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The Threadbare Free Trade Idea

Times change. The late President Kennedy asked for worldwide dismantling of tariffs and the elimination of all other trade obstacles. He looked upon the thus facilitated intensification of trade as the key for improving the standard of living of all peoples. The result of last year's Kennedy round of negotiations appeared as the great victory of the defenders of Free Trade over all protectionist tendencies. But only a few months later, President Johnson himself did not shrink from introducing restrictions on the capital flow in order to cure the chronic balance of payments deficit. With this action he set the stone rolling for new tendencies towards trade restrictions and strengthened the position of the protectionists. The policy of "Buy American" has in the USA always found its followers in the ranks of internationally no longer competitive branches of industry. More recently their number grew rapidly, and so did their influence on economic policies. Similar tendencies can be noticed in Great Britain and in the EEC, too.

But the increasing trade dirigism is a feature by no means confined to industrial countries only. Developing countries, too, willingly accept price and quantity regulations and a great number of protectionist measures as a blessing. No doubt, the Indian Trade Minister Dinesh Singh, chairman of the World Trade Conference, expressed the opinion shared by the overwhelming majority of developing countries when demanding the repayment of development loans in goods from the respective receiving country. Without even mentioning the many-sided problems of the choice of goods, their quality, prices and marketing possibilities he went so far as to depict the payments' and settlements' agreements within the Eastern bloc as an ideal example of good trade relations with developing countries. Primitive barter arrangements without any price stipulations, bound to reduce the volume of future trade, are thus raised to a pattern because of their short-lived balance of payments advantages. The long-term disadvantages of such barter agreements coupled, as they invariably are, with political ties are moreover all too readily overlooked.

More and more the Free Trade idea becomes a prejudiced argument for certain opportunities. The scaling down of trade obstacles and export subsidies is a claim made on other countries. Nevertheless such instruments are deployed without much hesitation in one's own camp if and when deemed necessary. The reason is not so much lacking consideration for the course of international trade but rather the many lip-confessions of a trade policy still pronouncedly based on individual interests. On the one side one would like to have as much growth as possible by means of Free Trade. On the other side, however, one is lacking a correspondingly orientated structural policy and grants subsistence subsidies always in those cases in which they are demanded the loudest. Instead of improving competitiveness one distorts the competitive strength by way of renewed intervention. In this situation, justified demands of the developing countries can be met but inadequately.

Concessions within commodity agreements eagerly discussed in New Delhi, will hardly help these countries in the short run, simply because they foremostly lead to the maintaining of existing mono-cultures. Concessions in the sphere of price fixings alone are not sufficient. It is necessary instead to concentrate more on diversification of the production structure and strive simultaneously towards a structure policy in the industrial countries geared on creating the pre-conditions for a deepening of the international division of labour and an exploitation of the comparative advantages of the various countries.

The voluntary abstention by the industrial nations from certain sections of production, as demanded under the Charter of Algiers, is, admittedly, at present still an unrealistic maximum claim. But one could nonetheless take it as a basis for negotiations about the future shaping of world trade. After all, in developed and less developed countries alike balance of payments deficits can more easily and lastingly be corrected by means of a growth-orientated economic structure than by the time and again demonstrated curtailment of international trade and exchange-of-goods relations. *Dietrich Kebschull*