

U.S. wields GATT weapon against its trade partners

by William Engdahl

Washington has made clear that it intends to press its current position as "victor" in the Gulf war, to force unprecedented economic sacrifice from its trading partners over the coming period.

The policy was signaled by President Bush on March 1, when he asked Congress to extend the deadline for completion of the four-year-old Uruguay Round of the General Agreement on Tariffs and Trade for two more years, until 1993. Behind a deliberately complex technical agenda of GATT negotiations, Washington intends to press to the hilt for extraction of vital economic concessions, not least from the European Community (EC), especially Germany, and from Japan.

The renewed pressure on trade partners was indicated already on Feb. 7, in testimony by Secretary of State James Baker to the Senate Foreign Relations Committee. Baker stated: "We envision more creative use of trade and investment policies as vehicles to promote U.S. interests . . . to enhance our own economic strength. . . . The Uruguay Round has profound political as well as economic implications for the shape of the world in the next century."

Thatcher's 'vision' of free trade

The themes sketched by Baker and Bush have been the subject of a recent U.S. tour by Britain's former Prime Minister Margaret Thatcher. She spoke in Washington, D.C. on March 8 to an audience made up of neo-conservative free trade advocates from the Heritage Foundation, the American Enterprise Institute, the Hoover Institution, and others. GATT and the "open system of free trade," were at the center of what she called "the visionary prospect."

Thatcher is advocating the formation of a free trade zone

across the Atlantic, making short-term provision for difficult problems like agriculture, while in the long term, "we would create a free trade area in embryo across the Atlantic." Such a free trade area would, in her view "reassure the fears" of people like herself "about German economic dominance," while "it would provide the economic underpinning of NATO in its out-of-area role."

This is the same Thatcher who put "backbone" into George Bush early in August last year, prodding him into his Persian Gulf adventure. Her proposal now is for a reorganized North Atlantic free trade zone as the basis of an Anglo-American military alliance.

In this arrangement, Britain and the United States would monopolize food, high technology (including aerospace), and, given the military occupation of the Persian Gulf, more than 60% of the world's proven oil reserves.

The Bush-Thatcher plan for a new world order for world trade and economic concessions was clearly laid out in an article in the journal of the New York Council on Foreign Relations, *Foreign Affairs*, where Charles Krauthammer writes, "Our best hope for safety is in American strength and will . . . to lead a unipolar world, unashamedly laying down the rules of world order, and being prepared to enforce them." GATT and extraordinary economic blackmail are part of this plan.

The food weapon

The new agenda of tariff and market access contained in the GATT Uruguay Round is being structured by Washington to force economic concessions from other countries in the name of free trade. Washington has defined the areas for negotiation as ones where Anglo-American interests stand to

gain most. Nowhere is this more clear than in the GATT demands on liberalizing world agriculture protectionism.

Most nations, rightly, view protection of their domestic food supply as a paramount national security issue. Washington has demanded total elimination of agricultural "subsidies" by the end of this decade. This demand, while softened slightly in the latest talks, is aimed at enhancing U.S. domination of global grain and food export markets.

"Curiously, the proposals being most actively promoted in various European capitals and in Brussels would eliminate in the order of some 23 million tons of annual EC grain output. That is just the amount which the EC sold for export on world markets in the past several years," noted a source in Brussels. "The large U.S.-dominated grain-trading conglomerates, naturally, find this quite agreeable."

In effect, Washington's agenda is to emerge as the world's single dominant supplier of surplus grain and other vital food exports, a realization of Henry Kissinger's strategy, beginning in the 1970s, to use food as a "weapon."

The strategy was underlined on March 12, when the new U.S. secretary of agriculture, Edward Madigan, was sworn in, before a crowd of 300 which included Bush, White House Chief of Staff John Sununu, and other luminaries. Madigan vowed to help bring the current GATT round to a "successful" conclusion, saying that U.S. farmers "should not have to compete against the Treasuries of foreign governments."

European Commission President Jacques Delors, in an unusually blunt interview made to French National Radio on March 10, noted the extraordinary Washington pressure on Europe in recent weeks over GATT trade issues: "The Americans have mistreated us, making us out to be 'lepers' over the agriculture issue," he stated. Asked whether the U.S. will use its new military prestige to "extort" new concessions from the 12 member countries of the EC, he replied that the answer to that question will be the decisive one for Europe. "If the 12 bow down their heads, even though their case is solid, just because it's the United States, then Europe will not exist. If we are supposed to reduce our share of the international grain market for the benefit of the United States, I say no! If it's a matter of opening our markets for the Third World that needs to export, then I say yes."

The GATT poker game

While GATT's main focus has been on reduction of various countries' protective tariffs, in the last few years it has been turned into one of Washington's most important weapons for forcing trade partners to make other concessions as well, involving the gamut of trade issues.

The main tool in this game has been the U.S. Congress's threats of a repeat of the "trade war" chaos of the 1930s, should Europe refuse to give in to its demands. While Washington trade insiders privately admit that the threat is "merely part of the GATT poker game," they have sparked fears throughout European industry, especially in export-depen-

dent Germany. Hans-Peter Stihl, head of the German trade association DIHT, told the Bonn government recently, "We cannot allow that a wrongly conceived agriculture policy is allowed to cause the failure of the GATT talks"—thereby jeopardizing other areas of trade. The DIHT presented the government of Chancellor Helmut Kohl with a petition signed by 20,000 export companies demanding a concession on agriculture by Bonn. Yet German farmers, and European farmers generally, are in their worst depression crisis since the war.

New threats against Airbus

The second area of Washington trade pressure is aimed at Europe's major aircraft maker, Airbus Industrie consortium, the French- and German-led group which has become the world's second-largest supplier of commercial aircraft. On Feb. 15, despite new concessions from the European Community, Washington declared that it will formally make a complaint to the GATT on charges that the German government illegally violated GATT trade rules by giving Airbus Industrie, through Messerschmitt-Bölkow-Blohm GmbH, part of Daimler-Benz, support worth \$237 million in 1990. U.S. Special Trade Representative Carla Hills charged, "There has been no new proposal from the European side. . . . Excessive subsidization by the Airbus partner governments has seriously disadvantaged U.S. companies which receive no support from the U.S. government."

Commenting on the latest U.S. pressure, Henri Maître, chairman of Aerospatiale, the French Airbus partner, charged, "The U.S. cannot tolerate competition from Europe. They want us to go bust." A large portion of support for Airbus has been to compensate for the collapsing dollar. In 1990, Airbus lost \$1 billion alone from the falling value of the dollar. World aircraft are sold in dollars. With major airlines, especially in the United States, falling into bankruptcy, and orders for new planes facing cancellation, Washington is moving to ensure that Europe does not develop an independent alternative to Boeing and McDonnell Douglas.

Britain is working closely with Washington on key trade strategies to create, in effect, an Anglo-American condominium in vital strategic industries through which the two powers could theoretically dominate the terms of world economic growth. When Germany's Deutsche Aerospace, a subsidiary of the Daimler-Benz industrial group, announced that it had signed an agreement with France's Aerospatiale and Italy's Alenia to build a new generation of mid-range passenger jets, the British government on March 6 launched an official protest, warning Germany and France not to "undermine the European commercial aerospace industry." European industry analysts report that Deutsche Aerospace today is rapidly emerging as the leading aerospace manufacturer in Europe, rapidly surpassing British Aerospace. Aerospace, especially aircraft manufacture, has always been regarded as an Anglo-American domain.