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The retrograde spiral

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The Retrograde Spiral

It was in 1967 when protectionist tendencies in the USA caused concern throughout the world and the "recession" and its sideeffects also raised fears in Europe that the protectionist recipe might receive allarm and spur on emulators that a word of warning was uttered about a retrograde spiral and the dark spectre of a development was evoked which might carry us back to the year 1931.

We are now reminded of this warning, if a reminder was indeed needed, for the protectionist tendencies have always been in the news. To that extent the decision of the House of Representatives which approved the new US Trade Bill sponsored by Wilbur Mills with a vote of 215 to 165 has not come as a complete surprise. Will the bill pass the Senate, will the President veto it? President Nixon is said to have made promises to the textile industry at the time of the Presidential election campaign. Did he really mortgage his future foreign trade policy or did he merely make vague remarks that the concept of the new Administration gave more consideration to protection for special interests than had been done under Johnson? The protectionists in the textile industry have certainly left no doubt in the last years that they are holding the President to his promise.

Wilbur Mills' bill is first and foremost about import quotas for textiles, clothing and shoes; the sanctioned increase rate of no more than 5 p.c. annually is far below that at which imports have been rising of late. But there is another issue besides, the extension of the quota system to other "neuralgic" commodity groups. What is in this context the state of Japan's relations with the USA—which absorbs 27 p.c. of Japanese exports—and what is Japan's reaction to the American measures? Is there not reason to fear reactions which would hit not the USA alone but all of Japan's trading partners if the second proposal for "voluntary restriction" also miscarries. At stake are not solely the relations with Japan but so is the relationship with the developing countries which is affected by the bad example set by the USA in disallowing the cheap products from developing countries. At stake is the credibility of the Western development policy. Is the—anyhow overdone—aid-by-trade thesis to be reduced to a mere catch-word? At stake is the relationship with Europe; the truly perturbing question is whether the USA, aware that it sets a chain reaction in motion, is willing to run the risk of splitting world trade into blocs. This is not just a matter of economics and trade policy the main impact of which will be on the future of GATT! A return to bilateralism with all its inherent features is, as the thirties have taught us, also a matter of politics.

The Americans can advance many an argument in support of their protectionism. They can point to EEC protectionism in agriculture and similar practices by Japan and in doing so find a receptive audience, for instance, in Great Britain where under the impression of this policy the old anti-EEC lobby has been joined by new critics who reaffirm that Great Britain's chief interest lies in sound liberal and multilateral commerce. They believe that it is now the EEC's turn to act. Very well; but the first step must be Mr Nixon's. He must demonstrate that as the leader of the greatest world power he bears a higher responsibility even though the US circles affected by the current depression, who in similar previous situations invariably put the blame on their competitors abroad, may not appreciate it.

No one will bear the President a grudge if he safeguards "national interests". But protectionism and isolation have so often in American industry marched in step that the President and his nation cannot ignore the cautioning voices from the past. It is not textiles, shoes and clothing which set the spiral in motion; it is the "philosophy" manifested through them! Let us hope that the statesmen of the Western world will make it easy for the President of the United States to assume his higher responsibility.

Günther Jantzen