

## ANALYSIS / NORTH-SOUTH TRADE DISPARITY

Corporate America out to kill G-21

Washington pursues a post-Cancun vendetta against Group of 21.

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A promising new bloc of countries was born in the run-up to the World Trade Organisation ministerial in Cancun: the Group of 21.

Led by Brazil, India, South Africa and China, the Group of 21 played a major role in preventing the European Union and United States from extracting greater agricultural tariff reductions from the poor countries while maintaining the massive subsidisation of their agricultural systems that has promoted the dumping which in turn has driven millions of small agricultural producers in the developing world from the countryside.

The US lost no time in attacking the new formation. At a briefing on Sept 10, a US official disdainfully branded the formation as the "Group of the Paralysed".

The G-21's reasonable proposals to correct the flaws of the world trading system were dismissed as "welfare measures" that had no place in a trade organisation. A concerted campaign was launched to split the group, with "weak links" like Colombia, Mexico, Chile, Costa Rica, Thailand and El Salvador subjected to a full court press.

Appalled by their government's tactics, US NGOs, at a press conference on Sept 13, revealed that the tactics of their government included "backroom coercion, calls from the White House, and threats to terminate other trade benefits and stop ongoing negotiations".

So intense was the pressure that the Brazilian delegation was compelled to issue a statement asking the delegations "to negotiate and not direct our energies at attacking countries or groups of countries".

Alongside the US government trade team, the US corporate lobby also went to work to split the G-21. Consumer Alert, a business group masking as a consumer's organisation, said that "while ostensibly representing the views of developing countries", the G-21 programme "better represents the positions of several powerful exporting countries, who want greater market access without opening up their own countries' markets to importers".

But despite the intense pressures, the US was able to detach only one country from the group: El Salvador.

Failing to split the G-21, US Trade Representative (USTR) Robert Zoellick then tried to isolate the alliance in world opinion by pinning the blame for the collapse of the Cancun ministerial on it: "The rhetoric of the 'won't do' overwhelmed the concerted efforts of the 'can do'. 'Won't do' led to the impasse."

The Bush administration's blame-game failed, with even the New York Times putting the responsibility of the collapse on the EU and US's intransigence on the question of agricultural subsidies. But, instead of understanding why

it was isolated in Cancun, the US intensified its efforts to destroy the G-21. In a recent visit to Colombia, US Senator Norm Coleman warned President Alvaro Uribe that "remaining in that group will not lead to good relations between Colombia and the United States". And employing psychological warfare, he also alleged that he got the commitment of the Colombian president to eventually leave the group.

Similarly, the negotiations around the proposed Central American Free Trade Area (CAFTA) have been used by the United States to try to break G-21. In a visit to the region post-Cancun, Mr Zoellick bluntly warned that the negotiations were endangered by Costa Rica and Guatemala's membership in the G-21.

"I told them that the emergence of the G-20 [minus El Salvador] might pose a big problem to this agreement since our Congress resents the fact that members of CAFTA are also in the G-20," he stated. "If we want to construct a common future with them, resistance and protest do not constitute an effective strategy. In my talks with some of these countries, I sense that they are drawing the right conclusions."

Moreover, Mr Zoellick urged the Central American governments to begin to look after their own interests since Brazil "is a big country that can defend its interests by itself".

Raising the pressure a notch higher, US Senator Charles Grassley, chairman of the US Senate Finance Committee, added his warning that the US would "take note" of those countries that "torpedoed" the negotiations in Cancun and would look closely at the attitude adopted by Costa Rica and Guatemala.

Costa Rica, in particular, has become the object of tremendous US pressure in the last few weeks. The push to get it off the G-21 has been accompanied by a strong demand by Mr Zoellick that it privatise its energy and telecommunications sectors, which are currently under state control.

Observers think that also part of Washington's strategy to detach Costa Rica from the G-21 is the move of the energy conglomerate Harken Corporation to sue the country to the tune of \$57 billion at the International Centre for the Settlement of Investment Disputes (ICSID) for breach of contract.

US President George W Bush, it must be noted, was a member of the board of Harken from 1986 to 1993.

The fear in the region is that to punish Costa Rica and Guatemala, the US will push for a CAFTA that only includes Nicaragua, El Salvador and Honduras – a development that would reduce even further what little leverage the Central American countries would be able to exercise in the projected trade area.

The US corporate community has also begun its post-Cancun effort to isolate and neutralise Brazil, Argentina, Venezuela and other Latin American members of G-21 in the run-up to the Free Trade Area of the Americas (FTAA) negotiations that will take place in Miami in November.

On Sept 23, in a letter addressed to US Commerce Secretary Don Evans and Trade Representative Mr Zoellick, a broad coalition of US business groups

declared: "We strongly urge you and your negotiating team to stay the course and continue to fight for a comprehensive and commercially meaningful FTAA that incorporates high standards, similar to those the United States has achieved in its free trade agreements with Canada, Mexico, Chile, and Singapore.

"We strongly oppose, therefore, attempts by some US trading partners in the region to forge a more limited trade agreement by leaving several difficult, but highly important issues off the negotiating table entirely, or addressing them in a less than commercially meaningful way."

This was clearly a reference to the efforts of Brazil and other countries to protect their investment regimes from being gutted by the draconian investment proposals of Washington, which would lead to denationalisation of industry and make impossible any kind of industrial policy.

Among the signatories were the "heavies" of the US business lobby: the Emergency Committee for American Trade, US Council for International Business, US Chamber of Commerce, National Foreign Trade council, National Association of Manufacturers, US Coalition of Service Industries, and the Pharmaceutical Research and Manufacturers of America.

These tactics of intimidation and coercion have no place in international economic relations. Instead of bridging the divide between rich and poor countries that has become the central issue in global trade, they will only exacerbate it.

Straitjacketed by a perspective that sees the rest of the world as ganging up on the United States, the Bush administration is missing out on an historic opportunity to transform North-South relations by viewing the Group of 21 as a negotiating partner whose emergence reflects the legitimate interests of the South rather than an upstart to be destroyed.

Contrary to the hopes of the Jurassic Republicans, the strategy of bulldozing the opposition will not work since the developing countries have begun to internalise the bitter lesson of the last 25 years: that unless they hang together, they will hang separately.

Celso Amorin, minister of external relations of Brazil, which serves as the coordinator of the Group of 21, was not just engaging in empty rhetoric when he declared in Cancun:

"We stand united. We will remain united. We sincerely hope that others will hear our message and, instead of confronting us or trying to divide us, will join forces in our endeavour to inject new life into the multilateral trading system. To bring it closer to the needs and aspirations of those who have been at its margins \_ indeed the vast majority \_ those who have not had the chance to reap the fruit of their toils. It is high time to change this reality."

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