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## Report: US-Initiated WTO Rules Could Undermine Regulatory Overhaul of Global Finance

As the G-20 meets in Pittsburgh, a new report from Public Citizen's Global Trade Watch warns that the World Trade Organization has long advanced extreme financial deregulation under the guise of trade agreements and could undermine the current push for increasing regulation. We speak to Lori Wallach, the director of Public Citizen's Global Trade Watch division.

Guest:

**Lori Wallach**, Director of Public Citizen's Global Trade Watch division.

JUAN GONZALEZ: World leaders from the Group of Twenty countries are expected to announce today that the G-20 will permanently replace the Group of Seven and Eight as the permanent global council for economic cooperation. The shift would give economies like China, India, Argentina, Brazil, Mexico, Indonesia, Turkey, Saudi Arabia and South Africa a greater say in global economic issues. A draft communiqué also revealed that G-20 leaders have agreed to make the International Monetary Fund more representatives by increasing the voting power of the so-called developing countries, which currently only have 43 percent of votes.

Speaking on the eve of the summit Thursday, US Treasury Secretary Tim Geithner called for higher regulatory standards.

TIMOTHY GEITHNER: As you know, the United States Congress has a very aggressive schedule to legislate sweeping changes to our financial system that are going to make—provide greater protection for consumers and investors to create a more stable financial system and to try to make sure that taxpayers are no longer on the hook in the future to bear the burdens of financial crises. But we can't do this alone. If we continue to allow risk and leverage to migrate where standards are weakest, the entire US global financial system will be less stable in the future. We need to see competition for stronger standards, not weaker standards.

JUAN GONZALEZ: Shortly before leaving for the G-20, German Chancellor Angela Merkel urged her colleagues at the forum to focus on financial regulation.

CHANCELLOR ANGELA MERKEL: [translated] Pittsburgh will be decisive in determining whether the subject of financial market regulation continues to be a central issue. For us, it is the most important subject at the meeting.

JUAN GONZALEZ: How far will the G-20 go on the regulation of financial markets? Well, a draft communiqué from the G-20 also suggests an effort to conclude the long-running world trade talks in Doha as quickly as possible. A report from Public Citizen's Global Trade Watch warns that the World Trade Organization has long advanced extreme financial deregulation under the guise of trade agreements and could undermine the current push for increasing regulation.

For more on this, we're joined from Pittsburgh by Lori Wallach, the director of Public Citizen's Global Trade Watch division.

Welcome to Democracy Now!, Lori.

LORI WALLACH: Good morning.

JUAN GONZALEZ: Well, tell us about your sense of what will happen in terms of financial regulation.

LORI WALLACH: There's an incredible contradiction, where the summit communiqué is going to, on one hand, talk about regulating finance, and at the same time, they're going to talk about adopting the Doha WTO expansion, and a huge part of that agreement is deregulating finance.

And the problem is that the G-20 commitments aren't binding. It's a commitment of faith on the countries about what they're going to do domestically. But the WTO rules are very binding and enforceable by sanctions. And so, it's hard to know if it's ignorance or it's cynicism, but if the Doha round goes into place, all of the world's countries will have a commitment not only to keep in place the existing WTO deregulation dictates on finance, but to deregulate further, right in the midst of what seems to be a global commitment to re-regulate.

JUAN GONZALEZ: Now, is there any—among the countries now that are going to be getting increased attention, in terms of the G-20's growing role now in world economic affairs, are there any countries, specifically, that are trying to lead a fight for a greater regulation?

LORI WALLACH: Well, see, this is the most peculiar aspect of it. The European Union, as you just mentioned, Angela Merkel, among others, have been pushing for more regulation, and in fact they want the G-20 to have a—to establish a global floor of regulation. The US hasn't been for that. It's not going to be in this communiqué, but they've really been pushing. But simultaneously, it's the European Union that is the major instigator of deregulation.

And so, the big development is we finally were able to get documents that actually explain what the plan is for the WTO Doha round, and it's the European Union that's been pushing the worst of it. I mean, they literally want a provision that is a standstill, a freeze in place, on regulation, while simultaneously they're calling for re-regulation. You can't have it both ways.

JUAN GONZALEZ: What's your sense of how—of the Pittsburgh protests, as they've been developing in the last few days? Any impact at all in terms of how the world leaders are regarding those protests at all?

LORI WALLACH: Well, unfortunately, the thing that has been evident here is an incredible overreaction as far as trying to squelch the possibility of the protesters having any proximity to the actual venue, and so there's a ratio of something like, you know, ten policemen, bristling with gear, to each protester. And it's really a sort of—to me, it's just a—it's a horror show in the context of free speech and civil liberties. I mean, there's obviously a need to secure the President's safety and that of other heads of state, but this is above and beyond, and they've brought in police from places like Miami, who are just, as we saw with the FTAA ministerial, you know, storm troopers looking to beat up kids. It's just a worrisome feature every time there is a major summit, the attempt to basically make it impossible for the public's message to be heard by the leaders.

JUAN GONZALEZ: Lori, I'd like to ask you about the role of Treasury Secretary Tim Geithner. Here in the United States, he's supposed—he's leading the efforts now to increase regulation over the financial sector. But he played a previous role under the Clinton administration in what was happening at the WTO in terms of financial deregulation. Could you talk about that?

LORI WALLACH: Yeah. This is actually a serious problem. So, most people don't even realize that the World Trade Organization has an agreement called the Financial Services Agreement that explicitly applies to over a hundred countries and mandates major deregulation. Just for instance, it has a rule that you cannot have a domestic law, even if it applies equally to foreign and domestic companies, that limits the size of a financial service firm—insurance, banking, securities. So when everyone talks about putting into place rules about "too big to fail," there's a WTO dictate that says you can't do that. A lot of other really extreme deregulation rules. That agreement was never brought to a vote in Congress, so a lot of members of Congress have no idea it's there.

Well, one interesting fact we found was, although Daddy Bush started negotiation, Clinton is the one who locked it up. And it was actually Geithner, when he was in the Treasury Department working for Robert Rubin during the Clinton administration, who was the lead Clinton administration Treasury Department negotiator. So he is, in a way, the guy who closed the deal. And so, he knows about it. He has to know about the existing agreements. And so, theoretically, he should be the guy who's most aware of the perils, in the sense that he was part of the whole Clinton-era deregulation, including domestically.

I mean, the busting of Glass-Steagall, which, by the way, we listed in the WTO as one of our commitments, to reform Glass-Steagall, because it created firewalls between insurance, securities, banking. It, you know, kept banks from gambling with our savings—good idea. The WTO commitment lists reforming Glass-Steagall, getting rid of it. That all happened during Clinton. So not just at the WTO, but domestically, a lot of the folks who came from the Clinton administration who are now in the Obama administration—Larry Summers, Geithner—were in on this.

So, now Geithner is talking about re-regulating domestically, needs to get on that WTO piece, but cannot have a Doha round that has more deregulation. I mean, the basic principle here should be do no further harm. But then they have to go back and fix the WTO rules.

And we're actually going to be launching a campaign with some of the unions and others, and it's being launched around the world to work on that. You can see more on our website, which is tradewatch.org. This is something that actually can be fixed, but it's going to take a lot of public attention to make the leaders do it.

JUAN GONZALEZ: So, you're saying, in effect, that if the Congress attempted, in one way or other, to reinstitute a form of Glass-Steagall or to regulate the ability of—the growth of these too-big-to-fail banks, that the United States could be running into conflict with the World Trade Organization Financial Services Agreement?

LORI WALLACH: So this agreement was in 1999, which was at the peak of the sort of lunacy for deregulation. So it, itself, the Financial Services Agreement, for instance, has a rule that applies that you can't regulate according to size. The US then took on additional commitments, as did about thirty other countries, mainly rich ones, but a couple of developing countries, and that's called the Understanding on Commitments in Financial Services. And that agreement is deregulation on steroids. So the US actually has a specific WTO commitment that's called "standstill," and in that commitment, we've agreed to basically lock ourselves into the place of deregulation that we were in 1999.

Now, obviously, Congress is talking about re-regulating, but in our WTO commitments, we've basically agreed, in the areas we've bound—and we've bound everything. We did take one very important exception in the area of derivatives. That would be for onion futures. We bound every other kind of security, stock, derivatives, but we took a reservation for onion futures. It's a really scary set of limitations. Now, it's obvious that there's an imperative politically to re-regulate. The question is, if sincerely there's going to be re-regulation, this backdoor deregulation has got to be closed. So the existing WTO rules have to be changed, and obviously the Doha round's further deregulation has to be stopped.

But a big part of this is, we need to make such a ruckus about it that basically a huge spotlight is shined on the issue, because there are a lot of very powerful financial service interests. By the way, they are the ones who wrote, largely, the Financial Services Agreement, in cahoots with the government. There's a book from an American Express guy talking about how he and AIG and the others wrote these rules. Those guys want more of the same. I mean, one of the agreements that we found would be put into place automatically if the Doha round were adopted, as the G-20 communiqué calls for, is a limit on accounting regulation, regulation of the accounting sector, that was co-written by Arthur Andersen. I could not make this up. This is actually the document. It's done. And so, the last thing we need are these limits.

And so, basically, the work that we all have at hand is to beat the banksters on a variety of fronts. It's going to be a big fight domestically, but we're not going to be successful domestically, nor around the world, where in less powerful countries—and maybe the US and Europe get away cheating the rules a little bit at the WTO, but the other countries around the world don't have that discretion. So it's not just a matter of what we need domestically, though it's critical. You don't want Granny's pension robbed, your mortgage gone. But on top of that, for the other countries, we've got to fix these WTO rules and stop the Doha round.

JUAN GONZALEZ: Well, Lori Wallach, director of Public Citizen's Global Trade Watch division, I want to thank you for being with us.