TRADE

Cambridge cultists push trade war

Three weeks ago, we warned that the prescription for national autarky economics—emanating from a financial cult at Cambridge associated with Denis Healey—is already being enacted by Energy Secretary Schlesinger and Trade Negotiator Robert Strauss. With the protectionist hawks in the U.S. Senate further tearing up the tattered GATT agreement and environmentalists agravating for the dismantling of the nuclear industry, the U.S. is only a short step away from Cambridge's nightmare.

This was announced by the *Wall Street Journal* in its front page "Outlook" column on April 23. "The real culprit fingered by the Cambridge group is the pattern of trade in manufactured goods (which Cambridge says is) the obstacle to growth of GNP in most parts of the world, including the U.S.

"The only way out, the Cambridge men say, is for the U.S. to restrict selectively its imports of manufactured items from Japan and...West Germany." Even if Japan retaliated against the U.S., they argue, this would cut world trade by "only" .5 percent.

This nostrum is a thin cover for outright trade war. Under the Cambridge policies, the U.S. and advanced sector would see their capital goods capacity replaced with 19th century-styled technology.

This possibility is underscored in a recent commentary by John Hauge of Lehman Brothers Kuhn Loeb. Hauge warned that "the potential for trade war is stepping up. The U.S. has had a transitory honeymoon with Japan with Ohira coming in. He may make concessions to the U.S. on the trade question, but it won't be enough. Britain is already throwing up import barriers, and Europe is going along with the British." Hauge predicts that U.S. recession would engender a sharp slowdown in world trade, which would consequently force Germany and Japan to cave in to trade war under conditions of rising unemployment and social unrest.

—*Steve Parsons*

CORPORATE STRATEGY

Will Ford bow to pressure to reorient to defense production?

The announcement by Ford Europe April 24 in London that, "barring new and unforeseen circumstances," it is abandoning plans to build a billion dollar auto assembly plant in France's economically depressed Lorraine region, adds a new dimension to pressure on the auto giant to pare down its robust international operations in favor of a domestic reorientation toward government defense orders.

The Ford deal fell victim to a dirty operation run by French Industry Ministry advisor Christian Stoffaes, who succeeded, to the astonishment of Frenchmen, in creating an alliance between Peugeot-Citroen and the state-owned Renault against Ford. Ford, which had been expanding rapidly in Europe and in 1978 earned nearly half of its profits from its overseas sales, is thus being squeezed back into the U.S. market, where it finds itself clubbed by manufactured scandals, lawsuits, and yellow journalism about the "autocratic king" Henry II—a sneer at Ford Chairman Henry Ford II, who steered the company safely out of its postwar near-bankruptcy—and alternately enticed with weapons contract promises.

Ironically, French President Valery Giscard d'Estaing fought hard for the Ford plant. On April 2 he met with Henry Ford II, a meeting scheduled three months earlier, to personally work out the deal and give Ford political assurances of support. France's largest union federation, the CGT, gave Ford assurances of labor peace, and Ford execs were helicoptered to numerous potential factory sites.

But Stoffaes had counterattacked as early as mid-March, with a report praising the French auto industry as the bulwark of French industry, which was directly threatened by American and Japanese "monopolization strategies." The Stoffaes report slapped Renault for its high wages and modernization policies, and specifically mentioned that