West a historic opportunity to build an Atlantic Partnership founded on close cooperation between two equal partners.

While congratulating Dr. Hallstein on successful first steps toward establishment of a common agricultural policy and recognizing a common approach to agriculture as essential in the construction of an integrated Europe, the President emphasized the importance of agricultural exports to the trade of the United States and other Free World countries, and repeated his expectation that the Community would take these factors into account. In this respect, the President referred to the special responsibility of the highly industrialized powers, such as the United States and the European Economic Community, to work for free and non-discriminatory access to their markets for the products of developing nations in Latin America, Africa and Asia.

Dr. Hallstein affirmed his sincere support for the President's trade program [1] and for its objectives of reducing barriers to trade, on a non-discriminatory basis, between the two great trading units of the United States and the European Economic Community. The President and Dr. Hallstein agreed that a program of this nature promises to add great strength and cohesion to the West. Dr. Hallstein expressed the view that the President's trade program offers the basis for fruitful negotiation, in a spirit of genuine reciprocity, between the United States and the European Economic Community.

[1] For text of the President's message to Congress, see BULLETIN of Feb. 12, 1962, p. 231; for a summary of the proposed legislation, see *ibid.*, Feb. 26, 1962, p. 343.

The European Economic Community and United States Trade Policy

by Joseph D. Coppock
Director, Foreign Economic Advisory Staff [1]

I welcome the opportunity to discuss with you this important subject of the European Economic Community and U.S. trade policy.

In thinking back over the history of international economic events, it is hard to recall anything which excited as much interest and attention as has the European Common Market. The establishment of the German *Zollverein* in 1834, Great Britain's repeal of the corn laws in 1846, the British-French treaty of 1860 establishing almost free trade, the acceptance of the gold standard by the principal trading countries in the 1870's, the suspension of gold payments by the British in 1931, the establishment of the British Imperial Preference System in 1932, the initiation of the Hull trade agreements program in 1934, the creation of the International Monetary Fund and the International Bank for Reconstruction and Development in 1945, the signing of the General Agreement on Tariffs and Trade in 1947—all of these notable events in the field of international trade and finance seem, at least at present, less important than the European Economic Community. Only an event of great importance would warrant the amount of ink that has been spilled and the amount of woodpulp that has been used in describing and analyzing it. It has titillated the political mind, the business mind, the financial mind, the academic mind, the military mind.

Let me refresh your minds on the basic facts. A treaty was signed at Rome on March 25, 1957, by representatives of France, Germany, Italy, the Netherlands, Belgium, and Luxembourg. It was ratified by their Governments in the course

[1] Address made before the Texas Group of the Investment Bankers Association of America at San Antonio, Tex., on Apr. 9 (press release 227 dated Apr. 6; as-delivered text).

Fourth, a persistent, patient effort should be made to find some basis of cooperation between neighboring Middle Eastern nations, however tentative or restrictive the areas of cooperation may be.

There is no magic dramatic formula for stability in the Middle East or anywhere else. In spite of our vast military and industrial power, our capacity to shape events there, as elsewhere, is no more than marginal. Yet a patient diplomacy, a firm willingness to stand against threats of aggression, a sensitive understanding of what motivates others, and the wise use of our resources in assisting economic development may provide the margin between chaos on the one hand and growing political and economic stability on the other.

One thing at least is certain: Only through the creation of just societies, whose citizens have genuine independence, individual dignity, and material welfare, can world peace with dignity be established. In this regard the future course of events in the Middle East remains uncertain. But it is not without hope.

U.S. Supports U.N. on Freedom of Exit for Mr. Tshombe

Following is the text of a Department statement released on April 18 indicating U.S. support for the stand taken by Acting U.N. Secretary-General U Thant in instructing Robert Gardiner, officer in charge of the U.N. Operation in the Congo, to take such steps as were necessary to assure the safe departure from Léopoldville on that day of Moise Tshombe, President of Katanga Province.

Press release 259 dated April 18

Misunderstandings arose between Mr. Tshombe and the Government of the Congo in connection with a recess in the talks between Prime Minister [Cyrille] Adoula and Mr. Tshombe in Léopoldville. Mr. Adoula left Léopoldville yesterday for a short trip upriver after arranging with Mr. Tshombe that the meetings would be resumed on Saturday. Mr. Tshombe then decided to return to Elisabethville. Mr. Tshombe's departure from Léopoldville was delayed by officers of the Congo Government. Under the assurances given by the U.N., Mr. Tshombe must have full freedom to depart from Léopoldville whenever he wishes, and the U.N. is taking steps to carry out its commitment. At the time Mr. Tshombe was given the U.N. assurances, the United States Government expressed its confidence in them. The United States Government continues fully to support the United Nations assurances and supports the instruction communicated today by the Secretary-General to Mr. Gardiner.

U.S. Economic Planning Team Visits British Guiana

Press release 255 dated April 16

A U.S. economic planning team will arrive in British Guiana on April 18 for a visit of approximately 4 to 6 weeks. The team will assist in bringing the most modern economic experience to bear upon the reappraisal of British Guiana's development program. The leader of the team will be Harry G. Hoffmann, a specialist in economic and social development problems and editor of the Charleston (West Virginia) *Gazette.* Alvin Mayne, chief economist of the Commonwealth of Puerto Rico, is deputy team leader. In addition to U.S. planning experts, technicians from the United Kingdom and international development organizations will be associated with the team. Dispatch of the team is responsive to the desires of all segments of British Guiana opinion.

President and Dr. Hallstein Review U.S.-EEC Relations

Following is the text of a joint communique released at Washington on April 12 at the close of a meeting between President Kennedy and Walter Hallstein, President of the Commission of the European Economic Community.

White House press release dated April 12

The President and Dr. Walter Hallstein, President of the Commission of the European Economic Community, have met at the White House today.

The President and Dr. Hallstein reviewed with satisfaction important developments of the past year, including the successful completion of the first stage of the Common Market. They agreed that the continuing evolution of a strong, closely knit European entity presents to statesmen of the of 1957 and went into effect on January 1, 1958. The treaty is of book length. It has 248 articles in the main body and several lengthy annexes. The purposes are expressed vividly in the preamble of the treaty, as follows:

Determined to establish the foundations of an ever closer union among the European peoples,

Decided to ensure the economic and social progress of their countries by common action in eliminating the barriers which divide Europe,

Directing their efforts to the essential purpose of constantly improving the living and working conditions of their peoples,

Recognizing that the removal of existing obstacles calls for concerted action in order to guarantee a steady expansion, a balanced trade and fair competition,

Anxious to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and by mitigating the backwardness of the less favoured,

Desirous of contributing by means of a common commercial policy to the progressive abolition of restrictions on international trade,

Intending to confirm the solidarity which binds Europe and overseas countries, and desiring, to ensure the development of their prosperity, in accordance with the principles of the Charter of the United Nations,

Resolved to strengthen the safeguards of peace and liberty by establishing this combination of resources, and calling upon the other peoples of Europe who share their ideal to join in their efforts,

Have decided to create a European Economic Community. . . .

What the EEC proposes to do to pursue these objectives has been concisely stated as follows:[2]

(1) To remove tariffs, quotas, and other barriers to trade within the Community by gradual stages;

(2) To create a uniform external tariff between the Community and the rest of the world, and to act as a unit in negotiating on external commercial policy with others;

(3) To abolish restrictions on the movement of services, labor, capital, and business enterprises within the Community;

(4) To allow colonies and associated territories of the Six (mainly in Africa) to link themselves to the Common Market, extending the benefits of the Common Market to their exports, while allowing them to maintain restraints on imports;

(5) To prohibit private cartels and other restraints on trade unless they foster the improving of production or distribution or technical and economic progress;

(6) To coordinate monetary and fiscal policies in order to promote balance of payments, high employment, and price stability in each member country;

(7) To establish a common agricultural policy within the Community;

(8) To create an Investment Bank for Europe and a Development Fund for Associated Overseas Territories to transfer capital to the less developed parts of the Community and to dependent or associated areas;

(9) To equalize wages for men and women and harmonize methods of computing overtime; to undertake to improve and harmonize living and working conditions within the Community;

(10) To create a Social Fund to finance retraining, resettling, or otherwise assisting workers harmed by liberalizing trade within the Common Market.

Organizational Arrangements of EEC

The organizational arrangements are sufficiently complex to warrant description. In order to do this I must remind you of two other organizations embracing the same membership: the European Coal and Steel Community, begun in 1952 under the popular name of the Schuman Plan, and the European Atomic Energy Community, begun in 1958 under the popular name of EURATOM. There is a Council of Ministers of the member countries, which serves all three communities. There is a Court of Justice, which also serves as legal adjudicator of the three treaties. There is a European Parliamentary Assembly, composed of members elected from and by the national legislatures of the member countries. Then, on the executive level, are the High Authority of the Coal and Steel Community, the Commission of the Atomic Energy Community, and the Commission of the European Economic Community.

The European Economic Community is expected to be in full effect by 1970.

The aspect of the EEC to which we Americans have paid most attention has been the customs union feature, which will eliminate all internal trade barriers and provide a common external trade policy, including a common tariff. As should be evident from the statement of purposes and the planned actions, the EEC involves much more than a customs union. It is a treaty, a plan, a constitution for the gradual but complete integration of the economies of the member countries. Of necessity, such integration calls for much political cooperation, perhaps even confederation or federation.

These are the bare bones of the European Economic Community. I should now like to deal

[2] Robert R. Bowie and Theodore Geiger, "The European Economic Community and the United States," Subcommittee on Foreign Economic Policy of the Joint Economic Committee, 87th Cong., 1st sess. (Joint Committee print).

with three major questions concerning it. First, what brought it about? Second, how is it doing? Third, how does it affect the United States?

Origins of EEC

First, its origins. It is tempting to review the efforts through modern European history to unify Europe, but I shall deal with events and circumstances only since 1945—and with only some of them. The end of World War II left Europe in a weakened condition, unable to defend itself against the aggressive push of the Russians without the military and economic assistance of the United States. The longrun alternative to poverty, internal bickering, and military weakness—if not Communist takeover—was some kind of cooperation. Western Europe responded to the initiative of the United States in establishing the Organization for European Economic Cooperation and in participating in the North Atlantic Treaty Organization. It was essential that some way be found to bring Western Germany into close and permanent association with other countries of Western Europe, particularly France. Men of great vision subordinated the long history of Franco-German rivalry to a vision of a cooperative or voluntarily unified Europe. Social invention of the first order was required, and many dedicated persons rose to the opportunities. The Schuman Plan for a Coal and Steel Community was the first really strong measure for welding these old enemies together as friends.

Despite these European efforts, it is doubtful if the steps toward European economic union could have progressed without the two strong external pressures—from the U.S.S.R. to the east and from the U.S.A. to the west. The U.S.S.R. maintained its threatening posture; the U.S.A. maintained its encouraging posture. Viewed historically, the Russian attitude is more readily understandable than our own. The Russians have had strong historical reasons to fear a strong, unified Western Europe. Napoleon, Wilhelm II, and Hitler are bitter reminders to them. Until quite recently Americans have felt insulated from the European power struggles. Only after World War II, after much debate and soul searching, did the United States conclude that the Soviet and Communist threat was of such a magnitude that a unified Western Europe was not only in the interest of the Europeans but also in our basic interest too. Together, Western Europe and North America would have a preponderance of military and economic power which could deal with the Soviet Communist menace. We have become convinced that the people of Western Europe share our ideals of freedom and democracy so deeply that there is no risk of a unified Europe throwing in its lot with the Russians against us. Therefore we want a strong ally, not a lot of weak or uncertain ones.

Signs of EEC Success

Now the second question: How is the European Economic Community doing? You know what the answer is. It is doing fine. But let me give you some numbers to support this statement. Between 1953 and 1960 the real gross national product of the EEC countries rose at a rate of 5.5 percent per year; the United States GNP grew at a rate of 2.5 percent. EEC exports increased from $14.1 billion in 1953 to $30 billion in 1960, or 113 percent, compared with a 29-percent increase in U.S. exports. EEC imports went up by 99 percent and U.S. imports by 35 percent. These export and import figures refer to current values, without adjustment for price changes. Inflation has been brought under control. The EEC countries have built up large enough monetary reserves to allow full convertibility of their currencies on current account and moderately liberal capital movements. Unemployment is not a major problem, except in parts of Italy. EEC capital investment has been running at 20 percent or more of GNP, compared with our 15 percent.

Another sign of success, at least as impressive as the statistical measures, is the application for membership in the EEC by the United Kingdom. The announcement was made in August 1961, and the negotiations have been proceeding since last fall. This is a momentous action by the United Kingdom. Only a half century ago Great Britain was the leading industrial country in the world; she ruled a vast empire, her navy ruled the waves. Now the empire is mostly gone, though cordial bonds link the Commonwealth. British military power, relative to that of other major powers, is now only a fraction of what it was. As of 1960 the gross national product of the United Kingdom was $69 billion, compared with $177 billion for the EEC, $225 billion for the Soviet Union, and $504 billion for the United States. These are estimates, of course.

During the discussions of European economic union in the early 1950's, the British took the position that their Commonwealth obligations and their relation with the United States were such that they should not associate themselves as firmly with continental Europe as the developing plans envisaged. When the EEC was consummated, Britain took the lead in organizing a European Free Trade Association, composed of the United Kingdom, Sweden, Norway, Denmark, Austria, Switzerland, and Portugal, which called for the gradual elimination of tariffs among the members but with each maintaining its own tariff with respect to outsiders. By 1961 it became apparent that this organization did not have the vitality that the EEC had. For one thing, Britain had had a slower rate of economic growth than the EEC, and it had been in balance-of-payments difficulties quite frequently.

It is to the great credit of the British leaders and the British people that they have seen the opportunities available to them in the Common Market. Other countries are also seeking admission. The United States Government has played a sympathetic but detached role in this complicated and sensitive process of negotiation.

How the Common Market Affects the U.S.

This brings me to my third question: How does the Common Market affect the United States? I have already indicated that, from a political and military point of view, the position of the United States is clear. We welcome strong allies. Economically, the effects of the EEC on us are complicated. The financial and economic press have vied with the governmental economists in turning out analyses of these effects, usually with masses of statistics. Let me state right off that I think that there are too many variables involved to make quantitative predictions reliable. Moreover, some of the variables, such as our own trade policy, are unknown.

Some things can be said, however. One is that the increasing European prosperity will tend to increase the demand for U.S. exports. Imports from the outside amounted to about 11 percent of GNP for the EEC countries in 1960. U.S. exports to them amounted to $2.25 billion, or one-eighth of the total of imports into the EEC. Hence, if the marginal propensity to import approximates the average propensity, a 5-percent increase in EEC GNP—about $9 billion with reference to the 1960 figure of $177 billion—would increase total EEC imports by 11 percent of $9 billion, or $1 billion. The U.S. share of that $1 billion would be one-eighth, or $125 million. I can think of one good reason why the figure might be larger, namely, that the Europeans will want more and more of our consumer gadgetry as they get better off. But I can think of another good reason why the figure might be smaller, namely, that the Europeans—and associated American firms—will produce many of the mass-market consumer goods in Europe instead of import them. I do not know how you measure these forces, but the way several hundred American companies have rushed to establish subsidiaries or affiliates in Europe in the last 4 years makes me think that the production in Europe will have the edge. Of course U.S. firms operating there will increase their earnings over the years.

Another effect that can be analyzed pretty well is the so-called discrimination effect. As the tariffs among the members of the EEC move toward zero and the external tariff becomes standardized, American companies selling in Italy, for example, will be at a disadvantage as compared with, say, German companies, because American imports into Italy will have to pay the tariff while German imports will not. How important this effect will be will depend on the height of the Common Market external tariff. Although the projected Common Market tariff is now known, it is subject to reduction through negotiation. Whatever its height, however, it will discriminate to that degree against American exports—and all other non-EEC exports—and in favor of internal EEC trade. This is the nature of a customs union. Lest this make us feel gloomy, just remember that many other things besides tariffs affect trade.

As I said earlier, people who start analyzing the effects of the EEC like to inject statistics into the picture. I wish to indulge briefly in that game and to present to you some figures which are seeing the light of day for the first time, as far as I know. This is a frequency distribution of the tariff rates for the United States and for the EEC. The rates are all expressed in ad valorem percentage terms, and they are the rates in existence prior to the round of negotiations completed in Geneva last month.[3] A distribution of this sort is much more

[3] For background, see BULLETIN of Apr. 2, 1962, p. 561.

reliable as a measure of tariffs than weighted averages, which understate the restrictive effects of high rates.

FREQUENCY DISTRIBUTION OF U.S. AND EEC TARIFF RATES

Rates (or ad valorem equivalent rates) of duty	*U.S.* *Number of rates*	*Percent of rates*	*EEC* *Number of rates*	*Percent of rates*
Free	990	20	270	10
0.1–9.9%	894	18	538	19
10.0–19.9	1, 510	29	1, 624	56
20.0–29.9	775	15	358	13
30.0 and above	895	18	45	2
Total	5, 064	100	2, 835	100

The interesting thing here is not the average of median rates but rather the spread. Thirty-three percent of our rates are 20 percent or above; 15 percent of the EEC rates are that high. Many of our rates are above 50 percent. At the other end, 20 percent of our items are duty free, while only 10 percent of theirs are. Now it is a fine parlor game to speculate on the expansionary effects of tariff reductions, but it is not a scientifically dependable exercise. All we can say with confidence is that lower trade barriers increase the opportunities for trade and inject new competition and vitality into the economic life of the countries involved. Dynamic factors cannot be measured easily, but they may be the most important.

Now here is where the President's Trade Expansion Act of 1962 [4] comes into the picture. The Europeans are prepared to negotiate tariff reductions if we are. Therefore the bill now before Congress asks authority for the President to negotiate reductions of up to 50 percent of the present levels in return for equivalent concessions by other countries. It also asks for authority to go all the way to zero on items of which we and the EEC export 80 percent of the total free-world exports. Statistical analysis shows that this has meaning only if the United Kingdom is included in the EEC. There is also a provision for lowering tariffs down to zero on primary commodities of particular interest to the less developed countries, provided the Europeans will go along and provided they are not produced in sufficient quantities in the United States. I should point out that U.S. agriculture has a tremendous interest in maintaining access to the European market but that the European farmers are understandably reluctant to give up their longstanding protective arrangements, many of them similar to our agricultural programs.

The President's bill also has several provisions for overcoming seriously adverse effects on American firms and workers resulting from tariff reductions. Adjustment assistance is the most important new element here.

To conclude: The European Economic Community is a fact of life. Its success is of the first order of importance for us in world political terms. Its economic effects on us are difficult to ascertain, but the probably bad effects will be minimized and the probably good effects will be maximized if we equip ourselves—through a clean Trade Expansion Act—to negotiate substantial, gradual reductions in the tariffs which tend to divide the great new Common Market of Europe and the even greater, older common market of the United States, the common market that the Founding Fathers of this Republic had the wisdom to establish in 1787.

[4] For text of President Kennedy's message to Congress, see *ibid.*, Feb. 12, 1962, p. 231; for a summary of the proposed legislation, see *ibid.*, Feb. 26, 1962, p. 343.

Trade Policy for the 1960's

by Philip H. Trezise
Acting Assistant Secretary for Economic Affairs [1]

For 4 weeks now the Ways and Means Committee of the House of Representatives has been holding public hearings on H.R. 9900, the Trade Expansion Act of 1962.[2] The committee has heard 262 witnesses testifying for and against the bill. These hearings are a part of the national debate on our policy toward international trade. They will be followed by debate on the floor of the House and by hearings and debate in the Senate. And they have had their echoes in the Nation's press and in innumerable public and private discussions around the country.

It would be impossible to summarize in a few moments all the matters covered at the Ways and Means Committee hearings, to say nothing of all

[1] Address made before the Action for Foreign Policy group at Pittsburgh, Pa., on Apr. 12 (press release 236).

[2] For text of President Kennedy's message to Congress, see BULLETIN of Feb. 12, 1962, p. 231; for a summary of H.R. 9900, see *ibid.*, Feb. 26, 1962, p. 343; for a statement made by Under Secretary Ball before the Ways and Means Committee on Mar. 13, see *ibid.*, Apr. 9, 1962, p. 597.

the questions asked and answered in the discussions taking place around the country. For this evening I would like to focus on one point. This is the extent of the authority that would be given the President to deal with American tariffs under the draft bill.

During the course of the Ways and Means Committee hearings, and even more often in the press, there have been statements that H.R. 9900 would give the President "unprecedented" and "sweeping" powers over our tariff schedules. These are sweeping phrases themselves, and perhaps they reflect our national tendency to use exaggerated language in discussing public issues.

The term "unprecedented" surely is used in a loose sense. The legislation before the Congress would confer on the President the authority to negotiate about tariffs with other countries. This power has been held by every President since the first Trade Agreements Act was passed in 1934. Every President since 1934, moreover, has used the power. Each one did so under rules laid down by Congress when it delegated authority to the President. All of this has been reviewed by the courts, and its constitutionality has been affirmed.

The grant of authority under the new law thus would be an extension of a time-honored delegation of negotiating power to the President by the Congress. It is not a departure from the past. It is true, however, that the specific kinds of negotiating authority to be given the President contain a new element. It will be helpful to go over the relevant provisions of the law.

Summary of Bill

First, the President would be empowered to negotiate, on the basis of mutual benefit, reductions of 50 percent in American tariffs in return for reductions in other people's tariffs. This provision might be called the standard trade agreements authority. It would be applicable to any of our free-world trading partners, and it would cover, abstractly at least, almost all of the articles covered by our existing tariff schedules. Similar 50-percent authority has been granted to Presidents on two occasions in the past.

A second provision would empower the President to negotiate with the Common Market for the mutual reduction or elimination of duties on a limited number of commodity categories. This is new in tariff negotiating authority. It would be operative only with respect to the countries adhering to the Treaty of Rome at the time of negotiations. It would cover only those categories of goods in which the United States and the Common Market countries accounted for 80 percent of free-world trade during some base period subsequent to December 31, 1956. These are limiting definitions. On the other hand, negotiations with the Common Market under this authority would not be subject to a percentage limitation on the extent of duty reductions but would rather leave this open.

Third, the new legislation would permit the President to offer in negotiations the reduction or the elimination of American tariffs that are now at 5 percent or less by value. These duties, in the main, are nuisance levies although they are administratively burdensome on exporters and importers.

Finally, the new act would give the President the authority to reduce or to eliminate duties on products of tropical agriculture and forestry, subject to the condition that the Common Market take similar and nondiscriminatory action. This is a very special provision. It stems from our desire to open markets in the advanced countries on a nondiscriminatory basis to all of the producers of tropical products, in Latin America, in Asia, and in Africa.

These negotiating authorities, as you see, are defined and limited by the proposed statute. Moreover the President would be required, as he is now, to seek the advice and guidance of the United States Tariff Commission. There would be, upon the enactment of this or any bill, administrative provision for extensive study within the executive branch and for hearings open to the interested private parties before tariff negotiations could be undertaken. In the negotiations that would ensue, our negotiators would be trading tariff reductions for tariff reductions as they have in the past. They would be acting not only under formal instructions to get benefits for the United States but also under strong personal and official pressures to get for the United States the most useful reductions possible in other people's tariff barriers.

A judgment about the merits of this proposed grant of negotiating authority to the President must rest in the end on the answers to two questions. First, is it in the United States interest to take the lead in attempting to bring down barriers to international trade generally? Second, is the special authority to deal with the Common Market a desirable grant of power?

The answer to the first question may be debated, but there are certainly impressive reasons for believing that our interests abroad and the interests of our domestic economy as well would be well served by an expansion of free-world commerce. On the basis of experience we could expect our exports to grow substantially more rapidly than our imports with a consequent benefit to our difficult balance-of-payments problem. The growth of international trade, we could confidently expect, would act to raise living standards everywhere and to increase understanding among peoples and nations. The United States is so dominant a figure in the world economy that it alone can provide the leadership to undertake a new drive to bring down the artificial obstacles that now inhibit the expansion of trade. The authorities to negotiate on tariffs which are provided in the Trade Expansion Act amount to an expression of American readiness to continue our role of leadership in the free world.

Authority To Negotiate With Common Market

The proposed authority to negotiate with the European Common Market is sufficiently new and different as to present a separate question. For the first time in the history of our trade agreements legislation we have singled out a group of countries for special negotiations. To understand why, we need to look at the Common Market as it is and as it may be.

The Treaty of Rome, which was signed on March 25, 1957, provided among other things for a customs union among six of the industrial states of Western Europe: Germany, France, Italy, Belgium, the Netherlands, and Luxembourg. Although customs unions are not new on the world stage, the Common Market, even confined to these six nations, is an unusual undertaking. It includes 170 million people. Its total volume of international trade is about 70 percent larger than our own. Its total output of goods and services has been growing recently at a rate of about 7 percent per year, or more than twice as fast as ours. It is already a great industrial power rivaling in many respects the United States and comparable to or ahead of the Soviet Union.

The success of the Common Market has been reflected in dramatic increases in business activity, in increased foreign trade, and in rising wages and purchasing power. This has had its impact throughout Europe. Greece has indicated its desire to join and has already been given associated membership. The United Kingdom, Denmark, and Ireland are negotiating for admission, and Norway has indicated its intention of doing so. Elsewhere in Western Europe, in Sweden, Switzerland, Austria, and Spain, there is lively interest in the Common Market and a deep concern to work out some kind of arrangements for association with it.

If negotiations with Britain, Denmark, and Ireland are successfully concluded, the Common Market will grow immediately to about 220 million people. It will be the largest single element in international trade. Inevitably it will become a major factor in world affairs.

The customs union feature of the Treaty of Rome has progressed very rapidly. The European members have taken the initial steps of reducing tariffs among themselves—so far by 50 percent—and of agreeing on a common tariff against the rest of the world. The deadline for going down to zero tariffs within the Market is 1969, but it seems certain that this goal will be reached sooner. The agreement on the character of the Common Market tariff against the world has been reached, and the European Common Market members now negotiate as a unit with ourselves and with other countries. In all this immensely complicated business there has been no break in the forward movement. On the contrary, the Common Market members have exceeded their own timetable.

Prospects of New Trading World

The appearance of the Common Market on the world scene, and the prospective adherence of the United Kingdom, seems certain to face us with a fundamentally new kind of trading world. Up until now the United States has been the world's only mass market, i.e. a market having large numbers of people commanding large amounts of consumer purchasing power. Now, suddenly, there is in sight another such unit, one which already imports twice as much as we do and which has a huge potential for expansion.

One measure of the possibilities inherent in this new trading world that is already within our range of vision is the present volume of ordinary durable consumer goods in the new Common Market as compared with the United States.

In Western Europe telephones are relatively as common as they were in the United States in 1912. In automobile ownership Europe is as the United States was in 1920. The distribution of refrigerators compares with the United States position as of 1935. In washing machines the European consumer stands where the American consumer was in 1935. And so on. In brief, the European market for durable consumer goods is not only not saturated but in important respects is in its very infancy. If anything is certain in the world, it is that desires for these goods will increase. If the new European economy lives up to its promise, the ability to buy such goods will grow rapidly.

This is part of the meaning of the new European mass market. It will be a market for the kinds of things we have learned to produce with great efficiency. Beyond that there will be needed the kinds of machinery and raw materials that are necessary for the expansion of manufacturing industries. Nobody now can estimate with assurance or precision the ultimate dimensions of the European market. The possibilities, however, are clearly very extensive—so extensive that we would have to be blind indeed not to see them.

On this score alone our interests would seem quite obviously to call for the seeking of a close trading relationship with the Common Market. If we do nothing, the tendency would be for the new Europe to grow as a trading entity separated from us by a comparatively high common tariff. Behind this tariff producers in Europe would be impelled to develop quickly the capacity and the know-how for serving the European consumers, who would number, perhaps, up to 250 million. Our trade with Europe would not stop. It probably would grow, as European incomes grew. But we would not be able to take fullest advantage, or even optimum advantage, of the Common Market. To a considerable extent our skills in mass production and in mass selling would not be allowed to be effective because of the European tariff barrier.

It is this prospect that furnishes a main reason for the provision of special negotiating authority with the Common Market. If Britain adheres to the Rome Treaty, then the new bargaining power requested by the President will enable us to negotiate with the Europeans across a range of commodities where we or the Europeans or both now are the most efficient producers in the world. We would be proposing, in effect, that we agree with the Europeans to compete with one another in these commodities without undue tariff barriers on either side. We would be proposing that the new European economy develop, within some limits at least, in a fashion consistent with the economic efficiencies that we and the Europeans already possess. There is, as I say, a direct and important commercial reason why we should proceed along these lines. Our producers need access to the potential European market, and we should be prepared to bargain as effectively as we can to get such access. If the past is any guide, our exports should benefit markedly from wider openings in Western Europe.

Building a Partnership With Europe

In forging new links of trade with the emerging new Europe, moreover, we would be developing some of the terms of our association with what may become within foreseeable time the second greatest power in the world. The European states are taking the steps toward creating unity in an area that has been divided and fragmented ever since the decline of the Roman Empire. If the European movement continues to make progress, if the Treaty of Rome attracts adherents as it seems likely to do, the political consequences will be of truly enormous dimensions.

The United States is a global power with major political, economic, and defense interests all around the globe. Apart from constitutional inhibitions, our position internationally would argue against full association with a European entity. We do need to find the ways to partnership, however. A strong, stable Europe can be an invaluable partner in the years ahead, as we continue to contend with the expansive pressures of the Soviet Empire and with the growing pains of the new and the underdeveloped countries.

The details of a partnership with Europe will have to be developed point by point, case by case. We are in fact already making progress on this *ad hoc* basis in the Organization for Economic Cooperation and Development and elsewhere. It seems clear, however, that the partnership will not work very well in other fields if we are unable to find a means to accommodate to one another in trade. We do not need to become a member of the European customs union. We do not need to remove all of our trade and tariff restrictions. We do need to find a minimum means for building an expanding and a mutually profitable trading relationship.

H.R. 9900 is intended, in its Common Market provision, to provide the basis for discussion and negotiation with the Common Market along these lines. It will be a means and a beginning, not a conclusion or a happy ending. But if we lack the means or cannot make a beginning, then there can be no prospects for a successful ending.

President Kennedy Hails Agreement for Northeast Brazil Development

Following is the text of a letter from President Kennedy to President Goulart of Brazil concerning an agreement signed at Washington on April 13 by Secretary Rusk and Brazilian Foreign Minister San Tiago Dantas under which the United States and Brazil are committing a total of $276 million for a program of development in northeast Brazil.

White House press release dated April 12, for release April 13

April 13, 1962

Dear Mr. President: I am deeply gratified by today's signature of an agreement[1] through which our two countries, under the Alliance for Progress, will work together in a program of development in the Northeast of Brazil.

We approach this program with the same sense of urgency and in the same determined spirit that your government has demonstrated in its planning for this region. We share with you the conviction that the twenty million people in the Northeast must be afforded an opportunity to participate in the future growth of Brazil, and that we must make a bold attack on the economic and social problems of the region.

We work together under this program to give full meaning to the Alliance for Progress, confident that this undertaking will move us forward toward the goals set forth last August at Punta del Este. What makes it an Alliance program in the true sense is that the initiative came from Brazil; that the plan was conceived in your country; and that it will be administered by Brazilians.

[1] Not printed here.

Our joint program will consist of a two-pronged attack on the problems of the Northeast.

First, we will act to meet specific urgent needs of highest priority to bring pure water to areas that lack water, to create sources of electric power, to provide education that will enhance workers skills, and to establish emergency health units throughout the areas.

Second, we will pledge ninety-eight million dollars to the first two years of your five year long-range program of development—a program designed to bring about a steady increase in living standards, rising opportunities, and the integration of the Northeast into the national economy of Brazil.

At the end of the two years we will conduct a joint review of the program and decide together how we can most effectively work toward our goals in the succeeding years.

We are aware that the problems we face are complex and deep-rooted, that they will not yield to slogans or superficial action. Only hard work, patience and persistence in carrying project after project to completion will achieve what we seek: to change the face of Northeast Brazil and provide a better life for its people.

I am most grateful, Mr. President, for this opportunity to join with you in what we hope will be a major contribution to a better life in our hemisphere.

Sincerely,

John F. Kennedy

His Excellency
João Belchior Marques Goulart
President of the Republic of the United States of Brazil
Brasília, Brazil

U.S. Announces Continuance of Relations With Argentina

Department Statement

Press release 257 dated April 18

Ambassador [Robert] McClintock today acknowledged the receipt of a note dated March 30, 1962, from the Argentine Minister of Foreign Affairs and Worship, thus continuing relations with the Government of Argentina.