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“Orderly Marketing” and Free World Trade

Free World Trade seems of late—at the pinnacle of success—once more to be forced on to the defensive. It looks as if it has lost its former elan, and various protectionist inclinations are here and there coming to the fore. To many observers the concept of “orderly marketing” as propagated by Japan appears to be one of the latest threats. What are the facts?

So far there exists no clear definition of this concept. The Japanese regard it as a system of rules of competitive conduct and self-restraint measures for the export business, which is to be practised in the first place by Japan itself. In their view such a system, as a matter of course, presupposes arrangements among the manufacturers and exercise of influence by their associations, or even the state, on the enterprises' export and marketing policies. It is precisely this which arouses the suspicions of the guardians of free competition in many countries, and the cartel politicians sharpened their knives long ago.

Ever since Adam Smith and David Ricardo free world trade has been the great postulate of trade policy. In the view of the freetraders, free trade leads to optimum allocation of resources and maximisation of the social product and thus bestows advantages on all trade partners. Given certain premises, this assertion is indeed irrefutable. The spectacular upsurge of world trade under the influence of the liberal idea over the past

25 years seems to bear it out most convincingly.

And yet, on closer examination this free trade argument is at best only a halftruth. For the factor allocation is not bounded by definitely determined resources. The patterns of optimum factor allocation are being redesigned day after day in a competitive and expansionary process. Competition and the dynamics of expansion are the dominant determinants of trade policy. To be applicable as a directive principle, the allocation argument also presupposes a far more homogenous distribution of potentialities in the world than exists in reality. Given the prevalent unequal distribution, rigorous enforcement of the liberal trade principle tends too far towards a perpetuation or magnification of present development differentials. This fact was, by the way, acknowledged by the GATT statutes long ago.

The central problem of trade policy is thus one of identifying and safeguarding the appropriate scopes for expansion in conformity with development needs. It also is the crucial criterion for assessing “orderly marketing”. All too often one trade partner achieves expansion at the expense of another one. The vigorous expansion of Japanese exports has in the recent past interfered with the interest of importing countries more than they were, for a variety of political, development and employment reasons, willing to tolerate. Japan is facing the alternative

of either imposing its own restraints on its expansion or provoking counter-measures which would be an even greater impediment to its own expansion. Japan would prefer the first alternative. It would like to establish a system of rules of conduct which divest competition of some of its inherent aggressiveness by trying to bring its own and other countries' interests into balance. Significantly, the Japanese do not view this as a threat to the dynamics of their expansion or to the liberal principle which they are nowadays most eager to advocate.

This concept well deserves serious consideration. A pertinent policy of competition has always been something of a voyage between the Scylla of a rigorously dogmatic concept of competition and the Charybdis of perilous restrictions on competition. Full liberalism in world trade is as utopian as is laissez-faire in the national arena. The problem, it seems, is not so much an issue of principle as of dosage. “Orderly marketing” must not lead to the channels of distribution being monopolised and canalised. The EEC authorities are rightly entertaining grave misgivings. Well-conceived “orderly marketing” however could be more useful for the development of world trade than trade rivalry with catch-as-catch-can rules which, experience shows, very soon runs up against the bastions of high politics and then easily goes into reverse. *Alfons Lempert*