

World trade and commodity production in depression collapse

by Marcia Merry

While the "tin crisis" gets all the headlines, the global decline in both agricultural and non-farm commodities trade, production, and the ratio of prices to cost-of-production has reached catastrophe levels.

Even the U.N. agencies that have long dumbly observed the systematic underinvestment in productive enterprises and trade facilities, are now sounding loud alarms. Speaking on the sharp decline of many commodity prices, the head of the U.N. Food and Agriculture Organization, Edouard Saoma, told the FAO Committee on Commodity Problems Oct. 21, "new FAO projections to the year 1990 suggest a marked slowdown of this trade in the present decade as a whole, compared to the 1970s. Practically all agricultural commodities will be adversely affected."

Total commodity trade tonnage moving internationally is down drastically. The notable exception is grain shipments to the Soviet Union—which is building up its strategic food reserve, especially meat stocks, for purposes of conquest, either peaceful or military.

At the same time, prices for almost all commodities have sunk far below the floor of the lowest production costs possible. Sugar, for example, is at its lowest price this century.

In oil, the stage is now set for a price collapse and free-for-all. The price is set to go below \$20, while use declines, and the last semblance of orderly production and trade dissolve.

One gauge of the degree of collapse is the sheer number of closures, or mergers, of commodities brokers—including some of the once big-timers. Dozens are disappearing from the scene. The famous Chicago Board of Trade (CBT), where huge world grain orders are tendered, has shifted over to wheelings and dealings in U.S. Treasury Bonds. Almost half the exchange's trade volume from January to September this year was accounted for by Treasury bonds. Activity in all CBT agricultural commodities was lower than last year, and combined volume was less than the 28,807,491 contracts traded on Treasury bonds, compared with 22,073,083 in the same period last year.

An estimated 36 large brokerage houses in the United States have gone out of operation since 1983. And the concentration of control of trade brokering, inventory, and shipping in strategic food, metals, and other commodities, in the

hands of the few, international, mostly Swiss-based cartel companies, has now exceeded the stage of security breach. The senior vice-president of the Blunt Ellis and Loewi Commodities Division, one of the smaller companies, stated, "It seems there is going to be only a handful of strong commodities-only firms [the international cartel companies], and the big national firms don't seem interested in that business."

The media have vastly downplayed the combined decline in foodstocks and rise in cartel control, in favor of encouraging trade war.

In frightened response to an expected \$150 billion trade deficit this year, Congress has introduced more than 300 bills on trade policy, each more bellicose than the last. In October, for the first time ever, President Reagan invoked trade law provisions to retaliate against nations: on grain markets, against the European Community, and on technology, against South Korea.

On Nov. 7, all 47 Senate Democrats sponsored a bill that would empower President Reagan to conduct new rounds of international trade negotiations; the President's current authority is limited and expires every two years. The new bill, aimed at creating trade-war conditions, would eliminate all existing White House committees on trade, and replace them with a National Trade Council; create a commission on "Trade in the 1990s"; and create a national trade data-bank. The top target countries are the closest U.S. strategic and economic allies—the European Community, Canada, Mexico, and the other republics of the Western Hemisphere.

The House has also introduced a trade-war bill, calling for retaliation against countries that block increased imports of U.S. goods.

Paradoxically, President Reagan also supports the cartel-scripted "free trade" policy which dictates no national import or export curbs on their ability to dominate trade flows within and between nations.

A special report released by the General Agreement on Tariffs and Trade (GATT) Nov. 5 said that the total volume of world trade for 1985 was likely to be 4% lower than the year before. Covering six months from April 1 to Sept. 30, the report cited as major developments: 1) new trade disputes over farm products, steel, textiles, clothing, footwear, automobiles, and electronics; and 2) "multiple and continuing

pressures in the U.S. Congress for trade restrictions." The 90-nation GATT decided in October to start a new round of world trade discussions to "fight protectionism." However, the larger issue is the worldwide collapse of output and trade altogether.

Following is a summary picture, by selected commodities and trade categories, of the collapse in production and markets.

Oil: By early 1986, the world oil price will likely drop by \$4 to \$6 a barrel, under the pressure of the breakdown of OPEC agreements, the output of the anti-OPEC oil producers (North Sea and Soviet), and the depression collapse in oil use.

Saudi Arabia, the world's largest oil exporter was pumping over 10 million barrels per day in the late 1970s, setting a record for output in 1979 of 10.3 million barrels per day. In the recent period, in an attempt to control supply and prop up the per barrel price, Saudi Arabia agreed to limit production under OPEC commitments, to a 4.36 mbd, and within that time, cut that back to only 2 mbd, a 20-year low. However, under conditions of a shrinking market, and shrinking market share caused by North Sea and other exporters, Saudi Arabia is going to sell more for less.

On Nov. 1, Oil Minister Mana Saeed al-Otaiba of the United Arab Emirates, one of the 13 members of OPEC, said, "From now on, each producer is now free to define its production quota and sell it at any price it sees fit in the world oil market." OPEC's world market share is now 16 million barrels per day, barely half its 1979 and 1980 levels. Al-Otaiba, who is also chairman of the OPEC market committee, in an Oct. 31 interview on Abu Dhabi TV, stated, "OPEC states are now free from their commitments, for which they have sacrificed dearly while non-OPEC producers exploited the situation and sold their oil at the prices they wished."

OPEC's ministerial council is due to meet in Geneva in December.

Coal: At the same time that oil use declines, except in the Soviet bloc military-production zones, other energy sources are being cut back. For example, more outmoded and marginal coal mines are being closed. On Nov. 8 the Taiwan cabinet approved measures to close 80 of the island's 125 coal mines, and dismiss more than 16,000 miners. A series of pit disasters in the last two years have left 300 miners dead.

In West Virginia, Eastern Associated Coal Co.—the state's second largest producer, announced it will close three mines in its "Keystone Division," in an effort to cut multi-million dollar losses. Eastern officials said in October they had more than \$70 million in losses, split between the Keystone operations, some idle coal mines near the Rockies in the West, and the company's oil and gas exploration operations. On Nov. 5, Keystone No. 2 mine in Herdon, Wyoming County was shut down to remove long-wall mined coal. Hundreds of District 29 United Mine Workers have only temporary and makework jobs removing equipment. Then there is nothing.

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Coffee: While the world coffee market has been temporarily influenced by passing events such as recent rains to relieve Brazil's parched coffee-growing region, the underlying decline in price and use is obvious. In early November, talk started that Colombia might offer part of its expanded first-quarter coffee quota at a low price. The Brazil Coffee Institute has made plans to increase its coffee sales. It proposed to U.S. buyers a deal to cut prices by 25.5¢ a pound. The sales quotas are part of the classic effort to keep prices up, an effort that has not worked.

Sugar: World sugar prices are at their lowest in almost a century. Like the situation in oil, where maverick producers have undercut the traditional sellers, there have been cut-price maverick sugar sales efforts surreptitiously coordinated by the world sugar cartel companies. At the same time, existing older production capacity—for example, the U.S. sugar beet industry—has been all but destroyed. Earlier this year, the Hunt family's Great Western Sugar Co. failed, leaving thousands of sugar-beet farmers in the lurch in Colorado and western Nebraska, and reducing the food-output capacity of the nation.

Metals: Prices began to fall in November on New York's Commodity Exchange, as nervousness over the unresolved tin crisis grew. Although Nov. 18 has been set for the opening of the tin market, the tin price could drop by half. Copper, silver, and gold prices fell, because of the possible repercussions of the tin market collapse. The International Tin Council planned to meet one more time Nov. 14, but no assistance package that would restore the markets seemed possible.

Rubber: The need for rubber has dropped proportionate to the decline in the world economy—despite the temporary massive shift of U.S. freight hauling from the rails to the highways. There has been widespread shutdown of U.S. tire-manufacturing facilities. GenCorp of Akron, Ohio announced on Nov. 5 that it would close its General Tire plant in Waco, Texas, dismissing 1,400 employees. GenCorp is one of the five largest tire manufacturers in the United States, with two plants in Texas (now one), and five plants elsewhere in the United States and Canada. The shutdown will reduce the national output of the bias-ply tires.