

'Europe and the United States want to avoid a trade war' from 30 jours d'Europe (May 1973)

Caption: In May 1973, the monthly publication 30 jours d'Europe lists the measures planned by the United States and by the European Economic Community (EEC) to avoid trade wars between the two economic blocs.

Source: 30 jours d'Europe. dir. de publ. FONTAINE, François ; Réd. Chef CHASTENET, Antoine. Mai 1973, n° 178. Paris: Service d'information des Communautés européennes. "L'Europe et les Etats-Unis veulent éviter une guerre commerciale", p. 11-12.

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Last updated: 06/07/2016

Preparations for the Nixon Round

Europe and the United States want to avoid a trade war

The concern to avoid a trade war between economic blocs, particularly between the United States and Europe, appears at present to be dominating the preparations for the 'Nixon Round', the global trade negotiations due to begin next September in Tokyo.

Following the repeated onslaughts that have brought the Americans significant monetary gains through two successive dollar devaluations and the formal or de facto revaluations of the Japanese yen and the German mark, Washington, it seems, believes it would now be dangerous to go too far. That at least is the mood reported by the *London Times*, according to which President Nixon *has understood that an arrangement with the European Community would be far more beneficial than a protectionist policy.*

A conciliatory note was also struck in Paris last month by the new US Ambassador to France, Mr John Irwin, when he declared that America's overall objective is to reduce obstacles to trade of all kinds in order to preserve global economic growth. And this seems again to have been the point made by the US President's advisor, Mr Kissinger, in the passage on trade negotiations in his recent speech on the new 'Atlantic Charter' that his country is proposing its allies adopt this year.

No hostility towards Washington

On the European side, Sir Christopher Soames, the Vice-President of the European Commission, who will be responsible for negotiating on behalf of the Nine, outlined the European Commission's negotiating position at a meeting of Foreign Ministers in Luxembourg.

It is on this basis that Community Ministers must, by 1 July next, draw up a brief for the negotiator, setting out the common position of the Nine on the Nixon Round. In terms of general approach, the European Commission rules out any hostile stance towards the United States. While it considers it too early to envisage complete abolition of customs duties on industrial goods, as the Americans at one point proposed, it is in favour of differential cuts depending on existing levels of duty rather than uniform cuts across the board, and of dismantling non-tariff barriers provided such action is reciprocal. In agriculture this will mean resisting attacks on the principles underlying 'Green Europe' while preventing a race to up export subsidies and while trying to organise some markets, for example those in certain products such as cereals, sugar, and dairy products, on a global basis.

In support of developing countries the Commission in Brussels proposes to expand the 'generalised system of preferences' in order to offset the loss of advantages resulting from the reduction in industrialised countries' customs duties. It is concerned too that these preferences should be applied soon by those countries, such as the United States, that are still refusing to do so.

Sir Christopher Soames, who could be seen as the Foreign Minister of the enlarged European Commission, has stressed that in the Commission's view:

- the preparatory work for the negotiations and the negotiations themselves will often be very technical and, as the experts do their work, a 'political vision' should always be maintained;
- in spite of recent monetary developments, the need to liberalise international trade remains. Restoring an international monetary order will of course be vital to ensuring this liberalisation continues.

Cutting customs tariffs

The Commission believes that the negotiations should focus on the following five points: cutting customs duties, reducing non-tariff barriers, agriculture, developing countries and the safeguard clause.

On the first point, the Commission believes that the negotiations should aim at a 'substantial reduction' in customs duties, but that it is not yet the right time to try to phase them out completely and across the board. The Commission has not costed its proposals but it wants to arrive at a 'simple and generally applicable formula' that would take account of the different tariff structures in the countries participating in the talks (some tariffs exhibit very sharp 'peaks', while others, such as the Community's, are relatively 'flat-topped'). The most significant cuts should be applied to the highest customs duties while the smallest cuts should be made in the middle band. As for very low tariffs, Mr Soames foresees no reductions at all.

Even if, broadly speaking, the Commission does not favour 'zero' rates, it does consider that, for some products, it should be possible to do away with customs duties completely, provided of course that there is reciprocity and balance.

Non-tariff barriers

Non-tariff barriers (the various measures and regulations that hinder trade) cover a very broad spectrum and are thus difficult to quantify and therefore control. The European Commission considers that the Community, basing itself on the work of GATT and the OECD in this area, should draw up a list of tariff barriers that it would like its partners to dismantle and, at the same time, list those barriers that, for its part, it is ready to 'overturn'.

It will be difficult to calculate reciprocity in this field, according to Mr Soames, who says he is nevertheless convinced that, by the end of the negotiations, a balanced *package deal* acceptable to all the countries concerned should be possible.

A code of conduct for agriculture

The Commission believes that it is impossible to exclude agriculture from the negotiations and that the aim in this area should be to promote a growth in world trade. Mr Soames said that the European Community should stand up to attacks which might be launched on the principles of the common agricultural policy but should declare its readiness to 'manage the instruments' of that policy in such a way as to create favourable conditions for increased trade. The Nine could consider agreeing a 'code of conduct' within GATT on the practices adopted in the various countries to promote their exports. The European Community will support international agreements on the prime staples such as cereals, dairy products and sugar.

Generalised preferences for developing countries

According to the European Commission, the Community should adopt an active policy towards developing countries because tariff cuts could reduce the relative advantages that Third World exports enjoy in the markets of industrialised countries.

Constructive solutions

It is absolutely essential, Mr Soames explained, that all rich countries apply 'generalised preferences' in their trade dealings with the Third World. The European Commission welcomes the fact that the United States intends to include this measure in the trade bill that is to be put before Congress. This would allow the Community (if all other countries do likewise) to improve its own system of generalised preferences, firstly by extending the list of processed agricultural products that enter the Common Market duty-free and secondly by raising the volume limits defined in the tariff quotas on sensitive items. This should be done with due regard for the interests of the Community's Associated States.

With respect to the safeguard clause intended for cases where sudden, high-volume imports threaten a given sector of the economy, the European Commission believes that the GATT provisions (Article 19) governing the use of the safeguard clause could be improved in the interests of more flexible and selective implementation. According to observers, this means, in particular, that the safeguard clause could be applied to products from all countries. However, in the opinion of the Commission, if such an approach were to be

taken, very strict criteria would be needed to avoid anarchy.

It seems clear that in the course of negotiations that are essentially political, as was highlighted by Mr Soames, new power relations can be expected to emerge. Hence the current concern to avoid confrontation and the Commission's stated desire to look for constructive solutions.