

World Trade by Richard Schulman

A growing politicization

Recent waves of East-West and North-South trade agreements find the U.S.A. not participating; just about everyone else is.

A wholly political growth and diversification of East-West and North-South trade relations is underway, as shown by a number of recently concluded trade deals.

The most widely known of these recent deals is the \$110 million Soviet contract just awarded to two Paris-based companies for deep-water oil drilling equipment and services. British and U.S. companies, including affiliates of British Petroleum and Brown and Root, were also active bidders for this contract. As reported in the financial press, this was the first major trade deal the Soviets had concluded since the U.S. imposed trade sanctions following the Soviet invasion of Afghanistan.

The Soviet awarding of this contract to the French companies, E.T.P.M. and U.I.E., was more than a reward for France's independent foreign policy posture after Afghanistan, in contrast with the Cold War fulminations of the Thatcher and Carter administrations. As a number of commentators accurately noted, the Soviets just cannot afford to conclude deals with unreliable trading partners who may cancel out at any moment. The Carter administration's commitment to blocking high-technology exports to the Soviets all but ruled out the U.S. winning the contract.

The two winning French companies are expected to receive an additional \$100 million order for deep sea rigs and drilling equip-

ment. This is the Soviet Union's first venture into deep-sea exploration. The drilling will take place at sites in the Caspian Sea.

France's close political partner, West Germany, is now negotiating a \$280 million trade deal with the Soviet Union's Comecon partner Poland. This trade deal is described by German Economics Minister Lambsdorff as designed to provide "raw materials security" for his country.

By contrast, the U.S. Commerce Department's approach to East bloc trade has been not only to oppose it for the U.S. but for other countries. The Feb. 25 issue of *Business America*, a widely read trade publication put out by the Department, carries a feature titled "East Europe Expands Trade with 'Third World'"—a development the Department is clearly unhappy with, since it tends to undermine the administration's commitment to putting the "Third World" under International Monetary Fund conditionalities.

Closely related to the Carter administration's commitment to such "One World" institutions is its commitment to the Geneva-based General Agreement on Tariffs and Trade (GATT). Almost one year after the administration initialed the new GATT pact (the "Tokyo Round"), that pact has received an important setback in the form of rejection of GATT membership by the Mexican gov-

ernment of Jose Lopez Portillo. A principal objective of GATT had been to suppress state-sector fostered industrial development in the underdeveloped sector. The anticipated joining of GATT by Mexico, a politically sophisticated and influential semi-industrialized nation with lots of oil and a strong state sector, was an important part of the GATT strategy.

Four Western European countries have been pursuing an expansionist trade policy with both the East bloc and development-minded nations such as Mexico. These countries are France, West Germany, Italy, and Spain. France's Mideast trade and diplomatic activities have been covered in recent issues of this publication. Closely related is France's trade activism in northern Africa. The French have just concluded a deal to build a \$152 million canal in Sudan.

Germany is going ahead with an earlier-announced heavy-water reactor deal with Argentina.

Italy has been pursuing nuclear energy cooperation agreements with such Moslem countries as Iraq and Indonesia. The Italian nuclear agency CNEN has just signed such an agreement with its Indonesian counterpart BATAN. A reactor research center, consisting of a heavy water reactor and a number of satellite laboratories, will be built in Indonesia with technical assistance and partial financing from the Italian government.

A similar deal was concluded between Italy and Iraq, whereby CNEN and an Italian private sector company, Snia Techint, supplied Iraq with two nuclear laboratories. Like Italy, France also has nuclear cooperation agreements with Iraq.