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Free Trade – a Boon to the USA

It is very likely that measures taken for eliminating or, at least, reducing the adverse international balance of payments of the United States, which are designed to protect the Dollar's stability, will place into jeopardy the successful completion of the Kennedy Round. The main danger consists in the protectionist lobby in the US gladly using the priority that is accorded the task of safeguarding the currency as an opportunity for regaining ground which it had previously lost. In a country of the vast size of the United States, the protectionist interest has always been in a strong position. The division of labour between the various regions of the USA largely makes up for the disadvantages caused by protectionist successes exerting an adverse influence on the international division of labour, and besides, such disadvantages actually do harm to only a very small part of the overall GNP of the US. It is therefore almost impossible to overrate the significance of the revolution in American foreign trade policies that has taken place through the late President Kennedy's "Trade Expansion Act". For the first time in their history, Americans did not deal with their own national economy as a virtually self-sufficient regional world of its own but treated it as part and parcel of the entire world market.

In this context, the Kennedy Round could have become the take-off point for building a new system of worldwide free trade. However, people have not yet dropped the habit of talking of "concessions" they are supposed to make to free trade, and during GATT negotiations, comparisons between mutual concessions and their most questionable criteria have indeed played a major part. Yet it is so wrong to speak of "concessions" when each step so misnamed embodies positive advantages for everybody concerned! It is an old experience of international trade that even one-sided "concessions" yield benefits to the country making such concessions.

The Kennedy Round has reaped a considerable measure of success but has failed to achieve the decisive breakthrough. One of the reasons for this failure was the fact that the European Economic Community has not been able to act as a fully-fledged single partner. It is true that the EEC members at least managed to agree on a common policy but they have not yet completed European economic integration either geographically or industry by industry. Without such integration, it will be impossible to build a viable new world market. Only after European economic integration has welded together the European economy as a focal unit, a worldwide free trading system can be built up from foundations that are strong enough, but if the United States cannot wait for this and instead retreats into its ancient protectionist tradition, the principal victim of this return to outmoded practices will be the European economy.

In these circumstances, the EEC has an overriding interest in reducing the common European tariff charges prematurely to the duties proposed by the Kennedy Round. The European Community will, through such a decision, undermine the foundations upon which American protectionism stands, for one of the principal motives for initiating the Kennedy Round was the conviction that it would be of the greatest benefit for the US economy to participate in the EEC's development going from strength to strength. It might be objected that the urgency of dealing with the weakness of the US dollar is so overriding a task that reducing the adverse balance of payments is much more important than considerations of free trade policy. But unless we agree that domestically orientated measures should have priority, this would simply mean that a sick currency is to be cured at the expense of foreign trade, and thereby also at the expense of the American GNP. In other words, the "doctors" trying to cure the sick currency try to make the American economy artificially sick and weak, precisely at a time when it ought to be strengthened in the interest of the currency. Admittedly, foreign trade has a much more modest significance for the economy of the US than for other countries, and its importance must therefore not be exaggerated, yet the Trade Expansion Act was based on the knowledge that even the United States will greatly profit from a growing international division of labour, particularly as just this would bring about those structural changes, including the elimination of structural unemployment that the US economy is urgently requiring.

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