

'Europe flexes its muscles' from Die Welt (10 November 1971)

Caption: On 10 November 1971, German daily newspaper Die Welt describes the economic tensions between the United States and the European Economic Community (EEC).

Source: Die Welt. Unabhängige Tageszeitung für Deutschland. Herausgeber Kremp, Herbert. 10.11.1971, Nr. 262. Hamburg: Die Welt. "Europa läßt die Muskeln spielen", auteur:Herlt, Rudolf, p. 4.

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Europe flexes its muscles

by Rudolf Herlt

America feels it has been duped by the EEC

The Council of Ministers of the European Community has decided that now is the time to add further items to the list of problems that has been building up for a long time between Brussels and Washington. The political decision-making body of the Community has adopted the draft of a mandate which authorises the Commission to negotiate with Switzerland, Austria, Sweden, Finland, Iceland and Portugal on duty-free trade in industrial products.

The result might be a free-trade area that would include the enlarged EEC and those member countries left in EFTA (European Free Trade Association) following the accession of Britain, Denmark and Norway to the Economic Community. In this large, 16-country free-trade area, industrial products of the 16 might enjoy duty-free status and, hence, competitive advantages over products from third countries such as the United States.

The prospect of this new blow to American trading interests has led to a sharp protest from Washington. One could smile at the touchiness of the world's greatest economic power if it did not have such a serious trade policy background and if Europe's vital political interests were not at stake.

The USA today is standing in the eye of the storm that is raging over the international monetary system. The Americans acknowledge their share of the blame for the world monetary crisis. With the dollar as a lead and reserve currency, they constitute the heart of the monetary system. This heart is, however, beating irregularly and, occasionally, violently, because the US Administration wanted too much at once. It wanted to conduct the Vietnam War, to provide other states with military aid, to help poor nations develop, and, on top of everything, American industry outside the USA has built up a production system whose potential output is four times as high as the exports of the home-based American enterprises. Even these high demands on the productive power of the economy might have been overcome if the USA could have developed its exports and imports in such a way as to maintain its traditional export surplus.

However, in this field, the USA was confronted with increasingly negative forces. Japan only hesitatingly opened its borders to American products. The European Economic Community created for itself an agricultural system that is anything but import-friendly. In addition, the EEC is abolishing the tariff barriers with the associated countries of Turkey and Greece and with the former French colonies. In so doing, it has extended the area in which products from Member States enjoy tariff advantages to the Mediterranean and North Africa. With the entry of Britain, this preference zone will be extended to the poorer Commonwealth countries. It will reach as far as the Caribbean Sea, on the USA's doorstep. The USA now has to jump tariff barriers in countries where EEC products enter duty-free.

Nevertheless, over a long period of time the Americans have restrained themselves from reacting rashly to these blows against its trading interests. Because of the nonsensical agricultural policy of the Community, which led not only to unsaleable surpluses but also to declining imports, the USA really could not sell much food in Europe. Even so, Washington has not taken any retaliatory measures: the stagnating food exports to the EEC are still so large that the suppliers are very reluctant to make sacrifices. After all, the USA appreciates the growing European market for its industrial products.

Until August, this situation of protecting its interests prevented the US Administration from starting a trade war, although in Congress there have been many supporters for such action ever since the effect of Japanese competition became tangible. The current and the enlarged Community would not have the whip hand: it is three times more dependent on external trade than the USA.

Nevertheless, the Community is flexing its muscles. It is taking the risk of rousing the wrath of the giant by including the countries remaining in EFTA within the preference zone. This wrath has acquired a new

dimension through the monetary crisis. Experience has shown that the Nixon Administration, in the present situation, will stop at nothing and take protective measures to restrict trade — such as special tariffs — if it is a question of protecting its own interests.

For that reason, the West German Government must not — out of fundamental political interest — allow the Community to push the protector of the West so far that it withdraws from Europe. The programme for solving the global monetary crisis has monetary policy and non-monetary policy components, including the existing restrictions on trade, EEC agricultural policy, EEC tariff preferences, the redistribution of defence costs and development aid.

The Community must discuss the entire range of issues with the USA as soon as possible. That way it will be possible to work towards a balance of interests. On the one hand, it will allow an opportunity for a reduction in the burden borne by America and, on the other, for trade policy solutions to be found which benefit the countries left in EFTA. The political interests of Europe demand that all these issues be dealt with as a package. The Community can harm only itself with petty aggravations, intentional or otherwise.