

Trade bill opens up ally-bashing furor

by William Jones

On Aug. 3, the Senate passed what the *New York Times* characterized as "the most sweeping trade bill in a generation." If signed and implemented, the bill threatens to become an economic battering ram against all our major trading partners, with the primary targets being Japan, South Korea, and Taiwan, as well as the West European countries. As the responses are coming in fast and furious from Europe and Japan, it also seems that the bill could ignite a major trade war among the Western countries—a trade war which might irrevocably change the political geography now governing our globe.

The Japanese have been lobbying intensively for some time now to try to stop the trade bill. The Europeans, more discreetly following the laborious twists and turns of the bill as it was bounced back and forth between the Legislative and Executive branches during the last few months, are now speaking out in unmistakable tones. Yet there is as yet no sign that anyone in Washington has begun to read the signals correctly. The mood of petty chauvinism reigning in the nation's capital bodes ill for the registering of any signals not conforming to that mood.

The bill gives the President broad powers to retaliate against nations found to engage in "unfair trading practices." It permits the President, in certain circumstances, to block foreign takeovers if he has evidence such takeovers would "impair national security." One section of the legislation, aimed primarily against Japan, would immediately force three big Japanese securities firms out of the business of being primary dealers in U.S. government securities, unless Japan offers U.S. companies "the same opportunities" within a year.

The Japanese have been big buyers of U.S. government securities, and such a measure could result in a pull-out by the Japanese from the bond market, as may already be indicated in the small turnout for the latest new issue of Treasury bills on Aug. 10.

The bill also directs the President to act against countries that permit piracy of U.S. "intellectual property." Holders of U.S. patents would be allowed, under this clause, to sue U.S. importers of any products that use their patented processes in a foreign country where the patents aren't protected. Sanctions against Brazil have been imposed with regard to a similar patents case in the pharmaceutical industry.

The bill also imposes the controversial sanctions against Japan's Toshiba Corp. in retaliation for the sale by a Toshiba subsidiary to the Soviet Union of sophisticated machine tools useful for making quieter submarines. The measure bans all imports from Toshiba Machine Co. for a period of three years.

Oblivious to Japan, Europe

The bill is intended to "up the ante" against foreign nations whose trade is felt by Washington to be threatening to the United States. "There will be some disappointment tonight in Germany and Japan," said Democratic vice presidential candidate Lloyd Bentsen, one of the authors of the bill, with an air of self-satisfaction. The protectionist trade bill has indeed created a furor among the U.S.'s major trading partners.

Japanese Foreign Minister Sosuke Uno has called on President Reagan to veto the bill. Prime Minister Noboru Takeshita termed the U.S. action "unfortunate," citing its "protectionist undertones." International Trade and Industry Minister Hajime Tamura called the bill a "great misfortune." He said Japan "reserves the right to file suit" with the General Agreement on Tariffs and Trade. A senior Taiwanese trade official said, "We will regret it if President Reagan signs the bill."

The South Korean foreign ministry also termed the bill protectionist and said that, if enacted, it would seriously hurt the free-trade system. West German Economics Minister Martin Bangemann appealed to the Reagan administration to implement the policies outlined in the measure "with as much restraint as possible."

On Aug. 6, Willy De Clercq, EC Commissioner for External Relations and Commercial Policy, said that he "regretted" the U.S. decision to adopt a measure "which contains several protectionist elements and which increases the possibilities of recourse to unilateral action." The EC Commission will also question the legality of the U.S. measures with GATT if it judges "that the provisions of the new legislation endanger it."

Capitol Hill legislators have reacted to the increased tension with a certain amount of smugness. Nothing is easier or more feasible politically for Washington legislators than taking out the old sledge-hammer for a round of Jap-bashing and European-bashing. It would well behoove us to remember, however, that the very political and economic alliances laboriously built up during the postwar period are not necessarily permanent fixtures. There is a growing skepticism in Europe and Japan concerning continued U.S. willingness to maintain our military commitment abroad.

If we also become entangled in a trade war with our allies, the "ties that bind" may be rent asunder—perhaps irrevocably. The trade deficit crusaders should be aware that they are treading on very thin ice. A few more jolts and that ice may break—and the seas of chaos will be upon us.