

## WORLD TRADE

### Economic warfare bills move through Congress

There has been a major gear-up of U.S. trade war capacity following President Carter's ten-day "retreat" to Camp David. :

• The administration has just submitted a bill for centralizing U.S. trade functions in a new Trade and Commerce Department, the most significant features of which are (1) the beefing up of the new department's capacity to take action through antidumping and countervailing duty provision against countries exporting to the U.S.; (2) the strengthening of geopolitician

Robert Strauss's Special Trade Negotiator's office.

• The Senate approved on July 21 a new exports control law, which significantly enhances the Administration's capacity to wage economic warfare. Under an amendment successfully added by Sen. Henry Jackson, the Defense Department would have the primary responsibility for identifying which U.S. exports are to be classified as "strategic" and hence not exportable to East Bloc or other so-called enemy countries. Under another provision of the Senate approved bill, Alaskan oil cannot be exported if U.S. supplies would be reduced or if U.S. prices were to be raised—except to Israel.

• Both the Senate and the House

have approved the full terms of the General Agreement on Trade and Tariffs (GATT) pact, signed last spring. The approval slid through with a minimum of debate and an unprecedented blackout of the full terms of the tariff and provisions.

Wall Street reporter Arlen Large asked July 25, in a feature titled "Why Congress Jumped Aboard the Trade Bill," "Where have all the protectionists gone?" and accurately suggested that the "lawyerish machinery of federal trade-rule enforcement" in "the low-profile bureaucracy" will increasingly be mobilized on behalf of protectionism.

Special Trade Negotiator Strauss has been claiming that the pact will benefit the U.S., while much of the press has said—along with the Congressional Budget Office—that the GATT's effect on the U.S. will be neutral. The bill will actually enhance America's present export difficulties. It is an attack on develop-

## BANKING

### Behind Proxmire's takeover bill

The banking world is in a state of mild shock following Senate Banking Committee Chairman William Proxmire's introduction July 18 of S. 1539, the Foreign Bank Takeover Act of 1979, which would legislate a complete moratorium on all foreign bank takeovers of U.S. banks until April 1, 1981—and would allow no "grandfather" exemptions of takeovers currently pending.

"I was shocked—Proxy is the last person we'd have thought would do this, considering his free-market proclivities," said a source at Salomon

Brothers, the investment bank for New York's Marine Midland, which is trying hard to be taken over by Britain's Hongkong & Shanghai Bank.

Hardnosed Washingtonians, however, are speculating that Proxmire is *not* motivated by some sudden patriotic reluctance to allow his good friends at HongShang, Barclays, Midland, and the rest of the British banks to snap up billions in U.S. banking assets. Proxmire's strategic aim probably has more to do with a leak by Senator John Heinz's office this week. According to his office, Heinz, who has a similar resolution pending, seeks not so much to stop takeovers as to "get control" over the billions in Arab petrodollars

which are at the center of world monetary power.

#### 57 varieties

Proxmire's bill, which is now being reviewed by the full Senate, is based on the weaker Senate resolution 92 introduced by Heinz on June 26, which called for only a six month moratorium on takeovers and would have grandfathered (permitted) any takeovers already pending as of June 1.

Heinz's motives were indicated in his press release that day, which at great length pinned all America's woes on the "close to \$200 billion in petrodollars which have flowed into the tills of Arab shieks. I fear that we will have a flood of takeovers," he said, "fed by the swelling tide of petrodollars that will threaten to engulf and overwhelm us. The American banking system is on the auction block."

Asked whether Arab inflows were the real problem, considering

ing-country dirigism and national sovereignty, best compared with the British Parliament's unsuccessful effort to enforce underdevelopment on the American colonies over two hundred years ago, thereby provoking the American Revolution. By prohibiting the subsidies and import controls required for less developed countries to launch and expand export industries, GATT will destroy these nations' ability to buy American industrial and farm products and drive them politically toward the East bloc—which Washington will then use as a pretext for further regional destabilizations.

• The recent shakeups in the U.S. executive branch will strengthen these economic warfare tendencies. Federal Reserve appointee Paul Volcker and Treasury Secretary John "Two-Gun" Connally forced the world to swallow U.S. dollar devaluations and protectionism in the early 1970s—promising the U.S.

business community that this "get nasty" approach with the Europeans and Japanese would boost exports and the dollar. The results of those policies are only too manifest less than a decade later.

The GATT pact, U.S. export control law, and Commerce Department reorganization will vastly strengthen the capabilities of the Volcker-Strauss-Vance economic warriors; the claim that GATT will forestall a new outbreak of protectionism is a hoax, unmitigated by the fact that Chinese imports will be welcomed into the U.S.

This has been understood in a limited way even by those groups testifying before the Senate on the new GATT pact. A witness for the National Foreign Trade Council warned that the bill "may have the potential to exclude imports even more than existing law," while a spokesman for the American Importers Association testifying before

the same body noted that the proposed rules are "a nightmare of technicalities and procedural mazes which amount to a new nontariff barrier to trade."

Although the Administration's proposed new Department of Trade and Commerce was immediately criticized as a slapdash production designed to counter Senate threats to sit on the new GATT bill unless the Administration submitted a Commerce reorganization bill, Sen. Ribicoff's Governmental Affairs Committee, which has jurisdiction, may accept the bill with amendments of its own provision, the *Journal of Commerce* reports. If Congress does nothing whatever, the reorganization will take effect automatically in 60 days.

—Richard Schulman

that (as the *Washington Post* reported July 24) Arab investors have under \$200 million in the U.S., compared to some \$8 billion in British and \$9 billion in Dutch investments here, a source in Heinz's office laughed. "Of course we don't begrudge them, especially the British, the takeovers. We just want to make sure that we control the policy under which foreign investment is made here. Specifically, we want those petrodollars rechanneled with us making the decisions."

Asked how this could be accomplished, Heinz's aide said, "How about threatening to invade the Persian Gulf? That kind of talk is good for the Arabs; reminding rich, weak countries with no armies that they are vulnerable is a useful technique, especially when they are being avaricious. That's how Japan began Pearl Harbor—when it was cut off from oil. Trouble is we have a weak-kneed President; the current U.S. regime might not contemplate war, but at

least we can tell them quietly that a future regime might." Such as, presumably, that of Alexander Haig.

#### Whither the petrodollars?

In fact, what Heinz, Proxmire, and New York Senator Jacob Javits, who Heinz's office says are collaborating closely, have in mind is to collaborate with the City of London banks and British government to get the petrodollars away from the Franco-German European Monetary System (EMS) banks who want to invest the dollars in advanced nuclear and industrial development of Europe and the developing sector. Once that is done, Heinz et al. will propose the dollars be sunk into some 19th or 18th century "soft" technology Carter-U.S. energy plan, which otherwise could never be financed.

Heinz's people say they have "no specific plans yet" or a concrete U.S. agency which could channel the petrodollars, "but the Saudis have talked about us de-

veloping our own energy sources, and now they'll have to shell out."

For this we have to "get tough with the Europeans—they're the real problem," Heinz's office continued. "We agree with Javits that we have to revamp the whole Bretton Woods monetary system. The Germans and French won't go along—they've been taking petrodollar deposits and dumping loans to the LDCs, and the Carter administration is soft on them. They've refused to go along with the Fed on reserve requirements to control the Euromarket. We should be a lot nastier with them—like having trade wars."

Asked, however, what leverage the U.S. could possibly have over the politically much stronger EMS nations, Heinz's aid admitted, "If I knew how to do that without breaking down our economic relations with them, I wouldn't have been stuck in the Senate Banking Committee."

—Kathy Burdman