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Trade War between USA and EEC

The traditionally friendly relations between the EEC and the United States of America are being seriously strained. Quarrels between the two economic blocs are nothing new, particularly about economic issues. What is a new feature, however, is the fierceness of the mutual reproaches that tend more and more towards poisoning the atmosphere.

The controversies are on the increase as a result of the continuously closer economic ties and the greater economic inter-dependencies. America's export to the EEC-countries amounted in 1968 to \$ 7,100 mn. In the opposite direction the EEC-countries have been able steadily to improve their position in the US market and delivered goods to America valued at \$ 6,400 mn compared with only \$ 1,400 mn ten years previously. The atmosphere is such that each side accuses the other at once of being "dangerously protectionist" even at the instance of the smallest and quite insignificant obstacle hindering the free exchange of goods, which might be felt by any branch of industry on either side.

So, the list of complaints which the representatives of both countries presented in Washington at the beginning of March was not a particularly short one. The EEC being in the position to refer to the frequent necessity in the past of making representations to official American quarters in respect of the safeguarding of its interests and rights under GATT—without, by the way, having made much headway with these demarches—sees fresh dangers in the "Trade Act of 1969" for the development of its flow of exports. The Act shortly to come before Congress indeed contains two dubious paragraphs. For, on the one hand, it provides for a "considerable loosening for the granting of protectionist measures", and, on the other, gives the President the so-called "housekeeping authority" which means that it is within his powers to vary the rates of import duty by 20 p.c. without any further formality. In view of the manipulation of trade policy thus rendered easier, it can hardly console liberally minded Europeans that under the same Trade Act the final abolishment of the American Selling Price System is demanded, too. After all, the EEC has been waiting for the fulfilment of this promise ever since the end of the Kennedy Round.

In the first place it is regrettable that the Americans with their measures back up the hitherto not very numerous defenders of protectionism in Europe: those people who look upon the EEC market regulations in the field of agriculture as liberal and are fond of pointing out that more than 40 p.c. of American agricultural deliveries enter the EEC duty-free. The fact that there are but minor growth rates of these agricultural imports from America is explained away by them as the result of limited demand. The intended EEC minimum prices for imports and the import dues hardly hit the Americans at all according to these arguments, but if and when they do which obviously is all too often the case, then, these regulations are elucidated as merely "justified reactions" to the protectionist American trade policy. In the event of the USA even only partly carrying out the counter-measures already threatened in case these measures would really be introduced, a trade war between the two greatest economic powers in the Western world will no longer be avoidable.

Obviously GATT Secretary General, Olivier Long, had visualised this danger when recently calling for a new round for customs tariff reductions to occupy itself predominantly already in 1971 with the abolishment of non-tariff trade obstacles. But it has become clear in the meantime that such an initiative is unlikely to succeed before 1973. In order to avoid an open conflict up to then, the EEC and the USA will have to find solutions themselves. In the round-table-theory a solution appears easy: The USA should abolish at least part of its obsolete protectionist measures, and the EEC on the other hand should thoroughly scrutinise its agricultural marketing order. This is easily said. But what politicians would be willing to stand up for this?

Dietrich Kebschull