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Revival of protectionist ideas

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be imposed on these commodities flowing into the partners' markets;

□ projects other than the integration projects should be allowed to take necessary protective measures for development during the transit period.

If there are fears that the growth of the members' own industries is hampered and equal benefits cannot be secured, any type of economic union is not feasible. For particular branches of industry and particular areas, which will be hampered by the initial activities of integration, a regional joint financing institution to compensate them or to finance them must be organised in the future. This institution can also help integration projects both in the finance and technical aspects.

Provided that a sub-regional integration is executed under the premise of establishing regional integration in wider areas, efforts for a whole area's integration should also be explored from the beginning. Since the developed countries, namely Japan, Australia and New Zealand, are economically rich, the success of integration of the remaining developing countries hinges on their attitudes. Therefore, economic integration of the three countries should not be directed to an exclusive rich nations' club.

Necessary Conclusion of a Formal Treaty

In order to develop ASPAC into an economic community eventually, it is necessary to conclude a treaty which binds the member countries. Necessary provisions on the type of integration, detailed action programmes, time schedules, and organisational facilities will be determined by the treaty. Organisa-

tional facilities like those of EEC are desirable. These should include a decision-making body (say, council of ministers), administrative body (say, standing committee similar to the Commission of EEC) whose members are acting independently from their own governments and other functional committees.

Since one of the main purposes of economic integration in the developing region is to accelerate economic development, it is accompanied by various measures for the promotion of intra-regional trade. In the initial stage, trade of primary and light industry products can be promoted. In any type of economic union, it is unavoidable to adopt some discriminatory schemes: for imports from the area outside, trade barriers are installed and, to the contrary, for intra-regional exchanges trade barriers are eliminated. In this case, attention must be paid not to make the situation worse than before for the outsiders.

According to the guidelines of GATT, economic integration is not allowed to purport means of external discrimination. Privileges applying to the framework of regional integration can only be permitted tacitly when the privileges can bring about expansion of trade among the members through mutual allowances and result in eventually contributing to the expansion of world trade. These privileges must be temporary. Accordingly, all preferential treatments to be executed are allowed within the period of achieving economic integration in the ASPAC region. Furthermore, such preferential treatments should not exclude the existing ones in the region and new ones in future to be agreed on internationally.

Farm Policy

Revival of Protectionist Ideas

by Helmut Stodieck, Hamburg

To stem the tide of imports and to relieve the burden on the American balance of payments is the declared aim of protectionist circles in the USA. To achieve their purpose they would like to use means which range from an import duty of 2 to 3 per cent to a drastic surcharge on imported goods amounting to 10 to 15 per cent and even to a wide range of import quotas. Up to now the American Government has, however, shown little inclination to adopt a policy along the lines advocated by the protectionists. If, on the other hand, the prevailing mood in both houses tends to favour import restrictions in whatever form, this is due not least to the fact that the American economy is primarily geared to the home market. With exports representing only some 4 per cent of total trade, the USA is less interested

than other countries in maintaining or even intensifying international division of labour. It is, however, doubtful, whether the supporters of a policy of import restrictions clearly realise the consequences, that an American protectionism would have for world trade. Apart from momentary advantages, which may conceivably accrue to the USA, such policy would be sure to lead to reciprocal action by the most important trading partners—action which could easily be reconciled with the principles of GATT.

But the revival of protectionist ideas is by no means confined to the USA. If, in particular, the industrial nations of West Europe loudly complain of the tendency towards isolationism in the USA, it is obviously only because they fear for the export of their

industrial goods to that market—a market which in most recent times has been expanding at a more than average rate. The Common Market countries apparently see nothing odd in registering their protests, although they themselves have for years been pursuing a farm policy whose protectionist character is undeniable. To demand free trade in spheres that offer good chances to sell and to erect barriers to trade where one wants to delay structural changes demanded by the international division of labour is hardly a convincing policy.

Questionable Farm Policy by the EEC

How dubious the EEC policy for agricultural produce really is, recently became particularly clear when the Commission in Brussels submitted a proposal designed to introduce minimum-price regulations and licences for the import of preserved mushrooms, tomatoes, asparagus, peas, apricots, peaches and pine-apples from countries outside the Common Market. True, the hitherto already heavy tariff-burden on imports of these goods will not be increased by these measures. Nevertheless this proposal gives cause for warning of the EEC's agrarian market regulations, which are issued in the exclusive interests of home producers, often in total disregard of the consumer. True, the above-mentioned proposal would only be the logical continuation of a development that began with restrictions on the markets for grain, pork, eggs and poultry, for once the markets for fresh fruit and vegetables have been interfered with, interventions in the corresponding sphere of preserves become almost unavoidable. A particularly interesting feature of the proposal under discussion is the following: whereas most of the previously issued market regulations aimed at protecting prospective sellers within the EEC against the same produce from outside the Common Market, this time it is clearly intended to try to divert consumer demand away from South African peaches and Californian pine-apples and direct it towards Italian peaches and German apples. This conclusion is inescapable in view of the fact that the EEC and its associates are at present in no position to meet the demand for, say, preserved pine-apples or peaches. More than 70 per cent of the goods covered in the proposed regulations come from third countries, in the case of peaches and pine-apples even over 80 per cent. This should be the decisive argu-

ment against the Brussels proposal; it is an argument which could be brushed aside only by people who believe that the consumer must buy nothing that does not grow in the area of the EEC and its associated countries.

No Further Protectionist Escalation

Another, and perhaps more telling objection to the Brussels proposal would be a reference to Article 29 of the EEC-Treaty, which forbids the diversion and the possible severance of traditional trade relations. Higher incomes per head of the farming population through increased productivity and market stabilisation are admittedly among the aims of the EEC-Treaty, but Article 39 lays down that the interests of the consumers must also be considered. It is this latter provision that seems to be more and more disregarded as the farming policy of the EEC generally moves in the direction of higher prices and becomes more protectionist.

As yet the market regulations of the EEC are still functioning but at a cost that rises year by year. The system of standard prices, guiding prices and target prices, designed to favour higher farm incomes, has by now led to expensive mounts of grain, butter, cheese and meat. Interventions on the Community's internal market and compensation payments in the case of exports of surplus produce to outside countries have caused a rapid rise in the cost of the EEC's agricultural policy. The consumer is obliged to put up with artificially high prices for his food. Not only that, he is also expected to pay more in taxes so that agricultural surplus production may be bought up and, if possible at all, disposed of at bargain prices on the world market. There would be no surpluses, but for the fact that the protective tariff wall encourages farmers to produce more than their markets can possibly absorb. This experience should in itself be a sufficient warning against a further escalation of protectionism, not only in the USA, but also in Europe. To protect a group or a branch of industry from foreign competition is—as John A. Hobson pointed out as long ago as 1904—to allow those favoured “to make positive gains . . . out of the loss of their fellow citizens”. Allround economic growth, on the other hand, presupposes intensified division of labour on an international scale.

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