
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 aggravating 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 Indus-

try 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

All systems go for gold price take-off

Following the U.S. Treasury Department's decision to halve the amount of gold offered for sale at its monthly gold auction, the stage has been set for another major move upward in the gold price to approximately \$270 within the next two months. This assessment stands in sharp contrast to the rather linear projections of many other analysts who ignore the growing potential for a classic "crisis of confidence" in which *all* currencies are called into

question due to the declining real profitability of investments denominated in those currencies.

Accelerating inflation rates in Western Europe and Japan are laying the groundwork for just such a crisis. For example, West German bankers are in a defensive and near panicky mood following the recent huge drain of capital out of West Germany's financial markets into higher-yielding dollar- and sterling-denominated investments. These

bankers report that the Bundesbank will resort to competitive interest rate hikes and massive dumping of dollars, if necessary, to protect the value of the deutschemark and West Germany's capital market. Thus, when all economies appear to be disintegrating simultaneously, the question of which currency collapses first—the dollar, the deutschemark, or the yen—will likely be determined not by ordinary criteria but by "who comes out on top" in the interest rate combat between central banks or "who grabs the biggest markets" in the present struggle over world trade.

The potential for chaos is enormous—the Council on Foreign Relations' chosen motto of "controlled disintegration" notwithstanding. Once this state of affairs becomes more widely recognized, gold will be seen as the "last refuge" and a substantial flight into metal will ensue.

—Alice Roth

Ford's high technology policies made it a very formidable competitor in France and Europe.

Stoffaes called for a major "rationalization plan" for French auto which later turned out to be a scheme to rehouse old auto equipment in small new plants to be built in place of the wholly new Ford plant.

Just before Stoffaes made his report public, he had addressed an international steel conference in Cleveland, and lauded the Davignon Plan for European steel rationalization—the very plan that will rationalize 12,000 Lorraine steelworkers permanently out of work, for whom the Ford assembly plant was to supply jobs.

At the same time Jean-Paul Paraye, the head of Peugeot-Citroen-Chrysler, convinced Renault's chief, Bernard Vernier Palliez, to intercede with Prime Minister Raymond Barre and Industry Minister Andre Giraud, to block Ford. That Renault, considered the "Ford" of France for its

high-wage and modernization policies, could be steered into an alliance with Peugeot, its arch-rival and opposite in corporate policy (Peugeot is known for its low wages, use of low-paid immigrant labor, and company goons)—has stirred speculation of heavy financial and political pressure having been applied to Renault.

Peugeot then upped the ante by threatening the Giscard government with not building its promised Metz assembly line plant unless Ford was blocked

No bed of roses

Falling back into the U.S. market is no bed of roses for Ford. The company is being hit by a Naderite-type slander campaign over the "safety" of the Pinto model, harassed by Zionist lobby lawyer Roy Cohn's stockholder's suit, threatened by forces connected to California Governor Jerry Brown with having coke-snorting dissolute Benson Ford pushed into top management or even

the presidency as Henry Ford II prepares to retire, and buffeted by a press smear campaign epitomized by the April 30 *Business Week* magazine, which features Ford as "king" Henry II on his throne with the ghost of his grandfather, Henry Ford I, watching over him. It has been rumored that Ford is being strongly induced to break ties with Giscard in return for large new defense orders being privately promised by New York Council on Foreign Relations supporters of the presidential candidacy of Alexander Haig.

But the fight in Ford is still undecided. In a consortium with other U.S. tractor producers, Ford has signed a contract for 2,500 units with the Mexican government. This deal, Ford's largest in 60 years, will help encourage the company to produce tractors instead of tanks.

—Leif Johnson and
Garance Phau