Holthus, Manfred

Article — Digitized Version

Europe’s growing strength

Intereconomics

Suggested Citation: Holthus, Manfred (1972) : Europe’s growing strength, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 07, Iss. 3, pp. 66, http://dx.doi.org/10.1007/BF02929426

This Version is available at:
http://hdl.handle.net/10419/138594

Terms of use:
Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.
A t a first glance the agree-
ment, in principle, on a short,
medium and long-term trade
policy which the EEC has reach-
ed 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 poten-
tial, made room for expanding
US exports to third markets. Be-
sides, tariff cuts have been pro-
mised for grapefruit and oranges.

By resorting to the argument
of Congress competence the US
dlegation, on the other hand,
skilfully avoided making the con-
cessions 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 ex-
ploded 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 re-
gain the freedom to tackle its in-
ternal agrarian problems regard-
less 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 mem-
bers, the Mediterranean states
and many developing countries.
The most important of the de-
mands raised by the USA be-
cause 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 con-
text of GATT.

The EEC may look forward to
these negotiations with com-
posure. 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. Al-
most 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 disad-
vantage. This applies with par-
ticular force to the developing
countries which are therefore
unlikely to countenance such an
attack without adequate recom-
 pense. The USA can hardly hope
to succeed in another attempt
here to infringe the principle of
reciprocity.

If there is little reason for ac-
rimony, 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 for-
mally transgressing the principles
of most-favoured-nation treat-
ment 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 confronta-
tion 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 in-
herent in all national state con-
cepts would merely be trans-
ferred 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 cre-
ation of regional integration areas,
customs unions and free trade
zones. The commerce in agri-
cultural produce and the con-
stantly 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 frame-
work of GATT has been ac-
cepted 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