

INQUEST ON DEALINGS  
WITH COMMON MARKET



# Trade War averted—for now!

AFTER TWO devastating wars, Europe acted to safeguard against future international strife. France, West Germany, Italy, Belgium, the Netherlands and Luxembourg integrated their coal and steel industries. From this successful venture, the European Economic Community, or Common Market, was established in 1957.

It set forth a policy of free trade among the member nations, and a standardization of tariffs levied on items of trade with other countries. The region boomed as the Common Market became an important exporter of farm produce and factory goods. Winston Churchill used the Common Market as a model for economic well-being when he said, "We must build a . . . U.S. of Europe."

Last year, Spain and Portugal joined the Common Market. They accordingly increased duties on corn imports from 20% to between 140% and 200%, shutting out \$400 million in U.S. exports. Under the rules of the General Agreement on Tariffs and Trade, the U.S. was owed \$400m. in compensation.

Previously friendly trade relationships between the U.S. and Spain and Portugal quickly eroded as disputes arose concerning the type of compensation offered. The EEC's protectionist policies, and the United States' desire to protect the American consumer and farmer, led these countries very close to trade war.

As compensation for the \$400 million lost in farm exports, the EEC offered to buy 1.6m tons of grain from the U.S. This amounted to 30 cents for each U.S. dollar lost. U.S. trade negotiators said: "No go."

Had the dispute remained unsettled after the January 30 deadline, the U.S. threatened to impose 200% duties on European imports such as French brandy, Danish ham, Dutch cheese and Belgian endives. For example, London's James Burrough, Ltd., manufacturers of Beefeater gin, stood to lose most of their Ameri-

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can business, as American exports account for half the company's production.

Americans could see a price rise of this gin from \$11 to \$18 a bottle. We might well turn, then, to Russia for cheaper vodka.

*These protectionist tariffs threatened consumers and manufacturers in both countries while fostering trade with those with whom the U.S. has no strong history of trade relations.*

The EEC responded to the proposed U.S. tariffs with retaliatory measures of their own. They promised to block U.S. exports of corn-gluten feed, rice and wheat, further injuring the beleaguered U.S. farmer.

The Community spends millions per year maintaining stores of dutied goods, fostering their exclusive free trade system. As a result, U.S. farmers suffer, along with European manufacturers. The World Bank last year maintained that such agricultural policies from developed nations cost taxpayers \$40 billion per year, aggravated Third World poverty, and help only the Communist nations of Eastern Europe.

Ian Henley of the Confederation of British Industry stated: "This is the most serious protectionist threat we've had for a number of years." Are we too late?

In the case of the U.S.-EEC disagreement, a compromise came just in time. An "eleventh hour" deal allows the U.S. to sell 2½ million metric tons of corn and 200,000 metric tons of sorghum to Spain and Portugal under reduced tariffs. The Common Market will also reduce tariffs or quotas on 26 other items that could provide up to \$70m for U.S. exporters.

For now, the potentially volatile trade crisis has been averted. But this issue, that of protectionist trade, will continue to face the U.S. in coming months. In Brus-

sels, seat of trade negotiations on this issue, experts remain concerned that President Reagan, though espousing a free trade policy, is slowly bending to accommodate a protectionist-minded Congress. The needs of a floundering farm sector also clamour for protection.

Since 1983, the U.S. has depended more and more heavily on EEC nations for import trade. A trade imbalance exists between the two, with the U.S. now importing over \$26bn per year more than it sells. This imbalance exists at a time when nations all over the world struggle to grab a part of the dwindling grain market, as stocks increase and developing world and Eastern European countries become more agriculturally self-sufficient.

The every-man-for-himself philosophy fosters neither free trade nor the healthy international relations that accompany free trade. To quote Henry George, the American economic philosopher:

*Given a people of which every man, woman and child is a protectionist, and a tariff unanimously agreed upon, and still that tariff will be a restriction upon what these people want to do and will still try to do. Protectionists are only protectionists in theory and in politics. When it comes to buying what they want all protectionists are free traders.*

As this averted war has shown, a fiercer competition for world markets can be successfully met only with a policy which will allow competition to flourish. Protectionist measures, as witnessed here, may well end, next time, in trade war.

## SIXTY BILLION

THE FEDERAL tax reforms have boosted NY real estate values, according to Abraham Biderman, the city's Finance Commissioner. The taxable value of property has been set at