

## Washington uses Gulf war to wage trade war

by Marcia Merry

In the theater of trade war, the Bushmen have won significant battles since the American bombs began firing in the Persian Gulf on Jan. 17. As of the end of January, concessions have been made to U.S. agricultural and industrial trade demands by many nations that were previously trying to protect their own economic interests. The most dramatic examples are:

- the decision by the European Airbus Industrie to slash government subsidies to the aircraft consortium; and
- newly-offered European Community (EC) concessions to U.S. demands for "free market" agriculture, in the context of the General Agreement on Tariffs and Trade (GATT) negotiations.

The chief trade war tactic by Washington has been relatively simple, and apparently effective. President Bush and his top representatives communicate the message: We are crazy! We are destroying our own economy, and we expect you to do the same. What are you going to do about it?

As of Jan. 31, the European Community offered to mollify Washington by slashing EC support to the Airbus Industrie by up to 45%. U.S. trade officials had been raging that such subsidies were "unfair" to U.S. interests, never mind the sovereign right of European nations to carry through their own industrial policies.

The proposed Airbus concession follows a four-year stalemate over charges and counter-charges, and U.S. threats to take the case to GATT for mediation. Since the outbreak of the Gulf war, pressure has been fierce on the 12 EC member nations to kowtow to the Anglo-American demands that they slash internal subsidies to industry and agriculture, and pay their part of "burden sharing" for the war.

France and Germany, the leaders of the Airbus consortium, had held out against Washington's pressure before the war, but now appear to have capitulated. The Airbus group

will be hit by this just at a time when it is reeling from large order cancellations by the U.S. airlines which are in financial crises, including Pan American and Continental. The major rival to Airbus in world civilian airplane manufacture is the U.S. Boeing Co.

### Farm support policies targeted

Washington trade officials are moving for the same European capitulation on agriculture support policy, in negotiations for a global GATT treaty for "free market" agriculture. On Dec. 7, 1990, talks in Brussels broke down among the 107 GATT member nations, after a four-year drive, called the Uruguay Round, in which the Anglo-Americans pushed for a world treaty by late 1990 that would have slashed farm supports and national import laws. The cause of the breakdown was the impasse between the EC and the United States over agriculture.

The United States and the Cairns Group (Australia, Canada, New Zealand, and collaborating governments in the Third World) demanded that all farm price supports and similar mechanisms be phased out over the 1990s, or at least slashed by 75%, and that any protectionist food export/import practices be eliminated.

The European Community counterproposal was for a de facto 15% cut in their farm supports by 1995, figuring that they have already implemented a 15% cut over the last five years. Over 30,000 farmers demonstrated in Brussels on Dec. 3 against the GATT, and the talks broke up.

However, U.S. Special Trade Representative Carla Hills, outgoing Agriculture Secretary Clayton Yeutter, and the Geneva-based GATT Secretariat Director Arthur Dunkel have been scurrying around to resume GATT agriculture treaty talks—on Anglo-American terms, now that the Gulf

war has started.

Dunkel's first salvo misfired. He gathered a meeting together on Jan. 15 of GATT member delegates in Europe to confer on prospects for an agriculture treaty early in 1991. But after 30 minutes, the meeting adjourned, when the Swiss representative said realistically, "It's absurd to discuss trade liberalization when we are about to have a Mideast War."

But as the war proceeded, the U.S. officials proceeded with their GATT intentions. Hills let it be known that if the EC showed some "flexibility" on its previous proposal for 15% cuts in farm supports, she would reciprocate. By this, she meant only that she would ask Congress to move back its March deadline for "fast track" approval of any GATT treaty that might be negotiated.

### **MacSharry agrees to more cuts**

Reflecting the U.S. pressure, EC Agriculture Commissioner Ray MacSharry has reportedly drafted a new proposal for cuts in supports to farmers that would be more than his original 30%. According to informed reports from Brussels, MacSharry's latest proposal, prepared as part of a total reform of the EC's Common Agriculture Policy (CAP), calls for a further 40% cut in EC Intervention Prices for farm price stabilization.

Preliminary estimates are that this would wipe out entire national agriculture sectors in countries dependent on agriculture, such as Denmark and the Netherlands. It is not yet clear whether EC member governments will accept or block the MacSharry proposal. There were intense political battles and farmer demonstrations against GATT throughout 1990, and farmer protests are continuing in the new year. On Jan. 29 and 30, farmers in Spain blocked roads all around the country, to demand higher prices for their products within the EC. Union leaders said the protests would continue all week.

Last April, before the annual meeting of EC ministers to confirm the CAP price levels for the upcoming year, record demonstrations by farmers swept Western Europe. The mood was strongly anti-GATT, anti-EC bureaucracy, and anti-Washington. This ferment is now feeding into the huge demonstrations in Europe to oppose the Gulf war.

France's Jacques Delors, chairman of the European Commission, and the other EC commissioners reportedly support the MacSharry plan. It is likely that several of these bureaucrats cannot even see that a 40% price support cut would cause mass bankruptcy of the base of the larger, more efficient farms now operating across Europe.

### **Backing from the food cartels**

With or without a GATT treaty, Washington expects Europe to drastically alter the CAP, in the way that the food cartels succeeded in using the policy of the U.S. Department of Agriculture to undercut U.S. farms during the 1980s.

The food cartel companies are pushing the MacSharry proposal hard, especially Nestlé's and Unilever. Cartel grain bro-

kers are maneuvering to line up sweetheart contracts with managers for "mega-farms" in the former East Germany, made up of huge tracts of acreage from government "land reform" territory and former communist state collectives—some of which are over 10,000 acres of prime farmland. This would make them feudal barons of food control within the year. One group includes Krupp-Lonrho in Dortmund, Germany.

In mid-December, an outfit was set up in Hamburg called the Börde Agro AG, which has lined up a 123,000-acre tract for a mega-farm near Magdeburg. Chairman of the board of this new enterprise is one Peter Rother, who is also chairman of the Board of Grain AG-Rendsburg, an international trading house for grain and farm supplies.

So far, the German federal government has been paralyzed to move against these cartel interests by breaking up the state farms collectivized by the communists, and to restore individual family farms. It remains to be seen if the EC governments will resist the U.S. pressure to have a GATT treaty that will further slash CAP supports.

### **High praise from Washington**

At the end of January, EC External Relations Commissioner Frans Andriessen flew to the United States for talks with Carla Hills, Clayton Yeutter, and other U.S. officials on the current situation. After meeting with Andriessen on Jan. 28, Yeutter praised the "new EC attitude" on farm policy.

Yeutter was the cartels' point person for the GATT Uruguay Round, right from the beginning in Punta del Este, Uruguay, in 1986. At that time, he was U.S. special trade representative; before that, he was head of the Chicago Mercantile Exchange; and he later became agriculture secretary. In March, he plans to take over the chairmanship of the Republican Party and continue his career as faithful bully-boy for the Bush administration, and for the commodities cartel interests running U.S. and British food policies—Cargill, Louis Dreyfus, Continental, ADM/Toepfer, ConAgra Bunge, and the rest.

In his Jan. 29 State of the Union address, President Bush reiterated his demands for GATT, and also stressed the bilateral "free trade" pacts with Canada, Mexico, and others in South America that Washington expects will run parallel, or as fallbacks, to a GATT trade treaty.

Using his usual technique of avoiding content and offering rah-rah rhetoric, Bush intoned, "A successful Uruguay Round of world trade negotiations will create more real jobs, and more real growth for all nations. . . . You and I know that if the playing field is level, America's workers and farmers can out-work, out-produce anyone, anytime, anywhere." He said that the Western Hemisphere will set the pace for "low cost" agriculture through a free trade zone. "And with a Mexican Free Trade Agreement, and our Enterprise for Americas Initiative, we can help our partners strengthen their economies and move toward a free trade zone throughout this entire hemisphere."