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The Trade conflict between the United States and the European Community during the Ford Period -- Taking the implementation of the "Section 301" as an example

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ABSTRACT

At the beginning of Ford's succession as president, the US government was under dual pressure both internationally and domestically. In order to maintain its hegemonic position, the "Section 301" came into being. Thus, the Ford government passed the Trade Reform Act of 1974, which marked the official introduction of Section 301. The United States has conducted multiple negotiations with the European Community through unilateralist tools, alleviating the predicament in the agricultural sector, including issues such as import restrictions, export subsidies, and regional trade privileges of the European Community. However, these problems were not substantially solved, causing trade frictions in the future. As a result, the "Section 301" has had many impacts on various aspects and has continued to this day.

KEYWORDS

"Clause 301"; Common Agricultural Policy; Trade protection

1 The historical background of the development of section 301 during the Ford era

1.1 The international predicaments faced by the Ford administration

During the Ford era, the domestic and international situations were unpredictable. Internationally, the hegemony of the United States is facing challenges, and at the same time, the trading system is in a transitional stage. During the dollar crisis in 1973, the United States once again announced the depreciation of the dollar, which led to various countries successively implementing the floating exchange rate system to replace the fixed exchange rate system[1]. This indicates that the Bretton Woods system has disintegrated.

Furthermore, the European Community and Japan challenge the economic status of the United States. Japan's automotive, electronics and other industries have developed rapidly, and its GDP even rose to the second place in the world in 1968. Meanwhile, Article 39 of the Treaty on the Functioning of the European Union stipulates the specific goals of the Common agricultural policy, including stabilizing the market and ensuring reasonable prices for consumers[2]. While safeguarding the interests of the European Community, it also excluded the export of agricultural products such as soybeans and wheat from the United States, causing an impact on American agricultural products.

Finally, the rise of developing countries cannot be ignored either. Developing countries are pursuing a new international economic order. Therefore, Opec countries hope to counter the economic hegemony of the West through oil. In addition, with the emergence and increased participation of a large number of developing countries as UN member states, UN agencies are paying more and more attention to development issues and demanding that the United Nations take action[3]. Based on this, the United Nations has established a platform, namely the United Nations Conference on Trade and Development. As a result, developing countries have put forward their own demands under the framework - the stability of raw material prices, breaking the trade scissors gap, etc., which has had an impact on the trade of the United States.

1.2 The gloomy domestic situation in the united states

There are also many problems in the United States, and the domestic political and economic situation is complex. Congress has been constantly strengthening its own authority and constraining the executive power of the president. In response to the actions during Nixon's tenure, Congress passed the War Powers Act of 1973 and the Budget Control Act of 1974. The former was imposed on President Nixon by the confident Congress after the Watergate scandal and has been controversial from the very beginning[4]. But it cannot be denied that this controversy was caused by Nixon's moral crisis. The latter is because in the 1960s and early 1970s, the continuous increase in public expenditure led to the continuous growth of the deficit. This has triggered an increasingly strong demand in Congress for controlling public spending. There was a crisis of trust in the president in Congress, but the Trade Act of 1974 was the result of compromise between the two

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sides. Congress ceded some powers, but still supervised the president through Section 301.

Furthermore, the domestic economy of the United States has fallen into "stagflation". From 1959 to 1973, the United States maintained positive GDP growth for fifteen years. However, negative growth occurred for the first time in 1974 and persisted until 1975. This proves the severity of the domestic economic situation in the United States. First, the manufacturing industry has been impacted. In fact, the United States is experiencing a wave of unemployment. During the decade of the 1970s, in 12 states, the number of jobs created by factory closures was greater than that created by newly established factories elsewhere. Secondly, there are deep-seated crises hidden behind agricultural development. The government's agricultural policy particularly encourages agricultural investment. Stabilize and maintain the prices of specific agricultural commodities at artificially high levels through various price support and supply control plans. The relatively high and stable potential for returns has attracted investment into agriculture. Meanwhile, the federal government provided loans to agricultural producers at interest rates lower than the market rate through the then Farmers' Household Administration (now the Agricultural Service). These loans are mainly used for purchasing land. Although agriculture in the United States has achieved development in a short period of time, it itself has structural contradictions. Later, an agricultural crisis broke out in the United States, and the Ford administration had to take measures in the face of this situation.

1.3 The development of "section 301"

The "Section 301" of the United States was already reflected in the early tax laws of the United States. The Tariff Act of 1930, also known as the Smoot-Hawley Tariff Act. It stipulates that when foreign import restrictions inappropriately impose a burden on the United States' foreign trade, the president has the right to announce the modification of the current import tax or the implementation of other import restrictions. Section 252 of the Trade Expansion Act 1962 was not widely used and failed to play its due role. Thus, Section 301 of the Trade Reform Act of 1974 emerged, which also marked the birth of the "Section 301" of the United States. It strengthened the president's authorization in trade, further enhancing the president's power. Furthermore, Section 301 of the Trade Reform Act of 1974 is not like Section 252 of the previous Trade Expansion Act of 1962. Its application is very extensive and is accompanied by many trade conflicts. However, Nixon stepped down hastily due to the Watergate scandal, so Section 301 was not frequently used during this period.

During the Ford era, the "Section 301" in the United States was frequently cited, which is a concrete manifestation of the development of the "Section 301". First of all, Ford officially signed the Trade Reform Act of 1974. At the beginning of Ford's succession as president, he not only faced domestic economic stagflation but also pressure from Congress. Therefore, the bill was signed to demonstrate the initiative and enthusiasm of trade policies. Although the US Congress passed the law in 1974, it was actually signed in January 1975. This act established "Section 301" and has also become an important tool of the United States' trade policy. Secondly, the embodiment of the content of "Section 301". At first, the authorization object of "Section 301" was the president, but later it was shifted to the Office of the United States Trade Representative. But it cannot be denied that there was a period when the president was in the lead and Congress intervened less. Meanwhile, the enforcement procedure of "Section 301" is initiated by the president or through industry complaint investigations. This also indicates that the president cannot fully initiate the "Section 301 Investigation", and there are constraints. Furthermore, during the Ford era, the scope of application of Section 301 was also pointed out, that is, when there are unreasonable "trade barriers" in foreign countries, such as market access restrictions or export subsidies, the provisions of the section can be applied. However, this unreasonable definition is not clear. In fact, the Ford administration laid the legal foundation and provided path dependence for the subsequent "Section 301 Investigation".

2 The implementation of section 301 during the Ford era

The Ford government struggled under the circumstances at that time and was in urgent need of countermeasures. At this time, "Section 301" provided the Ford administration with a means - within the framework of multilateral trade, seeking to alleviate the trade pressure on the United States through unilateralism. Thus, the Ford government applied "Section 301" to the European Community. Among them, the main direction involved is the agricultural field.

2.1 Import restrictions and tariff policies

Although the dispute between the United States and the European Community over poultry products eased somewhat after the "Chicken War" in the 1960s. But in fact, the Common agricultural policy of the European Community has always played a protective role, which has aroused dissatisfaction in the United States, and the United States has thus taken measures. In the early 1970s, the United States exported a large amount of egg processing products to the

European Community, accounting for 40% to 50% of the European Community's imports. However, the European Community sets annual egg powder import quotas for non-member states through tariff quotas, and the tariff rate outside the quotas is raised to 30%. This has aroused dissatisfaction among relevant enterprises in the United States, which collectively complained to the US government about the trade barriers of the European Community. So, the United States responded to the "tax on egg whites of the European Community" with "Section 301". Later, the European Community did respond by no longer imposing additional taxes. In conclusion, the Common Agricultural Policy of the European Community had an impact on the export of egg processing products from the United States and also affected the trade policy of the Ford government.

Furthermore, there is competition between the United States and the European Community in the field of sugar trade. In 1967, the European Community adopted the regulations for the establishment of the Common Organization of the Sugar Market. The regulations state that to establish a single community sugar market, in addition to requiring a unified price system, it is also necessary to introduce a unified trading system at the external boundary of the community. A trading system that includes tax collection and export rebates, combined with intervention measures, can also help stabilize the community market. Thus, the European Community provided support to the sugar-related industries - internal price support and export subsidies. This has greatly enhanced the international competitiveness of sugar products of the European Community. Meanwhile, the domestic sugar market in the United States has been impacted, which has aroused dissatisfaction from the US side. Due to the differences in the processing forms of sugar, the definition between sugar products and industrial raw materials of sugar is ambiguous, which has sparked disputes over how tariffs should be classified. The United States believes that some additional sugars are subject to double taxation - both raw material tax and finished product tax. Immediately, the United States proposed "double taxation of additional sugar by the European Community" under Section 301, and European Communities raised a defense against this. Later, in 1976, the Expert Group of the General Agreement on Tariffs and Trade ruled that the European Community should avoid double taxation on sugar and reasonably adjust its tariff policy. Finally, in 1980, the European Community revised the double tax. But in fact, this did not resolve the contradiction between the two sides, and conflicts still existed in the future.

2.2 Export subsidy and price intervention mechanism

The European Community provides high subsidies for agricultural products, including subsidies for the export of malt. Due to the price advantage of European Community malt in international competition, the domestic malt market in the United States has been impacted. Therefore, it is unreasonable for the United States to propose the "European Community Malt Export Subsidy". The United States considers the unreasonable aspect to be that Article 16 of the General Agreement on Tariffs and Trade clearly stipulates the law on export subsidies - in any case, if it is determined that the interests of any other contracting party are seriously damaged or threatened by any such subsidy, the contracting party providing the subsidy shall, upon request, discuss with other relevant contracting parties or parties the possibility of restricting the subsidy. At this point, the European Community pointed out that the export subsidies were in line with the agricultural exception clause in the General Agreement on Tariffs and Trade. So, the two sides began to negotiate. It was not until 1980 when the European Community decided to reduce subsidies that this dispute finally came to an end. Although there were disputes between the two sides, the negotiations were conducted within a reasonable framework.

2.3 Regional trade privileges and market access control

In 1975, the European Community signed the Lome Agreement with developing countries in Africa, the Caribbean and the Pacific region. The Lome Agreement, as a regional economic and trade agreement, has strengthened the geopolitical influence of the European Community. Meanwhile, the Lome Agreement grants non-Pacific countries some preferential treatments in terms of products under the Common Agricultural policy compared to other countries. Furthermore, these regions have provided the European Community with a large amount of raw materials for agricultural products, including fruits such as oranges and lemons. However, the Lome Agreement is regarded as a regional privilege because it harms the interests of other countries and violates the rules of multilateral trade. This unilateral preference is actually a manifestation of trade protection, which has aroused dissatisfaction in many countries. The citrus industry in the United States has been hit due to the restrictions on market access of the European Community. Therefore, the United States hopes to exert pressure on the European Community through "Section 301", thereby striving for its own interests in the negotiations. Thus, the dispute over the "Citrus Concession of the European Community" began in 1976. Although the negotiation process was not smooth, the two sides finally reached a compromise in 1986 - an agreement to reduce tariffs on citrus fruits and other products, and the United States also made some tariff concessions.

3 Historical impact of section 301

The Ford era was a unique period in American history, which was reflected in the specific implementation of Section 301. Meanwhile, the Ford administration's use of the "Section 301" feature was very obvious. Because of its unique characteristics, it has had an impact on the United States, the European Community and even the international community, etc.

Firstly, it has become one of the important legal tools in the United States. The application of "Section 301" has indeed alleviated the pressure on the domestic agricultural product market and eased the pressure of protectionism from Congress and trade unions. In fact, this approach only temporarily resolved the domestic predicament, and subsequent trade disputes continue to emerge. However, it cannot be denied that the "Section 301" has increased the United States' say in the multilateral negotiations of the General Agreement on Tariffs and Trade. As a unilateralist tool legalized in the United States, "Section 301" has practical utility. But it also set the tone for the United States in dealing with trade disputes - countering with unilateralism.

Secondly, facilitate the adjustment of the trade policy of the European Community. Although the Common agricultural policy of the European Community has brought various conveniences to the agricultural products of member states, some adjustments have to be made under the deterrence of "Section 301". Most of the negotiations were mainly based on concessions by the European Community, including the reduction of subsidies for agricultural products. In fact, due to the influence of the United States, the uncertainty of agricultural product exports by the European Community has increased, which has harmed the relevant interests of farmers, enterprises, etc. within the member states of the European Community. This economic loss has, to a certain extent, weakened the process of economic integration of the European Community.

Thirdly, it has impacted the international political and economic order. Section 301 has had an impact on the multilateral trading system. Because, the direct application of Section 301 as US law has weakened the authority of the General Agreement on Tariffs and Trade and the legitimacy of the multilateral trading system. Furthermore, the practice of the United States overriding domestic law over international law violates the principle of sovereign equality in international law and has also been resisted by many countries. Due to the disputes between the United States and the European Community, the Third World promoted economic alliances in order to circumvent unilateralist sanctions from the United States and Europe. This also represents that the Third World is actively promoting the construction of the international political and economic order.

4 Conclusion

Although President Ford's term of office was short, the "Section 301" was established during his tenure, providing a legislative basis for subsequent trade protection. However, such unilateralist trade tools are not reasonable and are generally rejected by the international community. Overall, the Ford administration hopes to reach a trade consensus with the European Community through Section 301. On the one hand, the United States is eager to relieve the downward pressure on its domestic economy. On the other hand, due to the challenges from the European Community and Japan, the United States wants to maintain its hegemonic position. However, the application of "Section 301" is restricted and has its own limitations, and it is impossible to achieve the expectations envisioned by the designers.

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