## TRADE

# Outlook for world trade: control, trade war and no growth

C. Fred Bergsten entitled a recent speech, "The Outlook for World Trade: Continued Liberalization or Protectionism." By the time he finished addressing the Washington, D.C. Institutional Investors Institute on May 9, the Assistant Secretary of the Treasury for International Affairs had made it clear that the Administration wished to pursue the worst aspects of both options at the same time.

Bergsten's speech has more recently been reiterated in substance by Assistant Secretary of Commerce Frank Weill. Weill, a former partner of the pro-British Bronfman family investment bank of Loeb, Rhoades and Company, told the Senate Foreign Relations Committee on May 23 that first the U.S. must gear up to fight and win a trade war. "With a slower growing world market and intensified competition," Weill told the Senators, "many nations will be tempted to adopt protectionist policies—restricting imports while attempting to subsidize exports." Unless the U.S. fights to regain its earlier share of the global market, Weill continued, the U.S. could incur foreign trade deficits of $40 billion or more by 1990. The solution, Weill said, is to reduce energy demand, keep growth slow, and make the most of—i.e. maintain—the cheap dollar (which Treasury Secretary Blumenthal's earlier policies deliberately brought about).

Weill's policy package, it should be noted, is precisely that being advocated for the U.S. by such supranational institutions as the International Monetary Fund, World Bank, the Organization of Economic Cooperation and Development, the UN Conference on Trade and Development, and the General Agreement on Trade and Tariffs. Bergsten had outlined a similar package on May 9. The former Brookings Institution fellow insisted that "world growth rates are likely to be significantly lower in the last quarter of the 20th century." Therefore there must be

## BRITAIN

# The titanium tangle: 'free enterprise' put to the test

Britain's new Industry Minister Sir Keith Joseph may find the deep-seated devotion to "free enterprise" put to the test before he even has time to unpack his bookshelf of required reading on how to dismantle the state sector. The Thatcher government has to decide in the next few weeks whether to allow the National Enterprise Board (the state agency which channels government subsidies into "risky" industrial projects) to invest $30 million or more in a new titanium plan urgently needed for Britain's defense industry.

Joseph, committed to dismantling the NEB and all other industrial aid programs set up by previous Labour governments, will find himself on a collision course with the Defense Ministry and alarmed executives of Rolls Royce if his department decides to scrap an NEB project to rescue the British titanium industry.

Titanium granules, produced from titanium oxide ore by a complex industrial process, are smelted into metal billets which are integral to production of specialized Rolls Royce engines, particularly the RB 199 which is to power the European Multi-Role Combat Aircraft (MRCA). Imperial Chemical Industries which at present supplies the titanium to Rolls Royce via ICI's subsidiary, Imperial Metal Industries (IMI), has announced that it intends to shut down its ancient and inefficient plant at Teeside—the only place in Britain where the metal is produced.

There are only two other producers of the sort of titanium needed by Rolls Royce—Nippon Soda in Japana and Reactive Metal Industries in Ohio, but neither one uses the same process as employed by IMI. Rolls Royce officials have said they could swap suppliers but the changeover necessary to adapt their engines so they use the Japanese or U.S.-produced metal would take between cutbacks of "excess capacity ... facing the steel sector in a number of countries." One way is through the cartelization scheme of the French EEC Industry Commissioner, Count Davignon and supranationally mandated austerity regimes for other industries.

**Forcing submission**

The implementation of the antigrowth policies favored by Bergsten, Weill, and the Carter Administration generally requires the submission of industrialist layers in a number of key countries. In West Germany, a Hanover economic study group has "predicted" declining economic growth through the year 2,000 A.D. The report claims Germany has become a "mature" nation and therefore can't continue any longer in a mode of export-led growth. A similar perspective appears in a recent report by one of the "Grossbanken," Commerzbank, which "foresees" demand for services replacing demand for manufactured goods in West Germany.

In Japan, a carrot-and-stick approach is being wielded to wean it from a commitment to emphasis on high-technology exports. The "carrot" side of the approach is various trade openings to Japan for dubious ventures. On the "stick" side, Japanese officials are being manipulated into voicing satisfaction with the United States' restrictions against their export policy. Said special advisor to the Finance Minister Michiya Matsukawa this week: "Japanese exporters have learned a valuable lesson from their experiences, namely that they will be led to disastrous friction if they are interested only in increasing their exports. "The U.S. trigger price system for steel products taught us the lesson," he said, "that even if the pie is smaller the profit can be heavier provided exports are made in an orderly manner and with appropriate pricing."

While key export-committed countries such as West Germany and Japan are being clubbed to increase imports, reduce exports, and shift from manufactures to a services orientation, countries like the U.S., controlled by an antigrowth, antitechnology Administration, are being outfitted in protectionist mode to do the clubbing.

U.S. steel industrialists at the American Iron and Steel Institute conference in New York City last week called for more measures against imports despite their admission that capacity shortages were looming and that Anthony Solomon's "trigger price mechanism" had virtually priced the Japanese out of the market. The steelmakers complained, hoever, that the Europeans were still able to get in under the trigger-price. Not mentioned by the industry dinosaurs, however, was the fact that if they would modernize their plant they could compete with any steelmakers in the world.

*—Richard Schulman*

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four and nine years.

Compounding the problem is the fact that the British government is unwilling to depend solely on a foreign country for supplies of the strategic metal, even if the changeover could be made at a reasonable cost. ICI insists that it will not keep its existing titanium producing plant open beyond the end of this year because it is unsafe, inefficient and unprofitable. Journalists have not been able to see the plant in operation for "security reasons."

Since Rolls Royce urgently needs the metal for aero-engine production, it has taken its case to the Department of Industry and the matter is in Sir Keith Joseph's lap. A new titanium plant is slated to be built by a consortium of the NEB, Rolls Royce and Imperial Metal Industries if the government gives the okay. Analysts say that Sir Keith has no choice but to back the new enterprise with state funds or risk the government's already massive investment in Rolls Royce. Worse still, the Thatcher government would be seen as reneging on its election pledge to maintain Britain's "independent" defense capability if it put "free enterprise" first in this instance.

*—Marla Minnicino*

## Selections from Sir Keith's reading list

*Government and the Market Economy*, Samuel Brittan, *Financial Times* economics editor.

*Meriden: Odyssey of a Lame Duck*, Jock Bruce-Gardyne (the trials and tribulations of Meriden Motorcycle factory which was turned into a workers' cooperative with state funds).

*Employment, Inflation and Politics*, by Peter Jay, monetarist, recently departed Ambassador to the U.S., former London *Times* economics columnist, and son-in-law of James Callaghan.

*Delusions of Dominance*, John Jewkes. Has anyone besides Sir Keith read this one?

*The Wired Society*, James Martin

*The Economics of John Kenneth Galbraith*, Frank McFadzean, chairman, Shell Petroleum Co., Ltd.

*Democracy in America*, Alexis de Toqueville.

*Capitalism, Socialism and Democracy*, A. Shumpeter.

*Why Britain Needs a Social Market Economy*, Sir Keith Joseph.

*Monetarism is Not Enough*, Sir Keith Joseph.

*Solving the Union Problem is the Key to Britain's Recovery*, Sir Keith Joseph.

*The Wealth of Nations*, Adam Smith.