

'Is the Common Market heading for a trade war with the USSR?,' from Le Monde (5 June 1962)

Caption: On 5 June 1962, the French daily newspaper Le Monde reviews trade relations between the Soviet Union and Western Europe following the establishment of the European Economic Community (EEC).

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Is the Common Market heading for a trade war with the USSR?

by Pierre Drouin

Mr Khrushchev has followed the words of criticism he has levelled at the Common Market with deeds and, once again, the Soviet Government has thrown down the gauntlet by declining to tone down a brash declaration, by being inattentive to the fussy code of international trade devised by the General Agreement on Tariffs and Trade (GATT) and by forgetting that a Franco-Soviet protocol signed in November 1958 specifically recognised that France's participation in a customs union, in this instance of the six Member States, could justify an exception to the 'most-favoured-nation rule'.

The brutality of his attack against the Common Market is quite typical of Mr Khrushchev's outbursts of anger. Not unlike Great Britain during the first two years of the EEC, the USSR has never really believed that the European project could grow deep roots. But a number of phenomena have opened Mr Khrushchev's eyes: Great Britain's membership application, the Brussels agreements on the common agricultural policy, the procession of European nations knocking at the EEC's door to negotiate their accession or association, Mr Kennedy's project to slash customs duties, the prospects of political union, and the pressing demands of the associated African countries to renew their contract with the 'imperialist' EEC. What Mr Khrushchev has seen is not at all his idea of how competition with the West should be played out. To crown it all, Franco-German rivalry, which he had seen as the worm in the EEC's apple, has been transformed into a unifying enzyme.

Long-term risks

Moscow's reaction was first and foremost political. The expansion of a new European power, even if its institutions are ill-defined, is a thorn in the USSR's side. But it would be too simplistic to believe that the Soviet attitude was motivated only by pique. Like the United States, the 'neutral' countries of Europe and, in general, all those who will remain outside the Common Market, the USSR fears that its trade may be disrupted with the 'happy few' of the EEC, which, if all goes to plan, will in time number a dozen dynamic countries.

Today, the risk is minimal. In the longer run, when the full impact of the European customs union is felt and Soviet sales are more diversified, the possibilities for extending the bilateral agreements with the USSR might be curbed.

During negotiations with France, the Soviets introduced an untimely demand that they knew full well would be rejected. That may lead one to believe that the first phase of a veritable 'trade war' between the USSR and the Common Market has begun. In fact, it was an attempt to intimidate, but the USSR has a great deal more to lose than Europe if a large-scale war with the EEC were to break out.

When, in October, the Soviet Government called for 'customs negotiations' with France, it was in fact behaving much like the US Administration, being careful to avoid any harm to trade that the incipient Common Market might bring about, the major difference being that exports from Europe to the USSR do not in the least depend on customs tariffs, but rather on the requirements of the Soviet planned economy.

Consequently, negotiations with the USSR to reduce the common external tariff, which in itself is not inconceivable and may even be desirable, would nevertheless be a very thorny undertaking because the two parties are not on the same wavelength. For such negotiations to prosper, two conditions would have to be met: (1) the six Member States would have to adopt a common trade stance vis-à-vis the Soviet Union, and (2) the USSR would have to join the GATT so that some kind of common ground could be found.

At all events, everything should be done to prevent an East-West trade war and the development of inflexible economic blocs. In the absence of an ideological bridge, trade is still a worthwhile connection between the two worlds.