THE ATLANTIC COMMUNITY, EEC AND EFTA

Let us now examine the possible effects of a WFTA on the relations of the United States with the Common Market, the European Free Trade Association, NATO and the Atlantic Community.

The six countries of the EEC (France, Germany, Italy, Belgium, Netherlands and Luxembourg) have enjoyed increasing economic prosperity since the signing of the Treaty of Rome in 1957. As internal tariffs have fallen, trade among Community members (1958–1966) has increased by 242 per cent, as compared with an increase of 89 per cent in their trade with the rest of the world. As a unit, the Six has become a formidable trading bloc. Currently the fastest-growing internal market in the world, the EEC commands, by virtue of its common external tariff and a volume of external trade surpassing that of the United States, greater bargaining power than the United States in trade negotiations. Primarily as a result of French pressure, the Common Market has adopted an isolationist-protectionist attitude during the tariff negotiations of the Kennedy Round. The common external tariff is the principal cement now holding the Six together. Unless other sections of the Treaty of Rome are implemented over the next several years, this bond may not prove strong enough to prevent the dissolution of the Community.

The EFTA countries, often called the "Outer Seven," abolished tariffs on trade among themselves (with some exceptions) on January 1, 1967. As tariff barriers within the EEC and EFTA are removed, maintenance of the Common Market common external tariff threatens to disrupt European trade and investment patterns between the Six and the Seven as well as with other countries—unless substantial tariff reductions are negotiated in the Kennedy Round.

If the Common Market continues its inward-looking policies and other European countries cannot gain admission to it, the latter may find in the proposed WFTA an alternative method of expanding their markets, as well as a potential counterbalance to the EEC in any future trade negotiations. It is also possible that an agreement by the EFTA countries to form the WFTA together with the United States, Canada and other nations may either be so attractive to the EEC or, conversely, pose a sufficient threat to the EEC, as to cause it to consider joining the WFTA.

To cope with Great Britain's economic difficulties, Prime Minister Wilson and the Labour Party decreed a policy of drastic deflation and have determined to renew Britain's application to join the Common Market. However, in doing this the United Kingdom will face some very real problems. Acceptance of Common Market agricultural policies will inevitably result in higher food costs to the British consumer; and the delicate issue of the pound sterling is bound to complicate negotiations. If the EEC nations deem it necessary that sterling be devalued in order to make British industry more competitive and to rectify Britain's adverse balance of payments, and the British refuse to take this step, it is questionable whether France or even the other five EEC nations would vote for British membership.

It is also questionable whether sterling as a reserve currency entailing world financial obligations has a place within the EEC as presently constituted. On the other hand, the recent reorientation of the German government toward a stronger and more independent position within the EEC may cause France to accede to the British request to join the Common Market. Britain's inclusion would create a counterbalance to a Germany that is stronger than France both economically and militarily (except for nuclear capability), and for the first time since 1945 threatens to pursue policies independent of both France and the United States.

In any case, Britain's request for membership in the EEC may not be granted for a few years—and perhaps not at all. Britain wants and needs membership for political and economic reasons. Her exclusion has eliminated her political influence in maintaining the balance of power on the Continent. Economically she needs a larger market for her industrial products as well as the tough competition that would be provided by the industries of the Common Market, and that is not afforded now by her six EFTA partners. An enlarged free trade area such as the proposed WFTA might well be an attractive solution. Conversely, an agreement by Great Britain to join the WFTA might block her way into the EEC unless the latter were to become a member also.

From the point of view of the United States, it would be to our advantage if the British were to join the Common Market and if the Six as a unit were to