By Noam Kantor and Joel H. Havemann

Washington

Brushing aside the threat of a trade war that could subject President-elect Bill Clinton to his first foreign policy crisis, the Bush administration announced plans Thursday to impose positive tariffs on French, German and Italian white wines, effectively pricing them out of the American market.

President Bush and his chief trade negotiator, Carla Hills, insist that the move would not touch off an escalating spiral of trade sanctions. A top European Community official denounced the U.S. action—which would triple the cost of European goods that account for $300 million in annual U.S. sales—but did not renew an earlier threat to retaliate.

Nevertheless, the announcement is seen as the long-running friction between the United States and the European Community over agricultural subsidies and further compiles prospects for completion of a long-delayed international trade accord.

The announcement of the new American tariffs comes two days after the breakdown in Chicago of negotiations aimed at resolving a long-simmering dispute between the United States and the EC over subsidies for growers of soybeans and other oil-bearing crops.

The tariffs—which could raise the price of a bottle of imported white wine from $10 to $30—will take effect in 30 days, a little more than six weeks before Clinton's Inauguration. That move is anticipated to signal the beginning of the trade war.

In the last two weeks, for example, such blue-chip names as American Express Co., Borden Inc. and Bristol-Meyers Squibb Co. announced they would collectively eliminate about 15,000 jobs in the next year, while General Motors Corp. indicated plans to idle thousands more.

These reductions are similar to those announced over the past two months by airlines, computer makers, telephone companies, defense contractors, banks and major oil companies, and they are making it difficult for the economy to take off usually course toward recovery, according to economists.

Something more than the traditional workings of the business cycle is driving these big layoffs and job reductions, according to economists and company executives.

Normally, the economy pulls out of a downward spiral when the government lowers interest rates, companies use up their inventories, and consumers can no longer put off buying a new car or washing machine.

This time, the traditional cycle is coming on top of a financial and economic exchange that is taking place in a number of key industries—what economists call a structural change.

Driven by shifts in market competition, technology, consumer tastes and government policies, companies have decided that the only way they can survive and remain profitable is to cut their basic operating costs—overhead, in the language of accountants—in particular, the payroll.

"This is not the normal recession and recovery cycle," said Stephen Roach, an economist with the investment house, Morgan Stanley Group Inc. "The economy is feeling the pain of structural change.

Structural change is more than a matter of simply firing people ('layoffs' is the polite word), or paying them to retire early ('offering incentive packages'). They are part of larger strategies that have resulted in consolidations and changes in fewer facilities, drop unprofitable product lines, will divest, stream-line administrative or manufacturing processes and trim out layers of management. Many companies are finding they can buy goods or services from small companies that they used to produce in house.

In most instances, companies are trying to do what they have always done, only more efficiently. American Express, which announced last month that it would trim 4,800 jobs from its flagship credit card operation, said it can get by with fewer people by using more sophisticated computers to process its millions of financial transactions and increase the efficiency of its mammoth direct-mail operation.

In other cases, companies are simply doing without. American Airlines Inc. announced last month it would trim as many as 1,000 managers, a move that chief financial officer Mike Durkan said was driven in part by a strategy to offer more low-fare, no-frills service along certain routes.

"The restructuring is unprecedented in its intensity and its scope," said Sam Ehrenhalt, regional commissioner of the U.S. Bureau of Labor Statistics in New York. "There is a general awareness that the way we had been doing business is obsolete.

Reach a number of other economists who have studied the progress of this recession as it rolls through different sectors of industries say the worst of the cuts are probably behind us. They cited recent statistics showing increases in corporate profits and the productivity of American businesses—the output per worker—after several years of steady decline. Among the nation's top corporate economists, the pre- election consensus was that the economy would grow 2.7 percent during Clinton's first year in office.

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