

## The Smoot-Hawley revival: trade war policy unleashed

by Chris White

Those who still harbored illusions that the current administration might somehow be capable of bringing America's relations with its allies into some semblance of peaceable order will surely be disabused by the process that is inexorably being set into motion on the trade front.

U.S. Special Trade Representative Carla Hills, another out of David Rockefeller's Trilateral Commission stable, has begun to unleash the administrative measures called into existence in that legislative obscenity, enacted last year, under the name of the "Omnibus Trade Bill of 1988." Hills is acting under the timetable established in the law. By May 30, a list must be prepared identifying trading partners of the United States that violate the standards which the U.S. considers "fair trading practices." Under the provisions of what is now called "Super 301," the identified countries will be expected to redress American grievances over a three-year period, with their compliance scrutinized anew, on an annual basis. Failure to comply will result in "retaliation." So it was written in the law which established the abomination of the cited procedures.

Hills provided a foretaste of what is to come on April 28, when she caused to be released the 241-page report which contains the material to be considered in the "Super 301" decisions. The document is called the "National Trade Estimate Report." It is a catalogue of countries whose internal arrangements constitute what the United States now deems to be "unfair foreign trade barriers." The worst offenders listed in the report are: Japan, the Republic of Korea, Brazil, Canada, the European Community, and Canada, but this enumeration is only a handful of the more than 34 trading-partner countries which have been singled out.

The absurdities are evident. Egypt lacks sufficient respect for "intellectual property rights," while Brazil's light aircraft

programs violate U.S. guidelines. The list is drawn up on the basis of complaints submitted by U.S. corporations. More than 50 individual countries were the subject of such complaints. Reportedly, the most frequently cited were Korea, Japan, India, Taiwan, Brazil, and the European Community as a whole, in that order.

The *New York Times* reported April 29 that 18 of the report's 214 pages are taken up with the case of Japan. Thirty "barriers" are listed, from tariffs in the aluminum industry, to inter-company linkages in the Japanese distribution system. The report states, "The complexity and rigidity of Japan's internal distribution system reduces access for U.S. exports," and adds that interrelationships between parts and vehicle manufacturers have made it difficult for American parts manufacturers to establish long-term relations with Japanese companies.

As such cases make clear, the obscenity is not, by any means, restricted to what may appear a simple matter of trade. Under the Act passed into law last year, the United States is arrogating to itself the right to dictate the reordering of individual countries' internal arrangements, until those arrangements satisfy the powers-that-be within the United States. What is called "retaliation" then becomes the bludgeon to enforce the imposition of such arbitrary willfulness from the outside.

But Hill did more than release the National Trade Estimate Report. She has also officially concluded, ahead of the May 1 deadline, that Japan is already in violation of what her office calls a "Market Oriented Sector Specific Agreement." Unless Japan moves to correct what the U.S. now considers to be violations, before May 30, retaliation is supposed to ensue, almost automatically.

Apparently, this matter was among those discussed at

what White House spokesman Marlin Fitzwater had described as “a rap session on economic policy” convened at the President’s weekend Camp David retreat April 22. Among those in attendance were former chairman of the Federal Reserve Paul Volcker, Nicholas Brady, Jude Wanniski, representatives from Alcoa, IBM, the U.S. Chamber of Commerce, and Marty Feldstein. After the meeting, Volcker was reported to have been arguing strenuously in speaking appearances in the Washington area against the implementation of the retaliatory mechanisms of the Omnibus Trade Bill.

The reason for that is not hard to find. Given U.S. dependence on continued inflows of foreign credit to finance the swelling current account deficit, the adoption of economic and financial warfare as policy—against the very allies who happen to be the creditors, as well as the suppliers of the approximate 25% of U.S. annual consumption that cannot be produced internally under present arrangements—is the one measure that is most likely to bring everything crashing down around the ears of those who have decided to embark on that course.

Prior to Hills’s decision on Japan, the Electronic Industries Association of Japan filed its own counter-argument with the U.S. Trade Representative’s office. The Japanese filing stated that action under the 301 provision of the Omnibus Trade Bill would be grounds for Japan to terminate the 1986 semi-conductor agreement between the two countries. Action under Super 301 is unnecessary and “would provide grounds on which to terminate the agreement.” And, “new negotiations are unnecessary and could lead to termination of the arrangement,” the industry report said. This development, excluded from monitored U.S. accounts, was reported in the *Financial Times* of London on April 28, and deemed worthy of front-page status. Japan’s trade surplus provides the largest single source of financial support for U.S. current account deficit finance.

Interviewed in London on the same day, European Commission External Affairs Commissioner Frans Andriessen told the *Financial Times* that the European Commission “is not prepared to collaborate with the United States in the implementation of its trade legislation,” by negotiating bilaterally on so-called unfair trade practices. Andriessen considers that the multilateral forum provided by GATT is a better venue for such discussions. That aside, Andriessen reported his disagreement with “the principle that bilateral negotiation should begin when one country was reserving the right to impose trade sanctions in the event of an unsatisfactory outcome. The EC was prepared to explain its policies, but not negotiate.

### Countdown to trade war

The response, from both Europe and Japan, means that the countdown for trade war is on, this time in a form much more acute than what was portended in the great, but still unresolved hormone-treated beef dispute with Europe at the beginning of the year.

On the U.S. side, the latest insanity is part of a pattern that has been accumulating since the beginning of the year, in particular since the political frameup and jailing of Lyndon LaRouche, who is viewed widely around the world as the embodiment of the only competent alternative financial and economic policy to that espoused by the current Trilateral Commission-dominated Establishment crowd. LaRouche’s jailing was understood as the signal that henceforth, administrative-bureaucratic measures, rather than political initiatives, were to become the norm in the United States. The implementation of the mechanisms embodied in the Omnibus Trade Act signifies that the administrative approach, employed inside the United States with RICO prosecutions against bankers like Michael Milken, trade unions like the Teamsters, the unions employed by Eastern Airlines, and opponents of aspects of prevailing policy, like the Right to Life movement’s “Operation Rescue,” is now going international.

Clearly, anyone who believes that the procedures laid down in U.S. government bureaucrats’ handbooks are the be-all and end-all when it comes to running foreign policy, ought to have his head examined.

For example, the *New York Times* reported that foreign and domestic critics of the trade act argue that the act is based on the assumption that the United States trade deficit is based on unfair trading practices employed by foreigners. Setting complaints against economic reality demonstrates that that is indeed the case.

The largest single source in the trade component of the current account deficit is imported oil and petroleum products. In combination, these account for almost half of the dollar value of the net deficit. If everybody else was flattened into compliance by the portended administrative means, nothing at all would have been done to reverse the outrageous accumulated dependence on imported foreign oil and petroleum products.

Yet those who yell the loudest about the trade deficit, and who have, over the last two years, been the prime movers behind the adoption of retaliatory measures against trading partners, this being the crowd associated with Rockefeller’s Trilateral Commission, also happen to be the ones who have led the fight against the adoption of the policies LaRouche advocated, before he was jailed, namely, a parity price trigger tariff on imported oil, which would have solved the problem. Such a tariff would break the stranglehold maintained by the Rockefellers and other members of the financial crowd, over industrial and agricultural production. Instead of going to war against foreign nations that produce the goods that we refuse to produce for ourselves, it would permit the internal industrial and agricultural base to be revitalized.

The opponents of that approach will find that their monstrous Omnibus Trade Act of 1988 is indeed the revival of the Smoot-Hawley depression machine of the 1930s. And that their President, named George Bush, is indeed the reincarnation of the ill-fated Herbert Hoover.