The Quid and the Quo

By Frederick F Clairmonte

In November 1982 the 35-year-old General Agreement on Tariffs & Trade (GATT) gathered in Geneva in an effort to avert the threat of a general trade war between the US, the EEC and Japan.
Frederick F Clairmonte looks at the historical background to the present conflicts over world trade and the efforts by governments and transnational capital to solve a crisis that they can no longer conceal.

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The motto of Australia's deputy premier, Mr Anthony Douglas, a farming (pigs) tycoon, was appropriate to define the jungle of the GATT ministerial conference: "In politics, if you see a head, kick it." This precisely is descriptive of the law of fang and claw that defines the intensified struggle for the global market. Mr Dougla's utterance was symptomatic of the rhetoric of the political functionaries of Big Capital including those of Mr William Brock, chairman of the US delegation and scion of a Tennessee candy fortune.

"The only way America can hold its own", noted Senator Russell Long, "in a world where each country talks free trade and no nation really practices it is to withhold the quid until we get the quo." Mr Jesse Helms was no less forthcoming when he warned that "Congress was prepared to spend greater amounts of money to 'fight fire with fire' if the ministerial did not tackle export subsidies."

The bourgeois journalists that were convened at the International Conference Hall spoke in Spenglerian overtones of the crisis which they could no longer conceal. At best, however, they showed glimmerings of understanding the mechanisms of global accumulation and dis-accumulation. Albeit in superficial and distorted forms. The battles, reflected in the GATT gathering, cannot be analyzed apart from the crisis of global capitalism and its evolution over the last four decades. But one could hardly expect more from a caste of journalists unable to separate essences from appearances, and thus come to grips with the evolution of Big Capital in its oligopolistic and conglomerate manifestations.

The 'pledge' that eventuated from the ministerial to maintain "an open world trading system" was less than a bromide to dissimulate the rapacity of inter-imperialist rivalries, a designation which, understandably, was never used by the bourgeois wire services. The functionaries of Big Capital in the GATT forum were clamouring for a halt of what one of their members stigmatized as the "proliferating rot of protectionism." Rot or not, pledges or no pledges, the economic firestorm continues unabated and there is nothing that the lamentations of the functionaries of Big Capital can do to arrest this process.

The background of these inter-imperialist rivalries, revealed so militantly in the GATT forum, are partially depicted in the following tables on the fluctuations of global trade since 1820 and industrial production growth rates. Striking in this respect is the contrast between the UK and the USA on the one hand and Germany and Japan on the other. Today, the world market, around 2 TUSD, has now come to a standstill. A shrinking world market will therefore be matched by the intensified carnage for larger market shares.

Mr Douglas, with brutal candour, called the outcome of the conference a 'fiasco', and the US trade chief intoned that "the trading system is still intact". Both utterances reflect the intellectual impoverishment of even the elite representatives of Big Capital. Obviously, one cannot define the outcome of that conclave of functionaries and big businessmen as either a 'success' or 'fiasco' when the criteria for such designations remains undefined. In whose interests did the global market operate over the last three decades? As to the global market being still "intact" in view of the ever rising demands for "the reconquest of domestic markets" in both developed and developing economies, that proposition remains at best problematical, at worst infantile.

But the US delegate has made his point. Whether another set of functionaries will be chanting the same tune at the US Senate Hearings on GATT in January is of course another story. No doubt the 'pledge' will be brandished as a gimmick to shore up the electoral misfortunes of the Reagan administration now wobbling on the economic ropes.

Dismantling of CAP

The immediate and overriding goal of the

US power oligarchy was to select one enemy at a time. This time the target was not Japan as generally anticipated. Rather it was the EEC, more specifically its Common Agricultural Policy. Not only has the target been selected, but the strategic guns for its destruction are now in place. Outlays of a war chest of 190 MUSD has already been mandated by the US Congress for foreign export subsidies. Around 100 MUSD of this is expected to be used in blended credit programs, combining foreign aid and export credits to boost US exports.

In the perspective of American imperialism, the dismantling of CAP has become mandatory. Although far from homogeneous in its overall policy orientation, the EEC remains the world's biggest trading block accounting for almost a third of global exports as against the USA (12 per cent), OPEC (14 per cent), Comecon (9 per cent) and Japan (8 per cent). An index of the 'openness' of the EEC to the world markets is that trade accounts for almost a quarter of its GDP, as against 12 per cent for Japan and 8 per cent for the USA. No less marked, in terms of the domination of the world market, and inter-imperialist rivalries is that, as a block, it accounts for around 45 per cent of world exports of manufactured goods.

The attempts to use the UK as a trojan horse were not visibly successful this time. CAP still remains a brittle structure evidenced in the unfinished wine war between Italy and France. Over the last two decades the EEC farm sector has been metamorphosed by the increasing elimination of the small farmer and the upsurge of large farming units related, in many cases to corporate agri-businesses.

Indicative is mounting overproduction in almost all farm sectors. In 1981, the EEC exported more cereals than it imported. Butter production, for example, has risen dramatically in all member countries (save the FRG) with the UK recording the biggest increase. At present, more than nine-tenths of EEC farm output is covered by CAP and its familiar underpinnings: support prices, import levies, export subsidies and fixed rate aids . . .

Conventional hypocrisies

"If we cannot get agreement from the EEC", charged Mr William Brock, "reduc ing farm subsidies, this conference will have failed in a substantial way, and right now the EEC is alone in refusing to move on dismantling farm subsidies in this key sector." Whether this assertion is part of a bargaining strategy remains unclear. As it stands, however, it is wide off the mark because agricultural output is not determined by the magic of the market place.

Merely in 1981–1982, the US government spent more than 14 GUSD "on keeping the wolves from the farmgate" to use the picturesque imagery of *The Economist.* Japan's agriculture is studded with every imaginable species of tariff and non-tariff barriers.

In such an imperialist forum as GATT, it is nothing less than sheer hypocrisy of the US and Japanese delegations to call for "a commitment to roll back over time existing GATT illegal actions".

Despite its pretentions to scientific objectivity, the tattered rags of bourgeois economic theory have continued to mask the morphology of power and its attendant inequalities in what it deliberately and misleadingly labels "the international free trade system". At least Mr Jobert, French trade minister, was not off target when he stigmatized that species of dogmatic economic liberalism bandied at the current GATT ministerial as constituting "the most subtle and most disguised form of protectionism: that of the power of the strong over the weak".

The current ministerial followed in the line of the 1973 multilateral round of GATT negotiations and earlier rounds: Dillon, (1962), Kennedy (1963–1967), Tokyo (1973–1979) followed by the pious platitudes of the Versailles summit of 1982. The ideological underpinning has always assumed an immutable economic model for the global market. It postulates the principle of equal advantage based on a competitive market, ostensibly ensuring the optimum allocation of resources. In its simplistic beauty it is a mechanism where power and relationships have ceased to exist. As such, it is the supreme and desired mystification of Big Capital.

Translated into international trade theory, the neo-classical paradigm purports to describe international economic relations in the context of market transactions between national firms and consumers endowed with equal bargaining power. Even in the heyday of economic liberalism (and this merely in one country in the 1850s and 1860s) this nirvana-like model of equality bore little, if any, similitude to the realities of Victorian capital accumulation.

The descent into the maelstrom

The palaverings of Big Capital's functionaries in GATT have taken place within the framework of an economic depression that stands only to be compared to that of the thirties. Or in the lugubrious tone of the latest *EEC Annual Report,* "the beginnings of a recovery phase blimpsed a year ago have now clearly been extinguished".

The EEC/USA eight-month long steel war is a foretaste of things to come. In the OECD group of countries, the ranks and rumble of the tens of millions of unemployed are longer and more audible. Comprehensive 'self-limitation agreements' to "reconquer the domestic market", a new coinage, is the order of the day. While the functionaries of Big Capital at GATT, with the US representatives the most vociferous of all, continue to chant their hosannas to the wonders of 'open international trade policies and the efficient working of the adjustment process', their counterparts in Washington

World trade and industrial production in selected countries, 1820–1980 (average annual percentage rates of growth)

Period	World trade (volume)	UK[1]	Germany[1]	Industrial production France[1]	USA	Japan
1820–1840	2.7	3.2	. .	. .	. .	. .
1840–1870	5.5	4.6	4.5	. .	5.4	
1870–1890	2.2	1.2	2.5	. .	4.9	5.5
1890–1913	3.7	2.2	4.2	3.9[2]	5.9	8.6
1913–1938	0.4	2.0	2.2	0.9	2.0	9.5
1938–1948	–	2.2	–5.8	0.8	7.4	. .
1948–1971	7.3	3.1	8.4	6.0	4.0	16.7
1971–1980	5.8[3]	1.0	2.0	2.4	3.0	4.8

Notes:

1 In boundaries of the period considered. Data for Germany since 1948 refer to the Federal Republic of Germany only.
2 1901–1913.
3 excluding the trade of CPEs.

Source:
UNCTAD secretariat calculations based on various sources.

continue to pour massive financial subsidies into the Domestic International Sales Corporation (DISC).

The developing world

The onslaughts against the developing countries is already underway, notwithstanding that that important segment of the world economy is undergoing the severest batterings since the Great Depression. The ferocity of the attack against the Third World (which affects socialist Cuba no less than the Ivory Coast) is seen in the constellation of forces affecting the bulk of non-oil importing developing economies.

Between 1979 and 1982, petroleum, one of their major imports, trebled. Compounding this tragic situation, since all oil imports are denominated and paid for in dollars, is the appreciation of the US dollar by some 40 per cent in relation to other leading currencies since mid-1980. Aggregate real income and investment in Latin America plummeted in 1981, for the first time since World War II, and the economic plight in Africa south of the Sahara is nothing short of catastrophic.

Pressure on developing countries' balance of payments is no less than during the Great Depression. Their export commodity prices, in real terms, other than oil, are almost as low. The interest rates on their debts, in real terms, as high. The proportion of their exports absorbed by debt service even higher. Currency devaluations, import and exchange restrictions; and difficulties of maintaining debt service payments are rising sharply.

The depression within the capitalist global economy has obviously both domestic and external causes and implications, Crucial in this respect is the crisis within the American economy.

What has often been obscured analytically is the interrelationship between US trade and budgetary deficits. The presently estimated budget deficit (for fiscal year 1983) of 170–180 GUSD could well shoot past 200 GUSD. Such a Frankenstein budget deficit accentuates the trade deficit, inasmuch as it compels the US. Treasury to borrow money, which contributes to boost interest rates. Derivatively, it affects private sector investment borrowing adversely. In turn, such a crisis-ridden external sector and fiscal conjuncture attracts overseas investment flows, which in turn, raises the dollar's value in relation to non-US currencies. An ideal condition for making US exports less competitive (and inversely imports more competitive) on the world market.

GATT: failure or success?

To see the ministerial in terms of the perspective of 'failure' or 'success' is to misunderstand the goals of that institution, as well as the IMF and the World Bank. The functionaires of Big Capital within GATT simply cannot analyze the causes of unemployment, or any other facet of the world market, within the system itself. Unemployment – strange and utterly cynical as it may sound – is the price to be paid for what has been called "freedom" as GATT's director of economic research teaches us. "Le chomage est, pourrait on dire, le prix a payer pour la liberté, et pour les progres que la liberté rend possibles." Such a contention, which betrays a woeful absence of analytical capacity, is not far removed from a no less fatuous definition of unemployment: "le chomage peut en général etre consideré comme le temps que l'on passe a chercher un nouvel emploi." [1] This assertion cannot be construed as an individual aberration unrelated to the very nature of GATT itself, its class and corporate origins and present orientations, or rather disorientations.

GATT, as its sister organizations, the World Bank and the IMF, were designed to perpetuate prevailing social, political and economic structures of Capital. In more than three decades, Big Capital's trajectory of oligopolistic and conglomerate transnational corporations has grown exponentially. Their destinies now inextricably meshed with the fortunes of the state apparatus.

Undoubtedly, GATT, judged by its rules of 'multilateral trading' has been a 'success' in consolidating and harmonising the advance of Big Capital, and indirectly its attendant political formations. That 'success' is incontrovertible. But all historical processes have their own inner logic and contradictions for the forces promoted by GATT can no longer be controlled within the mechanisms of GATT. By this logic, the GATT ministerial is vital, not because of its relevance to tackle the crisis of global capitalism and to arrest the ongoing economic war, but rather because it marks one more irreversible stage into the descent of the maelstrom.

Note:

[1] Jan Tumlir, "Le chômage: un privilége moderne" *Le Temps Strategique*, Geneve, été, 1982. ■

Growth of world production and exports 1963–1981 (average annual rate of change in volume, percentages)

	1963–73	1973–81	1979	1980	1981
Production					
All commodities	6	3	3.5	1.5	1
Exports					
Total	8.5	3.5	5.5	1.5	0

Source:
GATT, *International Trade 1981/82.*