

Holthus, Manfred

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## Europe's growing strength

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## Europe's Growing Strength

**A**t a first glance the agreement, in principle, on a short, medium and long-term trade policy which the EEC has reached with the USA bears out those who believe that Europe is big but fatuous. By storing more cereals at the expense of the European tax-payer, the EEC, in disregard of its economic potential, made room for expanding US exports to third markets. Besides, tariff cuts have been promised for grapefruit and oranges.

By resorting to the argument of Congress competence the US delegation, on the other hand, skilfully avoided making the concessions which the Community expected. There is no longer any mention of removing the US dairy import quotas or abolishing the restrictions left over from the "chicken war". The principle of reciprocity appears to have been rent.

The acrimonious charge that the USA once again ruthlessly exploited its power whilst the EEC has still not learnt how to use its own, however, ignores the fact that the EEC is now better placed for securing its long-term trade interests. By giving way on these relatively minor items the EEC has taken the decisive step to defeat the US demand for the linking of any moves forward in trade and monetary policy. Not only does the EEC thereby regain the freedom to tackle its internal agrarian problems regardless of the monetary problems posed by divergent growth rates and diverse stabilisation efforts. It is, besides, enabled to abide without hindrance by the trade policy on which it has embarked

towards the residual EFTA members, the Mediterranean states and many developing countries. The most important of the demands raised by the USA because of this policy are thus for the time being left unfulfilled. They can be taken up afresh only within the framework of multi-lateral negotiations in the context of GATT.

The EEC may look forward to these negotiations with composure. Among the 80 countries now participating in GATT are 50 which are either members of the enlarged EEC or allied to it by community of interests. Almost any attack from a third quarter on the trade policy which the EEC has hitherto pursued would put the states allied to the Community at a relative disadvantage. This applies with particular force to the developing countries which are therefore unlikely to countenance such an attack without adequate recompense. The USA can hardly hope to succeed in another attempt here to infringe the principle of reciprocity.

If there is little reason for acrimony, there is as little ground for satisfaction, for abuse of its power by the EEC cannot be ruled out. It cannot be denied that the EEC policy of association and preferences, though not formally transgressing the principles of most-favoured-nation treatment and non-discrimination, in actual fact vitiates their spirit. Unbridled adherence to this policy would spell death to the liberal world trade order for which GATT stands and result in the formation of trade blocs.

It is not only in the confrontation with the USA that this danger begins to manifest itself. In Japan the question is being broached whether a monetary union should not be set up in South-East Asia in the course of the apparently almost inevitable trend towards bloc formation. But in the long term nobody would gain, for the disadvantages to international division of labour which are inherent in all national state concepts would merely be transferred to a higher level.

This being the case, a decisive improvement of the world trade orders has become indispensable. The articles of GATT must be amended to allow for the creation of regional integration areas, customs unions and free trade zones. The commerce in agricultural produce and the constantly increasing "administrative protectionism" also present an urgent case for new obligatory regulations. That these vital topics for world trade can only be negotiated within the framework of GATT has been accepted by the USA as well as the EEC. Both also agree that a new world trade liberalisation round has to be prepared thoroughly in order to assure its success. For a failure could only strengthen the trend towards national and regional protectionism with all its negative consequences. The EEC will have to prove in the course of the preparation of such world-wide negotiations, which, as has been suggested, should take place in 1973, whether it has really learnt to make sensible use of its power.

*Manfred Holthus*