies.

“The PBS, which has operated for over 50 years, has created a climate in which free medicine is seen as the norm ... Consumers are unwilling to pay more than a A\$2 premium for any medicine (in addition to any copayment)”, complained the peak US

drug body Pharmaceutical Research and Manufacturers of America (PhRMA) in a 1999 National Trade Estimate submission. “This is effectively denying market access to US companies”, it added.

PhRMA has already told Washington that it will only support the FTA if the PBS is weakened.

The results of such weakening could be devastating for working people in Australia. A study commissioned by the Australia Institute, and published in the August 3 Sydney *Sunday Telegraph*, compared the wholesale prices of drugs produced in Australia with those in the US to estimate probable cost rises from the abolition of reference pricing. It found, for example, that arthritis drugs would treble in cost and ventolin asthma drug would rise from \$11.47 to \$42.90.

A spokesperson for trade minister Mark Vaile told the *Telegraph* that the “government was committed to the scheme”. The question, however, is — in what form?

The Howard government is no fan of the PBS, and has been discussing ways to dismantle it for the last two years. While it is probably politically too dangerous for the government to scrap the PBS completely or to treble prices right now, it is extremely likely that the government will use the threat to the scheme to justify upping copayments or reducing the impact of reference pricing.

It is highly unlikely that Australian drug prices will remain the same after an FTA.

What US wants

But the PBS is not all that Washington wants. The list includes:

- Cuts to Australian quarantine regulations. Australia, a sea-bound continent with a fragile ecology, has unusually strict quarantine restrictions, including a 30-day ageing requirement for US beef. Pork, citrus and animal feed are also heavily restricted. In the letter, Zoellick says the US wants to “eliminate unjustified” regulations.

Chief Australian negotiator Stephen Deady has already signalled that the quarantine regulations are up for discussion.
- Elimination of the requirement to identify genetically modified food. US food producers are keen to be able to increase their GM components in food, but most Australians are deeply suspicious of GM food and will avoid it if possible. Canberra has already tried to reduce labelling requirements; the FTA may give it the excuse to do so with minimal public backlash.
- Removal of government monopolies on water, gas and electricity supply, and postal services. Further privatisation of these essentials will result in less reliability

and less subsidised prices, making life much harder for the poor.

- Getting more US entertainment industry products into Australia. There are three main ways that the government ensures that entertainment is created in Australia — local content rules, which ensure that television and radio, must have a certain proportion of Australian-made content; subsidies to the arts (particularly the film industry); and public broadcasting.

Washington could demand the abolition of local content rules and government subsidies, and even more cuts to public media. This would almost certainly result in a dramatic reduction in Australian-produced entertainment, irrespective of ratings.

For example, because US television recoups its production costs in the much bigger US market, programs like *Law and Order* are sold to the Australian TV networks at around \$30,000 an episode. In contrast, Australian drama series like *Stingers* will cost \$300,000 an episode to make. Given the choice, the Australian networks would find it more profitable to buy only the cheaper US dramas.

It is unlikely, however, that Washington will demand the dismantling of current regulations. Of much greater concern to the US entertainment companies is to avoid new regulations to govern expanding forms of media (in particular pay TV, which at present has no local content rules) and programs that could be distributed via the internet, which are widely anticipated to be extremely popular in the next few decades.

- Telecommunications deregulation. Washington wants the US telecommunications giants to be able to have cheaper access to Telstra's copper network. As the still mostly government-owned Telstra owns most of the telecommunications infrastructure in Australia, other telcos pay to get access to it in order to deliver phone and internet services. Most of these companies want cheaper access, despite the increasingly decayed state of the network and the fact that Telstra is responsible for maintaining it. Cheaper prices amount to a public subsidy of Telstra's fully privately owned competitors.
- Clampdown on digital "piracy". This would make censorship of internet sites much more common. Washington wants regulations introduced that mean an internet service provider can be fined for unknowingly acting as conduits for copyright material.

The FTA is being enthusiastically welcomed by the sections of Australian business with the most to gain, particularly sugar and peanut farmers. But many other sections are waiting to see what the deal delivers before passing judgement. The National Farmers Federation, for example, has a position of supporting an

FTA “only if it has agriculture at its centre”. Toyota has threatened to close its Australian factories if the deal contains too many concessions to US automobile manufacturers. Even the film and television industry has claimed it would support an FTA which exempts its industry.

Behind the ambivalence of some Australian capitalists is also an intra-corporate debate about whether Canberra should be pursuing closer trade with Asia rather than the US. Prominent neoconservative economist Professor Ross Garnaut has been campaigning against the Australia-US FTA on the grounds that it will lead to a reduction in Australian trade with Asia, because US imports will be privileged in relation to Asian imports.

Garnaut cites the results of the second study that the government-funded Rural Industries Research and Development Corporation commissioned in December from ACIL Consulting on the FTA. The study estimated that Australian GDP would fall as a result of an FTA, because of loss of non-US trade. This contradicts the governments study, prepared by CIE, predicting a rise in GDP.

CIE’s predictions were based on the assumption that the FTA would reduce costs by introducing more US competition into banking and accountancy — gains most likely made by pushing down wages and sacking staff.

Whichever Australian capitalists win or lose out of this debate, however, working people will be worse off. We can look forward to more expensive health care, less safe food, less arts funding, worse basic services and more censorship. ■

Howard's Pacific Colonialism: Who Benefits?

By Iggy Kim

Buoyed by its success in getting all 16 member-states in the Pacific Islands Forum (PIF) to support its colonial-style intervention into the Solomon Islands, Canberra is now pushing for the various “arms of government” among Pacific island states to be “pooled” under Australian supervision.

Australia leads a 2225-strong military-police intervention into the Solomon Islands that aims to “rehabilitate” that country’s governmental institutions to make them able to efficiently serve foreign — predominantly Australian — business interests.

Within a week of the beginning of the Solomons intervention, Australian Prime Minister John Howard began talking up a plan to strengthen Australian domination over the PIF’s small island states.

Answering a question at a July 22 press conference, Howard stated: “Many of these countries are too small to be viable... and we really have to develop an approach that I could loosely call ... pooled regional governance ... [I]t’s just not possible if you’ve got an island state of fewer than 100,000 people to expect to have all of the sophisticated arms of government.”

On the eve of the August 14-16 PIF annual summit in Auckland, the Australian Senate’s foreign affairs committee has proposed that Canberra should set up a “Pacific Economic and Political Community” similar to the old European Economic Community free trade zone, but with the Australian dollar as common currency. Under the proposal, which is supported by both Coalition and Labor Party members of the committee, the local currencies of most of the other PIF countries would be replaced by the Australian dollar.

While the Howard government has not endorsed this proposal, it is moving toward forcing the Pacific island states in the PIF to accept greater levels of Australian government control over their economic policies. In his July 22 interview, Howard hinted at the pressure that Canberra will use to get the PIF's endorsement for this, declaring that it should be regarded favourably by them, "particularly as we are being asked to be heavily involved in [the Solomons] cooperative intervention, particularly because we provide a lot of aid".

At the summit itself, Howard will propose a Pacific-wide policing structure, with training to be provided by Australia, and the pooling of airline resources.

Canberra's overall goal of bringing the PIF member-states more directly under Australian political control can be glimpsed in another measure Howard will be pushing at the summit — to get an Australian official elected to the position of secretary-general of the PIF.

When Howard first suggested former diplomat and personal friend Greg Urwin for the job last year, he ruffled a lot of feathers in the region. The established convention — once useful for a slightly more veiled domination of the body by Australia — has been for the secretary-general to be from a Pacific island nation.

Securing the PIF secretary-general's position would put Canberra in a stronger position to step up its intervention into the internal affairs of Pacific island states.

Sections of the Australian foreign policy elite have been trying to push for a more interventionist Pacific policy for some time, especially since the police-backed coup in the Solomons in 2000, which forced the government of prime minister Bartholomew Ulufa'alu to resign. Ulufa'alu's government had begun to implement a Canberra-backed program of public sector job cuts and privatisation. At that time, Howard turned down Ulufa'alu's request for an Australian military intervention.

Nevertheless, the crisis got Canberra very worried. Weighed down by years of "free market" restructuring (largely pushed by Australia and New Zealand), more and more Pacific island states have been hobbling closer toward a breakdown of political stability — a crisis of "governance" the region's neocolonial elites can no longer contain, such as occurred in the Solomons in 2000. The dilemma for Canberra is how to restore business-friendly, stable governments without fully fledged re-colonisation.

This problem was addressed the defence department-funded Australian Strategic Policy Institute (ASPI) in its policy paper on the Solomons, *Our Failing Neighbour*. Written by Elsinia Wainwright, director of the ASPI's Strategy and International Program, a few weeks before the Howard government decided on the intervention, the document posed the question: "Is there a middle option between our present detachment and an attempt to reassert colonial rule?" Its answer was that the national

sovereignty of poor Pacific states is no longer an absolute, as “the security challenges presented by failed states have forced international policymakers to overcome many post-colonial hangups”.

The key to offsetting any accusations of re-colonisation, according to Wainwright, is “broad-based international or regional support for any intervention, and if at all possible ... the consent of the affected state”.

In its “Strategic Assessment” for 2002, called *Beyond Bali*, the ASPI goes further: “For many decades we sought to protect Australia’s interests by supporting colonial rule in one form or another ... Australian policy since decolonisation has consistently stressed the need to allow these countries to manage their own problems ... *It seems that as far as our Melanesian relationships are concerned, this approach will no longer work.*” (Emphasis added.)

The ASPI’s recommendations in *Our Failing Neighbour* have been the blueprint for the whole Solomons intervention. Earlier, its very specific recommendations on the Iraq war (spelled out in *Beyond Bali*) were also implemented.

Following Howard’s July 22 press conference, the next day’s *Australian Financial Review* ran Howard’s pooled regional governance proposal as its front-page story, calling it a “radical plan”. The July 23 *AFR* editorial declared: “Success in stemming the collapse of the Solomon Islands ... would send a clear message to the neighbourhood about the priorities that parliaments and governments need to observe.

“The other side of the coin, also potentially persuasive, is that if other island countries drift into a Solomons-style danger zone, they risk having their precious sovereignty curtailed. Their rulers need to focus on providing the schools, clinics and transport infrastructure, and the rule of law, that alone will maintain the stable framework in which businesses will invest.”

This was backed up by Wainwright, who wrote in an op-ed article in the same edition that “small derogations of sovereignty might make all the difference and that while sovereignty remains the bedrock of the international system, there is a growing acknowledgement around the world that it is not absolute”.

The idea of “pooled regional governance” is merely the logical extension of Canberra’s willingness to subordinate Pacific island nations’ sovereignty to Australia’s imperial interests.

A union of south-west Pacific countries would remove the diplomatic protocols currently obstructing rapid Australian military intervention. The PIF’s Biketawa Declaration, signed in October 2000, set out elaborate procedures for PIF members to intervene in each other’s affairs “in time of crisis”. However, Canberra now wants to turn the south-west Pacific into a single zone of rapid-response intervention.

'Free trade' integration

Moreover, "pooled regional governance" seeks to further push the PIF towards "free trade" integration, a process that has been underway since 1998. That year, Robert Scollay of Auckland University produced a report recommending a Pacific free trade agreement. In 1999, PIF leaders mandated the PIF secretariat to draft such an agreement.

In 2001, the PIF endorsed the Pacific Islands Countries Trade Agreement (PICTA) and the Pacific Agreement on Closer Economic Relations (PACER). The two agreements are linked. First, in the words of PACER, they "are intended to provide stepping stones to allow the Forum Island Countries [FIC, the under-developed PIF countries] to gradually become part of a single regional market and integrate into the international economy" — a trading regime governed by the World Trade Organisation. This is specifically the role of PICTA, which aims to progressively create a free trade area among the underdeveloped PIF countries by 2012. PICTA came into force on April 13.

Second, the agreements ensure that this free-market area is under the domination of Australia and New Zealand. This is the specific job of PACER, which came into force last October.

All the FICs are also part of the Brussels-headquartered African, Caribbean and Pacific Group of States (ACP), which serves as an instrument of continued European Union domination of its former and present colonies in those regions. An agreement signed in 2000 between the ACP and the EU began converting trading arrangements that gave preferential treatment to ACP exports to the EU into reciprocal free trade agreements.

PACER was a pre-emptive move against free trade negotiations that began between the EU and the ACP in September 2002. PACER stipulates that where an FIC negotiates a free trade agreement with any developed non-PIF country, then that Pacific island state must also enter into negotiations with Australia and New Zealand "with a view to establishing reciprocal free trade arrangements".

Even if there are no such negotiations with a non-PIF country in the first place, PACER still requires free trade negotiations to commence between the poor PIF countries and Australia and New Zealand within eight years of PICTA coming into force.

Free trade would devastate the Pacific island economies, which already suffer grossly unequal trading relations with Australia and New Zealand.

Australian products currently dominate 37% of Fiji's market. In 2001-02, the Solomons imported \$64 million worth of Australian products — nearly half its total

imports — while exporting only \$2 million of goods to Australia. In 2002-03 Australian exports to Kiribati totalled \$38.1 million, while Australia's imports from Kiribati totalled a mere \$285,000.

Further, with the fall of trade barriers under PICTA, many poor PIF countries have begun to lose their primary source of tax revenue. In response, they are moving to regressive GST-style consumption taxes.

The view being promoted by the corporate media is that Australia is intervening into the Pacific only after having taken a typically benevolent hands-off approach, accompanied by a cornucopia of generous aid. This is a lie that conceals Australia's exploitative role and promotes the racist idea that the Pacific peoples can't govern themselves.

Roots of poverty

The roots of poverty in the region are the double burden of a legacy of long colonial oppression and neocolonial exploitation in which formal independence has disguised the continuation — and often stepping up — of economic domination and dependence.

For example, the Australian-owned Gold Ridge mine in the Solomons, which opened in 1998, doled out a mere 3% of royalty payments to the Solomons, divided between three parties — 1.5% to the central government, 0.3% to the Guadalcanal province, and 1.2% to the indigenous landowners.

As the majority of PIF countries gained formal independence in the 1970s, at the onset of neoliberalism worldwide, they barely had a chance to even try to get on their feet before they were assailed by a hail of free-market structural adjustment programs from both rich country-dominated multinational financial institutions like the International Monetary Fund and World Bank and bilateral pressure from Australia and New Zealand.

In June 2002, the Solomons government asked the IMF-World Bank and “donor” countries for a substantial injection of funds. However, Canberra led the charge in demanding, in return, a further slashing of jobs and government spending. That same month, Honiara ceded control of its finances with the appointment of a New Zealand “public sector and economic reform” consultant, Lloyd Powell, as permanent secretary of finance.

Powell heads a New Zealand company with a history of overseeing neoliberal “reform” in some 20 Third World countries, including the Cook Islands, Vanuatu, Tonga and Kiribati. At his recommendation, Honiara retrenched 1300 public sector workers in November 2002.

Australia's aid to the region has also been self-serving. As the federal government's

Australian Agency for International Development (AusAID) admits: “The objective of the Australian aid program is clear. It is to advance Australia’s national interest ... The Australian private sector plays a significant role in helping to achieve that objective ... the program and its success rely heavily upon Australian expertise to identify, design and implement aid projects.”

According to the Aid/Watch NGO, 70% of aid boomerangs back into a gravy train for Australian consultancy corporations, rather than genuinely assisting self-determination and social-economic development for the majority of Pacific peoples. Indeed, many of the “economic reform and governance” projects in the aid program seek to export Canberra’s domestic neoliberal policies to the public institutions and economies of the Pacific island countries.

In 1999, consultancy firm Hassall Associates won an \$8.5 million five-year contract to “reform” Fiji’s tax and customs departments. Another aid-sucking consultancy, ACIL, received over \$250 million in AusAID funds in 2001-02. ACIL rose to notoriety during the 1998 Australian waterfront dispute when it was revealed that the company had written the secret report advising the Howard government on how to smash the maritime union.

Kerry Packer’s consultancy company, GRM International, won a \$5 million four-year contract to undertake “public sector reform” in Samoa.

Whether it’s government-provided “aid” or World Bank loans, they work hand-in-glove to open up the economies of the south-west Pacific to Australian corporate domination.

And now, with the danger that the local neocolonial elites cannot get away with continuing to administer ever-harsher neoliberal policies, Canberra has opted to bash down the Pacific island states’ borders to enable more direct Australian economic, political and military control over what Howard calls Australia’s “patch” of the Third World. ■

Genetically Modified Food: Bush Promotes a ‘Biological Time-Bomb’

By Eva Cheng

On August 7, the United States government formally demanded that the World Trade Organisation (WTO) set up a dispute settlement panel in order to legally challenge the European Union’s five-year *de facto* ban on the new approval of genetically modified foods. In doing so, US President George Bush’s administration is not only pressuring the EU to accept more GM food exports, it is also seeking to force down the throat of the world’s people a food supply that is of highly dubious safety and has potentially devastating environmental consequences.

Washington is the key force behind the big push for the spread of GM crops. Flimsy scientific research had been conducted to justify this extension, while extensive evidence of the possible grave dangers of GM crops has been ignored.

In the early 1990s, the Council on Competitiveness — headed by then US vice-president Dan Quayle — decided that the promotion of GM crop exports could help reverse the USA’s declining export competitiveness.

From 1.7 million hectares in 1996, when GM crops were first planted on a commercial scale, the global area under GM crop cultivation rocketed to 58.7 million hectares last year. Four countries account for 99% of GM cultivation: the US (66.4%), Argentina (23%), Canada (6%) and China (3.6%).

However, consumer resistance in Europe and other parts of the world is limiting US exports of GM food. For example, the value of US soybean exports — a prime GM crop — to the EU halved from US\$2.1 billion in 1996 to \$1.1 billion in 2000. The EU is the USA’s third-largest market for agricultural products.

Many countries which rely on the EU market for their farm exports refuse to cultivate GM crops. They refuse to risk GM contamination of conventional crops because of the EU's strict refusal to accept the suspect crops. Such contamination is virtually impossible to reverse. Famine-ravaged Zambia's refusal last year to accept US food aid from the US because it was genetically modified was partly driven by that concern.

Announcing Washington's August 7 decision, US Trade Representative Robert Zoellick alleged that the EU's GM ban harmed "farmers and consumers around the world by denying them of the benefits of productive, nutritious and environmentally friendly biotech products". This claim is miles from the truth.

Scientists' and doctors' objections

In 1999, more than 650 scientists from 74 countries issued a public statement, entitled "Open letter from world scientists to all governments", which expresses their grave concern at the hazards of GM food and other GM organisms (GMO). GMOs are a threat to biodiversity, food safety, the health of humans and animals, they stated.

The scientists demanded: an immediate suspension of all environmental releases of GM crops and products, both commercially and in open-field trials, for at least five years; that all patents on living processes, organisms, seeds, cell lines and genes — a core activity of the "GM industry" — be revoked and banned; and a comprehensive public inquiry into the future of agriculture and food security for all.

As the scientists' statement made clear: "GM crops offer no benefits to farmers and consumers. Instead, many problems have been identified, including yield drag, increased herbicide use, erratic performances and poor economic returns to farmers. GM crops also intensify corporate monopoly on food."

According to the scientists, the British government has admitted that the transfer of pollen from GM crops is "unavoidable" and "this has already resulted in herbicide-tolerant weeds".

Seventy-five percent of GM crops are genetically manipulated to be herbicide tolerant (but usually only to brands produced by the same multinational corporations) and to be cultivated with heavy doses of the designated herbicide so that "everything else" is killed but the GM crop. The scientists note that the "broad-spectrum" (sweepingly lethal) herbicides applied to kill weeds in herbicide-resistant GM-crop fields "decimate wild plant species indiscriminately, [and] they are also toxic to animals".

A quarter of all GM crops are genetically engineered to produce insecticidal proteins derived from the genes of bacterium called Bt. But "in response to the continuous presence of the toxins in GM plants ... Bt-resistant insect pests have

evolved”, said the statement. To address the problem, the US Environmental Protection Agency, is “recommending farmers plant up to 40% non-GM crops to create refugia for non-resistant insect pests”.

The scientists continued: “Products resulting from [GMOs] can also be hazardous. For example, a batch of tryptophan produced by GM microorganisms was associated with at least 37 deaths and 1500 serious illnesses”.

The letter spelled out in significant detail more horrifying potential consequences of GMOs and associated “naked DNA” and “antibiotic resistance marker genes” (all an integral part of genetic engineering), and how few safeguards have been taken.

Updated versions of the scientists’ open letter were presented to the WTO ministerial meeting in Seattle in 1999, and in 2000 to the UN Biosafety Protocol Meeting, the UN Commission on Sustainable Development, the UN Convention on Biological Diversity and US Congress.

The British Medical Association (BMA) has also expressed similar concerns. Following a 1999 public call for an “indefinite moratorium” on releases of GMOs, the BMA pressed its case in November 2002 in a submission to the Scottish parliament.

Countering Washington’s repeated assertion that GM food is safe, the BMA stressed in its submission: “There has not yet been a robust and thorough search into the potentially harmful effects of GM foodstuffs on human health ... Although the risk is not yet known, any increase in the number of resistant micro-organisms through the transfer of markers from GM foods would potentially have very serious adverse effects on human health.”

Toeing the US line, the Irish government claimed in an official report in March 2001 that GM food is safe for human consumption. The Irish Doctors’ Environmental Association immediately rejected the claim. IDEA co-chair Dr Elizabeth Cullen pointed out that there had been a recent increase of allergies to soya among Irish children.

In May, many of the scientists who had signed the 1999 open letter formed the Independent Science Panel on GM (ISP) at a London conference and forcefully argued the case against GMOs a month later in a 120-page report, “The Case for a GM-free Sustainable World”.

Biological ‘time bombs’

The report detailed the many “biological time bombs” in the GM process. Genetic engineering involves the artificial recombination of DNA from different sources and inserting them into the genomes of organisms. The report explained that the insertion is conducted by invasive methods “that result in random integration into the genome, giving rise to unpredictable, random effects, including gross abnormalities in both

animals and plants, unexpected toxins and allergens in food crops”.

Such a process involves “horizontal gene transfer”, which can open the way for unintended genetic recombinations, including the creation of super-viruses. For example, according to the January 2001 *New Scientist*, researchers in Australia “accidentally” created a deadly mouse virus while manipulating a harmless virus. The magazine commented: “The genie is out, biotech has just sprung a nasty surprise. Next time, it could be catastrophic.”

Commenting on that Australian “accident”, the ISP report stated: “That, and the current SARS epidemic, remind us that horizontal gene transfer and recombination create new viruses and bacteria that cause diseases, and if genetic engineering does anything, it is to greatly enhance the scope and tendency for horizontal gene transfer and recombination.”

The ISP report warned that a further danger comes from the horizontal transfer of transgenic DNA into soil bacteria and fungi, and from there, to much wider fields: “DNA not only persists in the external environment, both in the soil and in water, it is not broken down sufficiently quickly in the digestive system to prevent transgenic DNA transferring to micro-organisms resident in the gut of animals.”

“Newer techniques, such as DNA shuffling, are allowing geneticists to create in a matter of minutes in the laboratory millions of recombinant viruses that have never existed in billions of years of evolution. Disease-causing viruses and bacteria and their genetic material are the predominant materials and tools for genetic engineering as much as for the intentional creation of bio-weapons”, the report warns.

Making such “accidents” more likely to happen is the shockingly flimsy control over how the “naked/free nucleic acids”, a transgenic waste, are disposed of. Such waste is not produced by genetical engineering alone, but the industrial production of GMOs hugely increase its volume. This waste typically contains a heterogeneous collection of genes from pathogenic bacteria, viruses and other genetic parasites.

A recent report of the British-based Institute of Science in Society warns that the naked/free nucleic acids created by genetic engineering “are potentially the most dangerous xenobiotics to pollute our environment. Unlike chemical pollutants which dilute out and degrade over time, nucleic acids can be taken up by all cell to multiply, mutate and recombine indefinitely.”

Systematic deception

An even more worrying development is the systemic concealment of the dangers of genetic engineering. The ISP report reveals that “there has been a history of misrepresentation and suppression of scientific evidence, especially on horizontal gene

transfer. Key experiments failed to be performed, or were performed badly and then misrepresented.”

The US-based Alliance for Bio-Integrity has launched a lawsuit against the US Food and Drug Administration in order to expose such deceptive activities. The FDA has been forced to divulge more than 44,000 pages of internal files on GM food so far. A July 9 statement by the alliance said the released records reveal that the agency’s own scientists “overwhelmingly concluded that genetic engineering has unique potential to produce unintended and essentially unpredictable new toxins and other harmful substances. They cautioned that a GM food could not be considered safe unless it had undergone rigorous toxicological tests using the whole food.”

Even Wall Street seems to be giving a hand, though inadvertently. An April report by Innovest Strategic Value Advisors stated: “Money flowing from Alliance genetic-engineering companies to politicians, as well as the frequency with which GE company employees take jobs with US regulatory agencies (and vice versa) creates large bias potential and reduces the ability of investors to rely on safety claims made by the US Government. It also helps to clarify why the US Government has not taken a precautionary approach to GE and continues to suppress GE labeling in the face of overwhelming public support for it.”

To address the wide ranging dangers of genetic engineering, 130 national governments agreed in January 2000 on a Cartagena Protocol on Biosafety which allows member countries to bar imports of GM seeds, microbes, crops and animals that deemed to be a threat to their environments. It also requires cross-border shipment of GM crops be labelled. The protocol will go into effect on September 11. Washington hasn’t ratified the protocol. ■

Howard Approves First GM Food Crop in Australia

By Eva Cheng

The last legal barrier for the release of GM food crops in Australia was breached on July 28, when the federal government approved the commercial release of GM canola by Bayer CropScience corporation. The first-ever approval of the commercial release of a GM food crop in Australia was pushed through despite widespread concern among the Australian people about the harmful health and environmental consequences of GM crops.

In early 2000, a Good Business Sense survey in Australia revealed that 71% of those questioned did not want to buy GM foods. In April 2000, an AC Nielson survey found that 68% of those quizzed weren't happy about eating GM food, and 90% supported labelling GM food. In 2001, an Australia National University survey showed that 96% of respondents favoured the labelling of GM food.

In May, Prime Minister John Howard's government joined the US in its formal action at the World Trade Organisation against the European Union's moratorium on GM food crops.

Due to widespread consumer rejection, five of Australia's states and territories have, over the last few months, either introduced or extended moratoriums on outdoor GM food production or release. NSW's moratorium is for three years, Tasmania's will last until 2008, Western Australia's is for five years, Victoria's is for one year and South Australia's is a voluntary agreement for this season.

Queensland's Premier Peter Beattie is strongly in favour of GM food, and Queensland is the only place in Australia where GM food crops can be grown. There have been three GM canola trials in the Lockyer Valley in Queensland. The Northern

Territory government holds “no formal position” on the issue but GM cotton trials are underway near Katherine.

While the chances of the pro-GM food lobby succeeding in Australia are significant, consumer resistance to GM foods may still win out. One heartening indicator came on August 20, when Goodman Fielder, the biggest buyer of canola oil in Australia, announced that it would not be buying produce made from GM canola, a reflection of consumers’ rejection of GM products.

In January, 50,000 tonnes of US corn containing GM varieties arrived in Brisbane for use as chicken feed. GeneEthics Network director Bob Phelps condemned the move as an affront to the 68% of Australians who reject GM foods. ■

Through the instrument of the World Trade Organisation, the United States and the other rich First World countries are attempting to impose their inhuman neoliberal economic regime on the entire world.

The aim is to maximise the market penetration of goods and services from the US and other imperialist countries, irrespective of any impact this may have on the health and livelihood of the people.

It's enforced 'free trade' for the Third World and protectionism and export subsidies for the First World. Washington is pushing countries to accept GM foods produced by US agribusiness. It is trying to force Third World countries to use only expensive life-saving medicines from Western pharmaceutical companies rather than produce or import cheaper equivalents. And health, education, power and water-supply services are all slated for privatisation; in the WTO's gunsights they are seen simply as so many further opportunities for Western big business to make a profit.

And while Australia is only a middle-rank imperialist power, it is firmly part of this criminal profits-before-everything shake-down, especially in the Pacific and South-East Asia.

This collection of articles from *Green Left Weekly* is a primer on the issues for activists and all those opposed to the WTO's 'globalisation at gunpoint'.

Resistance books