
Interview

Commerce Undersecretary Olmer on trade and foreign investment



Lionel Olmer, undersecretary of commerce for international trade, gave the following interview July 20 to EIR's Stanley Ezrol. Mr. Olmer endorses the European Community's steel rationalization program, discusses restrictions on East-West trade, and outlines the Reagan administration's approach to trade with, and investment in, the Caribbean basin nations.

EIR: The OECD nations are beginning their Ottawa summit today in conditions that many people describe as economic crisis conditions. I want to ask you specifically what the American response is to this.

Olmer: I would have to say, first off, that I don't see a crisis . . . but I do believe in a number of different areas that have been marked by sharp disagreement and have been marked by an intractable nature, we see hopeful signs. Energy consumption is being reduced. We think that inflation is ameliorating. We think that unemployment is ameliorating. We think our steel industry has used the protection afforded by the trigger-price system in a way I think many people believe would not occur, and they are turning things around. We see the beginnings of success flowing from the conclusion of the Multilateral Trade Negotiation Codes. (We have, as you know in Commerce, a major responsibility for the operation and implementation of those codes.) I mean by that government procurement in Japan, which I view as the single most important bilateral relationship the United States has. . . .

Some things that I think are improving in my area are U.S. dependencies on high-technology industries with respect to Japan. The two-way relationship with the Japanese is very important.

EIR: A recent OECD study projected unemployment rates as high as 24 to 26 percent throughout the OECD by 1982.

Olmer: I don't believe it. I just don't accept it. And I would even point to the success even in a preliminary way of Viscount Davignon, who has gotten verbal com-

mitment on the part of some European steel community members to eliminate subsidies over a five-year period. That is because they recognize that subsidies do not improve the competitiveness of the steel industry in Europe; that, on the contrary, they continue to spoon-feed them in a way which pushes the problem off till tomorrow. That's on the one side, and on the other, that subsidies get them in trouble with respect to their needs for access to the U.S. market.

EIR: The Davignon Plan which you support has been called a rationalization plan which will shut down much of the European steel industry.

Olmer: Yes, that's what it is exactly. They're beginning to realize the free lunch has to stop. Why employ 500,000 people in an industry that can't support them?

EIR: A number of administration officials have said that they expect slow or flat economic growth for the United States through the end of the year, and the first quarter or beyond next year. This projection, coupled with support for policies like the Davignon Plan seems inconsistent with your optimism on unemployment levels.

Olmer: I agree with that projection. And I agree that more nations will be competing, in relative terms, for a decreasing export pie, and that means that we, in this country, have to get more competitive if we're going to maintain, or improve our market share. Now, is that inconsistent with what I just said earlier? I suppose that's possible, but it's not inconsistent with saying that that doesn't represent crisis . . . Japan is not going to have 24 percent unemployment in a number of years.

EIR: The OECD proposals involve looking for mechanisms to manage labor relations and control wage increase, for example, worker participation.

Olmer: I get mixed reviews on the experience so far in terms of worker participation. Some people who I view as really conservative by U.S. convention have nonethe-

less said, "You know, in Germany it seems to have worked fine." . . . Doug Fraser is on the Chrysler board of directors and I've talked with him and the people at Chrysler about it, and it ain't all bad . . . it may work.

EIR: A number of people inside and outside the administration have said that the United States and other Western "free-market economies" should use various aspects of economic activity to at least ensure that we don't help salvage the East bloc from collapse, and perhaps to help push them over the brink. How do you see that in terms of your role at the International Trade Bureau?

Olmer: I think that's absolutely right. I believe we accord more power and authority to the Soviet Union than it deserves. . . .

My own feelings about East-West trade are quite mixed. One can make the case that anything one sells to the Soviet Union makes it easier for the Russians to support a strengthened military regime, which is in logical terms grounds for embargoing all trade and by extension, as we go into secondary and tertiary effects, for boycotting anybody who has anything to do with the Soviets. Well, we don't do that; we can't do that.

Policy decisions have been made and built up over a period of time which suggest that while you may not influence Soviet behavior by being nice, the way that Japan has been, you don't intentionally alienate them from the trading community—partly because you do not have the leverage that perhaps at one time we did. We have neither technological uniqueness, nor do we have the only source of grain or other raw materials, and there are some things that we do need which we require from the Soviet Union in terms of strategic materials.

EIR: Do you expect that we'll get them?

Olmer: We have been. I learned, for example, that we import asbestos, long fiber asbestos, because—believe it or not—the Canadians upped their prices. Some of that asbestos is used as insulating materials in Navy nuclear plants for Polaris/Poseidon submarines. So [chuckle], you know. . . .

The United States must take the leadership role in convincing the European allies of what we think is in their own self-interest and to have them come to the realization themselves without being so instructed that it is their self-interest we're talking about. . . . We want to provide the business community in the United States with clarity, predictability, and certainty, three conditions that have not prevailed in terms of East-West trade relations for the last several years in our country, with the result that certain American business interests have gotten schizophrenic. One month it's okay, the next month it's not. An exercise was undertaken in 1976 [the Bucy Commission of the Defense Department, headed

by Texas Instruments President J. Fred Bucy] to identify what critical technology means. Two years was spent and this marvelous example of cooperation between the private sector and government concluded it's more important to control process rather than product. Don't transfer the means of production, but be less concerned about hardware itself. So, after God knows how long this went on, critical areas of technology were identified, products were aligned with those critical technologies, and someone went through the list and said, "God, we'd better classify the list." So, the private sector is left to its own devices to try to determine what it is the government might say they're authorized to sell. And technology is advancing at such an incredible rate, it's so dynamic, it's very difficult to sit here in a bureaucratic position and say, "You shouldn't be able to sell that computer system because it's a computer system, when you can go to Radio Shack and buy a home computer system which is probably as sophisticated as most things were up until four or five years ago.

EIR: What will happen if U.S. interest rates remain high?

Olmer: I don't know how long the American public is going to be able to tolerate 19, 20 percent interest rates, with the impact that has on housing starts, on people with fixed incomes; I do feel, however, it's not acceptable, it has to come down. . . . But it is not yet harmful to U.S. exports.

EIR: Let me ask you about another situation which creates potential instability for international trade. This is the question of Third World debt. Lord Lever published a series of op-eds in the London *Times* in which he proposed that the OECD nations begin coordinating the activities of their central banks to be able to deal with potential crises in world financial situations.

Olmer: I'm absolutely against it. The Third World is in terrible shape, and I see the situation getting worse, not getting better, more importantly because of high energy costs than because of any other circumstances. But I don't think the United States would accede to OECD which has traditionally been not an action-oriented but study-oriented organization, authoritative powers in the disbursement of funds. I just don't see it.

EIR: A number of administration spokesmen have said that they are interested in North-South relations and are anxious to improve economic conditions in the Third World. The discussion of a Caribbean basin development plan is probably the leading initiative in this regard. Now, the primary component of these initiatives, as I understand them, is to encourage trade and private investment in the underdeveloped world. This seems unlikely in the sort of situation projected by the IMF.

Currency Rates

Olmer: I think they're unduly pessimistic. I do think there are a lot of opportunities for the United States to promote, stimulate development and trade in the Caribbean basin area. One of the things that we haven't looked at and we need to, apart from providing for a tariff-free zone—the vast majority of goods coming in from the area are already duty free, somewhere around 80 percent. We need to find ways of stimulating U.S. investment in the area. One possible way would be tax legislation to make it more attractive for U.S. business to develop production facilities, to additionally mix credits as an incentive for investment, to encourage assembly operations in high-technology firms in the United States which had been going to Southeast Asia, a lot of things like that. . . .

EIR: Without any substantial increases in aid?

Olmer: Without substantial increases in aid. I wouldn't want to say "any," because I think there are going to be some situations where it will be required to prime their pump. . . .

EIR: Doesn't the current interest-rate regime make this sort of investment in the Caribbean or elsewhere in the underdeveloped world unlikely, to say the least?

Olmer: Well, the offsetting factor is that labor rates are so inexpensive and for the labor-intensive part of production operations and for the use of 806-807 [tax only on that part of the product to which value has been added]. There are some innovative possibilities.

EIR: It would seem that what that would indicate for the underdeveloped world is nothing that's highly capital-intensive.

Olmer: Not like a steel mill, certainly, but maybe a semiconductor assembly plant.

EIR: How does this square with the administration view that its policy of development will help increase the immunity of the underdeveloped world to communist and guerrilla incursions. Isn't there some danger that if we see low-wage, labor-intensive employment as the sort of development that we will assist in the underdeveloped world, that they'll see the policy as little better than colonialism?

Olmer: I visited a number of these assembly operations in Asia, and I think that they represent so far from the model you suggest as to really be night and day. Many of these labor-intensive assembly operations require, nonetheless, a degree of dexterity and skill which gives workers a sense of pride and identification with the product. The fact is that wages are low, but by our standards, not necessarily by the indigenous standards. It has worked and it is working in Singapore, Korea, and Malaysia, Taiwan, Hong Kong, the Philippines.

