preference. At this rate, the government will be paying the client to take the goods.

At the mid-March National Grain and Feed Association's annual convention, Michel Fribourg of Continental Grain Corporation proposed a three-step program that he claimed might stop trade war, and he gave some insight into the direction that subsidy removal would take the United States. He proposed a five-year freeze on existing support prices on both sides of the Atlantic and an agreement by Western nations to expand their traditional markets through such plans as the Caribbean Basin Initiative.

The Caribbean Basin Initiative is a program of the Commerce and Agricultural Departments that provided funds for investors to set up labor-intensive shops and agricultural projects such as sugar cane plantations in underdeveloped areas of the Caribbean. The produce of these small industries and farms would be sold in the United States with assured preferential access to markets. Such "development projects" would nominally increase participating developing sector nations' foreign trade so that they could purchase more U.S. agricultural produce. The real effect would be to dump produce grown in labor-intensive projects on the U.S. market, which could threaten the domestic markets of high-technology U.S. farmers.

Attack on the CAP

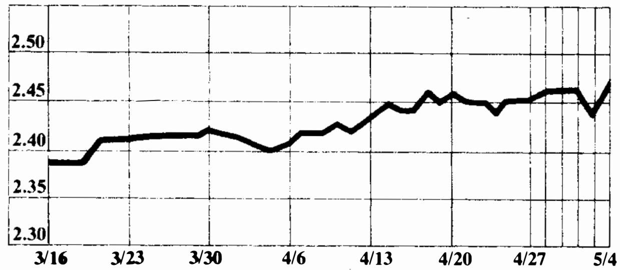
The United States has led a two-year attack on the policies of the CAP to force the EC to phase out all export subsidies over the next five years. Such demands have been unacceptable to CAP members, which subsidize both domestic farm prices and export prices to ensure that farmers receive sufficient income to maintain production, even though world prices are falling. Such policies, the EC nations correctly believe, will ensure that Europe and the rest of the world will never again face the same food shortages it did during and after World War II. CAP has helped increase the EC's share of world food exports from 8 percent in 1976 to 17 percent at present, making it the biggest exporter of food after the United States. With a real development push by the OECD, there would be expanding markets for every member nation in both the advanced sector and the Third World.

The opening salvo in the current agricultural trade war was fired in October 1982, when U.S. Agricultural Secretary John Block declared that if the EC did not stop subsidizing agriculture, then he would not stop at trade war with Europe. After Shultz's meeting with other members of the commission in Brussels in December, both sides have met three times, keeping the issue alive. As justification for the Egyptian deal, Block said at the U.S. Feed Grains Council annual board of directors meeting early in March, "We will not stand idly by and lose markets because of unfair competition or trade restrictions," and that, while he encourages free trade, he saw a "potential role for carefully targeted measures aimed at convincing" other countries to reduce their "trade distortions."

Currency Rates

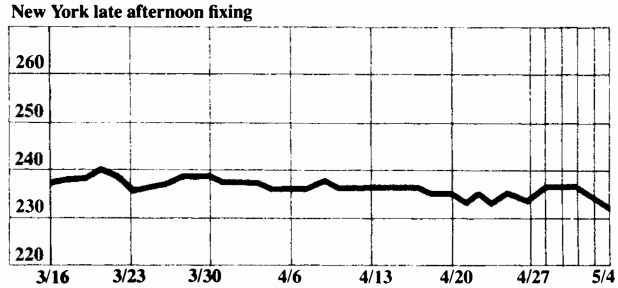
The dollar in deutschemarks

New York late afternoon fixing



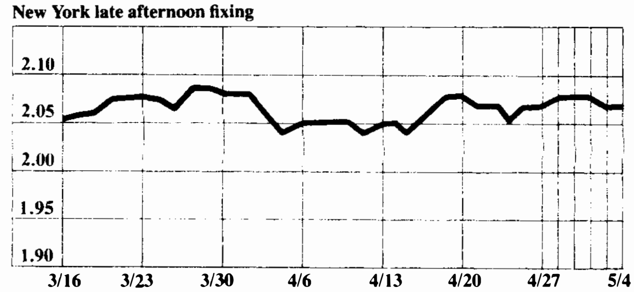
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing