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Protectionism and Preferences

Protectionism" — so it would appear — is one subject, the ever-green subject of trade-political discussion, whereas "preferences" — so one would think — are quite a different matter, not necessarily connected with the many-sided complex of protectionist aims and measures. And yet, the way international trade relations are going seems to make it appropriate to think about the connection between preferences and protectionism.

The Association of the Yaoundé-States with the EEC is in conformity with the principles of GATT, for the rules of GATT provide for the possibility of a "free-trade zone". But the EEC has by now concluded or envisaged various other agreements of association or similar pacts which meet the requirements of GATT in form only. Maybe in time they will actually grow to conform to the spirit of GATT. GATT insists on one condition being fulfilled before it can recognise a "free-trade zone". This condition is that within a certain period all partners in the proposed "free-trading zone" must have mutually abolished all customs barriers existing between them. This was how the EEC created several free-trade zones that now exist. There is for instance the agreement of association with Nigeria which was concluded in 1966 on parallel lines with the Yaoundé-Agreement but is actually not operative. Then, in July 1968, an agreement of association was concluded with the three East-African states of Tanzania, Kenya and Uganda. More important still may turn out to be the agreements of association with Tunisia and Morocco. Finally, there are the proposed preference-agreements which are at present being discussed with Israel and Spain — agreements for which the trade-political cover of "association" is likewise sought by way of constructing a "free-trade zone" in conformity with GATT regulations. And the forthcoming negotiations about Great Britain's admission into the Common Market will in all probability also lead to further "preference-agreements", that is to new arrangements with Commonwealth countries.

Now the United States objects to this idea of drawing into the EEC-orbit Africa, the Mediterranean countries and possibly Western India by way of "preference-agreements". The Americans are angry not only because the UNCTAD-concept of equal preferences is thereby upset. Their resentment is clear from their announcement that they would in future grant preferential treatment on the lines of the understanding reached in New Delhi only to developing countries which are not for their part under an obligation to grant preferential treatment to Commonwealth and EEC countries. The Americans are annoyed also because they fear that this kind of "regional protectionism" would impair their own sales prospects in "associated countries".

The preferences to which the USA is objecting thus accentuate the protectionist trend already existing in America. When the Federal Chancellor, Herr Willy Brandt, was in Washington last April and tried to explain and defend EEC-policy, he had a hard time of it when the subject of the EEC's agrarian policy came up for discussion. Criticism became sharper still when the matter of preference-agreements was broached, for the Departments of Agriculture and Commerce had evidently prepared themselves for a heated debate.

Chain-reactions of protectionism — this should be the great fear of all, and preferences may well be the minute links in that chain. It is to be hoped that Brandt's proposal for a "mixed commission" to deal with this matter will prove acceptable. The commission would consist of representatives of the USA and the EEC and would consult individual member states as well as experts. Its purpose would be to prevent what the German Chancellor in making his proposal wants to avoid: a clash of interests which may so easily lead to a flight into protectionism.

Günther Jantzen