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Free Trade in Peril

That the United States Senate has postponed its deliberations on the Mills Bill has been welcomed as a fitting farewell gift of the old year to those parts of the world where the belief in the blessings of free world trade survives. However, satisfaction about the United States not having returned to its protectionism already at the end of 1970 will probably be of short duration. True, the bill is, for the time being, no longer on the table of the US-Senate, but this does not mean that the subject matter and the widespread clamour for shielding the US textile industry against the competition of imports have not remained very much alive in the mind of the American public.

President Nixon will hardly be able to evade his electioneering promise given to the southern states of the Union in 1968, to extend some form of protection to their industries, lest he lose the support of their voters for his reelection. And what is easier as an expedient than to shield these industries from the uncomfortable competition of foreign producers? Yet he ought to be conscious of the fact that it is particularly the United States, as the protagonist of liberal world trade practices, and as the biggest economic power of the whole world, which has a special part to play in defending free trade. Even the least important step done in the wrong direction may be of fatal consequence for world trade as a whole. Experiences of recent months have made it clear how such a move may be able to open all the floodgates for the protectionist torrent. It is the duty of all civilised nations to join together in the effort to keep them closed.

That is also the reason why an appeal must be directed to the address of Japan for showing a timely understanding for the problems of the United States, and for making concessions before it is too late. It would not be necessary to apply the Mills Bill if the problems surrounding textiles could be solved by a self-denying ordinance. Japan, especially, has more than abundant reason not to stand in the front rank of opposition to a reborn protectionism of the US, and to demand free trade.

But the European Economic Community, too, preens itself far too much in the role of a highly complacent and admonitory governess. It would suit the EEC better not to throw the first stones on its American trading partner. EEC members might soon find out that they are sitting in a glasshouse themselves, for the Community has not tried to overcome its own problems—agricultural market agreements, association and preference policies etc.—in the spirit of international free trade.

Even bigger conflicts loom ahead, because the imminent enlargement of the EEC cannot but have its repercussions on the United States. It goes without saying that the extension of membership of the EEC from six to ten states must result in big structural changes in world trade. It is equally clear that nobody in the US can be happy about the prospect that such changes may all be to its disadvantage.

It appears, however, as though the EEC which is caught in the maze of its own internal problems, including the negotiations about new membership and its conditions, the pacification of the British Commonwealth's ire, and the debate about the future economic and currency union, is blind towards the impending conflict with the US. Already in the past, the EEC's world view was restricted by the blinkers it wore, which led it to severe omissions in making its policies understood in the US. It only woke up, from time to time, when its own interests were affected, as in the case of the Mills Bill. It must change its attitude in the future, because it is no longer possible to deny the risk that, without close co-operation, and in the absence of faithful adherence to the principle of free trade, mutual attitudes will become so rigid that the result will be measures which do great harm to international trade. Professor Dahrendorf, member of the EEC-Commission, just started an approach in this direction with his calling for a common liberalisation offensive.

Otto Gustav Mayer