Spring 1963

The Role Of The United States In The Common Market

Joseph Kasperick
Carroll College

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THE ROLE OF THE UNITED STATES
IN THE COMMON MARKET

A thesis submitted to the Department of Economics in
partial fulfillment of the requirements
for "cum laude" recognition.

by

Joseph E. Kasperick

Carroll College
Helena, Montana
This thesis has been accepted and approved by the Department of Economics, Carroll College.

On June 30, 1962, the negotiating authority under the last extension of the Reciprocal Trade Agreements Act expired. In order to meet with challenges of a rapidly changing world economy due to the growth of the European Common Market, the Reciprocal Trade Agreements Act was replaced by the Trade Expansion Act of 1962.

It is the purpose of this thesis to show the growth and development of the European Economic Community, its effect on the United States, and the measures taken by the United States to compete with the expanding community.

A work such as this requires a great amount of assistance, patience, understanding, and kindness on the part of many. I wish to express my sincere thanks to Father Mackin, without whose aid and support this thesis would not have been undertaken. I also wish to express my gratitude to Miss Cathy Fuller and Mrs. Alvina Welkiver for their efforts in typing this work.
On June 12, 1934, with the passage of the Reciprocal Trade Agreements Act, the United States of America undertook a new experiment in international relationships. Because of the great depression of the 1930s, world trade was in a state of chaos. Impelled by the need to restore our economy, President Roosevelt received authority to negotiate reciprocal tariff reductions with other nations of the world. Since this Act was passed, its authority has been extended eleven times and the program has served our country and the free trading world well.

On June 30, 1962, the negotiating authority under the last extension of the Reciprocal Trade Agreements Act expired. In order to meet with challenges of a rapidly changing world economy due to the growth of the European Common Market, the Reciprocal Trade Agreements Act was replaced by the Trade Expansion Act of 1962.

It is the purpose of this thesis to show the growth and development of the European Economic Community, its effect on the trade policy of the United States, and the measures taken by the United States to compete with the expanding Community.

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CHAPTER I

INTRODUCTION -- HISTORY OF FOREIGN RELATIONS

SMOTT-HAWLEY TARIFF ACT OF 1930

It is through the regulation of tariffs that the trade agreements of the United States with foreign countries is determined. Under Article I, Section 8 of the Constitution of the United States, Congress has the power to levy duties on imports from foreign countries. The object of an import tariff is twofold. The revenue gained by duties can be used for the expenses of the government and secondly, the tariff gives protection to American producers in competing with foreign producers.

Throughout the history of the United States it has been the policy of the Democratic party to strive for low, or revenue, tariffs and that of the Republican party to strive for high, or protective, tariffs.

For an outline of the history of the tariffs of the United States, we must begin with the period preceeding the Civil War. Before 1846 the tariffs of the United States were generally high for the protection of American industries that were expanding with the birth of the nation. With the tariff of 1846 most articles were reduced from 40 to 30 percent. The tariff of 1857 was one of still further reductions. With a Republican victory in 1859, however, there was a reversion of higher duties. The tariff of 1861 restored the rates of 1846 tariff. In 1864 a tariff was passed that imposed rates averaging a record level of 27 percent.  

The tariff of 1864 remained in effect until 1883 when there was a problem of surplus revenue coming from excise duties. Congress then enacted a reduction of five percent with the tariff of 1883. When the Republicans were returned to power in 1888, however, changes were made. Increased duties were enacted with the tariff of 1890 (McKinley Tariff), having an average of fifty percent rates. Rates were increased still further with the Dingley Tariff of 1897 in which the general level of duties were raised to fifty-seven percent.

The policy of protection continued until 1912 when the Democrats returned to power with the election of Woodrow Wilson. The Underwood Act of 1913 was passed and the protection policy of the United States was greatly modified. With the Underwood Tariff the average rate of duty was cut to approximately sixteen percent.²

A Republican victory in 1920 produced an outcry for protective tariffs. Following World War I, international trade was out of balance. The European nations were badly shattered by war. These countries depended mainly on funds borrowed from American investors to pay for imports and stabilize foreign exchange.

The only way these countries might have repaid these obligations was by shipping goods to the United States. The Fordney-McCumber Tariff of 1922, which increased duties to an average of forty percent, definitely forestalled any such possibility. The debtor nations of Europe were obliged to adopt high tariff policies in self-defense. By various means they tried to stimulate whatever industries that were necessary to cut down their reliance on foreign goods.³

²Ibid. p.359.
In June of 1930, there was a substantial increase which added to the depressing effect of world trade. The Smoot-Hawley Tariff of 1930 was brought about to provide relief for agriculture products. The main argument for this new tariff was that American industry has protection and American industry is prosperous, therefore, if agriculture has protection then agriculture will be prosperous. One thing overlooked, however, is that agriculture is mainly an export commodity, therefore, high customs will not protect it.

The limitations and revisions to the tariff seemed to be impossible. There were temptations for senators and congressmen from industrial states to use the techniques of vote trading in order to obtain increases on products of interest in their own regions. The end results were increases in over 800 rates, covering a wide variety of both agricultural and industrial goods.

There was violent opposition to the new trade bill both at home and abroad. Governments from nations that would be affected protested. At home, a thousand American economists signed a protest to President Hoover urging him to veto the bill. Their argument was that higher prices would follow the new tariff and there would be a reduction in our exports.

Following the enactment of the Smoot-Hawley Act retaliation from foreign countries began almost immediately. Several countries raised their duties on products of importance to the United States. Others adopted general tariff increases. Italy and Switzerland set up an unofficial boycott of American goods.

The Smoot-Hawley Tariff then may be the cause of retaliatory tariffs. This means that foreign countries which were affected by the act retaliated

4 P.T. Ellsworth, p.499.
5 Ibid. p.500.
6 Ibid. p.501.
against the United States by raising their own tariffs. The retaliatory
tariff, however, damages the United States as well as other countries since
it reduces still further the trade between these countries. In spite of
the evils of retaliatory tariffs such courses were necessary by foreign
countries. The enactment of tariffs against the United States was a
factor in causing this country to reconsider its tariff policy. Export
industries in the United States realized that American high tariff policy
was a factor in the increases in the tariffs against American goods.

Reciprocal Trade Agreements

With the election of President Franklin D. Roosevelt in 1932, changes
on the international scene were likely to occur. Roosevelt appointed as
his Secretary of State, Cordell Hull, a man whose devotion to tariff re-
ductions and international world trade was almost a religion. The new
President was inaugurated during a time of world depression. On an inter-
national level one of the first steps to relieve this was a World Economic
Conference which was to be held in London in the summer of 1933.

A commission of experts from all parts of the world was appointed
to prepare the agenda for the conference. It was found that barriers to
trade, notably high tariffs, along with such things as failure to reach
agreements on foreign loans, and the departure of some governments from
the gold standard, aggravated the world-wide depression. The commission
felt that the best hope for recovery rested in an international attempt
to remove or alleviate these hinderances, not singly, but as a combined
effort on the part of all nations working together.

7 John Parke Young, The International Economy (New York: The Roland

8 Julias W. Pratt, A History of the United States Foreign Policy
During the spring of 1933 several governments sent delegates to Washington to discuss conference plans with President Roosevelt. All the delegates seemed to agree with the President that the stabilization of the currency exchanges should have high priority at the conference. Secretary of State Hull was appointed head of the American delegation to the conference.

The President, however, changed his mind about stabilizing world currency after the conference was in session. He limited Secretary Hull's negotiations power by renouncing any considerable interest in the stabilization of currencies; he asserted his determination to help recovery in America by establishing sound internal systems of economics. This repudiation by the President ended any slim chances for achievement the conference may have had. For the time being, international cooperation was to be side-tracked in favor of economic isolation.\(^9\)

The American delegates to the conference had been forbidden to discuss international debts and the conference adjourned on July 27, 1933, with nothing to show for six weeks of hard labor. It was a sad example of poor preparation on the part of the United States. There was lack of understanding between the President and the delegates, and among the delegates themselves.\(^10\)

The question of tariff reform came up quickly following the London conference. Refraining from the direct revision of the Smoot-Hawley Tariff, the Roosevelt Administration left this Act in force, but proposed through a series of reciprocal trade agreements to bring the duties on imports down to a more reasonable trading level. Secretary of State Hull held the belief of many Southern Democrats that the lowering of economic

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9 Hicks and Mowry, loc.cit. p.738
10 Pratt, loc.cit. p.572.
barriers was a cornerstone for international peace. He fought for many years as a congressman for lower tariffs. As a Secretary of State under Roosevelt, and with a Democratic Congress, he had an opportunity to realize his objective.

The Reciprocal Trade Agreements Act was passed by Congress on June 12, 1934. Under this new Act the President had the power to lower the existing duties by as much as fifty percent provided that the American free list was not disturbed. The President could do this without referring the matter to Congress. The purpose of the Act as stated in its preamble is to expand foreign markets for the products of the United States. Essentially, however, the Act was used as an anti-depression measure.

In negotiating agreements Secretary Hull relied upon the advice of specialists whose duty was to make sure that with every American concession some foreign equivalent was obtained. With the power of raising and lowering tariffs, due notice had to be given to Congress by the President so that the domestic interests of the people might have their say. Before negotiations for the raising or lowering of tariffs went into effect the Department of State was required to publish a list of the proposals and present this list along with their hearings to the Committee for Reciprocity Information. The Committee then prepared a digest of their findings for use of the Trade Agreements Committee. The Trade Agreements Committee then made recommendations to the President regarding what should be done in the final draft of specific trade agreements. Following this the President authorized the Department of State to negotiate specific agreements. Then a Presidential proclamation placed the new duties in effect.

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11 Ibid.

All agreements under the Act were to be effective for three years or until one party terminated the contract by giving a six months notice. The Presidential power of July, 1945, is significant in that it permitted a fifty percent reduction on the tariff rates of January 1, 1945 rather than the 1930 tariff. As a consequence to the tariff reductions under the Reciprocal Trade Agreements Act the average tariff rate on dutiable goods imported into the United States had dropped from 46.7 percent in 1934 to 12.5 percent in 1951. The average rate on all imports, dutiable and free, fell from 18.4 percent to 5.6 percent.¹³

The International Trade Organization

Following World War II at the end of 1947, world trade was so badly unbalanced that it was apparent the United States must seek a fundamental solution to this problem for her own interests. For years the relationship between the United States, a growing industrial giant, and other countries had been changing. We created a vast surplus of exports which made it impossible for other countries to pay for their imports to us.

The difference between our surplus exports and imports had been paid by foreign investment abroad, loans to foreign countries, foreign travel, and assistance to foreign countries.¹⁴ After the war it was this assistance which permitted trade with other countries. Aid to foreign countries was essential for foreign recovery but the American taxpayer could not carry this burden indefinitely. There were two courses of action the United States could follow. Either reduce our exports or increase imports.

To reduce our exports would be harmful to everyone. It would deprive Europe and Asia of products needed for recovery from war, and would hurt American industry in employment. On the other hand if we increased our

¹³Pratt, p.573.

imports, it would be harmful to American industry because the restrictions would be on goods directly competing with American industry.

As a solution, students of economics throughout the world realized that world prosperity could be raised and kept at a high level only on the basis of fullest and freest exchange of goods and services. There was one factor limiting the reduction of tariffs. It was not possible to completely remove trade barriers in the world because the needs of national defense demanded that we maintain industries that are necessary for war even though we can not operate these industries as efficiently as other nations.15

At the first meeting of the United Nations Economic and Social Council on February 18, 1946, the United States proposed plans to formulate an International Conference on Trade and Employment. The purpose of this conference was to promote and expand world production and trade. A committee was appointed to propose a draft of an International Trade Organization Charter. This later became the International Trade Organization through which nations could cooperate to reduce trade barriers and settle trade disputes.16 The first conference was held in London in the autumn of 1946. Discussions were resumed at Geneva in the summer of 1947 and finally ended in Havana in 1948. There were fifty-six nations that participated in the conference and fifty-three of these signed the final act of the conference on March 24, 1948. Thus the Charter for the International Trade Organization was adopted.17

The general features of the Charter cover a full seventy-seven pages of fine print. The first principal topic has to do with tariffs and preferences. The Charter establishes an attitude of reductions of trade

15Ibid. p.76.
16Condliffe, p.79.
17Ellsworth, p.872.
barriers. All nations joining the International Trade Organization must carry out negotiations to make reductions in tariffs and to eliminate preferences when approached by other nations. 18

Under the topic of commodities and agreements, the Charter condemns price fixing and the restriction of output of manufactured goods. For full employment the Charter gives precedence to domestic stability over freedom of trade. The reason for domestic stability over freedom of trade is because it would be impossible to create free multilateral trade without a stable economy of the nations doing the trading.

There are many disputes as to the merits and defects of the International Trade Organization. The primary arguments are that the organization is either too idealistic in the sense that it tends to expand world trade by attacking the trade barriers of countries that are strongly nationalistic. It is realistic in the sense that there are a great many exceptions to the Charter which are limited and well-defined. It is because of these exceptions that the idealistic view can be overcome and the International Trade Organization can become a practical instrument for the expansion of world trade. 19

General Agreements on Tariffs and Trade

During the closing week of the Conference on the International Trade Organization in Havana, the United States set up a program for immediate reduction on tariffs and other trade barriers under a Trade Agreements Act. As a result a meeting was arranged in Geneva during the months of August and September of 1948. There were twenty-three participating nations at the Geneva Conference. These nations drew up the General

\[18 \text{ Ibid. p.874} \]
\[19 \text{ Ibid. p.874} \]
Agreements on Tariffs and Trade. This was a multilateral trade agreement program which made schedules on tariff concessions.\textsuperscript{20}

The bargaining for tariff reductions proceeds on a product by product basis between pairs of countries. Each pair of countries confined its attention to products of which each party was the others principal supplier. The products agreed upon for reduction between the pairs of countries were then extended to all members of the negotiating group. In all, there were one hundred twenty three sets of negotiations covering almost 50,000 items. This resulted in a single General Agreement on Tariffs and Trade by the twenty three participating countries.\textsuperscript{21}

The first part of the General Agreement on tariffs and trade was the establishment of the most favored nation treatment. This treatment gave to each contracting party, not a favored position, but as good a treatment as is granted to any other country.\textsuperscript{22}

In regard to tariffs it means that there should be no higher duties on one country than there are on any other negotiating country.

The second fact of the agreement held that the contracting parties should undertake and observe the principals of the International Trade Organization, this part designed to provide a constitution for world trade which would strive for international peace and a balanced expanded world economy.\textsuperscript{23}

Since the Reciprocal Trade Agreements of the 1930s, to the present day the United States has been evolving a policy of free world trade. This is a complete reversal of the isolationist policy held by the United States up to the 1930s. Before this time the United States would allow

\textsuperscript{20}Condliffe, p.80.

\textsuperscript{21}Ellsworth, p.869.

\textsuperscript{22}Ibid. p.652.

\textsuperscript{23}Condliffe, p.80.
only exports on goods of which there was a surplus. A protectionist attitude of American industries was held as far as the import question was concerned.

The General Agreements on Tariffs and Trade is another step in the direction toward free world trade. The countries making up this organization constitute over eighty percent of international trade. Thus far there have been no major conflicts on agreements between the countries. But several countries, including the United States, have yet to give up several import restrictions in favor of protection of home industries. Unless full cooperation is given by all countries, for free world trade, there can be no international economic development and the expansion of western unity is endangered in the cause for world peace.

The key answer to these massive problems that Europe faced seemed to be unification or integration. At a time when nationalism dominated much of the world, six European nations surrendered certain aspects of their sovereignty to combine their efforts to form a United Europe. The dream of a United Europe is not a new one. The establishment of the German Confederation in 1814, Great Britain's repeal of the corn laws in 1846, the British-French Treaty of 1860, the establishment of the British Imperial Preference System in 1932, the creation of the International Monetary Fund and the International Bank for Reconstruction and Development in 1945, and the signing of the General Agreements on Tariffs and Trade in 1947, all had tendencies toward the development of a United Europe.


A more recent development that had led up to a united Europe was the generous assistance given by the United States to war-devastated countries. Then Secretary of State Marshall announced the United States' willingness to aid the economies of Europe in recovery efforts, he insisted that the initiative must rest with Europe in that the nations of Europe must together agree on the requirements for the aid.

CHAPTER II

THE EUROPEAN ECONOMIC COMMUNITY

The European Coal and Steel Community

Following the second World War the economic problems of Europe were staggering. Cities and industrial plants had to be rebuilt. Europe's political future was disturbing. The future of Germany, defeated in two wars, presented a problem. The prospect that the nations of western Europe would be held to a minor role, because of the dominance in the world by two great powers, the United States and Russia, in world politics was discouraging to the people of Europe.

The key answer to these massive problems that Europe faced seemed to be unification or integration. At a time when nationalism dominated much of the world, six European nations surrendered certain aspects of their sovereignty to combine their efforts to form a united Europe.1 The dream of a united Europe is not a new one. The establishment of the German Zollverein in 1834, Great Britain's repeal of the corn laws in 1846, the British-French treaty of 1860, the establishment of the British Imperial Preference System in 1932, the creation of the International Monetary Fund and the International Bank for Reconstruction and Development in 1945, and the signing of the General Agreements on Tariffs and Trades in 1947, all had tendencies toward the development of a United Europe.2


A more recent development that had led up to a united Europe was the generous assistance given by the United States to war beaten countries. When Secretary of State Marshall announced the United States' willingness to aid the economies of Europe in their recovery efforts, he insisted that the initiative must rest with Europe in that the nations of Europe must together agree on the requirements for the aid.

The establishment of a seventeen nation Organization for European Economic Cooperation followed in 1947. After this in 1948 further support of the idea for economic integration was provided when the governments of Belgium, the Netherlands, and Luxembourg cooperating under wartime agreements of their governments entered into a customs union. In mid-1948, when the struggle between the Soviet Union and western Europe deepened, negotiations for the establishment of the North Atlantic Treaty Organization were set up. The North Atlantic Treaty Organization was a supranational defense organization which the United States and Canada joined with western European nations in military commitments surpassing the usual bonds of defense alliance.

On May 4, 1950, a major barrier toward the path for the establishment of a common market for Europe was broken when Robert Schuman, then foreign minister of France, made public a proposal of his government to pool the resources of the French and German coal and steel industries and place them under a common authority in an organization open to other countries.

Schuman pointed out that the coal and steel pool would immediately provide a common basis for economic development. It would make a war between these countries not only unthinkable, but materially impossible.

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3 Vital Issues, p.3.

Under this new agreement the French and German production of coal and steel would be placed under a common high authority. Britain declined to participate in this plan on the grounds that she would be obligated to surrender too much of her national sovereignty. Schuman's proposal, however, met with enthusiastic response from five other European countries; Germany, Italy, Belgium, the Netherlands and Luxembourg. Following more than two years of negotiations, the treaty was prepared and ratified on August of 1952. The European Coal and Steel Community, "ECSC", thus came into being.

The purpose of the coal and steel community is to create world peace while maintaining a common basis for economic development. Moreover, its founders hoped to raise the standard of living and eventually create an economic community for all nations of Europe. To implement this program a complex structure of institutions was set up consisting of a High Authority, a Council of Ministers, a Common Assembly, and a Court of Justice.

The High Authority is a nine member executive body with overall responsibilities for the community. Eight of the nine members are elected by the Council of Ministers and the ninth by the other eight requiring a majority. The membership of the High Authority is appointed by the governments of the six nations, but once selected they are expected to act not as a representative of their member governments but rather as officials of a supranational organization.  

The High Authority possesses powers to finance the operation of the community through taxes derived on coal and steel enterprises, and the power to levy fines when treaty provisions are violated. It also has the right to inspect the books of all the firms of which the community is composed.

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5 Vital Issues, p.2.
6 Ibid.
A Consultative Committee was set up to advise the High Authority in its work. It is composed of representatives of the coal and steel producers, its workers, and users. The High Authority is given power to levy a charge on the production of coal and steel within the community, to borrow money and to make loans. The High Authority, along with the Council of Ministers, has the power to limit output in the time of surplus and to allocate supplies in the time of shortage.7

The Council of Ministers is made up of members of the cabinets of the six nations. Its purpose is to secure a maximum amount of cooperation between the High Authority and representatives of the governments. The Council gives consent to the more important decisions of the High Authority.

The Common Assembly is composed of seventy-eight members, who are delegates from the six participating countries. The Assembly meets annually to examine and debate the annual report of the High Authority. The Assembly promotes the High Authority by discussing issues with the High Authority before the High Authority acts on them. The emphasis on the Assembly is on greater integration and strengthening of the community. This provides the support the High Authority wants and puts pressure on it to act within a reasonable amount of time.8

The Court of Justice has the purpose of insuring the rule of law in the interpretation and application of the treaty. The Court has the power to annul the decision of the High Authority when it deems such decision is contrary to the laws of the Community. The Court is made up of seven judges appointed for terms of six years. It has jurisdiction of appeal for the member states and can challenge the decision of the High Authority on

7Diebold, p.80.
8Ibid, p.603.
such things as violation of the treaty.9

The general rule was that there would be free trade of coal and steel among the countries of the Community. The only difference in price would vary with the cost of transportation. Wages in Belgium were higher than in France and Germany. To offset this wage differentiation, increases were given to the workers in France and Germany. The cost of production in Belgium was also higher, so France and Germany were taxed a certain amount per ton of coal and steel. These taxes were dropped over a five year period.

Both price discrimination and discrimination against the nationality of workers is forbidden. The High Authority judges as to whether the prices are fair and just and it can set maximum and minimum prices as it sees fit. There is no discrimination within the Community.

Among the many advantages of the European Coal and Steel Community is that it has created a single market for coal and steel. The Schuman Plan has made the use of transportation between the countries more effective. France had to import over one-half of its coal and Germany over one-half of its ore to make steel. Because each country had a surplus of what the other country needed, the lower cost of shipping these materials offered a solution to the problem posed by each country. The productions were raised from 40,000,000 metric tons in 1953 to 73.4 million tons in 1962. The Community has helped to reorganize the coal industry and has brought about greatly increased trade in both coal and steel by aiding in investments totalling more than 311,000,000 dollars.10

The European coal and steel Community has changed the conditions of Europe simply by existing. There are obstacles which the Community has overcome and many which it will face. Although it is a new practice of

10The European Economic Community At A Glance, (Brussels: European
an old idea, the transitional period of the Community has proven that it does have the ability to continue to exist.

Euratom: The European Atomic Energy Community

On March 25, 1956, the six nations that signed the treaty setting up the European Coal and Steel Community, signed treaties at Rome establishing the European Economic Community, "The Common Market", and the European Atomic Energy Community. The purpose of the Common Market is to effect rapid industrial growth and economic strength. Euratom is an effort to guide the Community forward into the atomic age. Euratom is composed of 16 members representing all sides of the Community's economic and social life; the secretariat of this Committee specializes in nuclear problems and acts as a consultative body for the Commission and the Council. Euratom had barriers to overcome as did the Coal and Steel Community and the Common Market. Rather than combining together six existing industries, Euratom had to develop a new atomic industry for the United Europe of the future. Euratom is composed of a Commission which has control over a supply agency, a Scientific and Technical Committee and a Joint Nuclear Research Committee.

The Commission is the executive body of Euratom. It consists of five

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11 Euratom, the European Atomic Energy Community (Brussels: European Press and Information Service), p.6.

12 Ibid., p.5.
members independent of national governments and sectional interests. The Commission has close links with the executives of the Coal and Steel Community and the Common Market.\(^{13}\)

The Commission's work is aided by the Scientific and Technical Committee composed of twenty experts in the field of science. These experts advise the Commission on scientific and technical problems.\(^{14}\)

An Economic and Social Committee serves both the Common Market and Euratom. It is composed of 101 members representing all sides of the Communities' economic and social life. One section of this Committee specializes in nuclear problems and acts as a consultative body for the Commission and the Council.\(^{15}\)

The task of Euratom is not to build nuclear power stations. This is the job of private or public organizations. Euratom's role is to encourage and open broad new prospects presented at the decision. It was found that the fearful foresee predicted for the Coal and Steel Community had not reflected adverse trends in scientific and technical developments. Euratom has set aside over $200,000,000 for research and nuclear energy for which it has already signed over one hundred and fifty research contracts; it has embarked on a joint power and research program with the United States; it has established a documentation center to pool information and has set up a joint nuclear insurance project, and it has helped to design three of Europe's first nuclear ship reactors.\(^{16}\)

\(^{13}\)Ibid., p.10

\(^{14}\)Ibid., p.11

\(^{15}\)Ibid.,

\(^{16}\)The European Economic Community At a Glance, p.3.
Power production in the countries of Europe is not of immediate priority. Euratom is in the process of building for the future needs of the community. It is the spearhead of the nuclear revolution in the community. Countries which a few years ago were in the process of war with one another now are cooperating to pool their resources and to exploit a peaceful development of nuclear energy.

European Economic Community

At a meeting at Messina, Italy on June 1, 1955, the foreign ministers of the six nations of the European Coal and Steel Community set up negotiations to change the European unity idea to a merger of the national economies as a whole. The experience of the Coal and Steel Community helped to develop the idea of a planned European union and was instrumental in opening broad new prospects presented at the Messina decisions. It was found that the fearful disasters predicted for the Coal and Steel Community failed to materialize. On the contrary, the pooling of coal and steel resources had met with resounding success in economic expansion and modernization of the productive methods.

From the meeting at Messina it was agreed that it was necessary to work for a United Europe by the development of common institutions, the progressive fusion of national economics, and the creation of a common market and the progressive harmonization of social policies. It was held that a Common Market was indispensable if Europe was to maintain her position in world affairs, regain her influence and prestige, and achieve a continuing increase in the standard of living of her population.


The six nations decided to open negotiations with the view of setting up a Common Market. A treaty negotiations committee opened in Brussels on June 26, 1956 and lasted throughout the year. Among the most difficult problems which arose during the negotiations were those dealing with agriculture and the association of overseas countries and territories linked with Community countries.\textsuperscript{19}

On March 25, 1957 the six foreign nations held a meeting at Rome. There treaties establishing the European Economic Community were signed. Before the year ended the treaties were ratified by all of the six member countries by greater majorities than those establishing the Coal and Steel Community. The Common Market and Euratom treaties were to go into effect on July 1, 1958.

Several points were brought out in the treaty establishing the European Economic Community. Among the most important of these found in the preamble are:

- Determine to establish the foundation of an ever closer union among the European peoples,
- Resolve to insure by joint action the economic and social progress of their countries through an elimination of barriers which divide Europe,
- Fixing as the essential aims of their efforts, the constant improvement of living and working conditions of their peoples,
- Desirous of contributing by means of a common commercial policy to the progressive evolution of inter-nation trade,
- Resolved to strengthen the safeguards and freedom by combining their resources in a single unit and calling upon other peoples of Europe who share their ideal and join in the efforts,
- The decision to create an European Economic Community.\textsuperscript{21}

\textsuperscript{19} The European Community 1950-1960, p.11.

\textsuperscript{20} Ibid., p.12.

\textsuperscript{21} Political Unity in Europe, p.11.
There are two features of primary importance that came out of the treaty. The first was that within a period of twelve to fifteen years all formal barriers to trade among the member nations were to be removed. At the end of the transitional period almost all products were to move freely among the six nations, without regard for national frontiers.

The second part of importance is a common external tariff to be gradually introduced. The treaty brought out that tariffs applied to goods being imported to the six countries from outside the Community would eventually be the same for all the countries of the Community.²²

Included in the treaty is the free movement of labor, capital, and services throughout the territory of the six nations. Common rules to insure fair competition and to work out and develop common policies for agriculture, transport, and external trade were also included.²³

The executive functions of the Common Market closely resemble those of the Coal and Steel Community. The Common Market has a Commission, a Council of Ministers, a Parliament and a Court of Justice.

The Commission is composed of nine members independent of their governments. It has the task of setting up the machinery of the Community and insuring that its rules are observed. The Commission formulates common policies which it proposes to the Council of Ministers. The European Investment Bank, the Monetary Committee, the European Social Fund and Overseas Development Fund function under the supervision of the Commission.²⁴

The Council of Ministers is made up of one representative of each European nation. It is like a confederation of states working together. It insures coordination of national policies and the general policy of the

²³Ibid.
²⁴Ibid.
Community. It makes the final decision, but only on proposals from the Commission and the latter's proposals can only be modified by a unanimous vote.\textsuperscript{25} Unless the proposals of the Commission are to be modified, the Council's decisions are taken by majority vote thus avoiding a national veto.

The European Parliament is composed of 142 members nominated from the six national parliaments. The Parliament's control extends not only to the Common Market, but also to Euratom and the Coal and Steel Community. It replaces the Common Assembly of the latter. The Commission reports annually to the Parliament which can remove members of the Commission from office by a vote of censure passed by a two-thirds majority.\textsuperscript{26}

The Parliament is consulted before specific decisions are taken and it has the power to examine Euratom's budget very closely.

The Court of Justice exercises judicial control for all three Community institutions. It is the Court of the Coal and Steel Community reorganized to take in the two new communities. The Court of Justice has seven justices who sit in Luxembourg. They have the sole power to uphold or to annul decisions of the Commission. The judgments of the Court of Justice are binding on all parties, including individuals, firms, national governments, and the executives themselves.\textsuperscript{27}

There are still several problems facing the Community. Many of these are being worked out daily, but others will require years before they will be overcome.

One factor deals with raising the standards of the underdeveloped countries of the Community. There is a tendency for investment to develop in the wealthier sections of the Community, thus making the rich, richer
and the poor, poorer. The main reason for this is that there is already economic development in the better sectors of the Community and this tends to attract more investment. To overcome this difficulty there is currently a proposal to start investment in the underdeveloped sections. To help the underdeveloped nations the European Investment Bank was established with a capital of $1,000,000,000.

Probably, the biggest single problem facing the Community lies in the field of agriculture. The task of creating a common market for agricultural projects can not be overlooked. Ways are being sought for increased agricultural efficiency. This main stumbling block was overcome for the six members of the Community by an agricultural policy which was adopted by common agreement on January 14, 1962 by the Commission. This new policy in effect creates a Federal European Ministry of Agriculture replacing the separate agriculture policies of the separate member states. Under this agreement import controls on grains, pork, eggs, and other foods were abolished. In their place a temporary system of variable levies were set up to equalize prices in the different countries. It is hoped that this agricultural policy will bring about increase in agricultural production.

The progress of the European Economic Community has been excellent. The major advancements in the four years of existence are found in the fields of industry and agriculture.

The Common Market has cut internal tariffs by over forty percent. It has made moves toward a common external tariff. Anti-trust regulations have been drawn up along with rules against national discrimination in transportation and the free movement of labor and capital.

The Common Market has set up a program for the free right of establishment throughout the Community along with equal pay for equal jobs of both men and women. A Community-wide system of social security has been established for workers who take jobs in other countries of the Community and a European Social Fund for Labor Conservations has been established.

On July 31, 1958, Prime Minister MacMillan announced to the House of Commons that England had decided to apply for membership in the European Economic Community. England had accepted the full conditions laid down in the Treaty of Rome. Despite Britain's willingness to accept the same in the Treaty of Rome, she had reason England has not yet entered the Community.

The Community has allocated over $300,000,000 for development grants to overseas countries, mainly in Africa, and has loaned more than $120,000,000 for investment projects within the Community. The Common Market has greatly increased trade both within the Community and with countries outside the Community. It has signed an association agreement with Greece and has begun negotiations with Denmark, Ireland, and the United Kingdom. These countries have all applied for membership with the Community.°

It is doubtful that the creation of the Common Market could have taken place without pressure from two outside nations, United States and Russia.°

The United States helped the development of the Common Market by encouragement, while Russia spread its development by a threatening attitude creating a fear of Communism.°

It was not until after World War II that the United States concluded that Soviet threat was of such magnitude that a unified western Europe was not only in the interests of the Europeans, but also of the basic interests of the United States. Together western Europe and the United States have the military and economic power necessary to deal with the Soviet menace.

The next few years of the European Economic Community are ones of great importance. It is because of our ideals of freedom and democracy that the United States must continue to encourage the advancement of the Common

° The European Economic Community At A Glance, p.2.

°° Ibid.,.
Market. There must be a combined effort on the part of the United States and the Common Market for the purpose of promoting world peace and the common welfare of all freedom-loving nations.

England and the Common Market

On July 31, 1961, Prime Minister MacMillan announced to the House of Commons that England had decided to apply for membership in the European Economic Community. England had accepted the full conditions laid down in the Treaty of Rome. Despite Britain's willingness to accept the laws governing the Common Market, it is clear that there will be difficulty in accommodating certain British interests with other nations, particularly France, to make Britain acceptable on both sides.

At the present time, the main reason England has not yet entered the Common Market is because of French Premier Charles deGaulle. In mid-January of 1963, deGaulle threw Common Market negotiations into confusion by blackballing Britain's bid for membership. This blow came at a time when Britain, and the six Common Market nations, were finally agreeing that there could be a way to make Britain a full member.

In an address to over nine hundred newspapermen deGaulle made his feelings clear by saying that Britain should be kept out of the Common Market because she had refused to participate in the Community when it was proposed and, since then, London had even tried to destroy the Common Market by setting up a rival organization, the European Free Trade

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deGaulle's real fear, however, is that England's sole purpose in joining the Common Market is to protect the United States' trading interests in Europe. The other five nations, however, are hoping, and trying, to persuade deGaulle to reconsider his decision. A few of the leaders of the nations are fearful that deGaulle is trying to make the European Economic Community the most powerful force in the world with France as its dictator.

One source that may be used to keep Britain's hopes alive for entry into the Common Market is a nearly inactive European Union that may be revived for this task. This group is the Western European Union established in 1954 by Britain and the six nations that make up the Common Market. This Union was formed to promote economic, social and cultural collaborations among the seven nations.

Italian Premier Fanfani has suggested that the organization serve as a friendship forum for broad government consultations concerning Europe's future.

Although France insists that Britain isn't yet qualified to join the European Economic Community, the other five nations, plus Britain, still intend to press for full membership.

The shape and form of this collaboration could only be decided after a top level discussion and the Western European Union is considered a good forum for such talks. This Union seems to be made for just such a purpose. Its' Council is composed of foreign ministers who meet three times a year.

33 Ibid.
35 Ibid.
At these meetings the Council debates social matters and the status of European defense. Although there is a possibility that France may refuse to cooperate with the group this would not have to prohibit the other members from carrying on their discussions, and trying to persuade France, and deGaulle, to reconsider its decision concerning Britain's entry.

It is important for the trade policy of the United States that Britain does eventually join the Common Market. Under the United States' new Trade Expansion Act, the President can abolish tariffs entirely only on products where the United States and the Common Market account for 80% of the world trade between them. With Britain in the Common Market there would be fifteen such trade areas having a wide variety of products. With Britain out there would be only two trade areas in the Common Market to negotiate on for full tariff reductions.

36 Ibid.
CHAPTER III

THE ROLE OF THE UNITED STATES IN THE COMMON MARKET

Legislative Background

European unity has long been supported by the United States. A united Europe would be a stronger Europe and thus, a more powerful ally of the United States in world affairs. A stronger Europe economy would be advantageous to the United States by supporting a larger share of the burden for common defense and in giving assistance to the underdeveloped nations of the world. Also, Europe would become a more extensive market for American exports.

In order to meet the challenge and opportunities of the rapidly changing Common Market, President Kennedy presented a message to the 87th Congress of the United States on January 25, 1962, concerning the Reciprocal Trade Agreements. The President pointed out that on June 30, 1962, the negotiating authority under the last extension of the Trade Agreements Act would expire and the 1932 Act must be replaced by a wholly new instrument. President Kennedy showed that since this Act was last extended, five fundamentally new and sweeping developments have made our traditional trade policy obsolete; the goals of the European Common Market, an economy which may soon nearly equal our own, protected by a single external tariff similar to our own; the growing pressures on our balance of payments...
position to prevent a steady drain on our gold reserves; the need to accelerate our own economic growth following a lagging period of seven years characterized by three recessions; the Communist aid and trade offensive has become apparent in recent years; and the need for new markets for Japan and other developing nations; all show the importance of a new and modern instrument of trade negotiations.¹

To meet the new challenges the President laid before Congress the Trade Agreements Act of 1962.

The provisions of the bill requested by the President consist of two basic kinds of negotiating authority.² First, there is a general authority for the President to reduce the existing tariffs by fifty percent in reciprocal negotiations. There includes a variety of techniques in exercising this authority. The second provision of the bill calls for a special authority to be used in negotiating with the Common Market to reduce or eliminate all tariffs on those groups of products where the United States and the Common Market together account for eighty percent, or more, of world trade in a representative period. This special authority would enable the President to negotiate for a valuable agreement with the Common Market to pool economic strength in the advancement for freedom.³

The President showed that to be effective in achieving a breakthrough agreement with the Common Market both negotiating authorities must be used in combination. The reductions on tariffs would be put into effect gradually over a period of five years, or more. The traditional technique of making one reduction on one item at a time would not suffice to assure


²Ibid.

³Ibid.
American firms the kind of access to the European market, which they must have if trading between the two markets is to be expanded. Reductions must be made instead on whole groups of items at a time in exchange for other groups. The Europeans have been doing this in reducing their internal tariffs and permitting the forces of competition to set new trade patterns. The Common Market has found that trading on an enlarged basis is not possible if traditional item by item economic histories are to dominate.4

In his message to Congress, President Kennedy brought out that the interest of our other trading partners would be safeguarded by preserving our traditional most favored nation principle. Under this principle any tariff concession negotiated with one country would be generalized to all other trading partners of the United States. Another safeguard for the domestic interest requested by the President would be a trade adjustment assistance for farmers, firms, and workers who suffer from increased foreign import competition. In giving assistance on the domestic level, however, President Kennedy made his point clear, this would not be a subsidy program of the United States Government, but instead, a program to afford time for American initiative, adaptability, and resiliency to assist themselves. The President further made it clear that the Trade Expansion Act of 1962 is to strengthen the efficiency of our economy, not to protect the inefficiencies.5

While the Trade Expansion Act was still in Congress, President Kennedy made several trips throughout the nation campaigning for the new bill. One such trip was an Address on May 14, 1962, at the dockside terminal New Orleans, Louisiana.

4Ibid., p.10.
5Ibid., p.12.
In this Address the President showed that the United States sells more abroad than any other nation in the world. We also buy more goods from abroad than all other nations. We gain both from buying and selling. In 1961 in New Orleans alone over $2,000,000,000 of goods passed through their harbor. Trade has built New Orleans, and it is trade that will sustain this city and develop it. In this Address the President also brought out that expansion of trade would develop an increase in employment in the gulf industries of the United States. President Kennedy further pointed out that in the Common Market, where tariffs are cut, increased trade results in increased employment. He showed that in the Common Market there is almost full employment and an economic growth rate twice that of the United States.

On June 4, 1962, the Trade Expansion Act presented by President Kennedy to Congress was reported by the Ways and Means Committee of the House of Representatives and was modified as House Resolution 11970. The following description of the principal features of H.R. 11970 is taken from the report by the House Committee on Ways and Means.

Section 201(a), dealing with authority to enter into trade agreements, was left unchanged. This gives the President authority to enter into trade agreements from July 1, 1962 through June 30, 1967. Authority to modify import restrictions, Section 201(b), was also left unchanged and this gives the President authority to reduce duties by fifty percent of the July 1, 1934 level.

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7 Ibid., pp.6-9.

Under Section 211, dealing with provision concerning the European Economic Community, the President is authorized to reduce by more than fifty percent duties within the categories when he has determined that the United States and countries composing the European Economic Community account for more than eighty percent of the free world trade. Section 211 was modified by the Senate in September of 1962 to read "the Free European Trading Community" rather than "the European Economic Community". Except for a few minor modifications, the wording of the Trade Expansion Act of 1962 maintained its original content as proposed by President Kennedy. The bill which is entitled; (An act to promote the general welfare, foreign policy, and security of the United States through international trade agreements and through adjustment assistance to domestic industry, agriculture, and labor, and for other purposes,) was passed by the House of Representatives on June 28, 1962, and by the Senate on September 19, 1962. Provisions relating to Trade Agreements are found from sections 241 to 252. Under Section 241 the President is to appoint a Special Representative for Trade Negotiations who is the chief representative of the United States at any negotiation conference. Section 242 deals with the establishment of an Intra-Agency Trade Organization that is to advise the President on any trade adjustment matters. Section 251 deals with the most favored nation principle and provides for any import restrictions proclaimed under the bill to be extended to all countries with the exception of Communist countries.

Provisions for Post Agreement Safeguards Adjustment Assistance are found from Sections 301 to 351.

10Ibid.
11Ibid., pp.17-23.
Under Petitions for Assistance, Section 301, any firm, group of workers, or industry seeking tariff adjustments may petition the Capital Tariff Commission. The Tariff Commission then must investigate to determine whether concessions granted on articles being imported into the United States cause serious injury to the domestic industry concerned. Following the report of the Tariff Commission the President is authorized to adjust the tariff to a level not in excess of fifty percent above the July 1, 1934 rate of duty. The President may also permit the workers and firms within the industry to apply for adjustment assistance under Section 351.

Section 256 defines the terms of the bill. The concept we are concerned with is the definition of the term (Free European Trading Community). As made clear under this Section, the Free European Trading Community means the European Economic Community and any country designated by the President which is a member of the Free European Trading Association. Thus the act not only provides for a more than fifty percent reduction on duties to the countries of the Common Market, but also to England and other members of the European Free Trade Association.

The passing of the Trade Agreements Act of 1962 was a great victory, not only for the Kennedy Administration, but for the entire free world. With the decision made by Congress a new chapter in the alliance of free nations was made. The two Atlantic Markets now have an opportunity to expand together. The range of economic choice is opened for the benefit of free men everywhere.

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Reactions of the United States in the Common Market

Until the European Economic Community began to crystallize into a reality, the United States might have been looked upon as the leader of the advanced industrial nations of the world. Within the next decade or two this picture might change dramatically. If the Common Market becomes enlarged with the entrance of England and other European countries it will match the international economic goal of the United States and in some fields exceed it. The structure of the industrialized world, excluding Russia, will be dominated by two giants. This brings us to the final and most important topic: how the Common Market affects the United States.

Exports from the Common Market to the United States increased by fifty percent from 1958 to 1960. Imports to the Common Market from the United States grew faster in 1961 than did any imports from any other trading area. The rapid economic growth in Europe is primarily responsible for the increase in trade from both sides of the Atlantic. From this there is an indication that increasing European prosperity tends to increase the demand for imports from the United States.

Because of the advancement of the European Economic Community, the people of these countries are apt to desire more and more American consumer goods and thus create more exports from the United States to the Community. However, these exports may become smaller rather than larger due to the American firms producing many of the mass market consumer goods in Europe rather than exporting the goods to Europe. American companies have rushed to establish subsidiaries in Europe during the last four years at an astounding rate.

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In 1962 American investment abroad by business rose to a record $881,000,000. United States owned plants in Western Europe in 1962 produced $12,000,000,000 worth of goods. This is three times the value of the United States exports of manufactured goods to Europe.\textsuperscript{15} From the point of view of the United States national policy there is a question of exports to the Common Market versus investments in that area. This appears because of the domestic economic effects and in shorter term impacts on the United States balance of payments. The companies investing in Europe are exporting American jobs and these exports and capital outflow tend to augment the balance of payments deficit.\textsuperscript{16}

In some cases the unemployment rate due to American investment abroad rises. In other cases, however, investment abroad stimulates the shipment of U.S. capital goods, intermediate goods for processing, and finished goods to supplement product lines fabricated in Europe. The growth of U.S. investments of capital to the Common Market also stimulates growth to the European income. Because of the high propensity to import U.S. goods with the growth of income, the increase of Common Market income yields further expansion of U.S. exports.\textsuperscript{17}

The long-range view of private investment in the Common Market creates the possibility of increased investment to the United States from the Common Market. This would represent a form of economic integration between the two enlarged communities. Over a period of time investment may become

\textsuperscript{15}\textit{Business in 1962"}, \textit{Time}, December 28, 1962, pp.54-55.

\textsuperscript{16}Bowie and Geiger, p.43.

\textsuperscript{17}\textit{Ibid.}\textit{Business in 1962"}, \textit{Time}. 
more significant than trade. Market arrangements between independent traders are more easily broken than are legal, financial, and managerial ties which exist among separate parts of the same corporate entity.  

The United States has much to gain from a tariff agreement with the Common Market at the present time. The reason for this is because the trade barriers of the United States are higher than those of the Common Market. If reductions are maintained of the same percentage on both sides, the United States barriers would still remain higher. The Common Market nations have shown a willingness to go more than halfway meeting the U.S. tariff reductions. In 1962 the tariffs were trimmed so that U.S. exports amount to 1.6 billion dollars to the Common Market while imports from the Common Market amounted to 1.2 billion dollars.  

Reactions generally in favor of the Trade Expansion Act of 1962 and for increasing world trade are held by several individuals and groups. 

Secretary of Labor, Goldberg, feels that the United States must continue to develop American exports to the Common Market. According to Goldberg the rising income of the workers of the Common Market stimulates rising demands for more and improved goods. Products of the United States help fill these new needs and demands of the Common Market. Mr. Goldberg holds that filling our own unmet needs will continue to be the primary source of economic growth in the United States as the American people consume about ninety five percent of the products of American industry. But, he feels that it is important that the United States make use of the vast new market opportunities that are emerging in the Common Market, for with an increase of $1,000,000,000 in American exports, about one hundred

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18"Business in 1962", Time
19Ibid.
22Ibid., p.33.
fifty thousand jobs are created.\textsuperscript{20} The Department of Commerce has also reacted favorably to the Trade Expansion Act of 1962. Secretary of Commerce, Luther H. Hodges, maintains that this act is designed to expand our own economy. He holds that American producers have demonstrated time and time again in the past that they can enter world markets and compete soundly. Because of the past history of the United States, consistently exporting more than it imports, Hodges feels that the export surplus is a direct testimony to our competitive ability abroad and that our exports can still be further expanded.\textsuperscript{21}

Because of the United States favorable balance of payments with the Common Market Secretary of Treasury, C. Douglas Dillon, holds a favorable position to increase trade with the Common Market through the Trade Expansion Act. The United States has a surplus of about 1.3 billion dollars annually in trading with the Common Market. The European countries have surpluses arising from transactions of trading with countries other than the United States which finance their deficits in merchandise trade with the United States. Mr. Dillon feels that if tariffs on exports and imports were reduced to a comparable extent by the U. S. and the Common Market, exports and imports would rise by the same percentage within these two communities. As a result the American trade surplus would become larger.\textsuperscript{22}

Reactions opposed to the Trade Expansion Act and increasing world trade are also expressed throughout the country.


\textsuperscript{22} \textit{Ibid.}, p. 33.
James M. Ashley, President of the Tariff Relations Council of the United States, feels that the Trade Expansion Act proposes a radical departure in our country's foreign trade policy. Ashley maintains that injury will occur to American industry as a result of increased tariff reductions. He holds that the proponents of the Act realize that domestic industry will be injured and for this reason the provision for Adjustment Assistance was put into the Act.23 Louis E. Lloyd, an economist from Midland, Michigan, is also opposed to the Trade Expansion Act. Lloyd feels that the advocates of the Act overlooked the fact that the free trade theory is based on the assumption that all economic relations between nations are on a truly free market basis. He maintains that when a theory is applied under conditions different than those which are assumed, the results will be quite different than the theory proposes.24

John S. Bartlett, of the Soft-Fibre Manufacturers Institute, feels that the Trade Expansion Act is creating socialism and destroying the free enterprise system of the United States. Bartlett holds that the Act will remove protection for American industry and then when injury occurs to an industry, the government steps in to salvage its remnants by measures which include counseling, technical assistance, and loans of public funds. Bartlett feels that economic systems which are operating freely and competitively are to be wrecked and then painfully rehabilitated by complicated governmental procedures. According to Bartlett, to do this is to substitute central planning for free enterprise and to adopt systems which this country has already repudiated.25

23 Ibid., p.42. 24 Ibid., p.43. 25 Ibid., p.50.
One of the most difficult problems in expanding trade with the Common Market lies in the field of agricultural products. Thus far, international action has been confined to trade aspects to search for a level of inter-country trade which best satisfies the minimum needs of the countries. On the one hand, the exporting countries dispose of surpluses and on the other hand, helps the importing countries to maintain politically and socially acceptable incomes for their own farming populations. 26

United States exports of agricultural goods to the Common Market are very large. It is estimated that farm exports to the Common Market range from 300 to 400 million dollars annually. Secretary of Agriculture, Freeman, feels that the United States is going to lose its market for farm exports in Europe. He stressed that important farm exports of the United States are being threatened by Common Market protective measures. The Secretary of Agriculture warned Common Market officials that the United States would retaliate if Common Market doors are not kept open for United States farm exports. In reply to Freeman's warning Common Market officials said that their countries had no intention of retreating from agreed upon agricultural policies, but that protection for farmers was a worldwide phenomenon, and they indicated that surplus disposal of the United States farm products was upsetting the patterns of world trade. 27

The chief items involved in United States farm exports are wheat, feed grain, rice and poultry. In the Common Market wheat crops are reaching a surplus stage. Poultry is increasing steadily, and the production of

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meat, dairy products and fats points upward. Officials of the Common Market must consider their own farm population and thus will accept its own producers before imports from the United States.  

Even the first steps toward a common agricultural policy touches off sensitive political nerves in all countries concerned. Issues which were thought of as domestic become matters for international concern. The United States and the countries of the Common Market must recognize that their political and economic interests demand international collaboration. Both parties must be prepared to operate within the framework which such a collaboration might impose. The initiative for such an effort can only come from the United States. The emergence of the Common Market is bringing a rearrangement of the world affairs in economics. If Britain enters the Common Market the population force of the European Economic Community would become greater than that of the United States and the Common Market would have the highest steel production in the world. Once Britain enters the Common Market full associate membership must be given to her partners in the European Free Trade Association. A number of the products, of which the President has authority to eliminate tariffs on, where the United States and the Free European Trading Community produce 80% of the world trade, is great. If Britain joins the Common Market, both the United States and the Common Market would be morally bound to form an open end partnership to help the underdeveloped nations of the world. This would mean that any concessions given to the United States by the Common Market would be given to all other nations of the free trading world. This would lead to free trade throughout the world in all countries that are not included in the Soviet Block.

28 Ibid., p.76.
Thus far the Common Market has not been a major threat to any country. We must take into consideration, however, that this is just the first stage of the Community when the countries are reducing their tariffs with one another. By 1970 the Community's internal trade will be wholly free and it will be protected by a solid tariff wall. This wall should not be unreasonably high, but the fact remains there will be a tariff for outsiders while countries within the Community will trade duty-free.

Because of the way the Common Market countries have been increasing their production, by 1970 they should be able to produce enough goods to cover their own needs and outside trade will become a marginal matter.

The Common Market leaders, however, are willing when it comes to trading with the United States. The approval of President Kennedy's Trade Expansion Act was welcomed by the Common Market. This may seem surprising because of the competition it may bring to the Community, but, on the other hand, if the tariffs are reduced to zero on everything that the President is authorized to make reductions on, there would be a very few tariffs left to negotiate and the two Atlantic Powers might be looked upon as partners.

The enlarged Common Market and the United States produce the major part of all manufactured goods. If the tariffs are eliminated between the two there would be an elimination of tariffs for the rest of the free trading world. There would then be no need for a Common Market external tariff that could prevent the rational development of the world's resources.
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