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World Trade by Renée Sigerson

A global D'Avignon Plan

A "super-organization" has been created to toughen GATT and impose conditionalities on Western trade.

Finance ministers of 10 major industrial countries have agreed on the creation of a coordinating committee which will toughen the powers of the General Agreement on Tariffs and Trade (GATT) by making that organization an extension of the International Monetary Fund. The committee's formation was announced May 11 in Paris by U.S. Treasury Secretary Donald Regan, and will be chaired by IMF Managing Director Jacques de Larosière and GATT Secretary-General Arthur Dunkel.

The legality of "linking" the two is questionable. In 1944, when Britain's chief economic adviser Lord John Maynard Keynes proposed that the IMF be invested with powers to regulate international trade, his plan was decisively voted out of existence by a disgusted U.S. Congress. Some countries, such as Mexico, currently have official membership in one but not both of those organizations.

Yet the Group of 10 finance ministers barreled ahead to create an organization which will intensify, not ameliorate, the industrial collapse in both the advanced sector and the Third World.

The new "Super-GATT" will take advantage of the IMF's powers to impose economic austerity on its member countries, in order to enforce trading policies that will open every country to dumping and commodity price manipulation.

A test case for the "Super-GATT" system is the European Community's industry-rationalization blueprint, known as the D'Avignon Plan. Drafted by EC Industry Commissioner Count Etienne D'Avignon, the plan argued that since Europe was entering a post-industrial age, it had no need to retool its outmoded basic steel industries, whose productivity was collapsing. D'Avignon succeeded in getting EC member countries to agree to production quotas for steel output, and to dismantling the price differentials which encouraged producers to run up surpluses.

On a worldwide basis, a D'Avignon model means that if steel can be produced more cheaply in Brazil, on the basis of lower wages, there is no need for the United States to produce it at all. Or, conversely, that if U.S. agricultural producers want to undercut farmers in the developing sector, they should be allowed to do so, and any Third World country caught subsidizing its agriculture should be subjected to credit penalties by the IMF.

Thus, trade regulation through GATT becomes a vehicle for supranational control of basic industry on a worldwide basis. One major proponent of this policy is the New York Council on Foreign Relations, which, in its "1980s Project" study suggested "linkage" between supranational trade and credit practices, under the management of a worldwide "Production and Trade Organization" (PTO). The establishment of industrial production quotas, it became evident, was the ultimate objective of toughening enforcement powers over regulation of international trade.

An official at IMF/World Bank headquarters in Washington described how "Super-GATT" should work:

"The problem is that world trade is underregulated. Specifically, GATT does not have an implementation role, nor any enforcement powers. The World Bank and the IMF, on the other hand, do have the power to ask conditionalities," that is, to make availability of financing to nations contingent on the recipients' willingness to follow IMF orders in designing their economic policies.

The official praised Secretary Regan's announcement of the coordinating committee, saying, "Now we have the endorsement of the U.S. administration that we [the IMF/World Bank] should get involved in enforcing the 'dismantling of trade barriers.' "

The de Larosière-Dunkel group will include the finance and trade ministers of the leading industrial countries. The body is expected to deliberate on many far-reaching issues, including a still confidential agenda for a "New Bretton Woods" international monetary conference to be held this autumn.

A Washington trade official has revealed, in addition, that private discussions have been ongoing for some months between the United States and Brazil on linkage of finance and trade. These discussions have been aimed at discouraging Brazil from developing barter-type arrangements—direct exchanges of capital goods for raw materials, bypassing the need for conventional dollar-denominated credits—with other Latin American countries, such as Mexico. Several billion dollars worth of such deals was worked out between Brazil and Mexico this spring. According to a strict interpretation of GATT rules, these Latin American trade deals, a lifeline for economic survival, are illegal.

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