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EC-USA: World trade crisis in sight?

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COMMENTS

EC-USA

World Trade Crisis in Sight?

The past year which President Nixon proclaimed to be the "Year of Europe" has not led to the desired new order and intensification of American-European relations. Instead, 1973 has shown up new conflicts between the Atlantic partners in the political and military sphere. Their economic relations, in comparison, have not so far been greatly affected by the cooling of their relationship.

Even this, however, may now change fundamentally. The enlargement of the EC by the accession of the three new members, Great Britain, Ireland and Denmark, has caused disadvantages to the trade of the USA and 14 other countries for which they are to be compensated by unilateral tariff concessions of the EC. What the EC has so far offered is however considered absolutely inadequate by the Americans who will in future have to compete in the markets of the three new EC members with duty-free imports from other Community countries and fear that their agricultural and industrial exports will decline substantially. The EC on its side points to the stimulating effect which the Common Market has had on trade as a whole; this would presumably continue in the enlarged Community so that there was less justification for offset claims.

If a mutually acceptable settlement cannot be found for this issue, the climate at the coming multilateral GATT talks will suffer. They may indeed end in failure. The imposition of retaliatory tariffs by the USA cannot be ruled out altogether. The negotiating parties should always bear in mind the dangers to the further development of world trade as a whole. All would suffer if they materialise.

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EC Policy

Lacking Solidarity

Already a year after the extension of the European Community the forecasts of those holding a sceptical view on the entrance seem to come true. The EC is experiencing one of its most serious crises. The process of integration is stagnating, and the EC is marked by an aggravating lack in solidarity of its member states.

This situation, however, is not solely attributable to the extension of the EC but is a consequence of international development and the level of integration reached hitherto. Any further advance in the process of integration demands of the member states to make political concessions which can no longer be of a merely formal nature. Of late, they

are therefore increasingly trying to do political "barter business". A method which, to that extent, has so far been practised almost exclusively by France, although not always to the benefit of the Community. Should it in future become an established component of European politics to form "magic triangles or polygons" aimed at achieving simultaneous progress in all fields — as at present in the monetary, energy and regional policies — it would then appear likely that European integration continues to stagnate for a long time.

If the Community wants to avoid such development, it is bound to fix political priorities, i.e. it must prepare a ranking scale of targets and measures which, in a given situation, are the most important for its existence and further development. Such procedure, no doubt, calls for a maximum amount of solidarity and confidence among the partner states. Without these prerequisites the European integration will never materialize, and the Community will externally and internally continue to lose credibility and political importance.

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Great Britain

In a State of Confusion

The long and embittered confrontation between the miners and the Government reached its most critical phase on January 24, when the Miners' Union Executive Council decided to replace the present stop of overtime work by a full strike. The final decision depends on the miners' vote on January 31 and February 1, but there seems to be little doubt about the outcome. Although the Government offered the miners a wage increase of 16.5 p.c., the most generous one possible in Stage Three, the miners' exasperation is quite understandable. For, between 1968 and mid-1972 in spite of all wage increases the British workers' real purchasing power increased by only 8 p.c., much less than in the Federal Republic, France and the Netherlands.

Nevertheless the sudden change in the situation is quite surprising. Only a few days ago things seemed to brighten up. Then the energy crisis improved suddenly. Lord Carrington in charge of the new Ministry for Energy announced on January 17, that provided the miners would not go on strike, the economy measures would be relieved, the steel works would get all the electrical power they need and the three day week would be replaced by a four or even five day week. A decision proving the Government's sound pragmatism, but in view of election it seems to be a mistake.

When the Government introduced the three day week, the public was shocked and inclined to blame the miners and the engine drivers. Every-