

Trade by Renée Sigerson

Trade war threats to muddy summit

A revival of Connally-style tantrums against Europe bursts out before the Ottawa meeting.

In a series of meetings held in Europe over the past month, U.S. negotiators have issued a series of abrasive threats against European governments and most especially against France, warning that the United States will "retaliate" unless Europe alters its long-standing policy of subsidizing interest rates on export credits.

The threats, which if ever activated would mark the onset of trade war between the U.S. and its allies, come from Deputy Treasury Secretary Tim McNamar, U.S. Special Trade Representative William Brock, and Undersecretary of State Meyer Rashish.

The abrasiveness has little to do with legitimate disagreements about trade, although such disagreements exist. A clique of U.S. officials is bent on reactivating the kind of "shoot from the hip" diplomacy toward Europe that made Secretary of the Treasury John Connally infamous in the first Nixon administration, in order to disrupt the chances for a successful outcome to the Ottawa summit meeting of heads of state scheduled for this summer.

Specifically, the trade subsidies issue has been blown up by this clique as an area of dispute to thwart German and Japanese efforts to make world interest rates the pressing item on the Ottawa agenda.

The "trade retaliation" clique was activated last month by a pri-

vate business-labor lobbying group headed by Citibank and by Corning Glass chairman Amory Houghton, Jr. Houghton, a quiet but quintessential representative of what President Reagan criticized last month as the "Eastern Establishment," is cochairman of a lobbying group called LICIT—the Labor-Industry Coalition for International Trade.

On May 8, right before Ambassador Brock left for the first of a series of talks in Europe, LICIT sent Brock a toughly worded legal brief. It stated that unless Brock succeeded in getting satisfactory progress on convincing Europe to raise interest rates on export credits, LICIT would launch a lawsuit to force invocation of the 1974 Trade Act. This would oblige the Reagan administration to then study whether European trade subsidization was "injuring" U.S. export competitiveness, and if injury were determined, to take "retaliatory" measures.

Brock has been wavering over supporting Reagan's efforts to improve U.S. diplomacy, which had degenerated into temperamental theatrics during the Carter years. By the conclusion of his European tour, Brock was mouthing LICIT's trade-war threats.

On June 15, Brock told reporters in Brussels that the U.S. administration considered the problem posed by European export credit subsidies "a very serious issue." When asked by reporters whether

this meant the United States would "retaliate" against Europe if "there is no apparent progress," Brock answered, "this cannot be excluded."

Brock's decision to raise the prospect of retaliation was strongly encouraged by McNamar. On June 15, the Treasury official delivered a venomous speech in Cannes, France against Europe, entirely out of proportion with the outstanding issues of trade. McNamar, who is on the record as an opponent of industrial country exports of industrial capital goods, particularly to the Third World, stated, "We will obviously feel less inclined to be free-trade purists with those who in fact are not opening their markets to our goods and services. We are pragmatists and judge a nation by its actions and practices, not its palaver."

Then on June 16, Meyer Rashish—a Henry Kissinger appointee held over from the Carter administration—launched a tirade against European demands for the United States to lower interest rates in a speech in Paris before government officials.

Privately, Brock's office admits that the real disputes in U.S.-European trade are "standard" and nothing to make hay about. Europe is worried about U.S. dumping of low-priced petrochemicals and fibers, while European producers have been unloading cheap steel on the U.S. market.

Asked what all the fireworks were about, Brock's office replied, "Fuzziness is useful" in international negotiations.

A trade-war scare has been tossed into the hopper to burden President Reagan on the eve of what otherwise could become a fruitful summit.