

World 'free trade' volumes manifest the workings of colonialist looting

by Anthony K. Wikrent

The conclusion of a two-part analysis of maritime trade. Part 1 appeared in our Aug. 16 issue.

Today's world maritime trade flows have been determined by the very same system of Anglo-American "free trade" usury that has utterly failed even to provide replacement costs for the physical economy. Over two-thirds of the world's oceanborne trade, as measured by weight, is the movement of raw materials, primarily from the developing nations to the developed nations. In short, world trade flows today are what might be expected of a world still in the thrall of colonial empires.

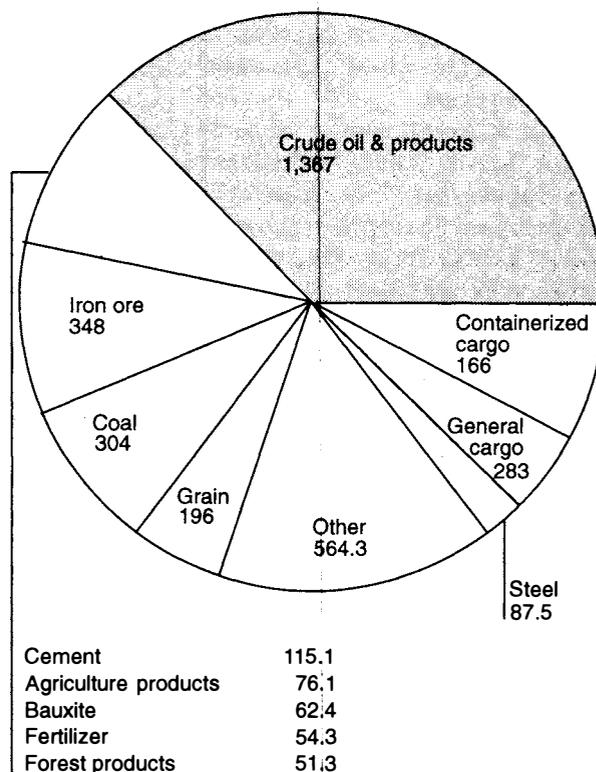
These trade flows can be generally divided into three categories: 1) The flow of raw materials, mostly from Third World countries, but also including raw commodities outflows from industrialized or post-industrialized countries, such as bauxite from Australia and coal from the United States. These flows of raw materials account for over two-thirds of all oceanborne trade. 2) The trade in finished goods, which is overwhelmingly dominated by flows into North America, to maintain the appearance of prosperity in a bankrupt, deindustrialized United States. 3) A small subcategory of finished products and capital goods to destinations other than the United States.

Contrary to all the plaudits for free trade, since the end of the Tokyo Round of the General Agreement on Tariffs and Trade (GATT) negotiations in 1979, world trade has stagnated, when measured not by dollar value, but by actual weight of goods moved (see **Figure 1**). Well over one-third of the world's maritime trade is the carrying of petroleum and petroleum products. Another one-third is the carrying of bulk commodities, such as iron ore, bauxite and alumina, coal, and grain. Only about 8% of world shipping is containerized cargo, and another 5% is general cargo. Most, but not all, of these last two categories are finished goods.

Africa exports steel to the U.S.

A review of U.S. trade with Africa reveals the classic imprint of neo-colonialism (**Figures 2 and 3**). Raw materials account for over 95% of U.S. imports from Africa. Petroleum and related products alone accounted for over 80% of Africa-to-U.S. tonnage in 1988. Ferrous metals and scrap

FIGURE 1
Composition of world seaborne trade in 1988
(in million metric tons)



Source: Institute of Shipping Economics and Logistics, Bremen, Germany, in *The Journal of Commerce*, Nov. 30, 1990; *Review 1989*, Fearnley's, Oslo, January 1990, cited in OECD, *Maritime Transport 1989, 1990; Review & Outlook of Shipping Market*, Nippon Yusen Kaisha Research Division, December 1990.

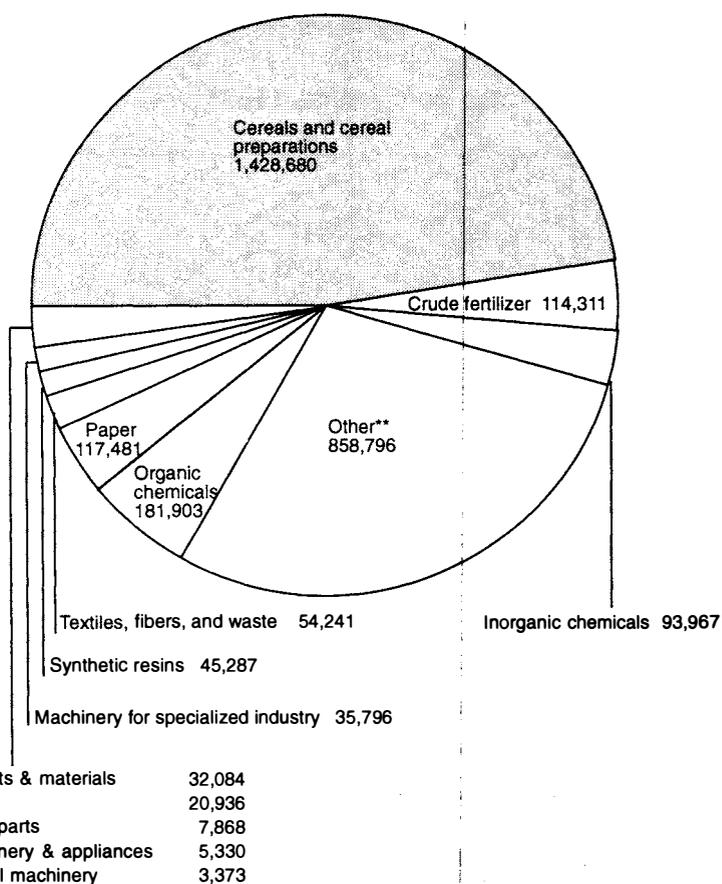
were the second largest import group, accounting for an additional 15%.

The modern "post-industrial" twist is provided by movements of iron and steel *out of* Africa, *into* the United States. In 1988, the U.S. imported 494,786 tons of iron and steel

FIGURE 2

Total U.S. exports to Africa, 1988*

(in long tons)



*Not including Morocco, Algeria, Tunisia, Libya, Egypt, and Spanish Africa.

Other represents those exports that make up less than 1 or 2% of the total, consisting mostly of wood and paper products, edible animal and vegetable fats and oils, and meat and vegetable exports.

Source: *United States Oceanborne Foreign Trade Routes*, U.S. Department of Transportation, Maritime Administration, April 1991.

from Africa, while exporting only 20,936 tons. It is criminal that any “industrialized” country should have a net trade deficit of iron and steel with Africa, which so desperately needs to build the economic infrastructure required for industrial development—rail lines, bridges, pipelines, etc.

Almost half the tonnage of U.S. exports to Africa in 1988 was accounted for by cereal grains and cereal preparations, conforming to the pattern that could be expected in a trade system wherein the Anglo-American-dominated food cartel companies wield “food as a weapon” to keep the developing countries in line. This trade is dominated by a select handful of mega-firms: Cargill, Louis Dreyfus, Continental, Archer Daniels Midland, Garnac/André, Bunge and a few others.

The sixth largest category of U.S. exports to Africa is called by the U.S. Maritime Administration “textiles, fibers, and waste.” This means used clothing. In 1988, the U.S. shipped 54,000 tons of used clothing to Africa!

The export of used clothing provides the starkest imaginable contrast to those categories of U.S. exports that would be expected were the U.S. seriously attempting to aid the industrial development of Africa. In 1988, the U.S. exported only 35,796 tons of “machinery for specialized industry” to Africa—about equal to one small shipload of freight or grain. A mere 3,373 tons of “general industrial machinery and equipment” was shipped. One hundred ninety-eight tons of

“power-generating machinery” was recorded—the equivalent of a single turbine generator.

In fact, U.S. exports of manufactured, high-value freight to Africa are almost entirely limited to oil equipment, destined for the fields being explored and developed along Africa’s West Coast—Nigeria, Angola, and Gabon, primarily.

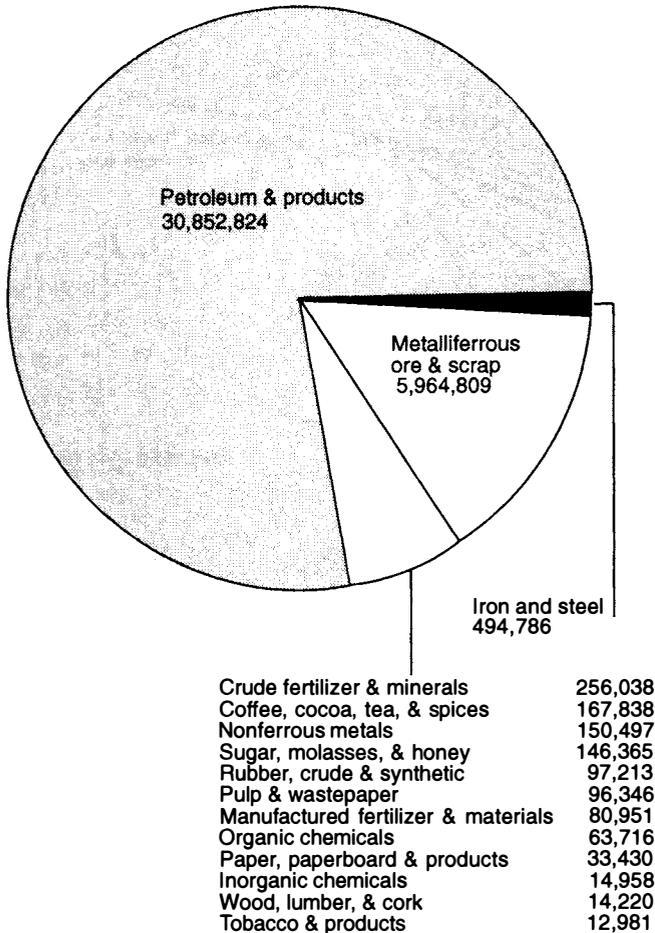
To see that the neo-colonial structure of U.S. trade with Africa is the rule, not the exception, look at the decline in exports of farm machinery and related equipment in **Figures 4 and 5**. When the Tokyo Round of GATT was signed in 1979, U.S. manufactures of farm and construction tractors still had deserved reputations for quality and efficiency. Caterpillar and John Deere in particular were among the most admired companies in the world. According to the tenets of “free market” economics, U.S. manufacturers should have easily swept all world competitors before them.

But exactly the reverse transpired.

U.S. exports of farm tractors plummeted from 38,092 in 1977, to 17,890 in 1982, reaching a low of 5,731 in 1987 before rebounding in 1989 to less than half the level of 12 years earlier. The same pattern obtained in U.S. exports of construction tractors. From 2,542 new tractors exported in 1975, U.S. manufacturers shipped only 1,381 units overseas in 1980, with a low of 279 shipped the following year. Since then, U.S. exports of construction tractors have crawled up

FIGURE 3

Total U.S. imports from Africa, 1988*
(in long tons)



*Not including Morocco, Algeria, Tunisia, Libya, Egypt, and Spanish Africa.

Source: *United States Oceanborne Foreign Trade Routes*, Department of Transportation, Maritime Administration, April 1991.

to less than one-third the level of the 1970s.

Another way to grasp the neo-colonial pattern of world trade is to think of the gigantic dimensions of steel- and energy-related freight that should have been "on the move" in recent years to provide for real per capita development.

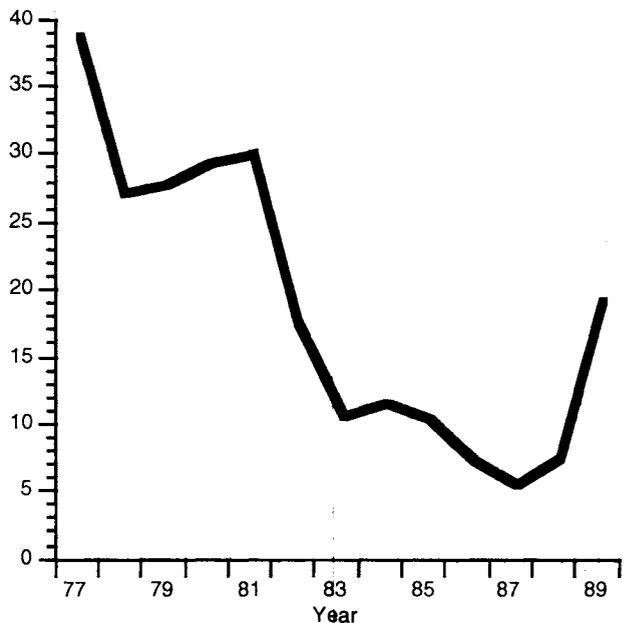
World electricity and steel requirements

Consider, for example, the requirements for achieving worldwide electrification, using per capita electricity output in the United States as a comparison. In 1987, the U.S. produced about 10,500 kilowatt-hours (kwh) per capita (or 2,487.3 billion kilowatt-hours overall), with 718.1 million kilowatts of installed capacity. That is, 1 kilowatt of installed capacity supplied 3,460 kilowatt-hours.

In order to provide a U.S. level of living standard for the

FIGURE 4

U.S. exports of farm tractors collapsed in the 1980s
(thousands of units)



Source: Department of Commerce *Current Industrial Reports*, MQ-34A, "Farm Equipment."

world's 5.5 billion people, we give a ballpark estimate of 1 gigawatt (GW) of electrical generating capacity per million population as a requirement. This estimate accounts for industrial, commercial, and household use of electricity. Therefore, if the world's people were to have a per capita consumption of electricity comparable to U.S. levels, we would need 5,500, one thousand megawatt (1 GW) power plants operating worldwide. Third World countries without developed power grids would be more likely to need smaller plants—500 MW units—and therefore 11,000 power plants of 500 MW would be needed. This would mean an approximately additional 10,000 power plants to be constructed.

A construction program of this scale would have resulted in a dramatically different structure of world trade, given the tonnages of steel, cement, and other inputs per plant. Look at the steel requirements for constructing a single 500 MW nuclear power plant:

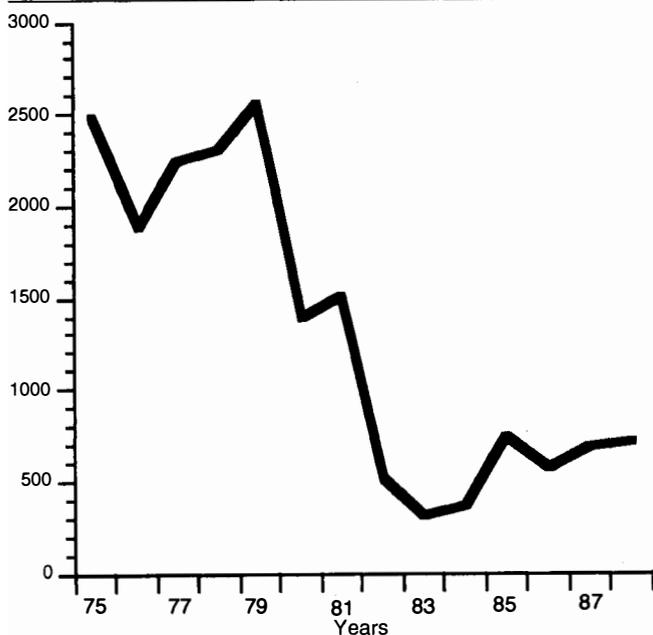
- 47,900 tons of plain carbon steel
- 4,900 tons of special alloy steels
- 2,100 tons of stainless steel.

Then there is the contrast between tonnages of fuel requirements for fossil fuel plants, versus nuclear-powered electricity generation. For example, in the United States, there were 5,677 electrical generating plants of all types in 1987. Of those 5,677 plants, 97 or 1.7% were nuclear, but these

FIGURE 5

U.S. exports of construction tractors collapsed, also

(units)



Source: Department of Commerce, *Current Industrial Reports*, MQ-35A, "Construction Equipment."

nuclear plants supplied 16.2% of the U.S. output. Think of the tonnages of oil and coal saved.

According to a study for the U.S. Council for Energy Awareness by Science Concepts, Inc. in July 1989, the world's net nuclear generation of 1,660.8 billion kilowatt-hours (kwh) in 1987 displaced 1.790 billion barrels of oil, or about 251.7 million tons (at an average 315 pounds per barrel). In addition, 185 million tons of coal were displaced, as well as 3.103 trillion cubic feet of natural gas.

To visualize this, consider the calculations of just one nuclear plant for one year, in oil-equivalent fuel terms. On Christmas Day, 1989, wrote the *Palladium News* of Owsego, the nearby FitzPatrick nuclear power plant just outside Owsego, New York, reached an annual output of 6.06 billion kwh of electricity. If FitzPatrick "were an oil-burning plant producing the same amount of power, it would have consumed 4.5 billion gallons of oil. Not too many of us can visualize that much oil, but it's approximately 4,100 times the amount that was spilled by the *Exxon Valdez* off the Alaskan coastline."

The same exercise of calculating world requirements can be performed for steel. Taking a factor of 0.45 tons of steel produced annually per capita (which is a recent, depressed U.S. average, below the historical U.S. highs of 0.6-0.7 tons a year, and well below Japan's), then for 5.5 billion people

in the world there should be 2.475 billion tons of raw steel produced each year. Instead, there is less than 1 billion tons. The figure for 1985 was 908 million tons.

If you use the metric of one ton per capita—the average in Japan in the 1960s—then overall world needs for steel would be more than doubled.

That these required flows of capital goods into the developing nations did not occur is the direct result of official policies. *The spread of industrial and agricultural technology has been deliberately hindered and sabotaged as a means of reducing world population growth.* "Free trade" was—and is—merely the Anglo-American tool used to prevent or hinder countries from implementing the sovereign economic measures that could have been taken to shield nation-states from the effects of this "demographic warfare."

The pattern of U.S. trade

Were the United States fulfilling this world mission of helping the Third World develop, it would be expected that the value of exports would far exceed the value of imports. The grim fact is that exactly the reverse is true. An analysis of trade through U.S. West Coast ports conducted by the Port of Los Angeles, released in January 1991, found that 1989 imports averaged \$2,511 a ton, five times more than the \$450 a ton for exports. The highest value export to Japan was cigarettes!

These figures show, in fact, that the U.S. not only is not producing capital goods for export to the Third World, but in fact is no longer producing enough capital and consumer goods to sustain its own economy! The flow of Asian-produced goods through U.S. West Coast ports is what has allowed the illusion of U.S. prosperity to be maintained. One-third of the automobiles, over one-half of the clothes and shoes, and over 80% or 90% of the consumer electronics purchased in the U.S. each year are produced overseas.

A comparison with figures from 1983 reveals how rapidly the U.S. system of production has been shut down. In 1983, the average value per ton for imports through the West Coast was \$1,348, and for exports was \$322. The growth in the value of imports from 1983 to 1988, from \$1,348 a ton to \$2,468, is an increase of 83.1%. By comparison, the value of exports per ton rose from \$322 to \$403, an increase of 25.2%.

Implications for merchant fleet composition

Look at the case of the Roll-on/Roll-off (RO/RO) ships: In the 1950s and 1960s, the U.S. maritime industry pioneered the development of a special type of cargo ship called Roll-on/Roll-off, which could operate in the poorly equipped ports typical of developing countries. These ships were designed with special ramps built into the hull which allow cargo to be driven on and off board easily, eliminating the need for heavy cranes and advanced port facilities. Even today, heavy industrial equipment, such as trucks, bulldozers, tractors, transformers, generators, locomotives, and large machine

Algeria's Ghozali in a vise

The Algerian National Assembly rejected, on Aug. 26, the increases in prices for basic consumer goods proposed by the government of Sid Ahmed Ghozali in the 1991 supplementary finance law. Ghozali's government succeeded that of Mouloud Hamroush in June, after riots broke out, led by Islamic Salvation Front (FIS) radicals.

Economics Minister Hassin Benissad reacted to the Assembly vote by stating that this will not make his job any easier and that he will have to try to do something to reduce outside pressures. The government's maneuvering room is limited, he said, recalling that it had inherited an accord with the International Monetary Fund (IMF) signed by the previous government, with stringent conditionalities.

Benissad was referring to the second credit tranche granted by the IMF on June 3, 1991, a \$300 million loan with draconian strings attached—including price hikes for basic consumer goods. The riots which brought down the Hamroush government broke out at that time. Among the other measures which had figured among the IMF demands, but which it was rumored the Hamroush government itself would impose, were: 1) completion of a major program to free imports, 2) freeing of internal prices to reach market prices, and 3) changes in fiscal and monetary regulations.

The Ghozali government's supplementary financing bill already foresees a major dropping of import barriers,

which would hurt domestic production badly. It calls for lower tariffs on imported textiles, lumber, and certain capital goods; cutting the uniform tax on spare parts, vehicles, and engines—and *total exemption* for food products, medicines, notebooks, books and manuals, and industrial equipment.

During the National Assembly session, the deputies lambasted the Hamroush government for not abiding by transparency, since the Assembly had never been informed in time of the content of the pact with the IMF. The Hamroush government was also accused of not having kept the promises made when its program faced a confidence vote, especially regarding protecting purchasing power and reviving investment.

Despite the vote, the new government seems to have decided to go further. According to the paper *Alger Républicain* of Sept. 1, Minister Benissad said during a discussion about the Algerian financial situation that "Algeria would confirm its international commitments" with the IMF. To be sure, Algeria has a knife at its throat. How can it buck IMF conditionalities when it is trying to get a \$1 billion loan to refinance its overall debt? Or when an IMF delegation has just dropped in on Algeria to check whether the second credit tranche conditions were enforced?

Today, the FIS opposition seems to be in retreat. But tomorrow, if the prices of basic necessities keep climbing (meat now costs \$16 a pound), the FIS will again appear to be a bulwark for tens of thousands of disinherited citizens.—Axel Yougoruthen

tools, are most easily loaded and unloaded from RO/ROs. These types of freight are best associated with major construction and development projects.

(These RO/RO vessels are made-to-order for delivering emergency food relief for the Sahel and other places of need. But instead, the U.S. deployed them in the supply operations for the U.S. Desert Storm attack on Iraq. The RO/ROs carried outsized cargo such as main battle tanks and helicopters.)

However, with world trade locked into colonialist patterns of raw materials flows, the demand for RO/ROs has been limited. The imposition of International Monetary Fund (IMF) and World Bank conditionalities on developing countries has derailed almost all major development projects, with the result that the largest business for RO/ROs is the carrying of Japanese- and European-made automobiles to the deindustrialized English-speaking countries.

Demand for RO/ROs has declined by almost one-third since 1988, according to estimates by Michael Sclar, a senior consultant at Data Resources Institute/McGraw-Hill. Of the 22,983

merchant ships in the world's fleets at the beginning of 1990, only about 200 were RO/ROs, or about 1.6% of the general freighters, and less than 1% of the total number of ships.

Though there are now 23 RO/ROs on order, they are all between 10,000 and 20,000 deadweight tons. The average deep sea container ship in 1989 was 27,244 deadweight tons, while the average size of newly completed deep sea container ships that year was 34,646 deadweight tons.

Ingar Skaug, president and chief executive officer of the large Norwegian shipping firm Wilhelmsen Lines, estimated that a newly built RO/RO would cost 33-50% more than a newly built container ship of the same size. That is partially offset by the fact that owners and operators of RO/ROs need not worry about purchasing, maintaining, and repositioning thousands of containers.

Skaug noted that it has been nearly a decade since a RO/RO vessel larger than 20,000 deadweight tons has been built anywhere in the world. Clearly, there is no rush expected in helping the development of the Third World.