

Anxious EC turns its guns on Goldsmith

Article by Boris Johnson, Sunday Telegraph, 23rd October 1994

THE EC COMMISSION has launched a frantic exercise to counteract the influence of the billionaire protectionist, Sir James Goldsmith, after his barnstorming performance at the Tory party conference two weeks ago.

Officials have been appalled at the creeping success of his crusade to close off European markets, even among supposedly free-trading British Conservatives.

With the GATT world trade agreement still not approved by the US Congress, sources close to Sir Leon Brittan fear Sir James is causing real damage to the prospects of further market liberalisation.

One official noted that the charter and aims of 'Son of GATT', the World Trade Organisation to be set up next year, were far from settled.

Sir Leon's supporters consider it a rich irony that Sir James should bankroll Tory Eurosceptics such as Bill Cash - noting that many of the Anglo-French financier's ideas are identical to the Europe-first manifesto of Jacques Delors, the Commission president.

On the eve of the British publication of Sir James's polemical book on trade, *Le Piegé* or *The Trap*, which caused a sensation in France, Sir Leon's EC trade department has circulated a point-by-point rebuttal of its main themes. Officials have hitherto dismissed Sir James, who is based in Paris, as a 'crank', but the EC document is a recognition that he can no longer be ignored.

Sir James's main attack is against what he regards as the menace to Western society of untrammelled global free trade. It is a chilling vision of mass unemployment and deserted farmland in western Europe, as goods of all description are produced more cheaply by the gigantic labour-pools of India and China.

Sir James dismisses the alleged benefits of last year's GATT deal, which some estimate will boost trade by \$213 billion per year. That is only 0.7 per cent of expected global GNP, he says, while the social consequences are appalling.

Europe has no alternative but to equip itself with higher tariff and other barriers against cut-price imports. Echoing the language of French protectionists such as President Mitterrand and Mr Delors, Sir James calls for a return to 'Community preference'. If Europeans were to discriminate against imports 'overnight all the enterprises that have moved their production offshore will return'.

But the Commission retorts that European capital has yet to move to cheaper Asian sites on anything like the scale Sir James imagines. Only eight per cent of foreign direct investment has gone to low-wage countries, while most of it has stayed within the OECD, says the rebuttal.

In any case, say Sir Leon's officials, if companies failed to take advantage of opportunities to locate production overseas, they would cease to be competitive, collapse, and destroy jobs in the home market as well.

Sir James suggests that new Euro-tariff barriers would not merely keep out foreign goods, but even encourage Japanese and others to surmount the wall by investing and installing plant in Europe. That is 'simplistic,' retorts the Commission. 'Such a policy would see others retaliate and raise barriers against European exporters,' says the paper, noting that 12 per cent of European jobs are export-related.

The Commission takes a punch however, over Sir James's point that cheap foreign competition will throw people out of work. The EC paper admits that free trade can 'alter the structure of production' and 'strengthen existing trends' - code for wiping out vulnerable European industries such as textiles. But officials argue that free trade will generally boost national income and so increase employment.

Brussels also disputes Sir James's assertion that free trade tends to force down wages in the West. The Commission accepts his point that wages have fallen in the US by 16.4 per cent, but says that only one per cent of that fall is due to free trade.

The Commission also brushes aside some of Goldsmith's most arresting statistics, such as that 47 Vietnamese can be employed for the cost of one Frenchman.

The EC answer is that by allowing low-cost economies to develop, free trade gradually irons out these differentials. It notes that wages in Taiwan, Singapore and South Korea have been rising so fast that they now approach European levels.

Finally, Sir James evokes, in words that might have been borrowed from Mr Delors himself, an apocalyptic world in which the intensive agriculture promoted by the GATT will cause people to flee the land and inhabit vast slums like the favelas in Brazil.

Nonsense, says Sir Leon's department. The Brazilian slums grew up simply because there were higher wages available in the towns.

Sources close to Sir James said yesterday that they were delighted the EC Commission was at last recognising that the case needed to be answered. They said that two weeks ago the US Trade Representative, Mickey Kantor, felt it necessary to meet Sir James in a one-to-one debate.

They claimed that it was largely thanks to Sir James that the GATT deal has been held up in Congress, at least until December.