

***PLRC** Pacific Life Research Center*

631 Kiely Boulevard * Santa Clara, CA 95051 * Phone 408/248-1815 * Fax 408/985-9716 * E-mail bob@plrc.org
PLRC-940106C This paper is current only to 4 February 1997

THE DARK SIDE OF FREE TRADE: NAFTA, GATT AND APEC

Compiled by Bob Aldridge

Ah! when shall all men's good
be each man's rule,
and universal peace
lie like a shaft of light
across the land.

-- Alfred Lord Tennyson
The Golden Year (1842)

Resisting militarism reaches much farther than just stopping the weapons system. It reaches to correcting the root problems which make war machines like Trident possible. This paper will discuss the economic aspect of what former US President George Bush termed the New World Order, which is what that order is all about. But first a clarification of terminology. The word "imperialism" has rhetorical connotations which sometimes defy meaning. But in this paper it is not used in the rhetorical sense. Imperialism is used to convey its strictest dictionary meaning:

imperialism (izm) **n.** 1. imperial state, authority, or system of government. 2. the policy and practice of forming and maintaining an empire in seeking to control raw materials and world markets by the conquest of other countries, the establishment of colonies, etc. 3. the policy and practice of seeking to dominate the economic or political affairs of undeveloped areas or weaker countries.¹

With that in mind, I shall now describe how Bush's New World Order has this planet in an economic stranglehold. Rob Steven's article, "Imperialism Strengthened," describes Bush's New World Order as well as any I have read.² In Section A below I shall be paraphrasing from that article.

¹Webster's New World Dictionary, p. 704.

²Third World War, pp. 6-10

A. BUSH'S NEW WORLD ORDER IN HISTORICAL CONTEXT

Capitalism is a system where production is for profit. It has three basic stages: 1) borrowing money to invest from the banks, 2) setting up factories to extract raw materials and produce commodities, and 3) selling or marketing the commodity. When problems occur at any one of these stages, they interfere with profits and capitalism does not work. Capitalist imperialism is the ability of businesses to relocate their problems to another area and, consequently, the entire chain from production to consumer may stretch across the planet and take place in many countries. Bank loans would be obtained in some highly-developed country. Cheap wages, lax environmental and health regulations, and abundant raw materials would most likely be available in the Third World. If people in one location cannot afford high prices, the product is sold elsewhere. And so on it goes.

Capitalism is not to be confused with free enterprise where everyone has an equal chance to make a living. Only the large and powerful corporations have the ability to relocate problems and maximize profits. For that reason, it is only these corporations to which banks wish to loan money. So the powerful become more powerful and the weaker fall by the wayside. We are seeing this happen in the auto-making industry, the airlines, the food and other marketing chains, and, yes, even the banks -- we are seeing this happen in virtually every area of business, service, and trade.

Imperialism, according to Steven, has now reached its third level and has been dubbed the New World Order. Let me briefly describe all three levels.

1. *Level One: Classical Imperialism.*

Prior to World War II there existed a type of imperialism which had been in place for centuries. In this classical imperialism, an imperialist power controlled its colonies and did not share the wealth of its colonies with any other power. In essence, each of these powers held control over specific and separate areas of the world. If another power infringed upon that area there would be a war. World War II was an imperialist war, at least in the Pacific theater, because Japan tried to extend its colonial domain into areas dominated by Americans, Britons, and Dutch.

This classical system is how most people still envision imperialism. And because this system no longer exists, people are led to believe that imperialism no longer exists. In reality imperialism is stronger than ever today but in a different form.

2. *Level Two: Neo-Colonialism.*

After World War II, national liberation movements began to achieve political successes in gaining control of government in former colonies. Also after World War II, the Soviet Union emerged as a competitive superpower. Classical imperialism could no longer be enforced because the Soviet Union tended to back these liberation struggles. If the imperialist powers -- America, Japan, and Europe -- pushed too hard there was danger of a major nuclear war. This was the Cold War era.

However, imperialist powers did intervene militarily as far as they could, and they succeeded in cultivating a ruling elite which was sympathetic to capitalist enterprises, frequently because of their personal gain. Thus these Third World leaders -- enterprising ruling families, opportunist sheikdoms, ruthless dictators, and vested-interest presidents -- created a favorable business climate whereby foreign companies could exploit the best land, the cheap labor, and the valuable raw materials for

their own profit. Production in this manner also perpetuated the lavish lifestyle in developed countries.

Nevertheless, direct military force by the dominant powers was dangerous in the Cold War era. A more circuitous form of intervention was preferred. So sympathetic indigenous forces were aided and supplied -- whether they be the ruling government or guerrilla insurgents, or another Third World country. Aid to the faction which served the giver's interest came from both sides of the iron curtain. In general, capitalist powers supported the upper class in the neo-colonies, whereas socialist powers backed the lower class with which they could gain followers. Under this system imperialist wars became regional battles between the upper ruling class and the rebelling lower class. Because of this, the arms trade (euphemized as military aid) bloomed as a prosperous endeavor.

In addition to the changed nature of imperialist wars, another difference between classical imperialism and neo-colonization is that the imperialist powers shared the benefit of the colonies. This was necessary in order to give the puppet colonial leaders some semblance of authority. Sharing was also brought about to some extent because the dominant powers cooperated in setting up the sympathetic colonial government. But possibly the biggest reason for the shared exploitation of colonies was the emergence of huge transnational corporations with more capital than many of the smaller nations. As big business merged across political boundaries, those boundaries became less significant. And as these corporations gained control of the imperialist powers, those powers created policy favorable to corporate business and trade. This was the imperialism practiced during the Cold War.

3. *Level Three: The New World Order.*

The Cold War started thawing during the 1980s, and ended once and for all in 1991. Likewise, Soviet influence in the Third World diminished and finally sputtered out. Imperialism then went through another transformation, and the New World Order was conceived.

Heralding this New World Order was Japan's rise to equal the US in economic clout. Also the rise of giant banks, industry, and trading companies in Japan and Europe -- establishments so powerful that they could act globally on an equal with America's. The US is no longer the single super-imperialist power.

In addition to that, the US economy became so depleted by military spending during the Reagan and Bush administrations that the White House began pressuring its allies to assume a greater share of keeping sympathetic Third World governments in power. Policing the world is no longer a US monopoly.

Meanwhile the transnational corporations continue to conglomerate to fewer, stronger, and more influential enterprises. Technical and economic collusion is becoming more pronounced as Third World countries lose their wealth to the First World at an increasing rate. And with the collapse of the USSR there is no longer a large power backing those who oppose this exploitation. On the contrary, the Soviet Union's successor, Russia, seems anxious to join America, Japan, Britain, France, and Germany in economic exploitation.

Unlike the exclusive control of colonies in classical imperialism, and unlike the reliance on US military strength needed for neo-colonialism, control of Third World countries in the New World Order is carried out by coalitions of military powers. Such coalitions have so far been led by the United States and work under the moral authority of the United Nations, which the US controls, as a means of legitimizing imperialist activities. This political-military cooperation is gaining momentum.

4. *The New World Order And The Third World.*

Liberation movements face new obstacles under the New World Order. First, they are not backed by a major power such as the USSR or the eastern European countries. Second, the military regimes which liberation movements are attempting to overthrow are not being backed by just one imperialist power, but by blocs of imperialist powers working together to protect their business interests and behavior. Seven aspects of that behavior prolong underdevelopment and incite unrest.

a. Control of Production. Monopolizing production by foreign investors is a widespread and growing practice. Only large corporations with ties to the banks can compete, thus local businesses are driven into bankruptcy.

b. Export of Products. As large companies gain control of production, they tend to grow or produce what can be exported to countries where the profit is greatest. The domestic market receives very little.

c. A Skewed Growth Pattern. Large companies choose a product which can be made more competitively than anywhere else. Competition is world wide and each country ends up with a narrow range of productivity.

d. Balance of Payments Problems. With only one or two special products being produced in an underdeveloped country, that country becomes heavily dependent on imports. Under the conditions existing, imports outweigh exports and the country cannot balance its trade revenues, or its national budget.

e. Chronic Debt. Since payments cannot be balanced, the underdeveloped country is continually and increasingly in debt. Loans are impossible to obtain because banks will only lend to big corporations which can compete and survive. Debt, and consequently development, is controlled by outside interests and manipulated to the advantage of those interests.

f. Unemployment and Low Wages. Unemployment, underemployment, and very low wages go together. Highly-competitive large corporations drive local companies out of business and provide imported commodities cheaper than can be produced locally. In this manner the New World Order destroys more local jobs than it creates. Those that are created are low-paying. Contrary to many claims, once a country opens to free trade and foreign investment, that country is driven to chronic underemployment and low wages.

g. Militarization of Politics. Increasingly tight security is needed to prevent an underdeveloped country from revolting, and to prevent liberation movements from achieving political victories. As more people become disgruntled, liberation movements are more popularly supported. But the form of security has changed with the New World Order. With no more Soviet influence, preventing the spread of communism in the Third World is no longer a valid excuse for military intervention. Military intervention to preserve ruling regimes has become more pronounced, such as the "liberation" of Kuwait. If necessary, the US war machine can and will be brought into play to save a smaller ally. As Stevens says, "those kinds of wars have been called 'Third-World Wars' because

they are wars against the Third World by coalitions of imperialist powers under the legitimizing banner of the United Nations.”³

B. FREE TRADE: THE CORPORATE NOOSE

Free trade has been in the forefront of public attention in recent years. It has been described as a boon for consumers and a stimulus for economic growth. That may be true as far as it goes, but what we have been hearing is the sunny side which only applies to those who live in developed countries. The purpose of this paper is to expose the dark side of free trade.

According to Richard Barnett and John Cavanaugh, only a few hundred giant transnational corporations dominate global commerce. Many of them are bigger and more powerful than most sovereign nations. Barnett and Cavanaugh say the "most disturbing aspect of this global system is that the formidable power and mobility of global corporations are undermining the effectiveness of national governments to carry out essential policies on behalf of their people." They go on to explain that business enterprises "that routinely operate across borders are linking far-flung pieces of territory into a new world economy that bypasses all sorts of political arrangements and conventions." And they conclude with the observation that national leaders "no longer have the ability to comprehend, much less control, these giants because they are mobile, and like the mythic Greek figure Proteus they are constantly changing appearances to suit different circumstances."⁴

1. The Roots of Free Trade.

Free trade is the instrument of these giant corporations. It might better be described as a license for big business to maximize profits with minimum government interference. Profit maximization creates a dark side of any free-trade agreement, and it plagues the poorer nations.

a. The Group of 7 (G-7). Free trade is spearheaded by the world's seven richest countries, known as the Group of Seven (G-7). Those countries are the United States, Britain, France, Germany, Italy, Canada, and Japan. Combined they account for over 70 percent of the world's economy. At the G-7's 20th economic summit meeting in Naples, Italy during July 1994, a program called "Open Markets 2000" was proposed by the US -- an initiative aimed at maintaining and even accelerating global talks for trade liberalization.

Nevertheless, there is diplomatic rivalry among those seven richest nations. Japan and the US are feuding over what Americans see as Japan's failure to liberalize trade with the US, meaning that Japan should buy more from the US. During the 1994 summit France, competing with the US for economic control of Europe, led opposition to the US proposal for global free trade by the year 2000. But that proposal was put on the agenda for later. the World Bank, and the International Monetary Fund.

There is also disagreement on who should belong and how many members there should be. According to the G-7's yardstick of industrial output to measure a nation's economy, Spain in 1992 exceeded Canada. And according to a different scale used by the World Bank and International Monetary Fund, China is the second largest economy in the world and India comes in a number five.

³*Third World War*, p. 11.

⁴Barnett & Cavanaugh, pp. 14 & 27.

Admitting Russia would solve several diplomatic problems and reduce the influence of Russian hardliners.

Discussion goes on about G-7 membership but there seems to be an underlying reason why only industrialized countries are included. Although the G-7 does the overt strategizing for the world economy, and the annual economic summit is attended by the seven heads of state, the substance of their activity helps the international business community to maximize profits. Given the heavy lobbying in the US by large businesses, and the funding those businesses generate to put sympathetic candidates into office, it seems logical to assume that the agenda for G-7 meetings is also influenced by the business community. "Open Markets 2000" substantiates that premise. It also seems logical to assume that the other six member-governments are influenced in a like manner.

Although there is bickering and competition among the G-7 heads of state, there is a coherent strategy among the business leaders who seem to be pulling the strings. It is interesting to note that the G-7 makeup coincides geographically with the Trilateral Commission.

b. The Trilateral Commission (TLC). In the early 1970s the Council on Foreign Relations, which has existed since World War I under the aegis of the Rockefeller empire, published a position paper stating that it must "come to grips with strategy for modifying the behavior of all relevant actors in the international community -- individuals, governments, agencies within governments, elite groups, industrial firms, interest groups, mass societies, and other groups and organizations at the sub-national and transnational level."⁵ Business leader David Rockefeller of Exxon and Chase-Manhattan Bank, vocalized the corporate desire for a world without borders where transnational corporations would have no "interference from nation-states." He called for "a massive public relations campaign," a "crusade of understanding" to explain why nation states, with all their territorial bickering, must be phased out.⁶

The Trilateral Commission (TLC) was founded by David Rockefeller and Zbigniew Brzezinski in 1973 under the aegis of the Council on Foreign Relations. TLC has a membership of some 300 "private" citizens made up of heads of transnational corporations, bankers, politicians, and a few academics. They come exclusively from North America, western Europe, and Japan, and meet yearly at various capital cities. Regional headquarters of the TLC are set up in Paris, New York, and Tokyo.

The Ford administration was the transition administration under which the TLC was formed, although President Gerald Ford was not a TLC member. The subsequent Carter administration was inundated with 26 on-leave TLC members in key posts, although members are dropped from the roster while in public service. President Jimmy Carter was one and his National Security Advisor was TLC co-founder Zbigniew Brzezinski.⁷

The TLC took a back seat during the 8-year Reagan administration because Ronald Reagan was more inclined toward the saber-rattling Committee on the Present Danger. Nevertheless, a free-trade zone in Mexico was established in 1982 and a free-trade agreement with Canada was completed in 1988. (Both to be discussed below.) But TLC member (on leave) George Bush

⁵Cited in *Year One*, p. 13.

⁶Quoted in Burnett & Muller, pp. 20-21; cited in Nelson, p. 22.

⁷See Addendum-A for a partial listing.

brought trilateralism back to the Oval Office when he was elected President in 1988. At that time the concept of free trade started making headway. As the new US Trade Representative, Bush appointed Carla Hills, member of the board of directors for IBM, American Airlines, and Standard Oil.⁸

The Clinton administration is infested with on-leave TLC members, starting with President Bill Clinton himself.⁹ Free trade has been a major item on the Clinton agenda. He has completed the NAFTA and GATT free-trade agreements and has taken significant strides toward bringing free trade to the Asia-Pacific region and the remainder of Latin America.

2. *The Effects of Free Trade.*

Martin Kohr also warned underdeveloped countries about jumping into a free-trade agreement.¹⁰ It is extremely dangerous to view free trade -- that is, freedom of operation in terms of importing, exporting and investment -- as good for all parties concerned. The inevitable downward spiral of a small or economically-depressed country which enters into an agreement with these powers has already been discussed. Some examples are in order.

a. Environmental, Safety, and Health Considerations. Free trade means weakened environmental standards along with looser health and safety laws for both workers and consumers. For instance, under the 1988 free-trade agreement Canada challenged the US ban on importing and using asbestos, a ban which the Environmental Protection Agency estimated would save 1,900 lives by the year 2000. Canada's Quebec province has a substantial interest in the mining and manufacturing of asbestos. An October 1991 decision by the US Court of Appeals upheld the Canadian objection on the ground that other alternatives less disruptive to industry had not been investigated.

Under GATT, existing US laws, from federal on down, which protect the public and the laborers, will be subject to review and change to "harmonize" with lower standards practiced by other countries. Examples are pesticides and food contaminants. These less-restrictive standards are set by such industry-influenced organizations as Codex Alimentarius of Rome. Codex allows US-banned DDT and levels of other pesticides up to fifty times higher than what is allowed in the US. Under NAFTA or GATT, virtually any domestic law can be overturned or slackened if it is "trade-restrictive" or "trade-distorting" -- interpreted in the corporate world as profit-restrictive or profit-distorting. Ralph Nader says that GATT's new World Trade Organization has a target list of US laws regulating food safety, fuel efficiency, clean air, recycling, and many other matters including the Nuclear Nonproliferation Act of 1978.

State laws will be even more at risk because they would face federal judicial review or sanctions from its own national government. Taking California as an example, it is estimated that some 90 state laws will have to be repealed to comply with GATT. Robert Strumberg, author of "Impact of GATT on State Law -- California," warns that "Free trade under GATT is not free. The loss of state lawmaking capacity is the price we will pay..."¹¹ Judith Barish, director of the California Fair Trade Campaign, adds that "California's impressive record of social and environmental

⁸See Addendum-A.

⁹See Addendum-A for a listing.

¹⁰*Third World War*, pp. 21-24.

¹¹Cited in *Mercury News*, 3 October 1994, p. 13C.

legislation is particularly at risk. Our state is the Ground Zero for the devastating effects of the GATT."¹² Examples of state laws which conflict with GATT are auto emission standards, commercial quality standards for produce, small-business subsidies, warnings of health risk on products, and the unitary tax treatment of transnational corporations. Under the guise of impediments to free-trade (to be discussed below), big business can have laws repealed which interfere with their aim to maximize profits.

b. Child Labor. Most of this section is taken from an article by Lynn Kamm.¹³ The International Labor Organization estimates there are 200-million child laborers worldwide. Some 10-million of those are estimated by the US Labor Department to be working in export industries. Some other International Labor Organization statistics are:

- 95% of all child laborers are in poorer countries.
- 25% of child laborers in some regions are age 10-14.
- 50% of child laborers live in Asia.
- 33% of children in Africa are child laborers.
- Up to 26% of children in some Latin American countries are child laborers.

Transnational corporations maximize their profits to a great extent by using cheap child labor. Although poverty, cultural acceptance of children working, and scant educational opportunities are frequently cited to justify child labor; greedy employers, public indifference, government corruption, and social prejudice promotes acceptance of child exploitation.

In 1974 the U.S. Trade Act was signed into law. It mandated that workers rights be a top negotiating priority in GATT negotiations, and one specific right was a specific minimum age for child workers. But GATT was negotiated, signed and ratified without any such provisions. One lame alibi is that poorer nations were able to block the issue from the agenda -- an unlikely event if the US had really insisted. A more likely reason, according to Bill Goold, a recognized authority on child labor, is that the Reagan, Bush, and Clinton administrations were more interested in currying favor with big business than spending any political capital for workers' rights. As far as worker's rights making any headway in the newly-established World Trade Organization established under GATT, Goold sees little prospect of success. He says that while US corporations give lip service to connecting workers' rights to trade laws, they "are very skillful and effective in orchestrating opposition to linkage without having to be out front doing so."¹⁴

C. THE INSTRUMENTS OF FREE TRADE

The major free-trade agreements are the North American Free Trade Agreement (NAFTA), the General Agreement on Tariffs and Trade (GATT), and the Asia-Pacific Economic Cooperation (APEC) forum. Another instrument is the Favored Nation Status between the US and another country. The Clinton administration has been expediting free trade agreements. These agreements

¹²Cited in *Mercury News*, 3 October 1994, p. 13C.

¹³Kamm, pp. 10-11.

¹⁴Kamm, p. 11.

have been described in various media articles but it would be helpful to bring all the data together at this point.

1. *The North American Free-Trade Agreement (NAFTA).*

This economic treaty among the US, Mexico and Canada is not the first free-trade agreement for North America. A 12-mile strip of Mexico along its 2,000-mile border with the US, known as the maquiladora (assembly plant) zone, has been a free-trade zone since 1982. At the time that zone was established, the average pay for a factory worker was \$1.53 per hour. Now, with some 2,000 US factories relocated to Mexico, the pay has dropped to 60-cents an hour. Many of the half-million Mexican workers are children only 13-14 years old. The 12-mile free-trade belt has become an environmental nightmare with pollution causing major hepatitis outbreaks in neighboring Texas and Arizona. Some 67 deformed or retarded children have been born to factory workers at only one US factory. According to Ralph Nader, a "random study of US-owned factories in Mexico found not a single one that was in compliance with Mexican environmental laws."¹⁵ NAFTA will spread these conditions to all of Mexico. And as more companies move to Mexico the US will lose over half a million jobs.

Canada signed a free-trade agreement with the US in 1988. Since then, some 460,000 Canadian jobs have been lost as large US corporations absorb Canadian businesses. A Canadian government program to plant forest trees has been stopped because of it being an "unfair subsidy" to the timber industry. Under the terms of the 1988 free-trade agreement it is impossible for Canada to practice responsible forest management or control the lumber products being exported to the US. NAFTA expands on that previous agreement.

NAFTA was approved by Congress on 17 November 1993 and took effect on 1 January 1994. On 10 January 1994 the US Supreme Court rejected a lawsuit which would have forced the President to conduct an environmental assessment before NAFTA became law. That let stand an appeals court decision which said the President has sole authority to negotiate treaties and without judicial interference.¹⁶ NAFTA will be in force for fifteen years unless abrogated with the prescribed time of notice.

It was not by chance that the Chiapas uprising started in early January 1994 when NAFTA went into effect. They know that NAFTA will make their entire country a maquiladora zone, and that deplorable working conditions and slave wages will spread. Chiapas leader, Commander Marcos, labeled NAFTA a "death certificate for the Indian peoples of Mexico."¹⁷ In Mexico, NAFTA is known by its Spanish initials TLC. A Mexican political cartoon features a shabbily-dressed peasant screaming "TLC -- Tierra, Libertad y Comida (translated "Land, Liberty and Food)."¹⁸

A year after NAFTA went into effect, even advocates of the pact admitted it was oversold regarding the jobs and wealth it would bring in all three countries. Terry Karl, director of the Center for Latin American Studies at Stanford University, says the people were defrauded on NAFTA

¹⁵Priest, p. 6B.

¹⁶*Public Citizen and Sierra Club vs, US Trade Representative*, 93-560.

¹⁷Priest, p. 6B.

¹⁸Schrader, p. 25A.

"because to sell the pact politically its benefits had to be exaggerated, its promise had to be exaggerated, and its potential problems had to be downplayed."¹⁹

Mexico has been particularly hard hit. Its economy is in recession, the peso has been devalued, and the government is seeking loans to stay afloat. Delal Baer, a political scientist at the Center for Strategic and International Studies in Washington, D.C. says what happened "is that Mexicans actually purchased too much, they were buying too many of our goods as a result of trade liberalization. It was wonderful while it lasted for American exporters, but Mexico just couldn't keep buying and buying forever."²⁰ US exports to Mexico in 1994 rose 17 percent over 1993, to \$114.5 billion.

It was predicted before devaluation of the peso that 1995 would see another 20 percent jump. But with American goods suddenly 40 percent more expensive in the Mexican economy, exports were doomed to drop. It was also predicted that NAFTA would create 190,000 US jobs by 1998. But a late-1996 US government-funded study shows that the net gain in US jobs is only 11,000 -- an insignificant percentage of America's 125 million jobs.²¹ US President Bill Clinton offered a \$20-billion US credit package that could make Mexico even more dependent on the US. It will require that Mexico tighten its money supply and keep interest rates high, thus fueling a Mexican recession. As collateral for the loan, the US will have claim to the billions of dollars in Mexican oil sales -- Mexico's largest single-source of foreign revenue.

Meanwhile, because the devalued peso makes Mexican products cheaper in the US, Mexico's exports are expected to rise. This will cause a greater trade imbalance on the US side. Exacerbating the US unemployment figure, more illegal but cheap Mexican labor is expected to migrate to the US where there are better-paying jobs.

a. From NAFTA to AFTA. Hardly had NAFTA gone into effect than the Clinton administration kicked off negotiations to expand that treaty to the entire western hemisphere into what could be called the Americas Free Trade Agreement (AFTA). Chile would be first -- a signal that countries can join one-by-one -- and the rest of Central and South America during the next decade. That would bring another 750 million consumers to the corporate marketplace dominated by the US which controls three-quarters of the western hemisphere's wealth.

A Summit of the Americas held in Miami, Florida during December 1994 was attended by 34 nations -- every nation in the hemisphere except Cuba. A date of 2005 was set to complete all negotiations toward a hemispheric free-trade zone. AFTA would replace NAFTA and five other free-trade agreements in Latin America.²² The 5-page Declaration of Principles and 23-page Plan of Action give lip service to human rights, environmental hazards, public needs and safety, and anti-drug trafficking but the provisions are vague and weak. The main theme is to create tariff-free borders. The centerpiece is free trade.

¹⁹Cited in *Mercury News*, 4 February 1995, p. 7D.

²⁰Cited in *Mercury News*, 4 February 1995, p. 7D.

²¹*Mercury News*, 19 December 1996, p. 26.

²²See Addendum-B for details.

2. *The General Agreement on Tariffs and Trade (GATT).*

GATT, now the World Trade Organization, presently comprises 128 member nations. GATT was first signed by 23 countries in 1947. In the following year, 57 countries drafted the International Trade Organization charter which was defeated by the US Congress for fear of losing control over trade. 45,000 tariff cuts were adopted, however. The second round of talks in 1949 added 5,000 tariff cuts, and a third round in 1950 resulted in 8,700 additional cuts. A fourth round in 1956 added tariff cuts covering \$2.5-billion in trade. In 1960-61 the Dillon Round led to an additional 4,400 concessions covering \$4.9-billion in trade, and the 1964-67 Kennedy Round added more cuts covering a whopping \$40-billion in trade. A seventh round of talks, the Tokyo Round, during 1973-79 slashed tariffs on more than \$300-billion worth of trade.

The recently concluded Uruguay Round started in 1986 and agreement was finally reached on 15 December 1993 -- over seven years later. The impasse in this round epitomizes the increasing powerlessness of Third World countries. A back-room agreement among the industrialized powers resulted in a take-it-or-leave-it proposition for GATT members. No negotiations of terms was tolerated. If a lesser-developed country presented its side, it was put off as a "micro problem" amid an attempt to solve "macro problems." Industrialized nations forced poorer states to accept regulations which tightened the rules against those states. In exchange for allowing big businesses to maneuver more freely in and out of world markets, the smaller countries received vague promises about some better access to marketing at some unspecified future date.

As a result, the Uruguay round was more far-reaching than the previous seven which reduced tariffs only on manufactured goods. The final agreement at Uruguay also reduces tariffs on agricultural goods, intellectual property, and services; restricts impediments to trade; and creates the World Trade Organization. Let us look at these aspects.

a. Free Trade in Agriculture. This applies to investment in farming and farm products. When local governments try to regulate the effect on the environment, the hazards of pesticides, the dangers of food irradiation, occupational safety, depletion of resources, and similar concerns, it may be declared a violation of the GATT agreement and thus set aside. Industrialized nations would be able to operate with impunity in the Third World.

b. Free Trade in Intellectual Property. Intellectual property covers everything from music, writing, and art to computer software and new-technology patents. GATT will liberalize control of intellectual property in some areas and tighten it in others, which ever is in the interest of the few countries which dominate GATT negotiations. GATT will cause Third World governments to police their own people in order to insure the monopolization of local talent and its creations by transnational corporations.

c. Free Trade in Services. The US and other developed countries want to open capitalist opportunities in services such as banking, insurance, communications, media, professional services, tour agencies, accounting, advertising, etc. Currently these service industries form a greater share of the gross national product in the US and other developed countries than does manufacturing or agriculture. If included under free trade, the transnationalization of local service companies will spell the end of the last economic sector still indigenously controlled in the Third World.

d. Impediments to Trade. The Uruguay Round also addressed impediments to trade such as subsidies, "dumping" of goods at below-market value, counterfeiting, discriminating tax structures, and investment restrictions. Not all of the goals were achieved in the final agreement (services pertaining to films, audio, and ocean-going shipping are not included) but the results are still astonishing.

e. The World Trade Organization (WTO). The Uruguay Round also gives GATT more clout through creation of the WTO to mediate disputes and enforce GATT rules. An offending nation will have three choices: negotiate a settlement, change its laws, or face harsh trade sanctions. WTO tribunals will operate in secrecy without input from any organization or person below the national level.

Tariff cuts are to be implemented over time and fully effective by 2002. Still unsure about whether the US is giving away more than it receives, or just how much national sovereignty the US is relegating to the World Trade Organization, Congress on 1 December 1994 completed ratification of the 22,000-page GATT document and it was signed into law by President Clinton on 8 December 1994.

It is not generally known that GATT will cost US taxpayers an estimated \$20 billion over the next ten years -- some estimates are \$4 billion a year. Congress is bound by budget rules to make up for the revenues lost as taxes are phased out on hundreds of imports. Although Congress is supposedly forbidden to compensate by cutting social programs, if current practices are followed it will be the low-income bracket that makes up this difference.

3. *The Asian-Pacific Economic Cooperation (APEC) Forum.*

APEC was formed in 1989 by the US to examine ways of cooperating toward economic growth. It has 18 Pacific-rim member countries -- Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, South Korea, Mexico, Malaysia, New Zealand, Papua New Guinea, Philippines, Singapore, Taiwan, Thailand, and the US.

APEC would be a juicy plum for American business ventures. Asia contains two billion potential consumers, about \$1-trillion in infrastructure projects will be opened for bid during the next few years, and the average annual economic growth is projected to be 6- to 7-percent over the next decade. Also, in most APEC countries the US has a trade deficit. The US hopes to eliminate barriers and double exports over the next decade.

Some Asian-Pacific nations are wary. They fear that their developing industries will be overwhelmed by competition. Malaysia boycotted the November 1993 APEC summit in Seattle, Washington because it sees APEC as a plot to dominate the region. Thailand and Indonesia prefer that APEC be a consultative forum with no policy-making authority. China and the Philippines want their industrial capacity to mature more before committing to a free-trade agreement. Since APEC operates on consensus (100 percent agreement) even the smallest nation could block US aspirations. But with NAFTA and GATT negotiations out of the way, the Clinton administration is putting much effort on APEC.

In November 1994 the annual APEC summit was held in Jakarta, Indonesia. The forum promised to reduce trade barriers and have free-and-open trade-and-investment among APEC's industrialized members (Australia, Canada, Japan, New Zealand, and US) by 2010, with full APEC

economic integration by 2020. Specific guidelines were worked out at the November 1995 summit in Osaka, Japan.

Other goals agreed to in 1994 are to reduce economic disparities and promote social well being; to set up cooperative programs in education & training, science, and technology (including technology transfer); and to cooperate on environmental issues with the aim of sustainable development. The controversial questions of human rights and labor issues were deliberately ducked.

Malaysia and China are the main obstacles to US goals. Malaysia wants to form a free trade bloc in East Asia from which the US is excluded. Beijing is holding out until Washington helps China become a founding member of the new World Trade Organization under GATT, despite the Chinese closed market and state-supported industries.

Highlight of the annual APEC meeting in Manila during November 1996 was to recommend that the World Trade Organization substantially eliminate tariffs on information technology -- computers, software, semiconductors , and communications equipment -- by the year 2000. The subsequent WTO meeting in Singapore the following month did agree to eliminate tariffs on this \$600 billion export market by 2000.

4. *Most Favored Nations.*

The Generalized System of Preferences (GSP) Program awards the most favored nation status to help eligible developing countries by providing duty-free trade on specific products -- a form of unilaterally-bestowed free-trade arrangement. The United Nations Conference on Trade and Development proposed the concept in the Midas. Sixteen donor countries (the European Union counted as one donor) have now adopted their own versions of the GSP Program. Conflict with Article I of the GATT agreement has been overcome by a permanent waiver passed during the 1979 Tokyo round of GATT negotiations, which allows more favorable treatment of developing countries. The GSP Program was authorized in the US by Title V of the Trade Act of 1974 (P.L. 93-618, 3 January 1975) and reauthorized by the Trade and Tariff Act of 1984 (P.L. 98-573, 30 October 1984).

The US GSP Program is administered by the GSP Subcommittee of the interagency Trade Policy Staff Committee which in turn reports to the administration's Trade Policy Review Group. The GSP Subcommittee is chaired by the US Trade Representative and consists of members from the Departments of Agriculture, Commerce, Interior, Labor, State, and Treasury. Some 145 countries and territories now receive most favored nation status from the US for a wide range of selected products, not necessarily the same for each country. In practice it allows US-based transnational corporations to open factories in the recipient nation and then export the products duty-free to the US for marketing.

China, touted as the world's biggest and fastest-growing market, epitomizes the manner in which the preferential trade treatment is skewed toward business interests. During reauthorization of the GSP Program in 1984, Congress added new eligibility requirements which included observation of internationally recognized workers rights and effective protection of intellectual property (patents, copyrights and trademarks). When China's most favored nation status came up for renewal in 1994, the Clinton administration tried to get Beijing to clean up its human rights violations. However, when negotiations got down to the wire, the pressure of big business influenced trade renewal with China in spite of human rights abuses. Now the trade-renewal dispute with China is over piracy of intellectual property. US software firms alone have lost \$800 million in retail sales because of illegal

copying of their work. This time the dispute involves business interests, but through some informal agreements on promising to do better, China again obtained the most favored nation status. Every year this same debate takes place, and every year China -- or US big-business interests in China -- comes out the winner.

D. CORPORATE CONTROL OF FREE TRADE.

Members of the corporate community have monopolized the advisors and architects of free-trade agreements.

1. NAFTA.

NAFTA was written by George Bush's business friends. In the secret drafting meetings there were over 1000 advisors from the corporate community -- only five represented environmental groups and none represented consumer, labor and health groups.

It appears that some environmental organizations which came out in favor of NAFTA have been co-opted by big money. As stated in *Integrities*:

The World Wildlife Fund, National Wildlife Federation, National Resources Defense Council, Environmental Defense Fund, Defenders of Wildlife, the National Audubon Society and the Nature Conservancy have come out in support of NAFTA. That list is impressive. But Alexander Cockburn did some research on the subject and found that, previous to its endorsement of NAFTA, World Wildlife Fund had received a \$2.5-million check from Eastman Kodak, whose CEO founded NAFTA's biggest corporate lobby. National Wildlife Federation receives financial support from Dow Chemical, DuPont, Monsanto, 3M, Shell, Pennzoil and Waste Management. Audubon [Society] receives money from General Electric, Waste Management and pro-NAFTA Proctor & Gamble. The Nature Conservancy accepted more than \$2-million from NAFTA-supporter Coca Cola and lesser sums from Tenneco, Cargill, DuPont, Phillip Morris, Waste Management and Proctor & Gamble. This does not prove that big money produced the endorsements, but it makes one mighty suspicious! The Sierra Club, Greenpeace, and Friends of the Earth remain firmly opposed to NAFTA, and have criticized the other groups for their "play along" tactics.

2. GATT and the WTO.

The US strategy during GATT negotiations was crafted by James D. Robinson III, chief executive officer for American Express. As one of the world's biggest transnational corporations, American Express is seeking free access to financial markets worldwide. Daniel Amstutz, former senior vice president of Cargill, drafted GATT's agricultural agreement. Cargill has an enormous financial stake in reducing agricultural restrictions around the globe. Official negotiators of GATT were advised by over 1,000 representatives from the business world.

The secret tribunals which will decide what domestic laws violate free-trade agreements are heavily influenced by industry. And Codex Alimentarius, which has been vested by NAFTA and GATT to set acceptable levels of food contaminants for most of the world, is also top-heavy with industry representatives. Out of 28 US delegates to CODEX, 16 come from food or agri-chemical transnational corporations -- including three from Nestles and one each from Coca Cola, Pepsi, Hershey, Ralston Purina, Craft and CPC International. Nestles sends delegates from many nations and is better represented than most countries. This is the makeup of the institution which sets the standard to which our health and environmental laws must adhere.

GATT established the World Trade Organization which will have more power to settle disputes among members. Some foresee that it will be more powerful than the United Nations. It

has been described as a global corporate utopia in which local citizens, labor unions, environmental groups, and consumer advocates are powerless. It will operate in a secrecy which hides conflicts of interest, economic straits imposed on poor countries, inadequate workers' rights, and devastating environmental practices. Karen Lehman of the Institute for Agricultural and Trade Policy said, "[Free trade] will have more power to determine what we eat, how we handle our garbage, whether we handle other people's garbage ... than our own legislature."²³

Ralph Nader, in his 10 October 1994 article in *The Nation*, points out that 51 leaders of major news organizations and journalism groups urged President Clinton to open World Trade deliberations to the public and press. Nader says that five anti-democratic areas of concern are "a lockout of the press and the public from WTO tribunals; suppression of the briefs and other documents presented by governments that are parties to disputes before these tribunals; denial of citizens' right to petition; the absence of conflict-in-interest standards for the tribunals' three trade specialists, who act as judges and may simultaneously pursue private business careers; and a prohibition of any independent appeals of WTO tribunal decisions. The perfunctory internal appeals process within the WTO is secret."²⁴

E. THE IMF AND THE WORLD BANK.

Like GATT, the International Monetary Fund (IMF) and the World Bank are controlled by the developed and industrialized nations, principally the United States. The IMF finances large-scale economic changes and the World Bank funds individual development projects. These organizations have been described as the capitalist world's premier economic fraternities. Membership gives access to billions of dollars in loans, but those loans have many conditions attached. The new member country must agree to strict IMF "reforms," one of which is to move to a free-market economy under the IMF's harsh free-market restrictions. This is the arena in which capitalist countries excel.

An August 1992 *Los Angeles Times* dispatch quotes a report saying that the "economic policies advocated by the World Bank and the International Monetary Fund are contributing to a Third World environmental crisis that is undermining the very development strategies the international leaders seek to promote."²⁵ Using the Philippines as an example, the article says that lending policies stress a borrowing country's industrial development at the cost of depleting natural resources.

It is naive to say that the IMF and World Bank are working against goals to develop a country because no such goals ever existed except as public relations propaganda. Walden Bello, executive director for the Institute for Food and Development Policy (Food First), said that since its inception in 1944 "the World Bank has been a closely held and controlled arm of US foreign policy, largely free from constraints of legislative, judicial or popular influence." He points out that "what has changed over time is the level of bitterness and distrust with which the Bank is viewed by those who are targeted for 'development.' For them the Bank's structural adjustment policies have brought despair and devastated living standards. For environmentalists, the recent increase in the Bank's lending program, from \$20 billion in 1991 to \$25 billion in 1992, has signaled an increased capacity to wreak

²³Cited in Dawkins and Muffett.

²⁴Cited in Nader.

²⁵*Mercury News*, 31 August 1992, p. 2A.

havoc on nature."²⁶ Bello cites three sophisticated and blunt mechanisms by which the US uses the World Bank as a political weapon. They apply likewise to the IMF which is also controlled by the US. First, the Bank provides a means to punish or reward countries for their degree of cooperation with US policy. Second, it is used to bring Third World countries into a US-dominated international capitalist economy. And third, the Bank is used as a collection agency for debts owed American banks, but at the expense of Third World living conditions.

1. *A Means of Punishment and Reward for a Country's Degree of Cooperation with US Policies.*

A 1982 Treasury Department report says the US had its way in 12 out of 14 major World Bank decisions.²⁷ The cut off of Bank funds to Chile heralded the fall of Allende in 1973. The same tactic was used against Nicaragua during the 1980s. Any country defined as an enemy by the US would lose World Bank funding.

On the other end of the stick, the World Bank has been used to help countries such as China, when diplomatic relations are tenuous, if it serves US interests. Over \$8.5 billion in World Bank loans went to China during the 1980s, a period when it would have been impossible to promote such aid through Congress. World Bank loans to ten countries considered vital to US interests -- Argentina, Brazil, Indonesia, Mexico, Morocco, Pakistan, the Philippines, Thailand, Tunisia and Turkey -- total over \$7 billion. And because its share towards those loans is only \$60 million, the US realizes over a hundred-fold increase in dollar impact by channeling them through the World Bank.

2. *A Means of Bringing Third World Countries Into a US-Dominated Global Capitalist Economy.*

It was the noble goals for the World Bank and IMF formulated by the liberals of the mid-1940s that has led world opinion to believe that those institutions were a means of helping poor countries develop. But the conservatives who actually designed the two institutions had no such illusions. From the start it was their intention to promote a post World War II international economic order based on capitalism and controlled by the United States.

Bringing the Third-World people into the capitalist scheme was not meant to give them an equal place. Theirs would be the role of production at cheap wages earned in unhealthy conditions while their environment and lifestyle deteriorate. Towards the capitalist goal of free trade, "development" loans had strings attached which encouraged an export economy -- specialization in a product for sale elsewhere and away from a self-sustaining economic structure. All the bad effects of such free trade on the local people -- cheap wages, devalued currency and cutting social-needs to make their export product more competitive, giving control of the economy to foreign investors, little regulation of imports needed for manufacture -- have been described above. But forcing free trade and an export economy onto the local people is done by attaching conditions to the only source of funding they have.

²⁶Bello, p. 20.

²⁷Treasury Department, "Assessment of US Participation in the Multinational Banks in the 1980s," Consultation Draft, 21 September 1981, Chapter 3; cited in Bello, p. 21.

3. A Means of Collecting Debts for US banks at the Expense of Third World Living Standards.

Under the Reagan administration of the 1980s, the World Bank and IMF cast off the last of its pretensions about humanitarian goals. They became first and foremost a means of policing US interests. One of their functions was to collect debts. Between 1984 and 1991 some \$155 billion flowed from poor countries through the IMF/World Bank to primarily US banks. This drain is depressing living standards in debtor countries and bringing immense suffering to poor people -- particularly in Latin America and Africa. Health, dietary and educational needs are dwindling while natural resources are being ravaged to meet interest payments. If countries won't cooperate with the World Bank/IMF collection structure they are given a bad rating which essentially bars them from obtaining loans from any source. In this manner the US keeps the Third World under control while protecting its own banks.

So we can see that when a Third World country joins the IMF or World Bank in order to obtain financing for economic improvement and development projects, it is moving into the clutches of capitalist powers. Russia and twelve other former Soviet republics were formally admitted into the World Bank and IMF in April 1992. Although Russian President Yeltsin has proclaimed that he will not allow the West to dictate his economic reform, reality will unfold as the future moves on. The World Bank and the IMF served capitalism well during the neo-colonialist period. They will become even more unfettered under the New World Order. Third World countries would be smart to heed Walden Bello's warning that "the World Bank is an integral part of the system of Northern domination of the South. Abolishing it, not reforming it, must be the Southern agenda."²⁸ The same is true of the IMF.

F. CONCLUSION

In his 1993 annual report to the General Assembly, United Nations Secretary General Boutros Boutros-Ghali said: "The gap between the world's richest and poorest countries is widening, yet that shocking fact is more often than not greeted with indifference.... No task is greater or more urgent than to impress upon the economically leading nations that the world cannot ultimately prosper if the poorest continue to suffer and decline. To illustrate that growing disparity, in 1960 the richest 20 percent of the world's population held 60 percent of the world's wealth. Today it holds 83 percent. That same 20 percent also consumes 80 percent of the world's resources.

If conditions are to improve for our impoverished brothers and sisters, and this planet is to be kept livable for our future generations, free-trade as it exists today must be changed. Perhaps the best way to do that is to remove the corporate monopoly so that wiser decision-making is possible. That will open the door to true economics when all people's good shall be each person's rule.

Failing that, the Council on Foreign Relations dream of controlling the world will be realized.

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²⁸Bello, p. 25.

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GLOSSARY

AFTA	American Free Trade Agreement. A potential successor to NAFTA when South American countries are admitted.
APEC	Asian-Pacific Economic Cooperation. Members are Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico New Zealand, Papua New Guinea, Philippines, Singapore, Taiwan, Thailand, and US.
G-7	Group of Seven. Members are Britain, Canada, France, Germany, Italy, Japan, and US.
GATT	General Agreement on Tariffs and Trade. 124 member countries.
GSP	Generalized System of Preferences -- the Most Favored Nation program.
IMF	International Monetary Fund.
NAFTA	North American Free Trade Agreement. Presently comprised of Canada, Mexico, and US, but open for other Latin American countries to join.
TLC	Trilateral Commission. Also the Spanish-language acronym for NAFTA.
UN	United Nations.
US	United States.
USSR	Union of Soviet Socialist Republics -- the former Soviet Union.
WTO	World Trade Organization (established under GATT).

ADDENDUM-A

Some of the trilateralists in the Carter administration were Jimmy Carter (President), Zbigniew Brzezinski (National Security Advisor), Walter Mondale (Vice President), Cyrus Vance (Secretary of State), W. Michael Bloomenthal (Secretary of Treasury), Harold Brown (Secretary of Defense), Warren Christopher (Deputy Secretary of State), Richard N. Cooper (Under Secretary of State for Economic Affairs), Richard Holbrooke (Under Secretary of State for East Asian and Pacific Affairs), and C. Fred Bergsten (Assistant Secretary of Treasury for International Economic Affairs).²⁹ Andrew Young (Ambassador to the UN) was also a trilateralist.³⁰

Some TLC advisors to President Carter were Lane Kirkland (Secretary-Treasurer of the AFL/CIO), Harry Owens (Director of Foreign Policies Studies at the Brookings Institution), Leonard Woodcock (President of the United Automobile Workers), Robert Roosa (partner with Brown Brothers, Harriman & Company), and J. Paul Austin (Chairman of Coca Cola Company).³¹

Some trilateralists in the Bush administration were George Bush (President), Brent Scowcroft (National Security Advisor), Carla Hills (US Trade Representative), James Baker (Secretary of State), Robert Mosbacher (Secretary of Commerce), and Michael Boskin (Council of Economic Advisors Chairman).³²

Trilateralists on the September 1993 TLC membership list who went into the Clinton administration are Bill Clinton (President), Warren Christopher (Secretary of State), Bruce Babbitt (Secretary of Interior), Peter Tarnoff (Under Secretary of State for Political Affairs), Clifton R. Wharton, Jr. (former Deputy Secretary of State), Graham Allison (Assistant Secretary of Defense for Plans and Policy), Richard Holbrooke (Ambassador to Germany), James R. Jones (Ambassador to Mexico), Walter F. Mondale (Ambassador to Japan), Strobe Talbott (Ambassador at Large and Special Advisor to the Secretary of State on Newly Independent States and Russia), David Gergan (assistant to the President on communications), Joseph S. Nye (Chairman of the National Intelligence Council, CIA), and Alan Greenspan (Chairman of the US Federal Reserve System).³³

US corporations represented in the TLC include American Airlines, AT&T, Bank of America, Boeing, Coca Cola, DuPont, General Electric, IBM, Owens Corning Fiberglass, Proctor & Gamble, Shell Oil, Black & Decker, General Foods, and Westinghouse.³⁴

This listing in this Addendum is not complete for the US and does not delve into TLC membership in other countries. For a more complete treatment of trilateralism please consult the references.

ADDENDUM-B

An Americas Free Trade Agreement (AFTA) which is planned to be in place by 2005 would subsume six other agreements: (1) NAFTA, an existing free-trade agreement among Canada, Mexico, and the US; (2) the Group of Three, a free-trade agreement by 1995 among Colombia, Mexico, and Venezuela; (3) Mercosur, a common market to be in place by 1995 among Argentina, Brazil, Paraguay, and Uruguay; (4) Andean Pact, a common market by 1995 among Bolivia, Colombia, Ecuador, Peru, and Venezuela, although the border dispute between Peru and Ecuador may affect this; (5) Caricom, a potential common market among 13 Caribbean countries, excluding Haiti and the Dominican Republic; and (6) the Central American Common Market which would eliminate regional tariffs among Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

²⁹*Parade*.

³⁰Nelson, p. 23.

³¹*Parade*.

³²Nelson, p. 26.

³³Nelson, p. 23.

³⁴Nelson, p. 26.