

'Is the United States about to start a trade war with the Community?' from Le Figaro (22 June 1971)

Caption: On 22 June 1971, French daily newspaper Le Figaro looks at the recriminations of American farmers and political leaders with regard to the principles of the European common agricultural policy (CAP).

Source: Le Figaro. 22.06.1971, n° 8 325; 145e année. Paris: Le Figaro. "Les États-Unis vont-ils déclencher une guerre commerciale contre la Communauté ?", auteur:Domenge, Jean , p. 30.

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America's four million farmers demand protectionist measures against 'green Europe's' fourteen million

Is the United States about to start a trade war with the Community?

As we have said on numerous occasions, without a global agreement, there will be no solution to the agricultural problem. In 1964 the European Community proposed that all agricultural products be included in the Kennedy Round but the United States refused. Since then, all industrialised countries have enhanced the protection afforded to their agricultural sectors while increasing export subsidies for agricultural and food products. With enlargement approaching, the United States is concerned at the Community's increasing commercial strength, especially since inflation, to which they are unaccustomed, causes tensions that compound the other difficulties they are facing. The world's strongest nation has very fixed ideas about the benefits of world trade. One of President Nixon's advisors, Hendrik Houthakker, has written that 'Congress and the voters are tired of these farming problems.'

However, there are now only four million farmers in the US compared with fourteen million in the Community, meaning that it is no longer an economic but a social problem. So, despite everything, is there going to be a trade war between Europe and the United States?

Mr Houthakker told us that 'our Senators are no longer saying that our country is in favour of free trade; they are now saying on the record that it supports protectionism.' It is a fact that, across the Atlantic, protectionism is gaining ground amongst legislators, some 35 % of whom represent agricultural constituencies although agriculture today employs only 5 % of the working population. Attacks on the Community are increasing as it is held responsible for America's trade deficit. And while the Nixon Administration insists that it needs an interlocutor capable of speaking on behalf of the Six, Mr Houthakker went on to say that 'it is very difficult to negotiate with the Commission, which has fewer and fewer powers.' Concerned at the current problems facing the Community, he believes that 'it is not in a position to engage in serious negotiations at this stage.'

America's position is contradictory and the various officials we have spoken to admit it — with varying degrees of good grace. They say they want to see a politically united Europe 'in order to avoid another war', and they list all the efforts their country has deployed to this end, starting with the Marshall Plan. This is why they support enlargement of the Community while hoping that it will not cause 'economic damage'. However, they consider that the growing number of preferential agreements between the EEC and countries such as Israel, Spain and Sweden are examples of this 'damage'. But what if these economic agreements were to include political clauses? Mr Houthakker's reaction is to say 'it would be good if Egypt and Israel accepted a clause that put an end to their conflict.'

Of the Community's achievements in the area of trade, the most vehemently criticised is the common agricultural policy, accused of taking four million dollars out of citrus growers' pockets last year. Mr Houthakker is prepared to admit, however, that 'the common agricultural policy is evolving,' though it will, in his view, be another ten years before it is fully in touch with the realities of the situation, meaning before it corresponds with his ideas on how things should be.

He will have left the Administration before these ideas are implemented because he is shortly due to return to his job as professor at Harvard, but his ideas are already influencing the new three-year agricultural policy decided upon last November.

'We favour realistic prices,' Mr Houthakker went on to tell us. He believes that the way countries specialise at the moment is due to the over-pricing of their products. He says that if copper had been cheaper, Chile would have diversified its economy and as a result become less dependent on American companies. In agriculture he cites the example of imported sugar as opposed to that produced in the United States. In his view, 'dumping prices are not dishonest.' They are in line with the market, whereas high prices stimulate production and lead to surpluses. He believes that the only way to guarantee farmers a decent income

without increasing surpluses is through direct subsidies.

We want to continue talking

The number two at the Department of Agriculture, Clarence D. Palmby, who says that he is less of a theoretician than Mr Houthakker though admits that he is in the job to defend farmers, is more specific. Although not seeking to criticise the common agricultural policy ('I don't have answers to all the questions'), he reminded us that 'excessively high grain prices prevented European farmers from taking up livestock production.' In his view, therefore, France would have everything to gain by exposure to international competition. 'Countries that have to fend off external competition develop fastest.'

'Protectionism feeds on itself,' he added, explaining that each time there had been an increase in agricultural levies, the duties which raise the price of imported farm products to Community levels, American farmers had protested. In his opinion, all industrialised countries should support greater free trade in farm products that are easy to transport, and he gave the example of Japan, now a constant topic of conversation in the US. 'It cannot continue its global expansion without liberalising its trade policy.' Mr Palmby is frank about his country's position: two sectors are particularly competitive, farming and the computer and aeronautical industries. They should therefore be developed because other sectors, television manufacturing in particular, are not well positioned.

It was therefore tempting to point out to Mr Palmby that his country was trying to get Europe to pay for its trade deficit with Japan. His answer is very revealing: 'The Community does, after all, export to the East ...'

So how far are they prepared to go in this trade dispute? 'We want to continue talking,' says Mr Palmby, who believes that it is essential that the GATT Treaty be improved upon. If no action is taken then the world will, in his opinion, organise itself into blocs, when what is needed is global trade based on the most favoured nation clause. A great debate therefore seems to him the obvious next step. But is there any point when tempers are already beginning to fray? Once again, Mr Palmby is forthright: 'When we make incendiary statements, and you can count me among their authors, it is because we see the danger of protectionism approaching. It is better to bring these issues out into the open than to be forced to limit trade.' In fact the tough language appears to be basically for the benefit of US farmers. 'Our producers also have to follow the rules. We need help in getting them to understand this.'

That would not perhaps be too difficult if the authorities and the American press were to place a little less emphasis on their dissatisfaction with the Community. They could explain the European position rather more fully and remind people that the Community is the principal importer, accounting for almost 25 % of commercial American farm exports, that is those exports that are not part of the food aid programmes for developing countries. Exports to the Community amounted to almost 1 600 million dollars last year (up 50 % on 1960) out of a total of 6 700 million. The breakdown has changed, however, with sales of cereals dropping and soya sales making major gains. Mr Palmby is 'Mr Soya' in the US. It was his decision to cut its price that led to a real export 'boom'. So does he have a guilty conscience at a decision that led some African countries' sales of groundnut to fall, hitting their economies? 'No,' he answers, 'soya prices are tending to rise and we see this continuing.' He explains that the demand for vegetable oil and oil cake is growing and that there is therefore scope for developing the 'efficient' production of soya and groundnut.

Meat-based products represent 1 500 million dollars out of total American imports of 5 800 million dollars. Mr Palmby points out that, 'We are the world's largest importer of beef and mutton and they are subject to hardly any customs duties,' although he admits that exporting countries do impose more or less voluntary quotas on themselves. The word 'voluntarily', however, can be interpreted in many ways and sometimes conceals political motives. According to Mr Palmby, these imports help the European Community and Japan, since, without them, they would have to buy more from New Zealand and Australia. Following these clarifications, it seemed worth asking the number two in American agriculture if his country intended putting up new barriers to European and especially French imports. He assured us that this was out of the question. In Washington, this reassured the Commission services, the French Embassy and the 'Foods From France' lobby, who are all up against a formidable adversary ... something which is not preventing our farm

exports from growing.

Jean Domenge