

More Nations Revolt From WTO Free Trade

by Anita Gallagher

President George Bush's March 23-24 trip to Peru and El Salvador, where he presented "free-trade" access to U.S. markets as the "magic wand" for Central America's economic problems, must be viewed as a charade—the President had just imposed steel and lumber tariffs—or, as what 2004 Presidential pre-candidate Lyndon LaRouche has described in several recent policy papers as the "free trade/fair trade paradox." President Bush's tariff moves, more powerful than his "free trade" words, are opening wide cracks in the World Trade Organization (WTO) regime.

Bush promoted the NAFTA-like, and now unlikely, Andean Trade Preference Act. Later, he lectured Peru's President Alejandro Toledo, "Development aid pales in comparison to the amount of capital that's generated through trade in the marketplace." But American imports from Central and South America have already crashed in economic depression. Back home, Gov. Mike Easley of North Carolina, together with U.S. textile industry and union spokesmen, were rallying for the same kind of protection the steel industry had just won; textile bankruptcies and job losses parallel those in steel.

U.S. Trade Representative Robert Zoellick, defending "fair trade" in steel, was deployed to Brazil to push ahead with a scheme for a "Free Trade Area of the Americas" (FTAA), which Brazil was supposed to co-chair with the United States, but now has pulled back from. Zoellick spoke to a March 13 Chamber of Commerce meeting in São Paulo, and asserted that the steel tariff had been caused by "other governments" that refused to deal with "global overcapacity." Above all, Zoellick demanded that the Brazilians stick to debating these tariffs entirely within the WTO framework.

In " 'Fair Trade' As a Phase-Shift" (*EIR*, March 29, 2002), LaRouche explained, "Although President Bush has taken one important step away from the preceding decades commitment to 'free trade,' that does not mean that Bush's Presidency really understands what it is doing. It has reacted to the fact that without returning to traditionally American protectionist policies, this nation could not possibly muster the economic sinews required to support the Bush Administration's current, aggressive military policy. Nonetheless, [Senate Majority Leader] Daschle, Bush, et al. have moved in the right direction in taking this first step toward a 'fair trade' policy, whether either understood the deeper implications of that, or not."

Thus, the "free trade/fair trade" paradox blooms in the Bush Administration's contradictory actions. Meanwhile, na-

tions with a modicum of production-oriented leadership, are using Bush's steel tariffs to proceed with their own revolt against the WTO and globalization.

Anything But 'Protectionism'

On March 27, the European Union (EU) announced tariffs of 14.9-26% on imports of 15 types of hot- and cold-rolled steel, nearly identical to those categories covered by the U.S. tariffs. The European tariffs—which are renewable—begin April 3 and last 200 days; they will apply to imports over set quotas in those categories. The EU fears a flood, from big-producer nations like China and South Korea, of steel that would have been exported to the United States before the Bush tariffs. Under its own trade rules, the EU says it can take tariff action if it can show such a flood even threatens, before any damage to its steel industries actually occurs. Steel producers in less-developed countries will be exempt, or partially exempt, from the EU tariffs, while Russia, Kazakstan, and Ukraine, which are not part of the WTO, are exempt because they already have quota agreements with the EU.

While the European Commission statement on March 27 mildly terms the tariffs "safeguard measures," EU Trade Commissioner Pascal Lamy, considered a zealous crusader for free trade and globalization, lashed out, "Unfounded, unnecessary and unfair U.S. action has forced us to take temporary steps to look after EU industry and EU workers. . . . But we have done this without indulging in protectionism." EU trade spokesman Anthony Gooch's statement echoed Lamy's: The actions are intended "to protect our market without being protectionist."

Hence, besides its "safeguards," the EU has initiated WTO proceedings to win \$2 billion in compensation for the higher U.S. tariffs—which, if granted, would be in the form of reduced U.S. tariffs on other EU products. If no agreement on compensation is reached, the EU has been circulating a list of products that could be hit with retaliatory tariffs—citrus, steel, textiles, Harley-Davidson motorcycles—which originate in states that are now "toss-ups" in the November Congressional elections. Lamy has acknowledged that the targets have been chosen for maximum political effect, according to the *New York Times* of March 27, where reporter Paul Meller states, "A new round of global trade liberalization talks underway may be undone, and according to European diplomats and trade lawyers, *the World Trade Organization itself could easily become a casualty*" (emphasis added).

Meanwhile, U.S. Trade Commissioner Zoellick responded to the EU's decision by threatening to file a complaint with the WTO, on the ground that U.S. steel exports to Europe would be harmed. "We will seek consultations with the EU under WTO rules and will consider filing a WTO action," Zoellick said on March 27.

China, only a member of the World Trade Organization since December, has launched its first dispute in the WTO over the U.S. steel tariffs, stating that they violated a range



During a visit to Central America on March 24, President Bush preached to El Salvador's President Francisco Flores (right) about salvation through "free trade." But it is action—tariffs and "fair trade"—not words, which are at work, and the entire WTO "may wind up a casualty."

of basic WTO open trading rules. A Chinese delegation to Washington March 23-24—the same time President Bush was preaching "free trade" in San Salvador—demanded compensation from the United States, under the WTO's "Safeguards Agreement." That provides for countries imposing tariffs in one area, to offer to make up the imports stopped by lowering tariffs in other areas. A total of 23 countries, including the 15 in the European Union, have already protested the U.S. tariffs to the WTO; the other countries are Japan, South Korea, Australia, Brazil, Malaysia, Norway, and New Zealand. The investigation process triggered takes 18 months—which, in today's rapid economic meltdown, makes WTO bureaucratic remedies irrelevant.

Malaysia Imposes Tariffs

Malaysia has also imposed a 50% tariff on imported steel, without mentioning the U.S. tariffs. The International Trade and Industry Ministry's Parliamentary Secretary, Katuk Fu Ah Kiow, said that Malaysia's steel industry had been affected for the past year by the "dumping" of steel products from the former U.S.S.R. and South American countries. "The duty was imposed in view of an oversupply situation," he said, "and a weaker demand in the world market for steel products. There are many cases of dumping reported, and there is presently a price war going on. Prices have fallen so low for steel plate and other steel products from countries like Ukraine, that they are now selling at \$200 per ton—40% to 50% lower than our products at \$347 per ton. Even with the imposition of the 50% import duty, the price of imported steel products will still be lower than our products." So, the same

impulse to save the national steel sector that moved Bush, also moved Malaysia's government.

In Canada, steelmakers and the United Steelworkers Union (USWA) are lobbying the government to impose tariffs that match those of the United States. While Canada and Mexico, as partners in the NAFTA "free trade" agreement, were exempt from the U.S. tariffs, the Canadian USWA says Canada is becoming a "dumping ground." On March 22, Canada launched a "safeguard investigation" to see if increased imports are hurting Canada's steel industry. Oussamah Tamim, spokesman for Canada's Department of Foreign Affairs and International Trade, said that if "safeguards" are imposed, they will be tariffs, not quotas.

Mexico has already imposed "safeguard" tariffs as high as 35% on

its steel imports.

Nor is Canada-United States-Mexico NAFTA life going smoothly on other fronts. Canada will ask that a panel within NAFTA be formed to investigate the new U.S. duties on Canadian softwood lumber, which average 29%. Canadian Trade Minister Pierre Pettigrew said this was his country's prelude to "pursu[ing] the litigation track." Canada has already appealed to the WTO. Layoffs could hit 30,000 of the 90,000 currently employed in the softwood lumber sector, according to the Toronto *Globe and Mail*. The United States imported about \$6.4 billion in Canadian softwood lumber during 2000, accounting for about one-third of U.S. consumption. Days after the U.S. softwood lumber tariffs, another Canadian investigation led Canada to impose provisional duties as high as 71% on U.S. tomato exports. Canada said the timing was "pure coincidence."

There are institutions which hold to old, discredited axioms even more tenaciously, when reality strongly contradicts them. A case in point is the "authoritative" *Wall Street Journal*, which cited New Zealand on its March 18 front page, as hurt by the now "hypocritical" tariff policy of the United States and EU. In fact, in 1953, when New Zealand's tariffs had been among the highest in the world, it ranked third in the world in GDP per capita. Today it ranks 23rd—as a result of following the globalization program of deregulation, privatization, and virtually eliminating tariffs since the 1980s. While the hysterics at the *Journal* advise New Zealand to "Join NAFTA," it is clear that the ranks of nations are stampeding the other way—toward protectionism and the identity of "producer nations."