US threatens sanctions against Europe and steel exporters

International trade tensions grow

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Relations between the US and its major trading partners are rapidly deteriorating in an atmosphere of mutual recriminations and the danger of the outbreak of trade war. In the past few days the Clinton administration has warned that it will impose tariffs on European goods if regulations are not lifted on US banana exports, and threatened action against Japan, Russia and Brazil for 'dumping' low-cost steel in the American market.

Last weekend during a conference of US and European business leaders and trade officials held in Charlotte, North Carolina, Vice President Al Gore, Commerce Secretary William Daley and Deputy Treasury Secretary Lawrence Summers accused the European Union of shirking responsibility for easing the world economic crisis by not doing enough to boost growth and open its market to imports from Asia. Daley warned that if Europe did not share more of the burden, 'this year's global financial crisis would become next year's global trade crisis.'

On Tuesday US Trade Representative Charlene Barshefsky threatened to place 100 percent tariffs on wine, cheese and other imports from Europe if the EU did not lift trade restrictions on bananas sold by American companies. Chiquita Brands International and the Dole Food Company have long complained that they are unfairly restrained from selling Latin American-grown bananas in Europe. The 100 percent tariffs would go into effect February 1.

The EU has traditionally favored bananas grown in former European colonies in African, Caribbean and Pacific countries. Last year, the World Trade Organization ruled in favor of the US and ordered the EU to modify its regulations. Although the Europeans did so, Jay Zeigler, a spokesman for the office of the US Trade Representative, denounced the modifications as 'nothing but window dressing.'

Chiquita CEO Carl Linder has been one of the largest donors to the political campaigns of both Democratic and Republican candidates, and was Clinton's overnight guest in the White House Lincoln Bedroom in 1996.

Responding from Brussels, the European trade commissioner, Sir Leon Brittan said, 'In resorting to unilateral action the United States is setting itself above the law and resorting to the principle of might is right.' He continued, 'For the US to take such unjustified action against the EU is a particularly grave error of political judgement at a time when we both need to give a strong, joint leadership in responding to the economic problems of the world.'

Meanwhile, after a meeting with US steel industry executives and union officials, President Clinton declared Tuesday that the US would not tolerate the 'flooding of our markets' with low-cost goods from Asia, Russia and Latin America, particularly steel, that threaten the jobs of American workers.

Clinton's remarks represent a significant shift, particularly since the US played the leading role in negotiating the agreements between the International Monetary Fund and Indonesia, Thailand and South Korea which assumed a significant increase in exports, because the devalued currencies of these nations make their goods less expensive abroad. Treasury Secretary Robert Rubin, who played the leading role in drafting the IMF pacts for the Asian countries, Russia and Brazil, warned Clinton that limiting the ability of these nations to export-- the major source of their foreign currency--would have a disastrous effect. Rubin also warned that protectionist moves by the US could trigger similar responses throughout the world, leading to a collapse of US export markets.

However, Secretary of Commerce Daley said, 'We will not be the dumping ground for troubled economies.' The Commerce Department then issued a ruling that allows the complaints of the steel industry and unions to be heard on an expedited basis. The action would also allow for stiffer duties to be imposed on foreign steel if the Commerce Department determined that it was being sold at unfairly low prices. Any unilateral restrictions would be in violation the World Trade Organization's rules and international trade agreements, and would likely provoke retaliation by European and Japanese steel producers.

In part, Clinton's actions were a gesture to the officials from the United Steelworkers of America who heavily donated to the campaigns of congressional Democrats. In response to a new round of downsizing in the steel industry, the USWA bureaucracy has joined with the steel companies to press Clinton for trade war measures against their international competitors. Similar protectionist campaigns by the union during the 1980s coincided with its collusion in the destruction of hundreds of thousands of jobs.

More fundamentally, as daily signs mount of an impending downturn in the US economy, the Clinton administration is shifting towards trade war policies in an attempt to force Europe and Asia to bear the brunt of the world economic crisis.

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