

World Trade by Richard Schulman

Carter's impact in just six months

Two embargos from the U.S. government have both changed the volume and changed the nature of world trade patterns in the first half of this year.

World trade has deteriorated in the six months since the Nov. 4 terrorist seizure of the U.S. Embassy in Teheran and the Soviet incursion into Afghanistan.

- Exports from the advanced sector to the underdeveloped sector have collapsed, with the exception of OPEC, India and one or two other countries;

- Anglo-American trade with the Soviet Union has plunged;

- War-hungry China has been importing significant capital goods from all industrialized countries;

- Nuclear exports are minimal, with the U.S. almost entirely out of the picture;

- An estimated \$30 billion in cancelled trade deals has resulted from Jimmy Carter's two boycotts—Iran and the U.S.S.R.

The exports of capital goods to the underdeveloped sector has virtually ceased in the past six months. This is principally a result of the imposition of credit restrictions by Federal Reserve chairman Volcker and his international allies. Third World project loans have either been simply withheld (the majority of cases) or cancelled—as a Dutch company cancelled a harbor development project in Morocco on the pretext of Polisario guerrilla activity.

The exceptions are the OPEC nations, who have the wherewithal to continue imports even as they finance payments deficits in some

European countries, as Saudi Arabia is now doing for West Germany. Even here, however, the emphasis is on narrow energy-related development or military purchases.

Major Saudi purchases and agreements during the past half year include: Mobil's joint construction and operation of a \$1.6 billion ethylene plant; the purchase of a \$1.1 billion polyethylene plant from Exxon; construction with Royal Dutch Shell of a \$1 billion naval order with France and \$300 million in military construction orders with a South Korean concern.

Another exception has been India, nailing down an aluminum smelter to be supplied by France's Pechiney and paid for in surplus output; \$176 million in steam generators from West Germany; and a steel plant now in negotiation with a consortium led by British Steel Corporation. India's fortunate position is largely a product of Western fears that without such succour, Indira Gandhi's government will move toward the Soviet Union, a reliable supplier of capital goods, at least. No other motivation was involved in the U.S. State Department's lifting of its ban on uranium shipments for India's nuclear program.

In military trade, in addition to Saudi purchases, Canada has purchased \$2.5 billion in fighter planes from the U.S.; the French and West Germans have agreed to jointly build \$10 billion worth of

new armored tanks; Italy is supplying Iraq with naval ships in return for oil; and The Netherlands is negotiating to purchase up to \$1 billion in fighter jets from the U.S.

Thanks to the Carter administration's "encircle the Soviets" policy, China has received a \$1.3 billion steel mill from Japan's Mitsubishi and a \$254 million steel plant from West Germany; \$600 million in tractor supplies from Italy; \$1-1.5 billion aluminum smelter from a Western consortium; and a \$600 million multiproject venture with Austria. There is a fear that much other, military-related trade is occurring unreported.

Meanwhile, the anti-Soviet policy has cost the United States \$25 billion in lost exports, featuring cancellation of a \$20 billion long-term Occidental Petroleum deal with the U.S.S.R. as well as the grain embargo. The West Germans and Japanese have tentatively gone ahead with their own multibillion dollar pipeline sales to the Soviets, and Italy has not cancelled its \$2.5 billion "Togliattigrad II" project or \$1.7 billion chemical-plant agreement. The French still intend to supply the Soviets with \$110 million in deep-water oil drilling equipment. Carter's Iran embargo, on the other hand, threatens Italy with a loss of up to \$3 billion in planned construction projects there.

Meanwhile, Poland is purchasing \$275 million in machine tools from West Germany and East and West Germany have inked an agreement for a \$270 million cooperative effort to improve railroad infrastructure in the Berlin area.