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Article — Digitized Version

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Intereconomics

Suggested Citation: Hachmeier, Werner (1968) : Revival of US protectionism?, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 03, Iss. 11, pp. 323-, <https://doi.org/10.1007/BF02930040>

This Version is available at:

<https://hdl.handle.net/10419/138051>

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Revival of US Protectionism?

The American electoral campaign is approaching its climax. The programmes of the two presidential candidates, Mr Hubert Humphrey of the Democrats and Mr Richard Nixon of the Republicans, are similar in many respects — in their basically conservative attitude as well as in many details. Their electoral promises are primarily concerned with internal questions such as how to solve the racial problem and to rehabilitate towns. Naturally enough, both candidates are especially concerned with ending the war in Vietnam quickly.

On the other hand, it would seem that Mr Nixon's and Mr Humphrey's proposals for dealing with the problems of economic policy and especially of foreign trade have aroused relatively little attention. In matters of foreign trade policy, which must be determined by the chronic deficit in the US balance of payments, radical changes may be expected, not so much from the Democrats as from the Republicans. It was the Republicans who have demanded the abolition of the restrictions which were imposed in January of this year on private investments abroad and on foreign travel; instead they want to improve the balance of payments by means of curtailing imports. This would mean a reversal of the present trend in American foreign trade policy and a renewed turn towards protectionism.

Protectionism has a great tradition in the USA and finds even today influential and highly articulate advocates. The liberal programme of the Trade Expansion Act of 1962 was therefore a drastic turn in American politics; it resulted in 1967 in the appreciable tariff cuts of the Kennedy Round, and there was praise also in the USA for the successful outcome of this American initiative. But at the very time when Congress was to ratify a part of the results of these tariff negotiations, a strengthening of the protectionist tendencies became evident—tendencies which can count on ready support from among the Representatives and the broad masses of the electorate alike. Evidence of this is the bill which was designed to discriminate against imports and facilitate exports to the extent of indirect taxes. Further evidence is provided by the quarrel about the American Selling Price system whose abolition was agreed to in the Kennedy-Round negotiations and also by the recent demands of steel industry for equalising duties on steel imports from the EEC countries, because these deliveries were subsidised by the European governments.

Protectionist measures on the part of the USA would not only nullify the results of the Kennedy Round by counterbalancing American tariff concessions. Much more is at stake, for should the USA as the world's greatest trading nation introduce import restrictions, the other industrial countries would in all probability follow suit by taking retaliatory measures in their turn, and this could set in motion a world-wide protectionist escalation. Such a turn of events would gravely endanger the free multilateral trade and capital exchanges which have been developed in the past twenty years with the aid of international organisations and of GATT in particular.

If the advantages of the existing world trading system are to be retained, the USA, to restore its balance of payments, must confine itself to such measures as were introduced by President Johnson in the beginning of 1968. Stronger incentives to exporters might bring some added relief. As for the other industrial nations, they on their part should avoid all measures liable to strengthen protectionism in the USA. On the contrary, by supporting the dollar in its present difficult position they should demonstrate their solidarity with the USA and in so doing take the wind out of the sails of the protagonists of a protectionist policy. The Europeans and Japanese have shown themselves accommodating—the Europeans with their proposal, made through the EEC, to carry out the tariff cuts of the Kennedy Round asymmetrically and the Japanese by self-imposed restrictions on their exports to the USA. The readiness shown by foreign states to cooperate in the field of foreign exchanges should bring the USA back to the realisation of the interdependence of world trade. Only if this happens is there hope that the announcement of protectionist measures by the presidential candidates is an electoral manoeuvre rather than a serious programme.

Werner Hachmeier