Behind the Trilats' trade war countdown

by Chris White

The countdown to a trade war between the United States and the European Community is on. As of Jan. 1, 1989, the EC was to ban imported U.S. beef that has been treated with growth-enhancing hormones. In retaliation, the U.S. government has ordered that full tariffs be imposed on a range of imports from Europe. The list includes Italian canned tomatoes, French cheese, German meat products, Danish ham, and pet foods. The EC is then expected to act against fruit and vegetables imported from the United States, and the United States to then subsequently penalize all meat imports from Europe.

The fruit and tomato throwing match about to get under way is the second major source of friction that has been drummed up between the United States and the European Community. The first was the Reagan administration's expressed commitment to eliminate all so-called subsidies on agricultural production worldwide, by the year 2000. This dispute contributed to the collapse of the early December GATT talks, held under the so-called Uruguay Round, in Montreal, Canada.

Third in the hopper is the complaint taken up for investigation by the Office of the Trade Representative as a result of action by the U.S. Copper and Brass Fabricators. They are accusing EC countries of "predatory pricing" of copper scrap, so as to withhold scrap exports from the U.S. market, and force higher prices to prevail in the U.S. than do in Europe. Unlike the upcoming fruit and vegetable throwing, this new complaint digs right into the middle of Europe's internal pricing and production policies in a key industrial commodity, vital for all metal-working manufacturing industries.

The funny thing about the trade war though, which should give pause for thought, is that both sides have cooperated quite happily in organizing it. On both sides of the Atlantic, the circles promoting the war, within the Brussels European Commission and within the U.S. government, are partisans of David Rockefeller's Trilateral Commission and the financial power centers which stand behind that body. It is not a real war, it is a phony war, which both sides have agreed to have. Even before the tomatoes and fruit that are to be thrown have begun to rot, a certain distinctive smell exudes from the preliminaries now under way.

The developments on the trade war ought to be taken in conjunction with the continued transatlantic campaign, escalated since the pre-Christmas bombing of Pan Am Flight 103 over Lockerbie, Scotland, for military action to be taken against presumed or alleged chemical weapons production facilities in Libya. It is to be presumed that the demand to "Bomb Libya" is not necessarily directed against Libya itself, but is rather the code-name for some operation aimed somewhere else. For example, the code-name covering plans being developed for military action against Pan Am, or for broader confrontation within the Middle East, between, for example Israel and Syria.

The campaign under the name of "Bomb Libya" actually began before Pan Am's Flight 103 was downed, and was being promoted in off-the-record briefings and discussions emanating from George Shultz's State Department, among other locations. Since the Pan Am flight was bombed, the demand has been subsumed under the cry for retaliations against the perpetrators of the outrage.

Institutional reordering?

Both the phony trade war, and the operational hype under the "Bomb Libya" code-name, can be assumed to have their authorship from among the same circles, and also be assumed to be directed at the same objective. Those who would investigate among the circles of British intelligence linked to Lord Victor Rothschild and his factional allies like the former Prime Ministers Harold Wilson and Edward Heath, would no doubt, hit close to the mark. It can be assumed that both operations are designed to function as smokescreens covering an effort to reshape institutional relations with the financial and political structures of the alliance in the period ahead, beginning perhaps in the month of January, and extending over the 60 to 90 days beyond.

What such institutional rearrangements might be, and what the Russians might do, for they have their own irons in the fire, both with regard to financial policy, and under the Middle East cauldron, to further their advantage, and commitment to separate West Germany from the Atlantic Alliance, are separate questions. The smokescreen is being laid down to cover moves especially on the financial front, which will have profound bearing on both. Since, as so often in the past, war and economic dislocation are the means by which such reorderings of financial and institutional power are brought about.

The driver is the worsening bankruptcy crisis of the dollar-based credit system. Since those who have taken the decision to move into trade war have done so in light of what some of the foreseeable consequences of doing that might be, the decision to so move ahead must mean further that those same powerful have also decided that the crisis management methods which have been employed to contain crises and buy time over the last years, are no longer applicable or enough. Whether those characters understand what they are playing with, or can control the kind of chain reaction which may well ensue, is entirely different. No doubt, though, in their infinite wisdom, the motivation has to do with developing the kind of shock that will break the will of the incoming Bush administration, and force its submission to the kind of draconian austerity policies the international creditors of the United States have demanded.

Smoot-Hawley rerun

There are more than $20 trillion worth of unsecured obligations outstanding as the core of the bankruptcy crisis of the dollar system. Trade war unleashed between Europe and the United States will destabilize that mountain of paper, under conditions in which the economy and financial systems were more than ripe for another ratchet of collapse in any case. The profile in general would be like a rerun of the Smoot-Hawley so-called protectionist legislation of the 1930s. The adoption of that legislative package is generally, if wrongly, seen as the cause of the banking collapse which got under way in 1933 as the economy plunged full-tilt into depression conditions. This time though it would be much, much worse. Then, tariffs were accompanied by competitive devaluations of currencies, and followed by runs against the banks. Then, the collapse was the result of policies adopted and enforced under the administration of Calvin Coolidge, stripping out economic activity and employment to support the unbridled speculation and usury that led into the October 1929 stock market crash. This, subsequently reinforced with demands to cut budget expenditures, as now, produced Smoot-Hawley and the banking collapse of 1933.

Then, however, the relationship between world trade, and world monetary speculation was orders of magnitude different than it has become today. Today world trade as a whole accounts for about $1.5 trillion, of which the U.S. accounts for somewhere around one-third. On top of this, there are some $30 trillion of financial transactions, in one form of speculative activity or another. Yet, ultimately those specualtive funds must be secured against claims on the goods traded, and the productive capacity and labor which produces those goods. A trade war will most likely help provoke a stampede out of the essentially unsecured paper, and into a desperate hunt for tangible assets. Out of that flight into what the markets call "quality" comes the potentiality for a reversed leverage chain reaction-style collapse of the entire accumulation of unsecured paper.

Against such an eventuality, the banking crisis of 1933, which led into Roosevelt's bank holiday shutdown of the system as a whole, would look like a real holiday picnic. Yet, we are assured, "It can't happen again," or, "Well, it can happen again, if things go wrong, but we can control it." Who, pray, is going to bring the reversed leverage collapse of say $5-7 trillion worth of paper under control? Not the people who insist that it can't happen, that's for sure. They don't even known what's going on in the real world.

On top of this, within the United States, there is also the accumulating catastrophe potential of the insolvent thrift system, and the relationship between that system, and the $900 billion of government "full faith and credit" backed mortgage securities, and the speculatively inflated national real estate market.

There is one person within the United States, who does know, not only how to bring such a mess under control, but also how to prevent it. His name is Lyndon LaRouche. However, that crowd around Victor Rothschild who are rigging the changes in financial institutional power, behind the smokescreen of trade war and Middle Eastern confrontation, also happen to be the ones who have insisted that LaRouche be put out of commission through the U.S. Justice Department's political show trial frameup proceedings.

The U.S. crowd have insisted, with ferocity, since the summer of 1982, when they rejected LaRouche's proposal to reorganize monetary and credit systems in favor of Donald Regan's and Walter Wriston's "creative" or "innovative" financial methods, that they know better. By so doing they helped create the crisis potential which is now being set to explode, and has the potential to wipe out not only them, and their beloved system, but the rest of us too. If they don't learn better next time around, they may find it's their last such chance.