reduce imports at all; indeed, the Commerce Department now expects a $75 billion trade deficit for 1983, and some private forecasters, e.g., the Institute for International Economics in Washington, claim that the present trend projects to an $100 billion deficit for next year.

This trade deficit—which would be more than twice as large under the terms of trade that prevailed in 1972—is the ugly secret of America's progress towards the "post-industrial society." Adjusted for terms of trade favorable to the United States, the trade deficit alone accounts for roughly one-tenth of all hard goods produced in the United States. American industry either does not have the capacity to meet demand filled by imports, or cannot meet it at sufficiently low cost to compete with imports, the result of five years of essentially unchanged industrial productivity.

Conclusions

Not only are the GATT negotiations irrelevant to the present breakdown of the world trading system, therefore, but they are fraudulent—most obviously where the American position is concerned. The U.S. administration went into the GATT meeting (see below) emphasizing adjustment procedures for unfair foreign export practices, as if the United States were the party aggrieved by unfair import competition. On the contrary: the underpricing of American imports, and the ability of the U.S. to finance purchases of foreign goods by collecting interest on debt have "financed" the Volcker measures of the past three years. The American central bank, in summary, simultaneously raised the financial cost of production inside the United States to the point of idling 20 percent of U.S. industrial capacity, while raising the cost of interest paid by America's foreign debtors, making it possible for the United States to purchase from abroad a large portion of the lost production. This is a simplification of the past three years' economic history; but this is what appears on the last line of the balance sheet.

As *EIR* documented in its Sept. 16 survey of the West German economy, the Bretton Woods-GATT System of "free trade" turns out, under close analysis, to be "fixed trade." Because the IMF, in its capacity as surrogate for American world economic leadership, has been able to fix the terms under which nations exchange their surplus product, the basic relations of world trade have been distorted by a fundamentally overvalued U.S. dollar for most of the post war period, sustained in the past three depression years by a staggering overcharge on dollar-denominated debt service.

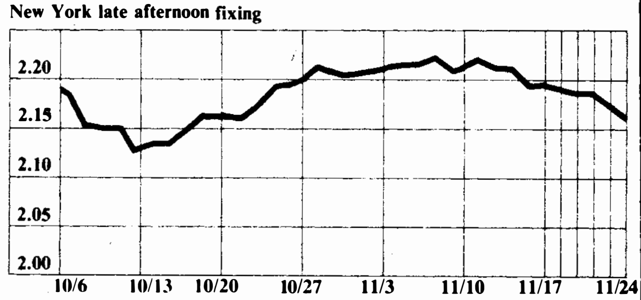
Nations will either establish agreements to finance trade in means of development at appropriate maturities and affordable interest rates—junking the GATT-Bretton Woods structure—or that structure will dissolve in a catastrophic replay of the 1930s. The GATT conference appears to have provided a negative proof that, even in the very short term, noting else will work.

Research for this article was performed by Kathy Burdman and Javier Almario.

Currency Rates

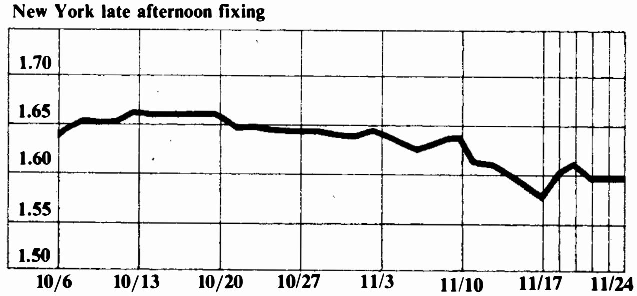
The dollar in Swiss francs

New York late afternoon fixing



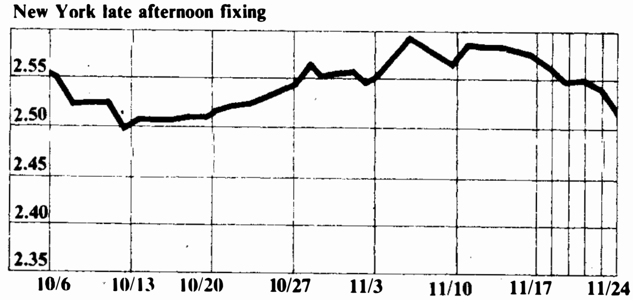
The British pound in dollars

New York late afternoon fixing



The dollar in deutschemarks

New York late afternoon fixing



The dollar in yen

New York late afternoon fixing