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A New Protectionist Wave in the Offing

In the light of experience over the past five decades the world has assigned to the USA the role of pointsman in foreign trade. And the USA has got used to it. It has also got used to picturing the EEC as a protectionist whose agricultural market and association policies upset the fair practices of good liberal conduct and set a bad example to protectionists in the USA and third countries.

It is no wonder in the circumstances that the dialogue between Washington and Brussels over the sins of present protectionistic practices leaves nothing to be desired in the matter of frankness. "The development of relations between the Community and the United States remains under the impact of tension factors which, despite all efforts and political good will on both sides, give rise to opinion currents and defence and distrust reflexes which cannot be ignored." Thus the Commission in its review for 1970. Its "concern at the protectionist tendencies in the USA which greatly increased in 1970" may be assumed to be incomparably greater today. The 1971 trends in the shadow of the monetary crisis raise even stronger fears of another protectionist wave with world-wide repercussions. The pessimists have already revived memories of the Big Slump which, they say, will repeat itself unless a way out of the monetary imbroglio is found soon.

An accord on basic questions of the international monetary system is certainly a matter about which the USA and its main partners must negotiate.

But it is also a matter which needs clearing up between these partners themselves and between them and the developing countries. Unless this can be done, the protectionist tendencies which exist anyhow may be aggravated and underpinned by future foreign exchange controls which would divert the free flow of world trade into the narrowing channels of a bilateral system. For the Nixon measures are more onerous than all the previous measures for which the powers have been reproaching each other in the international debate.

The introduction of the 10 p.c. surcharge has given US-industry a chance; it is to be the beneficiary of a shift towards the domestic market. One can speak of an "adjustment measure", or of an act of camouflaged monetary policy; customs duties are beyond doubt used as a weapon in the fight for a realignment of exchange parities. That the import tax, imposed contrary to GATT, and other tax measures for the benefit of export industries, in conjunction with the suspension of gold convertibility, create a system with special features, even if it is only designed for the short term, is certain. The First National City Bank cross-headed its report in its October letter "Neo-mercantilism" and remarked: "Exchange rates, financial controls and the US-surcharge have become strategic weapons in a war of nerves . . ."

The American example seems to find eager followers: The Danish Government would not have considered, let alone introduced, a special 10 p.c. import duty

had not Washington done so first. Japan is suffering from a so-called "Nixon shock" — caused by the request to revalue the yen, aggravated by the import tax and perpetuated by US insistence on a textile restriction agreement. Where Japan is steering is not certain. There is evidence to suggest that it is trying to come to an arrangement with other great trading nations, especially those competing in the US-market.

Japan evidently wants to escape from the pressure resulting from bilateral dependence on the USA. For bilateralism is an ignoble variant of protectionism. So far it has been inconceivable that the USA could ease its progress. But the bait of possible special treatment—preferential treatment regarding the surtax—for EEC states has been used in the monetary talks. That the Soviets do not want to take note of the existence of the EEC may correspond to their political concept. But when the USA—if for tactical reasons of trade policy only—toys with the idea of a *divide et impera* policy towards the European Communities, it plays havoc with more than the atmosphere for trade.

"Protectionism" as such is not dangerous; it becomes dangerous in conjunction with the power to disregard the interest of others. In this combination only can a protectionist wave undermine the structure of GATT. Whatever attempts are made to cope with the monetary crisis, with a protectionist wave in the offing the world should now muster courage for another GATT round. *Günther Jantzen*