

GATT talks fizzle; Bush pushes trade war

by Christophe Lavernhe

On Oct. 21, the latest talks between the European Community (EC) and the United States over how to reach agreement on farm policy for a global treaty under the General Agreement on Tariffs and Trade (GATT) broke down. Even the followup meeting planned for agriculture ministers in Dublin was canceled. These cancellations mean that Bush won't have the GATT feather in his cap to show off before the Nov. 3 elections. His failure is not surprising, however.

Looking at the GATT Uruguay Round from outside the United States, it is clear that U.S. policy has been all along to transform the world economy into a vast "free trade" zone. U.S. authorities, along with London, have attempted to coerce the 108 GATT member-nations to abolish their trade and customs barriers.

In the midst of the GATT negotiations, Washington has put absolute priority on the agricultural issue, figuring that success in this area would open the way for other victories. The complete liberalization of trade, especially in food products, would allow several large private groups to definitively consolidate their present domination, positioning themselves to best negotiate products at the lowest prices: These large groups (Cargill, Continental, Dreyfus, Archer Daniels Midland) are otherwise managing to play a considerable role in American politics, especially on the eve of the elections.

The doddering United States is counting more than ever on the food weapon as a means of political pressure, which is frequently more effective than any military arsenal. The Euro-American trade war interposed by GATT is an episode in a conflict that, for all it eschews military means, is no less relentless or global.

The soybean war

With this objective in mind, the pragmatic American approach aims to maintain constant pressure on Europe, which is traditionally attached to development of food production and self-sufficiency. The weak point in European agriculture, whose importance for the European Community cannot be overstated, has always been that it accepts the importation, without any restriction or duties, of so-called grain substitution products, which are fundamentally animal feed products. The large trading firms cited have always played this to their advantage in taking control over the animal feed chain in Europe, which accounts for 60% of the low-cost food imports. The prices paid to the American farm-

ers for soybeans are, for example, incomparably lower than those of European producers. This has not stopped Europe from wanting to develop a production capacity for "substitute products" of its own (it does have to ensure a minimum of independence in this domain) by authorizing subsidies, especially for the production of sunflower seed and soybeans. Hence, the European production capacity in oilseeds has gone from 266,000 tons during the 1960s to about 13 million tons today.

This weakness in Europe's armor is now the target of the heaviest attacks. In the war against Europe, the first priority is the agricultural war, and in this battle, top priority is the grain substitutes, especially soybeans. The "soybean war," an avatar of the short war that the United States handed Europe, thus was, from American ultimatum to European concession, carried out by newspapers for almost a year. It illustrates how American negotiators, aided by the British, use GATT for their own ends.

Under American pressure, GATT forbade subsidies to the soy meal producers. A supposedly impartial panel of "experts" (all tied in varying degrees to the United States), then judged that the EC, by aiding its producers, was in violation of the regulations and demanded Europeans pay \$2 billion in fines. All the negotiations are now focused on the amount that the EC, which acknowledges a fine of only \$400 million, will pay out. But, from the moment the EC agreed to negotiate, it acknowledged its infractions and arbitrarily stood as the accused. It is a quasi-surrealistic situation, since the EC already imports nearly 56 million tons of grain substitutes per year, a good deal of it from the United States. "You must reduce your production from 12 to 7 million tons," the European negotiators were told by the Americans, for whom this would mean even more exports to Europe.

Leading 'defendant' is France

France, at the heart of European agriculture, naturally, in this logic, becomes the leading accused figure. It is good that the GATT talks broke down. The financial daily *Les Echos* explained that one could not have gotten very far with a disastrous compromise, all the more since the Foreign Ministry was pushing for it. The time must be well used to go on the offensive, by taking the debate beyond the trade war. By agreeing to the reform of EC Agriculture Commission chairman Ray MacSharry, and by pushing the argument on Maastricht, as did Louis Mermaz, that a "yes vote in France will strengthen us against the Americans at GATT," the French government and the agricultural authorities have capitulated up to now.

The American response was not long in coming, in the form of \$1 billion in subsidies to American wheat exporters, re-igniting the soybean war and demands on GATT to reduce by 24% subsidized European grain exports. This was a slap in the face to those who, with Louis Mermaz, thought they were strengthening their position.