

World Trade by Richard Schulman

Carter makes trade war his policy

If Europe and Japan don't go along with U.S. "sanctions" against Iraq, the U.S.S.R., and anybody else Carter might choose, then they'll face sanctions themselves.

The Carter administration has told Europe and Japan to support a U.S. boycott of Iran or face a cut-off of auto imports into the U.S.," a top British official of the International Institute of Strategic Studies has been telling Wall St. "insider" circles recently. The report coincides with calls for auto import restrictions in the wake of the shutdown last week of three Ford plants in the United States.

The protectionist moves in the auto industry follow by just weeks administration-provoked moves against European steel imports and the cancellation of U.S. exports of grain, phosphates, and capital goods to the Soviet Union on the pretext of retaliation for the Soviet invasion of Afghanistan.

The cancellation of U.S. exports to the Soviets has already resulted in the loss of at least \$5 to \$15 billion in dollar earnings the U.S. would have made during the course of the upcoming Soviet five-year plan, according to the April 9 *New York Journal of Commerce*.

The administration and U.S. steel industry have been playing a Mutt-and-Jeff act to restrict steel imports, with U.S. Steel launching an antidumping suit against European steelmakers and the Commerce Department immediately "retaliating" by cancelling the trigger-price mechanism (which provided a means for regulating, but not strangling imports). Both steel importers and European

steelmakers have commented on the shabbiness of the U.S. Steel Corp. suit. Under U.S. antidumping law, not only must a plaintiff prove that dumping took place, but that material damage to the U.S. industry actually was suffered. With the antiquated U.S. steel industry working at a high 89 percent of capacity, U.S. Steel's argument of damage due to import competition is a dubious one.

In auto, it is the Ford Motor Company and the Ford Motor division of the UAW which are playing the role that U.S. Steel and the Commerce Department played a month ago in fomenting protectionist hysteria. Doug Fraser, top UAW official, has been backing these efforts. During a recent visit to Japan Fraser said: "If they [the Japanese] want to sell cars there [in the U.S.—ed.], they'll have to make them there. ... If they don't build plants there, I would have no hesitation to hit them with import quotas."

Volkswagon has just agreed to build a second auto assembly plant in the U.S. Datsun and Toyota are in no position to do this, however. They currently have sufficient manufacturing capacity in Japan and, unlike Volkswagen, do not produce a single model but rather a range of well-regarded cars. To do so, they are dependent on a configuration of unique parts suppliers already sited around them in Japan.

To blame for provoking the protectionist sentiment in the auto industry and the UAW, however, is the Carter administration's policy of high-interest-rate credit strangulation. It is collapsing auto demand due to consumer-credit cutoffs which is principally to blame for the auto industry's present plight, not foreign imports.

The administration now has the unenviable distinction of being the world's leading advocate of both "one-worldist" trade strangulation through the new Geneva GATT agreement (the "Tokyo Round"), as well as "nationalist" trade war. The unity of these seeming contradictions is geopolitics—trade, military, and political alliances such as that of the U.S. with China, Egypt, and Israel to foster global deindustrialization.

That this is the case is underlined by the patent insanity of the ban on exports to the Soviet Union, of which the principal victim is the United States itself. The National Farm Bureau has denounced the Carter ban on grain exports to the U.S.S.R. as a national disaster. Shortly after the Farm Bureau's announcement, news reports have appeared detailing how the Soviets had filled much of the cancelled orders through other nations.

All this underlines the fact that the same administration which is pointing the U.S. toward a military war it will lose is doing the same in the domain of trade war. This suggests that Europe and Japan would do well to call the Carter administration's bluff on its demand for economic warfare since the administration is manifestly at war with everyone, including the U.S. itself.