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THE EUROPEAN COMMON MARKET AND THE UNITED STATES

by MAXWELL S. STEWART

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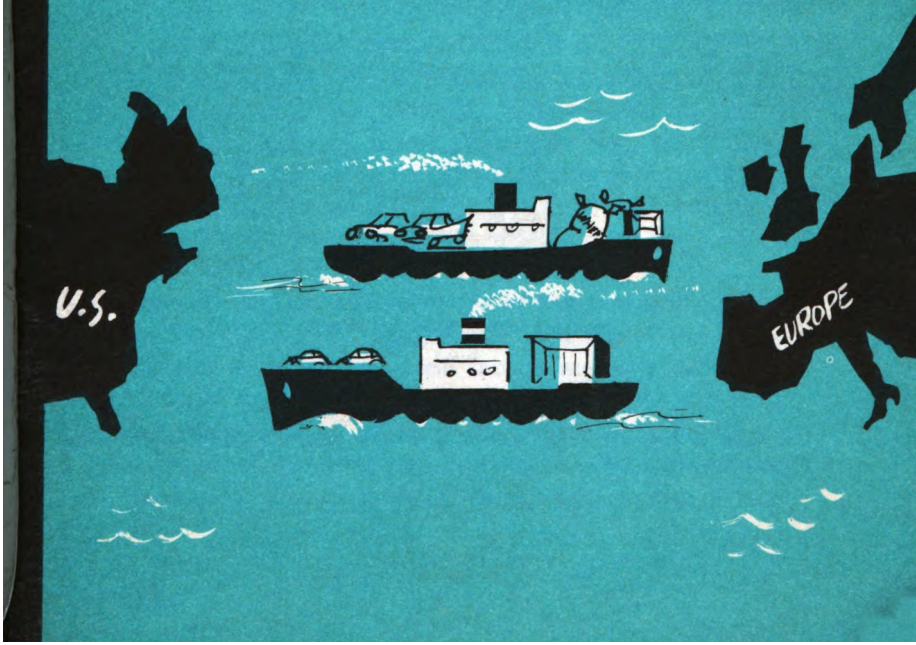

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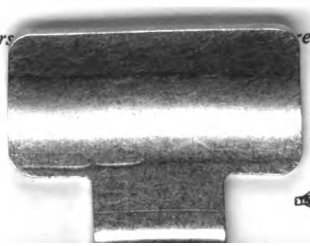

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THE EUROPEAN COMMON MARKET AND THE UNITED STATES

BY MAXWELL S. STEWART

As an economist, Mr. Stewart has long specialized in foreign trade problems. . . . Illustrations are by Visual Services Inc.

Americans have been fighting over tariffs for as long as anyone can remember. The differences of opinion have been honest ones, and they have reflected the way different groups have earned their money.

A powerful group of manufacturers whose products compete with imports—particularly textiles and chemicals—have urged higher tariffs "in order to protect American workers from competition from cheap labor abroad."

But on the other side of the fence, the men who make money by shipping their products abroad—farmers, manufacturers, employees of export industries—have urged lower tariffs on imported goods "in order to stimulate trade and enable U.S. industry to sell more of its products overseas." Consumers add their voice to this plea because lower tariffs mean lower prices.

In recent years the struggle has been waged principally over the various Presidents' requests for renewal of the Trade Agreements Act. The high-tariff faction regularly denounces the Act and urges greater restrictions "to protect American goods." The low-tariff group just as regularly asks for an extension of the President's authority to reduce tariff rates and an elimination of restrictions. After vigorous combat, a com-

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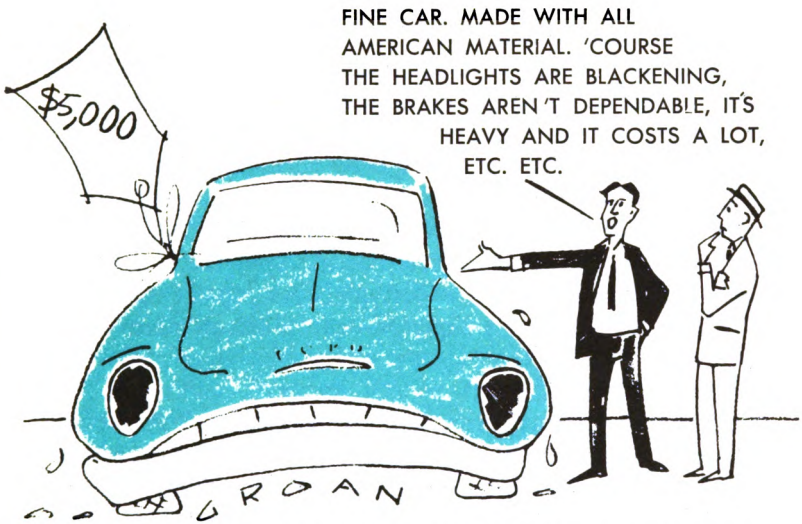

WHAT MIGHT HAPPEN WITHOUT IMPORTS!

Of course, we could build automobiles without importing these three-hundred-odd products from abroad. We have inferior grades of some of them in this country. During the war we learned to make synthetic rubber and to substitute many domestic products for those formerly obtained from abroad. But not many of us would want to drive an automobile made entirely from domestic materials. It would be much heavier, not so strong, and much more expensive than our present cars. Without kryolite from Greenland our headlights would blacken, no matter what we did about it. And without asbestos from Canada the brakes would be by no means as dependable.

The telephone is another example of the superiority of American technical skill. Yet the telephone is really an international product. About half of the most important materials used in making a telephone come from outside the country.

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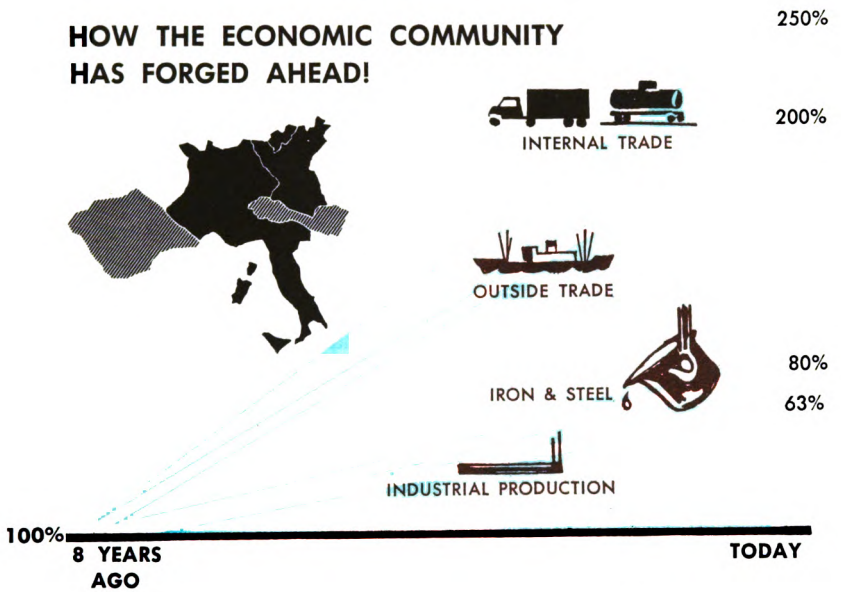

been reduced. Despite increased production, the average hours of work have been reduced throughout the Community except in Italy where an economic boom has provided more work than at any period since the war. A system of subsidizing and retraining technologically displaced workers has been a boon especially to former coal miners and steel workers. Under a treaty signed in 1957, the six countries agreed to permit colliery and steel workers to move about freely and take jobs anywhere in the Community.

the challenge

The sudden expansion in the European market has provided a shot in the arm for European manufacturers and producers. But it has imposed a severe handicap on competitors outside the Common Market. The British were first to feel the pressure. A small country, Britain must export to live, and the

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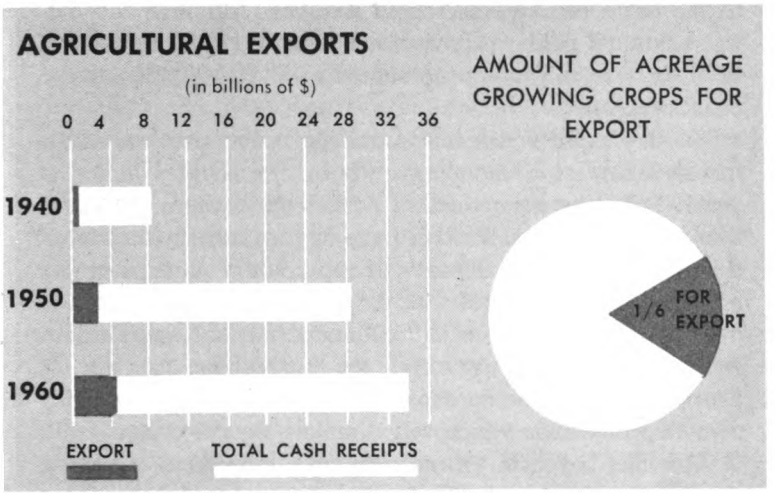

ularly frightening to American farmers and to raw material producers. As President Kennedy has pointed out, one out of seven farm workers produces for export. The average farmer depends on foreign markets to sell the crops grown on one out of every six acres he plants. And it is to Western Europe normally that he looks to sell his surpluses of grains, meat, and tobacco.

The industrial worker is similarly threatened. For it is the largest and most efficient of America's industries that would be most affected by the loss of European markets. These industries have demonstrated their worth over the years by exporting on the average twice as much as we import while paying the highest wages in the country.

Since the Common Market has shown its ability to furnish vast business opportunities to firms within the boundaries of the Community, and has hampered those that stay outside, many American firms have hastened to establish branch factories within the protected area. The outflow of funds needed to build and equip these factories has contributed substantially

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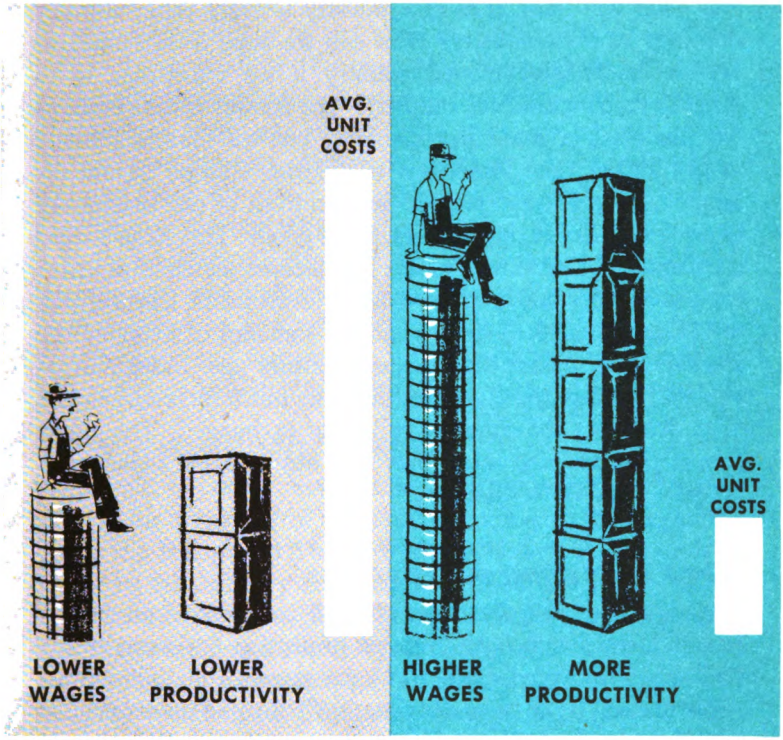
UNIT COST DETERMINES COMPETITIVE POSITION



American exports have been rising steadily in recent years and now total over $20,000,000,000 a year. True, some European products are cheaper than corresponding American products. But this does not prevent our manufacturers from getting the sale. America makes many kinds of machinery and other goods that simply cannot be purchased abroad. And where there is competition, American manufacturers can usually promise much quicker delivery than their European competitors.

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