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The grand design : American foreign trade policy, 1960-1968.

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THE GRAND DESIGN: AMERICAN FOREIGN TRADE POLICY, 1960-1968

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ABSTRACT

THE GRAND DESIGN: AMERICAN FOREIGN TRADE POLICY, 1960-1968

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This study analyzed the history of American foreign trade policy during the administrations of Presidents John F. Kennedy and Lyndon B. Johnson. Four levels-of analysis (international, governmental, societal, and individual) provided a framework to explore two historiographical problems: the decision-making power structure of U.S. trade policy formulation and the aims, motives, and results of this policy. The campaign for the Trade Expansion Act of 1962 served as a basis for testing four models of decision-making: bureaucratic, corporatist, interest group, and inter-branch. The models were tested in the specific issue areas of textiles, lumber, oil, and carpets and glass. These commodities also were used to validate the interpretations of the "hegemony" or the "comparative-advantage" schools of thought regarding the aims and effects of American trade policy. Under the auspices of the Kennedy Round negotiations of the General Agreement on

Tariffs and Trade, trade relations with the European Economic Community were the overall focus of the debate between the two schools, but bilateral trade with Japan, Asian less-developed countries, Canada, and Venezuela assumed primary importance depending on the commodity. The inter-branch model, and to a lesser extent pressure from interest groups, was found to determine decision-making on trade matters. The assumptions of the comparative-advantage school generally were most accurate in describing the motives and results of U.S. trade policy.

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INTRODUCTION

In the pre-dawn hours of 30 June 1967, Special Representative for Trade Negotations William M. Roth sat in his Washington office talking on the telephone. On the other end of the line was his deputy and chief trade negotiator, W. Michael Blumenthal, who stood ready in Geneva, Switzerland to relay news concerning last-minute developments at the Kennedy Round of the General Agreement on Tariffs and Trade. The Round was about to be officially concluded and signed in just two hours. Both men feared another crisis that might delay the end of the trade talks, which had their roots in policy initiated by President John F. Kennedy five years before and which had suffered numerous delays, conflicts, and problems. It was still dark in the United States when the conference came to a close. Roth and Blumenthal could now finally relax.[1]

Over the next several days, the administration of President Lyndon B. Johnson hailed the Kennedy Round as a great, successful endeavor. Yet nobody noted one critical fact. The negotiations signaled the end of America's sole predominance over the postwar international trade order.

The 1960s were a critical decade in world trade relations. Closing the period of post-World War II reconstruction, the era opened a new chapter in the role of the United States abroad. Transformations within the global economic system, that is, the waning of U.S.

supremacy in the world economy, compelled the country to reassess its outworn trade policies. Undisputedly predominant for the past fifteen years, America now suffered a decline in its capabilities to control the trade order due primarily to a challenge emanating from Europe.

Established in 1957, the European Economic Community, also called the EEC, Common Market or the Six, had provoked two responses from American observers. First, this customs union scared them because of its competitive commercial potential in and outside of Europe and its protective, unitary external tariff which threatened to constrict U.S. exports. But second, the EEC was attractive; its tremendous market, promise of growth, and future political unity could profit all traders, stimulate national economies, and strengthen the Western alliance.

The Common Market prompted such a complete reappraisal of Washington's postwar approach to Europe that Kennedy chose a foreign trade bill, the Trade Expansion Act (TEA), as the centerpiece of his New Frontier legislative agenda of 1962. Along with it, he offered the "Grand Design", a comprehensive diplomatic blueprint for forging an Atlantic partnernship with Europe. The economic part of this plan was trade liberalization, an area of inquiry suffering neglect by historians at the expense of security matters. Liberal trade depended on passage of the TEA, which granted Kennedy the necessary authority to lower

trade barriers on a reciprocal basis with the Six and other nations.

The implication of these trade negotiations to international relations and America's ebbing power reached much further than the economic realm, however. At the heart of U.S. trade policy from 1960 to 1968 were considerations which influenced the course of Western diplomacy and the very success or failure of American foreign policy. Kennedy and his successor, Lyndon B. Johnson, banked on the liberalization of trade to stem the increased political chafing among the allies that might scribble the Grand Design before it got off the drawing board. By the dawn of the 1960s, a "plural squirming world" had replaced the American-centered trade order of the early postwar years.[2] The way the United States confronted its vitiated global position through its foreign trade policy is the focus of this study.

This history addresses the central historiographical debate in American foreign relations concerning the motives, aims, process, effects, and power structure in U.S. decision-making. On these issues, an "hegemony" school of historians confronts a "comparative-advantage" school. The former emphasizes Washington's self-interested, over-bearing behavior in the global economic order which profited corporate America at the expense of other nations.[3] The proclivity toward overproduction and

underconsumption in the economy impelled the government to search for foreign markets as a "safety valve" to depressions and other problems. This expansion gave the U.S. direct or informal control of the global marketplace through international lending agencies, military alliances, postwar recovery programs, and the development (or underdevelopment) of less-developed countries (LDCs). America had become the world's top imperialist.

The U.S., though pledging to promote liberal trade, was deceptively restrictive, claim hegemony scholars. Washington permitted the free exchange of goods only when it possessed a distinct comparative advantage, while it tried to bar imports which competed successfully with U.S. products. In effect, the professed ideal of an open, multilateral trading system, the foundation of the Grand Design, was a rhetorical disguise to hide America's real intention of garnering mounting profits and preserving its dominance over Europe and others.

The comparative-advantage historians argue, however, that American magnanimity best epitomized U.S. trade policy.[4] They offer a multi-causal analysis which agrees with the hegemony assertion that Washington pursued trade expansion as a palliative to domestic economic problems. Yet other factors shaped American decisions, such as strategic aims, actions by foreign countries, humanitarian impulses to help less fortunate nations, and pressures from

the electorate and Congress. These elements kept the reins of trade policy in government, not private, hands.

This school praises U.S. trade policy, alleging that America promoted mutual benefits, on the basis of comparative advantage, for all traders in the international order. The Grand Design translated into an Atlantic system, albeit led from Washington, which accepted the realities of the rising power status of Europe, and so equality among all members. Self-interest was naturally prevalent; America required trade expansion in order to finance its overseas military and aid commitments. But Western security and the prosperity or development of all capitalist nations depended on economic growth through commerce. Having, in fact, experienced discrimination by Europe before and just after the war, the U.S. tried to ensure that trade opportunities remained available in the international economic system.

In order to address the normative split between the two schools, this study explores policy at four levels-of-analysis: international, governmental, political economy, and individual.[5] At the international level, the study of "regimes" serves as a medium to examine trade relations. Regime analysis posits that nations are not autonomous actors in an anarchical world but function in an interdependent arena of economic transactions, institutions, and domestic factors. States form regimes

when they perceive that gains will most likely accrue through cooperation rather than unilateralism. One example is the General Agreement on Tariffs and Trade (GATT), the negotiating forum for postwar trade agreements under U.S. leadership.[6]

GATT provided a set of principles, norms, rules, and decision-making procedures for cooperation among its members. Though liberal trade was its guiding principle, GATT permitted protectionist measures to safeguard domestic economic stability from injury due to trade barrier reduction which clearly clashed with this aim. For instance, the regime allowed for regional discrimination by the EEC and exempted many U.S. farm goods from trade bargaining. Without such exceptions, few countries would have joined GATT. In other words, there was no commitment to free-trade orthodoxy; compromises between liberal trade and protectionism superceded the ideal of laissez-faire competition.[7] This underlying tension exists in American trade policy and generates several hypotheses-questions at the international level concerning America's maintenance of the GATT regime. Did the U.S. maintain the openness or closure of the regime? Did GATT remain liberal or become protectionist and fragmented into hostile blocs? What international economic or foreign political decisions affected American leadership over the trade order? Did America selfishly seek to preserve its dominance through

the rhetoric of liberal trade, or did Washington pursue a more pluralistic Western power alignment through the promotion of mutual benefits in the trade regime? How did other traders, particulary the Common Market, react to U.S. initiatives?

A host of variables at the governmental and societal levels-of-analysis played, moreover, a large part in determining U.S. trade policy in the international arena. Policymakers reached decisions at the intersection of external and internal pressures. The decentralized and diffused political system of the American power structure permitted access to politically open issues like trade policy from many other sources besides foreign ones.[8]

At the governmental level, bureaucratic politics, or bargaining between departmental elites within the Executive branch, may explain decision-making. Individuals compete for control over the trade agenda, "pulling and hauling" in the policy process according to their organizational affiliation. Bureaucratic politics usually results in a reconciliation of these differing viewpoints and a mix of strategies and ideas distinct from the recommendations of any single participant.[9] Because a wide spectrum of interests in America take part in trade, however, the model falls short in explaining interest intermediation, or the process by which resources within society are distributed.[10] In other words, a multiplicity of actors,

not just governmental participants, take part in the policy process.

The domestic political economy level-of-analysis describes internal socio-economic factors in trade, including the import or export orientation of agricultural and industrial interests and the level of protection given to importers. Interests divided into two sectors: trade-biased export-competitors and protection-biased import-competitors.[11] Capital-intensive firms, surplus commodity producers, and Big Labor, typified the former group, which sought lower trade barriers in order to increase access to foreign markets. Import-competitors were declining, inefficient producers which suffered competition from low-wage nations. They urged protectionism, hoping to arrest their deteriorating position in the domestic marketplace.

Which producers were most vocal, what they stood to gain or lose in trade, and by what means the two sectors influenced governmental decisions were of critical import in interest intermediation. These issues are also central to the hegemony-comparative-advantage stand-off. The former claims that the decision-making structure in trade was elitist in that government and business interests bypassed the democratic process and decisions were determined by socio-economic standing.[12]

The corporatist model penetrates elitism by exploring capitalist organization and ideology. Corporatism is the

informal or formal cooperation between the goverment and export-minded groups in society - big industries and firms, labor, and agriculture. The government sought to minimize conflict between interest groups by rationalizing the marketplace and offering them protection from the vagaries of business cycles. Meanwhile, like the hegemony school argues, entrenched capital-intensive producers, by assuming control of the trade policy process, preserved their oligopolistic positions in the U.S. and international economies. Skewed in its representation of societal interests, trade channeled benefits into discrete sectors which ensured large profits for corporate America.[13]

In contrast to the corporatist consensus, the pluralist framework points to an amalgam of rival private and public actors whose divergence over trade goals exhibited a fragmented and competitive decision-making process.[14] In trade, pluralism naturally focuses on Congress, since commerce was a "pocketbook" issue on which private groups spent millions of dollars lobbying in Washington. Because of its electoral accountability and role in passing or rejecting trade legislation, Congress provided the lever for interest groups to pressure the government.[15]

Pluralists propose a model of "regulatory politics", in which interest groups competed for benefits from trade policy. The passage of the Reciprocal Trade Act of 1934, the basic legislation for all postwar trade bills,

transferred authority for negotiating tariff levels from Congress to the president. This change reduced the leverage enjoyed by interest groups in setting tariff rates, the most glaring example of their power being the disastrous Smoot-Hawley Tariff Act of 1930. From 1934 onward, interests vied with each other and confronted Congress over the allocation of tariffs in a battle which yielded winners and losers. The interaction between interest groups and Congress explained the trade policy decision-making process.[16]

Pluralists offer "interbranch politics" as another paradigm. Bargaining occurred between the president and Congress, which took cues from special interests but prevented log-rolling. Though Congress represented import-competitors and the president export-competitors and broader strategic and economic interests, both acted in unison. In trade, the president looked to Capitol Hill when formulating trade bills, while Congress looked to the White House, not private lobbies. Mutual cooperation, trust, and sensitivity yielded the president more discretion over trade if he responded adequately to congressional concerns.[17]

These models of interest intermediation rely also on the fourth level-of-analysis - the individual decision-makers' perceptions of his external and internal environments. This cognitive process level factors together the

experiences, values, and influences which indicated why a leader reacted to the trade environment overseas and the political economy at home in a certain way, and if his response was consistent or not with practical political considerations. That is, the ideological orientations and assumptions of U.S. leaders in trade affected their domestic political agenda-setting, their negotiating stance, and their approach to the decline in American power.[18]

The models and levels offer several testable hypotheses-questions in the trade decision-making process.[19] Bureaucratic politics hypothesizes that infighting, bargaining, and eventual compromise among Executive branch elites characterized the decision process. Is an understanding of Executive branch divisions sufficient for understanding trade policy? What are the differences in trade ideology and policy preferences among bureaucratic rivals? Who won and who lost the debates?

Corporatists claim that collaboration between business elites, trade sectors, and government officials skewed policy-making and won benefits for capital-intensive groups in the economy. What coalitions of sectoral interests joined their public sector counterparts to influence decision-making? Was there a consensus among private interests which, working through government leaders, sought liberal trade for the benefit of big business? Did this

partnership extend to the international community through class alliances or combinations with similar ideological and political-economic objectives?

Pluralists assume conflict and competition was prevalent in American society. The regulatory politics model posits that interest groups possessed much leverage over Congress in the trade bargaining process. Does trade policy reflect those interests which had the greatest access, economic resources, organizational skills, or whose survival was at stake? Is the private sector the critical decisional arena? What interests pressured the government, and did they succeed?

Interbranch politics supposes that bargaining between a relatively autonomous Congress and the president epitomized decision-making. Did Congress make a difference in debates within the Executive branch and did the Executive branch have a similar impact in Congress? What did each branch seek? Did each accommodate or oppose the objectives of the other, and what accounted for their actions? How was an accommodation between the two eventually reached?

Finally, the individual's perceptions of the internal and external environment and his background helped shape policy. Who were the key decision-makers? What was their trade ideology? What shaped their views on trade policy? Did a conflict exist between their trade ideology and practical politics?

The conceptual framework for testing the models, exploring the four levels-of-analysis, and addressing the historiographical debate centers on the inherent dualism of liberalism and protectionism in trade. Especially applicable to Kennedy and Johnson, this two-dimensional policy is termed the "fair-trade" doctrine.[20] The doctrine enabled U.S. policy-makers to reduce trade barriers while protecting domestic sectors hurt by imports.

The first part of the fair-trade approach concerned trade liberalization. Lowering trade barriers boosted exports, thereby spurring national growth, funding overseas cuommitments which burdened the U.S. balance-of-payments, and unifying the West into a viable force in the cold war. In practice, Kennedy and Johnson used the fair-trade doctrine to seek advantages for all traders, often sacrificing protection of U.S. producers for the good of the global capitalist trade order. But through a process of hard bargaining with America's trade partners at GATT negotiations, America hoped to produce mutually equitable amd reciprocal trade agreements.

Yet liberal trade confronted domestic economic and political realities. Conditions in Massachusetts and Texas sparked Kennedy's and Johnson's awareness of the injurious effects of imports on several industries. Thus, the other half of the fair-trade doctrine hinged on protection of import-competitors. Kennedy adopted a novel scheme in his

Trade Expansion Act called adjustment assistance which avoided trade restrictions in favor of unemployment compensation and job retraining. Since the measure would not be put in effect until the TEA passed, however, Kennedy backed selective restrictions of imports and promised American prudent trade negotiations with strict adherence to reciprocity to help declining import interests and win meaningful concessions for exporters.

Fair-trade thus required juggling local, national, and foreign imperatives in order to expand commerce without injury to domestic interests. In sum, the doctrine sought trade based on comparative advantage while reserving to each country a degree of autonomy to respond to domestic pressures. Such an approach was in accord with GATT principles. Fair-trade was a balancing act between meeting the challenge of the Common Market by stressing the maintenance of the GATT liberal trade regime, and cushioning America from the effects of its declining global power. Guided by the doctrine, American leaders set out to address the sweeping changes in the international economic order.

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[3]For a bibliography of both schools, see essays in Richard Dean Burns, "Overviews: Diplomatic Surveys, themes, and Theories" in Guide to American Foreign Relations Since 1700, ed. Richard Dean Burns (Santa Barbara, CA: ABC-Clio Inc., 1983); Jerald Combs, The History of American Foreign Policy (New York: Knopf, 1986). For the hegemony school, see Stephen E. Ambrose, Rise to Globalism: American Foreign Policy Since 1938, 5th rev. ed. (New York: Penguin Books, 1988); David P. Calleo and Benjamin M. Rowland, America and the World Political Economy: Atlantic Dreams and National Realities (Bloomington, IN: University of Indiana Press, 1973); Frank Costigliola, "The Failed Design: Kennedy, de Gaulle, and the Struggle for Europe", Diplomatic History 8 (Summer 1984): 251; David Horowitz, ed. Corporations and the Cold War (New York: Monthly Review Press, 1969); Gabriel Kolko, The Roots of American Foreign Policy: An Analysis of Power and Purpose (Boston: Beacon Press, 1969); Walter LaFeber, America, Russia, and the Cold War: 1945-1980, 5th ed. (New York: John Wiley and Sons, 1985); Harry Magdoff, The Age

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[5]Stephen E. Pelz, "A Taxonomy for American Diplomatic History", Journal of Interdisciplinary History 19 (Autumn 1988): 259-276, provides the framework for the four levels.

[6]Robert O. Keohane and Joseph S. Nye, Transnational Relations and World Politics (Cambridge, MA: Harvard University Press, 1972); Stephen D. Krasner, "Structural Causes and Regime Consequences: Regimes as Intervening

Variables" in International Regimes, ed. Krasner (Ithaca, NY: Cornell University Press, 1983), 2, 6-8, see also vii-viii; Ernst B. Haas, "Why Collaborate? Issue-Linkage and International Regimes", World Politics 32 (April 1980), 396; Oran Young, "International Regimes: Problems of Concept Formation", World Politics 23 (April 1980): 331-333, 341; Oran Young, "International Regimes: Toward a New Theory of Institutions", World Politics 39 (October 1986): 105-122; J. Martin Rochester, "The Rise and Fall of International Organizations as a Field of Study", International Organization 40 (Autumn 1984): 798-801. For a survey of the literature, see Stephen Haggard and Beth A. Simmons, "Theories of International Regimes", International Organization 41 (Summer 1987): 491-517.

[7]Jock A. Finalyson and Mark W. Zacher, "The GATT and the Regulation of Trade Barriers: Regime Dynamics and Functions" in International Regimes, ed. Krasner, 2871; Robert O. Keohane, After Hegemony: Cooperation and Discord in the World Political Economy (Princeton: Princeton University Press, 1984); John G. Ruggie, "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order" in International Regimes, ed. Krasner, 215, explains that Washington "sought some notion of comparative advantage [but] also promised to minimize socially disruptive domestic adjustment costs as well as any national economic and political vulnerabilities" which

arose from liberal trade. He terms this approach "embedded liberalism". See also Charles Lipson, "The Transformation of Trade: The Sources and Effects of Regime Change" in International Regimes, ed. Krasner, 240-243, who notes that the "GATT regime does not contemplate a world in which commercial policies are based on the austere pursuit of comparative advantage". See also Vernon L. Sorenson, "Contradictions in U.S. Trade Policy" in U.S. Trade Policy and Agricultural Exports, Iowa State University Center for Agricultural and Rural Development (Ames, IA: Iowa State University Press, 1973), 184-185.

[8] Stephen D. Cohen, The Making of United States International Economic Policy: Principles, Problems, and Proposals for Reform, 2nd. ed. (New York: Praeger Publishers, 1981), 17. See also Peter J. Katzenstein, "International Relations and Domestic Structures: Foreign Economic Policies of Advanced Industrial States", International Organization 30 (Winter 1976): 1-45; Peter J. Katzenstein, "Introduction" in Between Power and Plenty, ed. Katzenstein; Stephen D. Krasner, "U.S. Commercial and Monetary Policy: Unravelling the Paradox of External Strength and Internal Weakness" in Katzenstein, ed., Between Power and Plenty, 52-53, 57-65; Vinod K. Aggarwal, Liberal Protectionism: The International Politics of Organized Textile Trade (Berkeley, CA: University of California Press, 1985), 34-35; I.M. Destler, American

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[9]Graham T. Allison, The Essence of Decision: Explaining the Cuban Missile Crisis (Boston: Little Brown, 1971); Morton H. Halperin, Bureaucratic Politics and Foreign Policy (Washington, D.C.: The Brookings Institution, 1974); Allison and Halperin, "Bureaucratic Politics: A Paradigm and Some Policy Implications" in Theory and Policy in International Relations, eds. Raymond Tanter and Richard H. Ullman (Princeton, NJ: Princeton University Press, 1972); Cohen, The Making of United States International Economic Policy, 18-19, 30-31, 115-134.

[10]Robert A. Pastor, Congress and the Politics of U.S. Foreign Economic Policy (Berkeley, CA: University of California Press, 1980), 31; Amos Perlmutter, "The Presidential Political Center and Foreign Policy: A Critique of the Revisionist and Bureaucratic-Political Orientations", World Politics 27 (October 1974): 87-106; Jerel A. Rosati, "Developing a Systematic Decision-Making Framework: Bureaucratic Politics in Perspective", World Politics 33 (January 1981): 234-252; Peter J. Katzenstein, "Introduction: Domestic and International Forces and Stategies of Foreign Economic Policy" in Between Power and

Plenty, 14-15. Critics argue that the model ignores Congress, is useful only for crisis issues in which elites decide policy, is ambiguous over where power lies or how it changes hands or shifts over time, and is unable to distinguish between policy content and the influence of certain intra-bureaucratic factors.

[11] Robert L. Allen and Ingo Walter, The Formation of United States Trade Policy: Retrospect and Prospect (New York: New York University Graduate School of Business Administration, 1971), 5-6.

[12] David Knoke, "Power Structures" in The Handbook of Political Behavior, vol. 3, ed. Samuel L. Long (New York: Plenum Press, 1981), 316-317; Stephen G. Walker and Pat McGowan, "U.S. Foreign Economic Policy Formation: Neo-Marxist and Neopluralist Perspectives" in America in a Changing World Political Economy, eds. William P. Avery and David P. Rapkin (New York: Longman Inc., 1982), 210; Perlmutter, "The Presidential Political Center and Foreign Policy", 89-91; C. Wright Mills, The Power Elite (New York: Oxford University Press, 1959).

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[15]Pastor, Congress and the Politics of U.S. Foreign Economic Policy, 5, 13-14; Krasner, "U.S. Commercial and Monetary Policy", 65; Destler, American Trade Politics, 2-3. Cohen, The Making, 85-104.

[16] Lowi, "American Business and Public Policy", termed regulatory and its counterpart, distributive, politics. The latter, occurring up to 1934, was consensual. Tariffs were parcelled out after congressional log-rolling, which yielded benefits for all. Raymond A. Bauer, Ithiel de Sola Pool, and Anthony Lewis Dexter, American Business and Public Policy: The Politics of Foreign Trade, 2nd ed. (New York: Aldine Publishing Company, 1972), offer a dissent to the "distributive" politics model developed in E.E. Schattschneider, Politics, Pressures, and the Tariff: A Study of Free Enterprise in Pressure Politics, as Shown in the 1929-1930 Revision of the Tariff (Hamden, CT: Archon Books, 1963). See also Stefanie Ann Lenway, The Politics of U.S. International Trade: Protection, Expansion, and Escape (Marshfield, MA: Pitman Publishing, Inc., 1985), 26-33; Pastor, Congress and the Politics of U.S. Foreign Economic Policy, 43-48; Walker and McGowan, "U.S. Foreign Economic Policy Formation", 212-213; William Zimmerman, "Issue Area and Foreign-Policy Process: A Research Note in Search of a General Theory", American Political Science Review 67 (December 1973): 1204-1212.

[17] Pastor, Congress and the Politics of U.S. Foreign Economic Policy, 5, 49-62, 345-348.

[18] James E. Dougherty and Robert L. Pfaltzgraff, Jr., Contending Theories of International Relations: A Comprehensive Survey, 2nd ed. (New York: Harper and Row,

Publishers, 1981), 69-70, 470; Harold and Margaret Sprout, An Ecological Perspective on Human Affairs with Special Reference to International Politics (Princeton: Prionceton University Press, 1965), who call the perceived environment the "psychomilieu", in which each decision-maker has his own "scheme of values, conscious memories, and subconsciously stored experiences" which act as inputs in the decision-making process (in Dougherty and Pfaltzgraff, 69).

[19] Many of the hypotheses-questions are drawn from Pastor, Congress and the Politics of U.S. Foreign Economic Policy, 61-62.

[20] The term is drawn from the "managed trade" of the 1970s (though the latter applies to non-tariff barriers), in which government intervention in domestic economies and international agreements decided comparative advantage. On this point, see Joan E. Spero, The Politics of International Economic Relations, 3rd. ed. (New York: St. Martin's Press, 1985), 122. Others ascribe a dualism to trade policy: Aggarwal, Liberal Protectionism, "liberal protectionism"; Robert W. Barrie, "Congress and the Executive: The Making of U.S. Foreign Trade Policy", Ph.D. Dissertation (University of Minnesota, 1968), 192, addresses the joint effort to promote international trade while supporting particularistic interests; Lenway, The Politics of U.S. International Trade, "pragmatic

liberalism"; Ruggie, "International Regimes, Transactions, and Change", 215, "embedded liberalism" (see note 7). See also Judith Goldstein, "The Political Economy of Trade: Institutions of Protection", American Political Science Review 80 (March 1986): 165. See also Susan Strange, "The Persistent Myth of Lost Hegemony", International Organization 41 (Autumn 1987): 572-574, who criticizes this contradiction in U.S. trade policy.

CHAPTER 1

SEEDS OF THE FAIR-TRADE DOCTRINE, 1945-1960

American foreign trade policy in the 1960s was, naturally, an outgrowth of the initiatives of earlier presidents. They built the framework and set the ideology of the postwar trade regime, in which recovery and aid programs gave way to a policy of expanding and freeing up trade. But domestic economic and political pressures constrained liberalization plans. Falling global tariff barriers and other controls helped increase markets for U.S. exports, but imports rose even faster. Protectionism in the country heightened as Western Europe, and later the united Common Market, emerged as America's chief competitor, and as the economy showed signs of strain by the 1950s. Thus, while national leaders pressed for free-trade, they also tried to address domestic economic problems caused, in part, by lower trade barriers.

Kennedy articulated these dual concerns with his fair-trade doctrine. His record in Congress demonstrated a clearly thought out policy of balancing export and import-competing aims. The development of the trade regime, U.S. commercial legislation, the effects of trade on the American political economy and Kennedy's approach to the issues before assuming the presidency revealed the continuities and differences between the future New Frontier and previous administrations. A survey of the

four levels-of-analysis during the period 1945-1960 therefore explains the basis of the American trade agenda of the 1960s and how the country began to address its declining power.

America's slipping status during that decade signified a change from the immediate post-World War II era. Though it had expended enormous sums of capital and had suffered over a million casualties during the war, the U.S. enjoyed more wealth than ever before once peace arrived. In contrast, the other pre-war powers lay economically prostrate. Thus, Washington assumed the burden of their economic reconstruction by attempting to stabilize exchange rates and re-build trade. Recovery was doubly important as the cold war began, and steadfast allies were needed to fight international communism. In sum, the U.S. emerged as the world's chief banker, supplier of goods, and postwar economic planner; the predominant power in the global political economy.

The trade order consequently reflected American design of economic liberalism, of which three elements were prominent. First was the traditional open door policy, or an emphasis on seeking equal access for all nations in world markets. Second, to ensure the open door, the U.S. insisted on multilateral trade agreements based on unconditional most-favored-nation (MFN) treatment; that is, a pledge of non-discrimination which granted to all the

benefits of concessions reached by two countries in bilateral negotiations. Third, liberalism sought trade based on comparative advantage but permitted exemptions from free-trade as safeguards for domestic producers and as a fulfillment of obligations in pre-existing imperial trade systems.[1]

Economic and political calculations undergirded these principles. Though its economy did not depend on foreign trade -exports averaged only 4.3% of the gross national product from 1945 to 1970 - America feared a recurrence of the trade wars which were partly to blame for worsening the Great Depression and ushering in autarkic conditions that led to World War II. The cold war had a critical influence in the push for liberal trade, too. The U.S. advocated free-trade not only to fuel domestic growth but because expanded commerce enriched national economies and thus bolstered Western security. Seeking economic liberalism in order to alleviate world dollar shortages, America even permitted discrimination against its own goods through foreign import and export controls in order to bind the alliance.[2]

In 1947, America introduced the institutional mechanisms which formalized its trade ideology and political goals. Because of protectionist opposition at home and abroad, the International Trade Organization, the overseer of the new trade order, never got off the drawing board. Though not

as comprehensive, the General Agreement on Tariffs and Trade (GATT) in Geneva, Switzerland became the forum for trade negotiations. A victory for liberal traders, GATT comprised twenty nations which agreed to trade on a MFN basis. Meanwhile, the regime permitted exceptions to the MFN rule by allowing customs unions, free trade areas, and loopholes by which countries might "escape" from trade agreements in order to protect domestic producers. Washington hoped to limit these exceptions.[3]

The first round of GATT in 1947 initiated sweeping tariff reductions, due mostly to the American Reciprocal Trade Act (RTA) of 1945 which cut U.S. tariff rates an average of 25% (the lowest in a century) and started a boom in world trade. The next GATT rounds in 1949 and 1951, and meetings in 1955, lowered duties but dealt primarily with the accession of new members. Actually, the era of large tariff reductions ended in the early 1950s, as more restrictive RTAs permitted only modest decreases at the fourth (1956) and fifth (1962) GATT rounds. By the mid-1950s, the U.S. Congress hoped to freeze tariff levels until the burgeoning imports from the recovering allies were adequately addressed.[4]

Even though these allies discriminated against American goods, stagnating global commerce during the recovery period prompted Washington to encourage trade liberalization among the Western European powers. The U.S.

hoped to free up the region's trade and payments system through the Marshall Plan, the European Payments Union, which was a clearing house for financing trade, and the Organization for European Economic Cooperation (OEEC). Despite the fact that these forums existed at the expense of U.S. exports, the three provided for the permanent elimination of European bilateralism, removed import quotas, and, meeting a top American aim, enhanced regional integration. The union of Belgium, the Netherlands, and Luxembourg (Benelux) in 1948 and the Schuman Plan of 1952 which formed the European Coal and Steel Community, indicated progress toward the latter goal, and the European Economic Community marked its achievement.[5]

Established by the Treaty of Rome in March 1957, the Common Market was more than a trade bloc. The EEC sought an intimate union among diverse European nations, drawing the economies of Benelux, France, Italy, and West Germany together by removing internal barriers to trade, investment, and mobility of capital and labor. Europeans hoped the customs union, which within a decade became the world's largest trading unit, would "spill-over" into a supranational federation which would henceforth discourage a renewal of Franco-German hostilities, build Europe into a potent adversary of Soviet expansionism, and overcome the overwhelming dominance of the United States in the region.[6]

For the sake of strengthening its economic base, the Common Market tacitly backed trade discrimination against non-Community members in foreign trade. The EEC installed a common external tariff and a deadline of 1973 by which each nation would average in its tariff levels to this unitary rate. Accordingly, high-tariff France and Italy and low-tariff Benelux and Germany proceeded to harmonize their duties, though reduction of quantitative barriers to imports progressed less rapidly. The Six also expended much effort in constructing the Common Agricultural Policy (CAP), a protectionist levy and quota system. Indeed, by protecting its markets, the EEC served notice that in the future, European trading rights would take precedence over the commercial objectives of all outsiders, including America.[7]

Backing up this determined policy was an emerging powerful economy which gave the EEC the capability of competing with, or out-competing, the United States and others in trade. From 1938 to 1964, the aggregate gross national product (GNP) of Western Europe as a whole increased by 85% - industrial output alone increased two and one-half times. By itself, the EEC generated $165 billion in goods and services, or about one-third of U.S. production. Yet in real purchasing power, the output of the Six was nearly one-half of America's, and the gap was closing rapidly. EEC steel production, for instance, rose

from 36.6 to 62.9 million tons from 1952-1959, while American output stagnated at 84.8 to 84.5 million tons. Industrial production in the Common Market in 1960, for the first time, bested that of the United States. In sum, the growth rate of all the EEC nations from 1953 to 1960 was 45%; the U.S. lagged at 15%.

The European challenge to America in trade paralleled the impressive gains in production. The exports of Western Europe as a whole outpaced the region's production and world trade during 1938-1964. The U.S. remained the single largest trader nation, but the combined Six outstripped America in trade volume by 1960. While the growth of EEC trade exceeded the rates recorded during the Golden Age of Europe from 1870 to 1913, moreover, U.S. commerce grew slower in the 1950s than during the pre-1914 period. Furthermore, as the American share of manufactured exports among industrial nations fell from 23.9% in 1953 to 21.3% in 1959, the Common Market countries' percentage rose to 43% by 1959, almost doubling from 1948.

More telling, the U.S.-EEC economic relationship was in the midst of a transformation which favored the latter. Washington's export edge was three times that of Europe to America in the early postwar years. By 1960, this advantage was less than double. The American world merchandise trade surplus soared in the 1950s to $4.9 billion in 1960, but that of the Six rose also. But a U.S.

balance-of-payments deficit also emerged by the late 1950s, resulting in mounting European holdings of American gold, which, in turn, were a mark of increased EEC leverage in international affairs. The Common Market also enjoyed a steadily growing share of exports to America throughout the 1950s, while EEC imports declined from across the Atlantic.[8]

American leaders regarded the EEC with both satisfaction and apprehension. Clearly, U.S. recovery plans had been successful, since Europe now stood economically solid on its own feet. The Common Market represented, however, the construction of a trade rival. However minor exports were to the functioning of the American economy, the U.S. viewed this competition seriously, especially since trade was a means of achieving a top objective of U.S. foreign policy: unity within the Western alliance. The cold war prompted this goal. The Soviet economic challenge, Moscow's impressive industrial and technological growth, and an effective propaganda campaign disturbingly foretold of communist inroads in Europe and around the globe.[9]

In the meantime, signs in the Western alliance pointed to a rocky road ahead in relations among the Atlantic powers. The return of General Charles de Gaulle to power in France implied a trend toward European independence. Paris still simmered, moreover, over what it viewed as ill treatment by America during the Suez crisis. Chancellor

Konrad Adenauer of West Germany demanded a greater role in decisions on nuclear weapons. West Germany amd France hoped to propel Europe into a more decisive role in global politics and in wriggling free from Americais hold. The U.S. seemed like an occasional bully to Britain. Though London cherished its "special relationship" with the U.S., the American slap on the wrist during the Suez crisis had humiliated Britain. In trade, furthermore, Britain formed the European Free Trade Association (EFTA) a trade bloc in direct opposition to the Common Market and to U.S designs.[10]

The development in 1959 of the seven-nation EFTA threatened America's unifying strategy. Washington vigorously opposed the EFTA because the "Outer Seven" resisted political integration. The Association also had no common tariff which linked members on an intimate economic basis in a similar fashion to the Common Market countries. London's proposal in 1959 to fuse the EFTA to the EEC also drew American fire. The U.S. feared that both might gang up to discriminate against American exports and neglect the political integration of Europe, thereby dividing the global trade regime and undermining the alliance.[11]

Thus, America sought the evolution of outward-looking, "trade-creating" European trade partners instead of preferential "trade-diverting" blocs. Customs unions built

up their tariffs for the mutual protection of each member, reasoned American leaders. The EEC opposed trade restrictions, yet there was no substantive assurance in its treaty that such would be the case. As economist Bela Belassa told Congress, without multilateral duty cuts on manufactured goods, the elimination of internal tariffs in the EEC would lead to discrimination against U.S. exports. Thus, Washington prodded Europe to tailor its trade policies to the broad, unifying objectives of the alliance instead of frustrating American designs through protectionism.[12]

European integration was the major, but not the only, development in the trade regime which undercut American postwar dominance. The U.S. transformed Japan into a close ally by reorienting its commerce away from the Pacific basin, granting its goods liberal treatment, and overcoming European opposition to Japan's accession to GATT. Japanese trade boomed because of this benevolent treatment. Most significant, U.S.-Japan trade began to favor the latter. Washington enjoyed a three and one-half time growth in exports to Japan during the 1950s, but imports from Tokyo multiplied more than six-fold. Ranked thirteenth among exporters to the U.S. in 1952, Japan climbed to second by 1960. Complaints from American import-competitors about the Asian invasion of their markets, continued Japanese trade discrimination, and, in 1960, Japan's first trade

surplus with the U.S. since the war, compelled Tokyo to adopt a comprehensive trade liberalization plan.[13]

Trade between Canada and America also revealed fissures by 1960. Both were each others' top markets, with the U.S. holding a distinct advantage. The origin of nearly three-quarters of Ottawa's imports in the 1950s, the U.S. supplied over half of all major product groups except textiles and petroleum. A trade deficit with America notwithstanding, Canada occupied roughly over half of the U.S. market. Washington envisioned a free-trade zone in which commerce and investment promoted North American interdependence, a policy not accepted until 1988 by both countries, and denounced by many Canadians as U.S. imperialism. Ottawa also protested injurious U.S. farm surplus disposal programs and oil import quotas. Prime Minister John Diefenbaker strained neighborly relations by the late 1950s in seeking closer Commonwealth ties with Britain at the expense of U.S. trade.[14]

The less-developed countries also started to rebel against the postwar trade regime set up by America. Arguing that the trade interests of rich and poor nations were identical, the North basically ignored the special problems of the less-developed South. The LDCs sought exemptions from liberal trade to protect their infant industries and development. But GATT excluded such loopholes, and its insistence on MFN treatment was

meaningless for the South, which had few concessions to give in negotiations. Refusing to join GATT, many LDCs tried to reform the system and later resorted to import substitution, an inward-looking concentration on developing domestic markets by industrialization and cutting off foreign-made goods.

By the late 1950s, it was apparent that this strategy of international isolation had failed. Few LDCs manufactured goods, and because many relied on only one commodity (usually agricultural) for export, they were vulnerable to falling world demand and prices. Also, import substitution did not reduce imports. LDCs traded their crops for expensive processed or semi-processed items of the North, and these "terms of trade" failed to earn them enough hard currency to import capital goods and construct an industrial base. Industrialization stalled, trade restrictions in the North increasingly plagued the LDCs, and the Soviets stepped in with a plan to underwrite a trade forum outside of GATT for the benefit of the Third World. In response, a panel of GATT experts issued the Haberler report in 1958, which recommended that the North not insist on reciprocity in negotiations with the LDCs and pledge to expand Third World exports. Poor nations remained skeptical of the possibility of penetrating Northern markets and competing in world trade.[15]

Trade expansion in the LDCs had occurred since the war, but was skewed. Manufactured exports were limited to advanced LDCs, nearly two-thirds of these were Asian (mostly from Hong Kong and India), and in only a few specialized products like textiles, accounted for merely 15% of the Third World export total. Sales abroad did climb from 1945 to 1960; Latin American exports rose by 22%, African by 42%, and Asian by a paltry 10%. Total Southern exports registered a 29% increase. But global trade patterns favored the North, which doubled LDC exports. Only sales from the Middle East, where oil spurred exports by 72%, increased more than the industrial nations. Between 1950-1960, the LDC share of world exports declined from 31.6% to 21.4% while the Northern share climbed from 60.4% to 66.8%.[16]

The policies of the Eisenhower administration did not help matters. The President initiated aid programs such as P.L. 480 or Food for Peace. Yet, these measures, along with protective quotas on lead and zinc, oil, and textiles, retarded agricultural LDC development and exports and helped U.S. exporters. For instance, only African exports made gains in the American market while U.S. sales to the LDCs rose. In 1960, Kennedy indicted Eisenhower for failing to better Soviet investments in the LDCs and for not helping these nations diversify their crops, form common markets, and stabilize economically. In many

respects, the LDCs were worse off after Ike's eight years in office.[17]

The most ominous legacy of Eisenhower's tenure, and one that signalled a global power shift away from America, was the U.S. balance-of-payments deficit. The payments statement records the total value of a country's international economic transactions in current and capital accounts. The former contains merchandise exports and imports; expenditures and receipts for services such as transportation and tourism; income from investment, and government grants, military spending, and other remittances. The capital account shows outflows and inflows of financial assets. A payments deficit emerges when the outflows from both accounts result in an excess of debits over credits. A settlement must be made to balance out the accounts, and often takes the form of gold flows. Specifically, gold is drained in the case of a deficit. It was the concern over gold outflows, caused by the payments problem, that worried Eisenhower. A deficit undercut America's ability to fund its overseas commitments.

Indeed, the U.S. ran a payments deficit almost every year since 1950. But until a jump to $3.5 billion in 1958, the deficit had been no more than $2.1 billion from 1950-1957. Gold reserves dropped $2.3 billion in 1958, in contrast to the annual outflow of $200 million since 1950. Furthermore, only in 1957, an exceptional year for U.S.

exports due to shortages in Europe induced by the Suez Crisis, did the merchandise trade surplus of the mid- to late 1950s climb above the marks set a decade before. In addition, a quick domestic recovery from recession in 1958 prompted a high demand for imports in America. Thus, the excess of exports over imports dropped to $3.4 billion in 1958 and hit bottom at $1.1 billion in 1959, though rising in 1960 to $4.9 billion. Nevertheless, the overall payments deficit in 1959 amounted to $4.2 billion and only slightly improved in 1960 to $3.9 billion. The deficit demanded action.[18]

Taking the payments balance out of the red was Eisenhower's primary aim in foreign economic policy by the late 1950s, but his remedies foundered. He tied foreign loans to purchases in America, promoted aid and military burden-sharing among the allies, and encouraged surplus farm disposal. In trade, he urged export expansion and helped form the Organization for Economic Cooperation and Development (OECD) to facilitate Western cooperation on economic problems. Washington also initiated the Dillon Round of GATT in 1960 which brought unimpressive results two years later. These efforts to reverse the payments deficit generally fell short and required the country to rethink, with an eye possibly toward curtailing, its foreign policy goals.[19]

America's difficulties in financing objectives abroad, increased friction with friendly nations, and changing trade patterns which warranted an overhaul of the regime were major themes in international trade. In effect, the causes of the erosion of U.S. power were predictable. The continuation of immediate postwar supremacy was a virtual impossibility, especially once the reconstruction of the industrial countries had been completed. But by the late 1950s, an erratic domestic economy exposed further evidence of waning predominance.

In fact, sluggishness epitomized the U.S. economy as the 1950s closed. Growth slowed, outbursts of inflation occurred periodically, and joblessness worsened relative to the full employment levels in other nations. Such conditions had serious implications. Feeble productivity at home undercut production of goods necessary for export and also for domestic consumption. Indeed, if this trend were reversed, the U.S could build a larger trade surplus and hence reverse the payments deficit. Kennedy, in order to highlight Republican failings, pointed out and perhaps exaggerated these problems. But Eisenhower also wished to boost growth and employment, while he lamented the halting recovery of the economy in 1959 from recession.[20]

A factor hindering growth was trade competition, which whittled away U.S. dominance in overseas markets. As the merchandise trade surplus shrunk, so did exports of

machinery, transportation equipment, chemicals, textiles, and steel. The U.S., for instance, became a net steel importer by the late 1950s and European restrictions boded ill for future trends. Farmers also sought more exports. Under development in the EEC was, however, a restrictive agricultural system which threatened to curb the sizable bulk of American farm sales. For example, the Common Market aimed to replace U.S. wheat in Germany and Benelux with Italian and French grain. American rural protests over these restrictions were somewhat disingenuous since exporters enjoyed a system of government protection from low world commodity prices. Along with other export-competitors, though, farmers pushed for more access abroad as the decade ended.[21]

Imports received much of the blame, though, for economic problems. Farmers demanded curbs on foreign goods despite the fact that imports declined throughout the 1950s. Many manufacturers felt the impact of European and Japanese recovery and pressure from the LDCs in the form of low-priced imports. Cotton textile imports, for instance, more than tripled from 1950 to 1960. Import-competitors claimed such trends caused drops in production and worker lay-offs, and that this stagnation further burdened the struggling economy.[22] Most critical to the future trade policy of the 1960s was, however, that their grievances, some calculated, others more legitimate, received much play on Capitol Hill.

Congress, in essence, qualified the commitment to liberal trade. In general, legislators had learned from the onerous Smoot-Hawley tariff of 1930 that free-trade was essential to peace and prosperity. Unlike Britain's unilateral trade liberalization in the 1860s, however, Congress made sure that the U.S. lowered tariffs solely on a reciprocal basis under the Reciprocal Trade Acts starting in 1934. Furthermore, Congress took as its base-point for duty reduction the high Smoot-Hawley level, and not a more reasonable reference, and also circumscribed the trade liberalism of postwar presidents by attaching protective clauses onto RTA bills.[23]

These clauses were wide-spread. In 1947, the "escape clause" became a formal mechanism in trade negotiations and along with the "peril point" provision, it emerged as a permanent part of the trade program by 1951. The escape clause, pursuant to investigations by the U.S. Tariff Commission, permitted withdrawal of concessions from a trade agreement which might injure an industry. The peril point set a point at which such a concession, in the form of a tariff cut, threatened injury. The extension of Section 22 of the Agricultural Adjustment Act in 1948, in addition, imposed limits on commodity imports regardless of prior agreements through a waiver from GATT, which contradicted GATT principles. Congress weakened but retained in 1954 the Buy American Act of 1933, which gave a

preference to American bidders for government orders. The national security clause of 1955 permitted escape from a trade agreement if an import reached such quantities that it impaired the country's defense effort.[24]

The RTAs of the 1950s were so loaded down with these devices that protectionists gained leverage in trade policy. Eisenhower hailed his 1955 bill as a "tremendous victory" for free-trade, but it called for tariff cuts of only 15% when earlier RTAs provided for larger reductions. The RTA of 1958 was even more of a retreat from liberal trade. The bill enabled any domestic industry, regardless of whether it was crucial to U.S. defense, to seek protection under the national security provision, and empowered Congress to override a presidential refusal to invoke the escape clause. This RTA granted authority to reduce tariffs by a meager 20%. Liberal traders blasted the 1958 legislation, aimed at negotiating with the new EEC over the next four years, as "the most protectionist measure ever passed by Congress in all the Reciprocal Trade renewals since 1934."[25]

Eisenhower's difficulty in winning enough authority to make tariff negotiations with Europe and other GATT members worthwhile was a critical development. By the late 1950s, the trade regime responded less than before to U.S. prodding. Congress made liberalization efforts, which were necessary to unite the West, aid LDCs, and inject the

American economy with a dose of export growth, more problematical. Protectionists clashed with those who accepted more imports as a requisite for boosting exports. Recognizing the tricky balance between protectionism and tariff reduction were many congressmen who criticized Eisenhower's outworn, ineffective, and to some, disappointing, approach to liberal trade policy. Among them was Senator John F. Kennedy.

Kennedy was the consummate fair-trader. He formulated his presidential trade policy while in Congress by reconciling the economic, and political, realities in import-competing Massachusetts with the national program of liberal trade. Foreign commerce, wrote future economic advisor Paul Samuelson, was an issue on which Kennedy had focused attention because of New England's problems with imports and consequent pressure from his constituents. Yet the senator understood the importance of free-trade, noted economist and frequent Kennedy correspondent Seymour E. Harris, and was convinced it was essential. Indeed, Kennedy explained that deciding where to stand on trade matters in Massachusetts required a "split personality".[26]

He also found trade policy a sensitive subject in a state where some segments of the economy favored low duties in order to buy raw materials more cheaply, like oil, while other groups sought protection for traditional, increasingly inefficient industries like textiles. Kennedy

voted in favor of the RTAs throughout his congressional career, but such support was qualified and he urged protection for regional industries through a special delegation of New England senators.[27]

On the protectionist side of fair-trade, Kennedy blamed imports for deterioration in key sectors of New England's economy. In soft goods, for instance, he not only criticized government policies which ignored the movement of factories to the low-wage South but also the rising inflow of low-wage imports which had diminished textile production. New England lost 150,000 jobs between 1929 and 1950 as hundreds of mills closed. As a response, Kennedy denounced Eisenhower's inaction in limiting textile imports from Asia as a "lack of comprehension or misjudgment" or "indifference". He demanded quotas and backed the "Geneva Reservation", which permitted a raise in textile duties when GATT provided insufficient protection.[28]

In the fishing sector, imports were again among the reasons Kennedy cited for industry troubles. He noted that lags in research and development and scarcity of some species caused stagnation. Yet after constituents informed him of the sizeable yearly increases of fillet imports, he blamed rising imports from northern Europe for the drop in sales by American fishermen of groundfish and ocean perch in 1952. Without protection, he concluded, the old fishing industry of Massachusetts would soon be extinct. Kennedy

did not seek higher tariffs in instances such as these merely for the sake of "unjustifiable protection from foreign competition". Instead, he argued "that there are certain industries which by their nature are unable to compete with imports on a fair basis. In those situations, I feel that a tariff to equalize competition is necessary."[29]

The depressed state of certain interests taught Kennedy early in his career that protection was a practical necessity from an economic and political standpoint, and thus he frequently fought for import relief. He lodged a complaint with Eisenhower, for example, after the President refused to uphold a Tariff Commission report which recommended import restrictions on fish. The RTA was "not designed to crucify the ancient New England fishing industry", Kennedy proclaimed, but it had permitted so much "cutthroat competition" from northern Europe that major ports were fast becoming "dead" cities.[30] The remedy was simple, he told a Massachusetts labor organization. "We know that our fisheries, our jewelry, and certain other industries need protection if they are not to be offered as a sacrifice to the theoretical principle of free trade".[31]

This pragmatic view of trade, the basis of the fair-trade doctrine, portrayed Kennedy as a protectionist early in his political career. "Everyone recognizes the desirability of free trade between nations . . . as an

ideal", he asserted in 1952. The complete removal of trade barriers was possible only when the prevention of injury to U.S. producers was certain. Tariff reduction could not be a "one-way street" with America bearing the burden. Without import relief, America would merely "be putting the cart of the ideal before the horse of our own bread and butter."[32]

In effect, Kennedy argued that theory did not mesh with the hard facts of depression in New England or in global trends in foreign trade. Contrary to popular belief, the U.S. possessed low tariffs comparable to the Benelux and Scandinavian nations. Consequently, American imports had more than quintupled over the past twenty-five years while European protectionism had outlasted its necessity. Kennedy complained that "a cardinal principle" of international trade had been violated; America was "being subjected to unfair and unequal discrimination" abroad.[33] When economist Charles P. Kindleberger called Kennedy a protectionist, the senator tempered his tone but replied that his trade views were more complicated than the label implied. He opposed unfair discriminatory trade practices against American goods, that is, an import policy which jeopardized the welfare of New England.[34]

Though he appeared as a protectionist, Kennedy at bottom was not one. His position on foreign trade policy was grounded in a New Deal faith that government should cure

economic distress. Seeking a consistent balance between national and local interests, the senator believed the federal government had an obligation to modify U.S. trade policy when imports threatened entire industries. He sympathized with Eisenhower's dilemma of reconciling "the conflicting national interest" of freer trade with the "legitimate needs" of a few domestic interests. Just as President Franklin D. Roosevelt had overseen the transition to a war economy, however, so Eisenhower must give assistance to those hurt by the nation's trade policy.[35]

He found a means for national aid in a government-financed program of "adjustment assistance" which became one leg of his fair-trade doctrine. He borrowed the remedy from David McDonald, head of the United Steel Workers. Adjustment assistance provided for compensation or retraining for workers, loans for businesses, and development aid to areas adversely affected by imports. The Eisenhower administration rejected the plan, as did other anti-big government conservatives. Kennedy fared no better when he introduced adjustment assistance as a bill alongside successive RTAs and the Area Redevelopment Act in the 1950s.[36]

Despite such opposition, Kennedy supported adjustment assistance throughout his political career. He argued that the provision was not a subsidy, but merely consolidated existing federal aid programs into one act. Recognizing

that liberal trade was embedded in U.S. foreign policy, his program was a third alternative to tariff hikes or cuts which would not result in the "mutilation" of the RTA. The escape clause had failed to protect producers, he claimed, since only three of forty-three applications for relief had won protection. Instead relegating industries to "suffer in silence" because of the national interest in lowering tariffs, the President had a viable option. Adjustment assistance was a compromise, permitting "the constantly increasing international trade so essential to the economic health of the United States without jeopardizing the welfare of affected industries and their employees".[37]

Most important, adjustment assistance allowed Kennedy to be consistent in trade policy. He could advocate protection for injured interests but remain in the mainstream of New Deal ideology as an adherent to liberal trade. By no means a doctrinaire free-trader, he told his constituents nonetheless to be realistic, for regardless of local attitudes, the postwar trend in foreign trade was toward less restrictions. Even in the case of the fishing industry he opposed excluding imports, arguing instead for a "fair and equitable" quota with which to prop up fishermen. "In all frankness", he wrote a voter, he approved of liberal trade.[38]

High tariffs, he emphasized in revealing the free-trade leg of his fair-trade ideology, provided only a temporary

solution to production for American industry. Indeed, while "indiscriminate competition" from other nations should be avoided, America must encourage trade liberalization and enhance economic cooperation in the world. In sum, Kennedy supported the RTA because he was "a firm believer in subsequent international agreements by which other nations have been enabled to sell their products in the United States, as we sell our products abroad. World trade can never be a one-way street".[39]

His father's profitable liquor importing business demonstrated the financial benefits of lower tariffs to Kennedy. As ambassador to England, Joseph Kennedy had helped negotiate the Anglo-American trade agreement of 1938 which reduced restrictions on a reciprocal basis between Washington and London. He spouted free-trade dogma in claiming that liberalization would end economic conflict, increase the standard of living, and unify the democracies. There was, meanwhile, no doubt that lower tariffs would enhance the sales of imported liquor, of which the ambassador was a major concessionaire.[40]

Such personal gains aside, his son understood that the harmful effects of trade restrictions damaged the American economy as a whole. Thus, though cognizant of import injury, Senator Kennedy usually rejected the notion that low tariffs were the culprit. He argued instead that competition from the South and factors of inefficient

production, such as outmoded plant facilities, expensive transportation and power, lack of diversification, and scarce capital investment, were the key causes of economic difficulties. On those occasions when he backed a tariff hike, he preferred it be of temporary nature and adjusted downward once its need had been fulfilled.[41]

Though sensitive to the potential political backlash from this liberal trade bent, he had no qualms in telling producers that they exaggerated the impact of trade competition. Kennedy disputed protectionist contentions that imports worsened domestic employment, especially since nearly a third of New England's jobs relied on low-priced raw material imports such as oil. Even in the region, he perceptively claimed, the profits from exports of most firms overcame losses incurred from imports. "If we depress imports", he said, "then there will also be reductions in exports. Foreign countries cannot buy our goods unless they have entry for theirs".[42] Such was the rationale behind the fair-trade doctrine.

At the heart of this belief in the advantages of reciprocal trade was his interest in foreign affairs. The harmful effects of restrictions on American foreign policy and international relations far outweighed the benefits of protectionism. His father's service in England during the high-tariff era of the 1930s had demonstrated to Kennedy the dangers of economic nationalism which had caused a

schism between America and Europe. Joining other postwar leaders, he advocated liberal trade to reduce the chances of future political conflict.[43]

In the 1950s, the danger was international communism, and here Kennedy viewed free-trade as a means to combat Soviet economic competition. Protectionism would undermine America's ability to meet Russian advances with attractive trade opportunities for members of the Western alliance. "It is a fact", he wrote a constituent as the Common Market emerged in 1958, "that American rigidity would probably force European nations to seek trade outlets in Communist bloc countries with resulting adverse political consequences."[44]

The creation of the EEC and EFTA and relations within the Atlantic community were of paramount importance to the liberal trade part of Kennedy's commercial ideology. In 1954, for instance, he opposed a rigid adherence to the Buy American Act; U.S. employment had to be weighed against the economic needs of America's allies. When the European trade blocs planned to raise trade barriers to outsiders, Kennedy urged them instead to "create an environment" in which other nations would willingly reduce restrictions in tandem with Europe. Giving this logic an institutional base, the senator backed American membership in the Organization for Trade Cooperation, a forum which would give the U.S. a "decisive voice" in promoting a liberal

trade order and perhaps slow the decay of U.S. global power.[45]

In the LDCS as well, commerce became one of Kennedy's chief concerns and provided further evidence of his adherence to liberal, fair trade. After visiting the Middle East and Asia in 1951, where he saw firsthand the vulnerability of the South to Soviet influence, he suggested that the U.S. should concentrate aid also on the LDCs and not just on Europe. Kennedy sought to close the "economic gap" between the South and North also through aid and commerce because, as he noted, the Third World had not really shared in the tremendous growth in world trade during the 1950s. While he cited U.S. recessions for lowering the prices of LDC commodities and thus worsening their terms of trade with the North, he generally indicted Eisenhower for a lack of imagination in foreign economic programs.[46]

As possible solutions, Kennedy recommended reducing U.S. tariffs and quotas, easing Export-Import Bank restrictions, and negotiating international commodity agreements to boost prices of Third World goods and raise revenue for development. He also backed the formation of regional economic blocs along the integrationist lines of the EEC in order to enhance stability and self-sufficiency in the South. He also proposed an end to unilateral exporting schemes in wheat. By not cooperating with other Northern

agricultural producer nations in exporting farm surpluses, America increasingly alienated its friends, disrupted global commodity trade, and in the end, opened the way to Soviet dumping of these goods as political pressure on the LDCs.[47]

Undergirding these modifications of trade and aid programs were the unifying economic and political purposes of the fair-trade doctrine. In the long-run, a lack of growth in the LDCs due to decreased exports would deleteriously affect the economies of the industrialized nations by slowing down their expansion, too. Very likely, stagnation would set off mutually self-defeating trade wars in the North, similar to those of the 1930s. Thus, Kennedy urged an increase for the real income of the Southern nations by ensuring that international trade channels were held open. By accelerating growth in underdeveloped areas through aid, assuring market access, and lessening import restrictions, the North could show the LDCs "that the democratic process is a persuasive method of creation, not frustration".[48]

By the late 1950s, Kennedy had developed his trade perspective into a coherent fair-trade doctrine. Lowering trade barriers took precedent over protectionism, yet he sought to prevent injury to certain domestic industries. While he knew expansion of world commerce was important, he refused to give unqualified support to a free-trade policy

which jeopardized public welfare. His answer was a "double attack" of adjustment assistance undergirded by the Area Redevelopment bill, which would address inherent economic problems not caused by imports. In 1959, he co-sponsored labor legislation which offered protection, but not tariff relief, from low-wage imports.[49]

When the last RTA of his senate career exited the Senate Finance Committee in 1958 in diluted form, however, Kennedy expressed his disappointment as a firm advocate of free-trade. He eventually voted for the bill, but had earlier made known his complaint that the RTA was too rigidly protectionist in its grant of bargaining authority for negotiations. The Common Market now a key concern in trade, Kennedy rejected the "sledge-hammer approach" of protectionists in attaching "dubious" restrictions on presidential authority to lower tariffs.[50]

Decisively in the camp of liberal traders, Kennedy saw trade as a crucial element in U.S. foreign policy of the 1960s, especially in maintaining America's position in the international economy. "I have long made my position clear", he told a voter. "We must have a reciprocal trade policy if we are to preserve our relationship to foreign governments and if we are to encourage our domestic industry to produce for foreign markets".[51] The "somewhat jaded battles" between protectionists and liberal traders were irrelevant since every nation possessed high and low

duties. Protectionism, in sum, was no longer viable in an increasingly interdependent world, he warned, for such a policy would create a vacuum for Soviet economic and hence political penetration into the Third World and also weaken the economic base of the Western alliance. He remained convinced that liberal trade helped "cement together the nations of the free world".[52]

A pragmatic, calaculated, but also fair trade strategy should guide U.S. policy. In GATT negotiations, Kennedy candidly declared that Washington should not be "philanthropic". Instead, he expected Americans to be "hard bargainers" and demand equal concessions from other nations. But toughness must be mixed with the recognition that the basis for a permanently healthy domestic economy rested on the U.S. also giving up concessions. Lowering duties helped America since other nations earn dollars with which to purchase a more U.S. goods. Increased trade thus led to a rising standard of living for all. In effect, the "great merit of the trade agreements system is that it permits all parties to the agreements to benefit".[53]

On the presidential campaign trail in 1960, Democratic Party candidate Kennedy also shunned protectionism. He planned to "get the country moving again" by boosting output among producers at an annual rate of 5%, because growth was the "best protection" against displacement from imports. Noting America's lagging growth among

industrialized nations since 1953, he warned against "economic slackness" because competition would be "keener" during the decade ahead. Witnesses at a hearing on the U.S.-Common Market relationship echoed this exhortation. Congressman Mike Monroney (D-OK) said, for instance, that the country had become "overly fat and a little self-satisfied" in the 1950s, unconcerned about foreign competition. A failure to modernize, provide good service, or gear products to European demand had lost America its preeminence in the typewriter and small automobile markets to a more "lean, thin, and hungry" EEC.[54]

Yet debate during the campaign on trade necessarily had more domestic overtones since Kennedy and Republican candidate Richard M. Nixon knew that free-trade had no voter appeal in import-competing areas. Kennedy spoke with caution, particularly in the South, not only because textile firms there had suffered during the past decade, but because he expected electoral difficulties in the region over the Catholic and race issues. Textilemen groaned that both candidates were "free traders", but singled out Kennedy for criticism. While he had indeed denounced Eisenhower for increasing imports, they commented, the candidate's record showed that he would "broadly boost, not restrict, imports."[55]

The Democratic platform offered, however, more protection than it was credited for, although less than the

Republican plank. The Democrats resoundingly endorsed the RTA as the means to meet the challenge of EEC, help the Third World, correct the payments deficit, and unite the West against communism. They adopted adjustment assistance to protect domestic industries. The Republicans, though pressing for liberal trade, supported more protectionist devices, including increased use of the escape clause, national security provision, and voluntary import quotas. This platform perhaps made Kennedy appear less willing to act for import-competitors, though aides also worried that his isolated protectionist remarks, such as requests for voluntary textile quotas, might be construed as inconsistent with the liberal trade. Yet Kennedy knew that his seemingly contradictory stance was an inherent part of the tricky balancing act of satisfying foreign, national, and local needs through fair-trade.[56]

The campaign was the culmination of a congressional career which juggled liberal trade with a sensitivity to declining but vocal domestic interests. In effect, most national leaders had done the same, for the postwar trade regime under GATT permitted protectionism at the same time negotiations to lower commercial barriers were underay. Coming from a state that epitomized the troubles with rising imports, Kennedy accepted trade restrictions as a political fact of life. He clashed with the Eisenhower administration on this score, since the President naturally

fostered national over regional solutions to the import problem. But Kennedy and Eisenhower agreed on the merits of free-trade for economic and international reasons.

Differences between Kennedy and the administration existed, however. As a New Deal adherent, the senator accepted the notion of Big Government. Thus, while the conservative Eisenhower relied on traditional, yet ineffective devices such as the escape clause and peril point as a means to protect import-competitors, Kennedy proposed the social security safety net of adjustment assistance as a remedy. During the 1960s, this measure changed the concept of import injury by the extent to which domestic interests could be subjected to liberal trade. Nonetheless, it actually provided more protection than the escape clause, which under Eisenhower had been invoked only rarely.

In essence, Eisenhower remained entrenched in increasingly obsolete, and at times insensitive, methods of dealing with imports. By the end of his tenure, ironically, he had provoked a wave of protectionism that undercut his authority to lower tariffs in the RTA. Kennedy and the vanguard of the Democratic Party initiated, on the other hand, an imaginative program which addressed contemporary conditions in the domestic economy and international trade regime. Their willingness to apply even doses of government aid and laissez-faire trade

competition exemplified a workable American policy for the future.

Such trade management underscored Kennedy's forward-looking vision in foreign affairs which confronted America's declining predominance across the globe. While Eisenhower fostered free-trade with Europe, an intimate Atlantic community, and Third World development, his actions seemed tired and oftentimes fell flat. Kennedy, while seeking the same goals, hoped to adopt more forceful, dramatic ways of meeting the challenges to U.S. power with overhauled aid, trade, and general foreign policies. In trade, he planned to attack competition from the EEC and inherent flaws in the LDC system, hoping to adapt America to its vitiated world economic status through energetic measures, not modifications of outworn ones.

Kennedy took to the presidency an expertise in foreign trade which he had acquired first-hand. The purpose of his new administration, he announced, would be "to make effective the concept of responsible trade among free nations by means which will promote the economic prosperity of all peoples while ensuring equitable conditions of competition for our own industries".[57] The victory secured in November, 1960, the President-elect set out to achieve this fair-trade objective.

[1]Richard N. Gardner, Sterling-Dollar Diplomacy: The Origins and Prospects of Our International Economic Order, 2nd ed. (New York: McGraw-Hill Book Company, 1969), chapters 1 and 2; Pollard and Wells, Jr., "1945-1960: The Era of American Hegemony", 333-339; Robert Dallek, Franklin D. Roosevelt and American Foreign Policy, 1932-1945 (New York: Oxford University Press, 1979), 283.

[2]Foreign Trade Related to Various Measures of Production: 1869-1970, U.S., Department of Commerce, Historical Statistics of the United States: Colonial Times to 1970 (Washington, D.C.: Government Printing Office, 1975), pt. II, 887; Pollard and Wells, Jr., "1945-1960: The Era of American Hegemony", 333-339; Harry S. Truman, Memoirs: Years of Trial and Hope, vol. 2 (Garden City, NY: Doubleday and Company, Inc., 1956), 111; Dean Acheson, "The Interest of the American Businessman in International Trade", Vital Speeches, no. 11, 15 February 1945, 264; Burton I. Kaufman, Trade and Aid: Eisenhower's Foreign Economic Policy, 1953-1961 (Baltimore: The Johns Hopkins University Press 1982), 16.

[3]Spero, The Politics of International Economic Relations, 94-96; Gardner, Sterling-Dollar Diplomacy, chps. 3, 8, 17 and pp. 348-361; 95-96; F.V. Meyer, International Trade Policy (London: Croom Helm, 1978), 136-137; Lipson, "The Transformation of Trade", 240-243.

[4]Pastor, Congress and the Politics of U.S. Foreign Economic Policy, 78, 98-99; Robert B. Reich, "Beyond Free Trade", Foreign Affairs 61 (Spring 1983): 778; Meyer, International Trade Policy, 72-73, 136-141; Kenneth W. Dam, The GATT: Law and International Economic Organization (Chicago: University of Chicago Press, 1970), 56. Italy acceded to GATT in 1949, West Germany in 1951, and Japan in 1955.

[5]Pollard and Wells, "1945-1960", 346; Spero, The Politics of International Economic Relations, 97, 126; Hogan, The Marshall Plan; M.M. Postan, An Economic History of Western Europe, 1945-1964 (London: Methuen and Co., Ltd., 1967), 98-99.

[6]William Diebold, Jr., "The Process of European Integration" in The Common Market: Progress and Controversy, Lawrence B. Krause, ed. (Englewood Cliffs, NJ: Prentice-Hall, Inc., 1964), 34; Emile Benoit, Europe at Sixes and Sevens: The Common Market, the Free Trade Association, and the United States (New York: Columbia University Press, 1961), 5, 29-30. The treaty created the European Atomic Energy Committee (Euratom), a Council of Ministers, comprising government representatives of each nation, and a supranational executive, the Commission. The EEC covered 5.9 million square miles, comprising 168 million people in Europe, 10 million in Algeria, and 53 million in associated and dependent areas.

[7] Harry G. Johnson, "Mercantilism: Past, Present, and Future", Journal of World Trade Law 8 (January-February 1974): 12-13; Benoit, Europe at Sixes and Sevens, 24; Arnold Wolfers, "Integration in the West: The Conflict of Perspectives" in The Atlantic Community: Progress and Prospect, eds. Francis O. Wilcox and H. Field Haviland (New York: Frederick A. Praeger Publishers, 1963), 245; Meyer, International Trade Policy, 160-161.

[8] Statistics are drawn from Max J. Wasserman, Charles W. Hultman, and Russell F. Moore, The Common Market and American Business (New York: Simmons-Boardman Publishing Corporation, 1964), 59, 69; B.R. Mitchell, European Historical Statistics, 1750-1970 (New York: Columbia University Press, 1978), 182, 308-309; Postan, An Economic History of Western Europe, 11, 90-91; Alfred Grosser, The Western Alliance: European-American Relations Since 1945 (New York: Continuum Publishing Corporation, 1980), 177-178; Statistical Briefing: U.S. Trade and the Common Market, undated [1961]; Memorandum on Performance of US Exports During the Past Decade, 15 December 1961, President's Special Message on Trade-Correspondence Concerning the Speech, box 2, White House Staff Files-Howard C. Petersen, John F. Kennedy Library, Boston, Massachusetts (hereafter cited as Petersen files); Historical Statistics of the United States, pt. II, 903, 905.

[9]A.W. Deporte, Europe Between the Superpowers: The Enduring Balance (New Haven, CT: Yale University Press, 1979), 175; Pollard and Wells, "1945-1960", 378, LaFeber, America, Russia, and the Cold War, 205; Thomas A. Bailey, A Diplomatic History of the American People, 8th ed. (New York: Meredith Corporation, 1969), 847, see also chp. 54.

[10]Deporte, Europe Between the Superpowers, 182, 189-190, 223; Lafeber, America, Russia, and the Cold War, 208-209; Grosser, The Western Alliance, 148, 168, 177; Shonfield, "International Economic Relations of the Western World", 3; Kaufman, Trade and Aid, 188.

[11]Benoit, Europe at Sixes and Sevens, 68-71, 82-83, 92-93; Kaufman, Trade and Aid, 182; Pollard and Wells, "1945-1960", 367, 387; Shonfield, "International Economic Relations of the Western World", 3-18; James R. Schlesinger, The Political Economy of National Security: A Study of the Economic Aspects of the Contemporary Power Struggle (New York: Frederick A. Praeger Publishers, 1960). Though smaller in population, exporting volume, and GNP than the EEC, the EFTA imported approximately as much and comprised a wealthier, but slower growing, economy.

[12]Roderick N. Grant, "The European Common Market and U.S. Trade" in Public Policy: International Economic Problems, vol. 11, eds. Carl J. Friedrich and Seymour E. Harris (Cambridge, MA: Harvard University Graduate School of Public Administration, 1961), 234; Randall Hinshaw, The

European Economic Community and American Trade: A Study in Atlantic Economics and Policy (New York: Frederick A. Praeger Publisher, 1964), 142-143; Edwin M. Martin, "New Trends in United States Economic Foreign Policy" in Whither American Foreign Policy in The Annals of the American Academy of Political and Social Science, ed. James C. Charlesworth (Philadelphia: The American Academy of Political and Social Science, 1960), 29; Ernst H. Van Der Beugel, From Marshall Aid to Atlantic Partnership: European Integration as a Concern of American Foreign Policy (Amsterdam, Holland: Elsevier Publishing Company, 1966), ch. 5; Max Beloff, The United States and the Unity of Europe (Washington, D.C., 1963), chps. 6, 8, 9; Bela Belassa, "Competitiveness of American Manufacturing in World Markets" in Problems of the Modern World Economy: Changing Patterns in Foreign Trade and Payments (New York: W.W. Norton and Company, Inc., 1964), to Joint Economic Committee, September 1962, 31.

[13]Pollard and Wells, "1945-1960", 348-349; Kal J. Holsti, "Politics in Command: Foreign Trade as National Security Policy", International Organization 40 (Summer 1986): 648-652; Alfred K. Ho, Japan's Trade Liberalization in the 1960s (White Plains, NY: International Arts and Sciences Press, Inc., 1973), 5-6; Hugh Corbet, ed., Trade Strategy and the Asian-Pacific Region (Toronto: University of Toronto Press, 1970), 51-59; Warren S. Hunsberger,

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[15]Spero, The Politics of International Economic Relations, 221-229; John Pincus, Trade, Aid and Development: The Rich and Poor Nations (New York: McGraw-Hill Book Company, 1967), 177-185; Finlayson and Zacher, "The GATT and the Regulation of Trade Barriers, 293-295; Dam, The GATT, 225-231; Johnson, Economic Policies Toward Less Developed Countries (Washigton, D.C.: the Brookings Institution, 1967), 18.

[16]Pincus, Trade, Aid and Development 233-235; Walter LaFeber, Inevitable Revolutions: The United States in Central America (New York: W.W. Norton and Company, 1983), 90-91; Magdoff, The Age of Imperialism, 155-157; Gunnar Myrdal, Asian Drama: An Inquiry into the Poverty of Nations, vol. 1 (New York: Pantheon Books, 1968), 595-603; J.A.C. Brown, "A Brief Survey of Prospects for African Exports of Agricultural Products" in African Primary Products and International Trade (Edinburgh: Edinburgh University Press, 1965), 1-6; Spero, The Politics, 227.

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[20]Gary M. Walton and Ross M. Robertson, History of the American Economy, 5th ed. (New York: Harcourt, Brace, Jovanovich, 1983), 633, on recessions in the 1950s. Herbert Stein, Presidential Economics: The Making of Economic Policy from Roosevelt to Reagan and Beyond (New York: Simon and Schuster, Inc., 1985), 86-88; Seymour E. Harris, Economics of the Kennedy Years and a Look Ahead (New York: Harper and Row, Publishers, 1964), 26; E. Ray Canterbury, Economics on a New Frontier (Belmont, CA: Wadsworth Publishing Company, Inc., 1968), 30, 96.

[21]Historical Statistics of the U.S., pt. II, 889, 898-900; Frank W. Tuttle and Joseph M. Perry, An Economic History of the United States (Cincinnati: Southwestern Publishing Company, 1970), 786; U.S., Senate Committee on Interstate and Foreign Commerce, Foreign Commerce Study: U.S. Trade and the Common Market, 86th Cong., 2nd sess., 1960, 217-218; Trudy H. Peterson, Agricultural Exports, Farm Income, and the Eisenhower Administration (Lincoln: University of Nebraska Press, 1979), 27-28, 114-118; John M. Leddy, "United States Commercial Policy and the Domestic Farm Program" in Studies in United States Commercial Policy, ed. William B. Kelly, Jr. (Chapel Hill: University of North Carolina Press, 1963), 174.

[22]Vernon L. Sorenson, "Contradictions in U.S. Trade Policy" in U.S. Trade Policy and Agricultural Exports, ed. Iowa State University Center for Agricultural and Rural Development, 185-189; Historical Statistics of the United States, pt. I, 482; 900.

[23]Dallek, Franklin D. Roosevelt, 84, 92; Arthur A. Stein, "The Hegemon's Dilemma: Great Britain, the United States, and the International Order", International Organization 38 (Spring 1984): 380.

[24]Pastor, Congress and the Politics of U.S. Foreign Economic Policy, 94, 99-100; John M. Leddy and Janet L. Norwood, "The Escape Clause and Peril Points Under the Trade Agreements Program" in Studies in United States Commercial Policy, ed. Kelly, Jr., 124-146; Sorensen, "Contradictions in U.S. Trade Policy", 186; Dam, The GATT, 260-261; Sidney Ratner, The Tariff in American History (New York: D. Van Nostrand Company, 1972), 64-65; Kaufman, Trade and Aid, 45.

[25]Kaufman, Trade and Aid, 29, see also chps. 7, 43-44, 74-76. See also Pastor, Congress and the Politics of U.S. Foreign Economic Policy, 101-104; Harry C. Hawkins and Janet L. Norwood, "The Legislative Basis of United States Commercial Policy" in Studies in United States Commercial Policy, ed. Kelly, Jr., 110-114; Leddy and Norwood, "The Escape Clause", 138-143; Bauer, de Sola Pool, and Dexter, American Business and Public Policy, 73.

[26] Kennedy to Linda Chapman, 20 November 1959, Trade-8/1/59-11/20/59, box 727, PPP; See also Paul Samuelson Oral History, 63, John F. Kennedy Library, Boston, Massachusetts; Seymour E. Harris Oral History, 2-3, John F. Kennedy Library, Boston, Massachusetts; Myer Rashish Oral History, 2, John F. Kennedy Library, Boston, Massachusetts (oral histories hereafter cited by last name); Interview, George W. Ball, 21 March 1986, Princeton, New Jersey.

[27] Kennedy to Frederick Putnam, 11 February 1954, Trade-Reciprocal Trade and Tariff-5/1/54-7/9/54, box 654, PPP; James MacGregor Burns, John Kennedy: A Political Profile (New York: Harcourt and Brace and Company, 1960), 181; Congressional Quarterly-Almanac, roll calls, 5 (1949): 50; 7 (1951): 260; 9 (1953): 210; 10 (1954): 296; and 14 (1958): 448, Kennedy supported the RTA in 1949, 1954, and 1958 (this year in absentia). There is no record of his vote in 1951 and 1953.

[28] Memorandum I, box 993, undated; Memorandum II, Tariff and Trade Policy, box 993, undated; Memorandum, New England Delegation to Sinclair Weeks, 3 February 1958, Trade-General-2/3/58-3/3/58, box 707, PPP.

[29] Kennedy to Frederick Putnam, 11 February 1954, Trade-Reciprocal Trade and Tariff-5/1/54-7/9/54, box 656, PPP. See also John F. Kennedy, "New England: Promise and Problem", 22 July 1953, Articles-New York Times Magazine-11/8/53, box 5, Testimony of Senator John F. Kennedy Before

the Senate Committee on Interstate and Foreign Commerce Upon S. 3229, the Federal Fisheries Assistance Act, 17 July 1958, New England Interests-Folder 2, box 19, Papers of Theodore C. Sorensen, John F. Kennedy Library, Boston, Massachusetts (hereafter cited as Sorensen papers); L.J. Hart to Kennedy, 2 June 1952, Massachusetts Fishing Speech Materials, box 93; JFK for U.S. Senator, Congressional Record Report on Kennedy, xiv, 1952, box 101, Congressional Record Report on Kennedy-Section II, PPP.

[30]John F. Kennedy, "Let's Fight for New England", 8 August 1952, box 93, Massachusetts Commerce Speech Materials, PPP. See also Kennedy to President Eisenhower, 19 December 1956, Tariffs (Veveteen), box 681, PPP.

[31]Kennedy, "The Future of Massachusetts", Massachusetts State CIO Convention, 5 October 1952, same folder title, box 93, PPP.

[32]"Reciprocal Trade Agreements", [1952], Campaign Speeches and Material, box 102, PPP.

[33]Kennedy to Edgar Brossard, 15 April 1953, Tariff Commission, box 413, PPP.

[34]Kennedy to Charles Kindleberger, 2 April 1958, Trade-General-4/1/58-4/30/58; Congressional Record, vol. 99, pt. 4, 7 May 1953, A2445; Kennedy to H.D. Baker, Jr., undated, Trade-General-11/4/57-11/28/57, box 707, PPP.

[35]Adjustments to the National Trade Policy, 22 June 1954, John F. Kennedy: A Compilation of Statements and Speeches Made During His Service in the United States Senate and House of Representatives, 88th Cong., 2nd sess., Senate Doc. No. 79 (Washington, D.C.: Government Printing Office, 1964), 325, 327, 329 (hereafter cited as House and Senate Statements). See also Should an Old Massachusetts Industry Be Penalized?, House and Senate Statements, 25 June 1952, 118; Congressional Record, vol. 99, pt. 4, 25 May 1953, 5461.

[36]Kaufman, Trade and Aid, 20-22; Congressional Record, vol. 99, pt. 5, 22 June 1954, 8628-8629.

[37]Press release, 26 February 1959, 86th-1st-Trade Adjustments S. 722-5/1u/55-2/26/59, box 635, PPP. See also Kennedy to Charles Lewin, 17 March 1955, Trade Agreements (Adjustments) Act, box 656; Remarks of Senator John F. Kennedy in Introduction of a Bill on Adjustments to the National Trade Policy, 21 June 1954, 86th-1st Trade Adjustments S. 722-10/20/53-3/21/55, box 635; Kennedy to Charles Hamilton, 9 June 1958, Trade-General-6/4/58-6/11/58, box 707; Kennedy to Eisenhower, draft, undated (1959), 86th-1st-Trade Adjustments S. 722 -5/19/59-2/26/59; Press release, Office of Senator John F. Kennedy, 21 June 1954, 86th-1st-Trade Adjustments S. 722-10/20/53-3/21/55, box 635; Kennedy to Walter Reuther, 19 July 1954, Trade: Reciprocal Trade and Tariff-7/14/54-7/30/54, box 656;

Kennedy to Gertrude Beard, 16 August 1954, box 657, PPP; Leddy and Norwood, "The Escape Clause and Peril Points", 124-146, from 1947 to 1962, the Tariff Commission instituted 134 escape clause investigations. It completed 112, in which no injury was found in 71. Of the 22 not completed, 9 were terminated, 9 withdrawn by the applicant, and 4 were pending.

[38]Press release, undated, Press Releases, box 98, PPP; Adjustments to the National Trade Policy, 22 June 1954, House and Senate Statements, 329; Kennedy to Mrs. Edward Peck, Jr., 20 January 1958, Trade: Woolen Textile Industry-1/13/58-1/29/58, box 708, PPP.

[39]Should An Old Massachusetts Industry Be Penalized?, 25 June 1952, House and Senate Statements, 118. See also Kennedy to Linda Chapman, 20 November 1959, Trade-8/1/59-11/20/59, box 727, PPP.

[40]David E. Koskoff, Joseph P. Kennedy: A Life and Times (Englewood Cliffs, NJ: Prentice-Hall Inc., 1974), 52-53, 172-175, the halved U.S. tariff dropped the price of liquor, thus increasing sales for British distillers and U.S. importers like Kennedy.

[41]Trade Adjustment Act of 1957, House and Senate Statements, 567; Statement of Senator John F. Kennedy of Massachusetts Submitted to the U.S. Tariff Commission, 31 August 1953, Tariff Commission, box 413; Kennedy to Linda Chapman, 20 November 1959, Trade-8/1/59-11/20/59, box 727;

Kennedy to Arthur J. Bastarache, 15 September 1958, Trade-General-9/2/58-11/6/58, box 707, PPP.

[42]Kennedy to Harry Kimball, 4 August 1958, Trade-General-8/1/58-8/14/58, box 707, PPP. See also Kennedy to Robert Reece, 13 August 1954, Trade-Reciprocal Trade and Tariff-8/6/54-10/8/54, box 657, PPP.

[43]Kennedy to Senator Harry F. Byrd, 21 March 1955, Trade: Tariffs-3/11/55-3/31/55, box 657, PPP; Robert E. Baldwin, "Protectionist Pressures in the United States" in Challenges to a Liberal Economic Order, eds. Ryan C. Amacher, Gottfried Haberler, and Thomas D. Willett (Washington, D.C.: American Enterprise Institute for Public Policy Research, 1979), 233.

[44]Kennedy to Arthur Mann, 26 March 1958, Trade-General-3/10/58-3/31/58, box 707, PPP.

[45]Kennedy to Charles Hamilton, 9 June 1958, Trade-General-6/4/58-6/11/58; Kennedy to Arthur Mann, 26 March 1958, Trade-General-3/10/58-3/31/58, box 707, PPP. See also Kennedy to W.S. Ginn, 29 June 1954, attached to Ginn to Kennedy, 22 June 1954, "Buy American" Act, box 641; Kennedy to George Bell, 9 July 1957, Organization for Trade Cooperation, box 676, PPP.

[46]Revision and Renewal of International Wheat Agreement, 5 March 1959, House and Senate Statements, 800. Rostow, Eisenhower, Kennedy, and Foreign Aid, 57, 61, 64. Kennedy's concern for the LDCs was such that he devoted

eight of ten sections of his primer for the presidential campaign to the Third World, see The Strategy of Peace, ed. Allan Nevins (New York: Popular Library, 1961), 73-82, and "Areas of Trial" section. See also The Economic Gap, 19 February 1959, House and Senate Statements, 788-792; At a Democratic Dinner, San Juan, Puerto Rico, 15 December 1958, Strategy of Peace, 170.

[47]The Economic Gap, 19 February 1959, House and Senate Statements, 788-792; At a Democratic Dinner, San Juan, Puerto Rico, 15 December, 1958, Strategy of Peace, 170; Second Annual Conference of the American Society of African Culture, New York City, 28 June 1959, Strategy of Peace, 163-164; Press release, Kennedy Calls for Renewal of International Wheat Agreement, 5 March 1959, 86th-1st-Wheat Agreement S. Res. 90, box 635, PPP.

[48]In the Senate, 25 March 1958, Strategy of Peace, 195; Kennedy, "The Destiny of Europe", Draft article, September 1956, Europe, box 561, PPP.

[49]Kennedy to Claus Cosman, 21 August 1958, Trade-General-9/2/59-11/6/58; Kennedy to H.D. Baker, Jr., 7 January 1958, Trade-General-11/4/57-1/28/58; Kennedy to D.W. Ellis, 9 June 1958, Trade-General-6/4/58-6/11/58, box 707; Kennedy to G.H. McCutcheon, 6 October 1959, Trade-8/1/59-11/20/59, box 727, PPP; U.S.-Common Market Hearings, 214, protectionists claimed that high U.S. wage rates placed domestic producers at a trade disadvantage. Kennedy

proposed a bill to combat these unfairly low foreign wages. But, he shied from protectionism, asserting that high productivity and cheap raw materials at home and high transportation costs abroad offset the wage differential. He opposed versions of the bill which called for raised tariffs.

[50]Kennedy to Paul Douglas, 4 February 1958, Trade-General-2/3/58-3/3/58; Kennedy to George Clark, 24 June 1958, Trade-General-6/12/58-7/10/58; Kennedy to Ernest Henderson, 14 July 1958, Trade-General-7/14/58-7/31/58; Kennedy to Mrs. David Owen, 29 June 1958, Trade-General-7/14/58-7/31/58; Kennedy to Theodore Johnson, 30 June 1958, Trade-General-6/12/58-7/10/58, box 707, PPP.

[51]Kennedy to Nicholas Nyary, 21 July 1958, Trade-General-7/14/58-7/31/58, box 707, PPP.

[52]Remarks of Senator John F. Kennedy before the Joint Convention of the Tobacco Association of the United States and the Leaf Tobacco Export Association upon Reciprocal Trade, 24 June 1958, same folder title, box 901, PPP.

[53]Remarks of Senator John F. Kennedy before the Joint Convention of the Tobacco Association of the United States and the Leaf Tobacco Export Association upon Reciprocal Trade, 24 June 1958, same folder title, box 901, PPP.

[54]U.S.-Common Market Hearings, Monroney, 14-14, 87-88, and also David J. Steinberg, Corporation for Economic and Industrial Research, 88; Lloyd Neidlinger, U.S. Council of International Chamber of Commerce, 5; Emile Benoit,

Professor of International Business, 51. See also Joint Appearances of Kennedy and Nixon, 436; Jim F. Heath, John F. Kennedy and the Business Community (Chicago: University of Chicago Press, 1969), 2; Economic Growth - Administration Miscalculations, 2 September 1960, Economic Policy: Domestic, box 992; Kennedy to Gertrude Weiss, 3 May 1960, Trade-5/60, box 748; Economic Speech, 5 October 1960, Economic Policy: Domestic, box 992; Kennedy to Gavitt, 28 March 1960, box 773, PPP.

[55]"News and Comment", Textile World 110 (August 1960): 18-20. See also Foreign Trade Policy - Briefing Papers, undated (1960), Briefing Papers-Foreign Policy: Foreign Service-Latin America, box 993, PPP; Ithiel de Sola Pool, Robert P. Abelson, Samuel L. Popkin, Candidates, Issues, Strategies: A Computer Simulation of the 1960 Presidential Election (Cambridge, MA: MIT Press, 1964), 107; "Washington Outlook", Textile World 110 (October 1960): 22; "Washington Outlook", Textile World 110 (July 1960): 24.

[56]The Democratic Platform, pp. 9-10, 14-15, 12 July 1960, President's Office Files-Democratic Platform 1956-1960, box 539, PPP; Foreign Trade Policy; Peter Kenen, Memorandum on United States Foreign Trade Policy, 19 September 1960, Foreign Trade Policy-9/19/60, box 196, Records of the Democratic National Committee, John F. Kennedy Library, Boston, Massachusetts (hereafter cited as DNC); Foreign Trade Policy - Briefing Paper, undated

(1960), box 993, PPP; What Nixon Said, Subject: Trade - Tariffs, same folder, box 256, 432-433, DNC; U.S., Congress, Senate Freedom of Communications Subcommittee of Committee on Interstate and Foreign Commerce, Part III: The Joint Appearances of Senator John F. Kennedy and Vice-President Richard M. Nixon and Other Campaign Presentations, 87th Cong., 1st sess. 1961, 435; U.S., Congress, Senate Freedom of Communications Subcommittee of Committee on Interstate and Foreign Commerce, Part II: The Speeches, Remarks, Press Conferences, and Statements of Vice-President Richard M. Nixon, August 1 through November 7, 1960, 87th Cong., 1st sess., 1961, 404; Constant Southworth to Archibald Cox, 30 August 1960; Statement on Foreign Trade Policy, 19 September 1960; Craig Mathews to Myer Feldman, 19 September 1960, Tariff and Trade Policy, box 993, PPP; Kennedy to Senator Ernest Hollings, U.S., Congress, Senate Freedom of Communications Subcommittee of Committee on Interstate and Foreign Commerce, Part I: The Speeches, Remarks, Press Conferences, and Statements of Senator John F. Kennedy, August 1 through November 7, 1960, 87th Cong., 1st sess., 1961, 66-67 (hereafter cited as Part I-Kennedy Statements, 1960).

[57] Statement on Foreign Trade Policy, 19 September 1960, Tariff and Trade Policy, box 993, PPP.

CHAPTER 2

A NEW FRONTIER IN TRADE, 1960-1962

President Kennedy set out immediately to give substance to his fair-trade doctrine. With an eye on sending a trade bill to Congress in 1962 once the Reciprocal Trade Act (RTA) of 1958 expired, the administration addressed America's trade program. Though committed to a liberal trade regime, the President approached commerce and other matters affecting the domestic economy with extra caution. After all, his slim victory at the polls denied him a legislative mandate that would have allowed an immediate overhaul of the RTA. He therefore recognized that to attract Congress to his objectives in trade, he must press for liberalization but protect import-competitors.

The new leaders in Washington accepted that the rise of Europe and other trade partners, and the consequent decline in American foreign economic power, necessitated a broadly revised trade policy. Indications of the change in relative power were abundant in 1961. The Kennedy team hoped to recapture the initiative in trade liberalization that Europe, and even the LDCs, had seized from Eisenhower and strengthen American leadership among the allies. Developments in 1961 presented the administration with an opportunity to address the challenges of the trade regime, especially those from the Common Market.

Thus, decision-making in trade policy reflected both legs of the fair-trade doctrine. Kennedy's adherence to the doctrine and his method of reserving the ultimate decisions for himself essentially predetermined trade policy during his presidency. Eliminating much of the previous administration's ponderous foreign economic policy bureaucracy, he informally tapped certain bureaucrats and aides for policy options.[1] Yet, their opinions served as mere reminders of the foreign and domestic complexities of trade policy, not as attempts to control decisions along the lines of the bureaucratic politics model. The actual decision-making stemmed from Kennedy's own calculations concerning the pervasiveness of congressional protectionism and his desire to encourage international cooperation in free-trade.

The bureaucracy exemplified these two inherently divergent policies. The views of Undersecretary of State for Economic Affairs George W. Ball, a friend of EEC founder Jean Monnet, represented the liberal traders. Nicknamed "Mr. Europe", Ball linked free-trade to amicable international relations. Though in agreement, Kennedy feared a backlash from Ball's dogmatic avowal of trade liberalism. Some congressmen criticized the State Department for granting too many concessions to other nations at negotiations. Needing someone to mollify Ball's provocative stance, Kennedy found Secretary of Commerce

Luther H. Hodges. The President's first appointee, this former governor and textile industry spokesman astutely gauged of protectionist sentiment and enjoyed considerable popularity with import-competitors.[2]

With Hodges as a shield against protectionists, Kennedy and Ball sought trade liberalization in order to reverse one of the President's biggest obsessions: the payments deficit. Treasury Secretary C. Douglas Dillon, a Wall Street investor and former State Department official, concurred that the deficit and subsequent gold drain were pressing matters, and Kennedy asserted that the deficit was "not a joke", especially for a world leader. The problem threatened domestic programs, might reduce overseas commitments, and gave gold-hording nations like France the leverage against U.S. designs. A trade surplus was insufficient to balance the debit in the capital account, causing an average deficit of nearly $3.5 billion between 1960-1963. Pervading economic discussions at the White House, the deficit reportedly scared Kennedy as much as nuclear war because it hurt not only U.S. prestige but capabilities at home and abroad.[3]

The deficit also posed a domestic dilemma for the New Frontier. Recovery from recent recesssion would increase imports and worsen the deficit, but correcting the deficit required a cut in imports. Kennedy admitted that he could reverse the deficit by raising tariffs, and later confessed

that his liberal trade bill would not, by itself, solve the problem. But this remedy was protectionist, and was unfeasible because of its bad effects on trade and general foreign relations. Instead, he set wage and price guideposts to prevent inflation and keep U.S. export costs competitive. But the deficit demonstrated that America was no longer the predominant global economic power, and could not shape its domestic stabilization policies without considering the international repercussions.[4]

While protectionists claimed that trade restrictions would alleviate the payments crisis, the administration disagreed. In a report commissioned by Kennedy during the transition from the Eisenhower presidency, Ball argued that protectionism created only "ephemeral" gains by preventing long-term adjustments to global trade patterns and instigated nations to close markets and raise tariffs. In that event, Americans would opt to invest abroad than pay these higher duties through exports. The resulting scenario of capital and job flight, Kennedy frequently warned, was a worsened deficit. His fears were warranted. Attractive market opportunities and the threat of high tariffs in Europe had doubled U.S. investments in the EEC between 1959 and 1960 to nearly $1 billion, with increases ranging from 100% in Belgium and Luxembourg to 165% in West Germany.[5]

The solution to the deficit problem included a free-trade program written by Ball which became the foundation of the administration's trade bill. The proposal advocated a reduction in barriers, increased access to European markets, and promoted multilateral institutions to boost trade. A form of competitive cooperation with Europe was the key to Ball's plan. America, as only the "strongest of the strong", could not expect "an unquestioning response to our demands for a common policy" from the EEC. Thus, Kennedy must initiate an overhaul of the obsolete RTA to help the U.S. compete with the Six. In doing so, he could prevent the Atlantic community from dissolving into two separate trade or political systems, and might even lure Britain and the rest of the European Free Trade Association (EFTA) nations into the Common Market. Then, a unified alliance economy would possess the resources to enable Europe to share the financial burden of defense and LDC assistance programs that Washington had borne for so long and which had adversely effected the deficit.[6] This plan was the economic leg of Kennedy's "Grand Design".

Kennedy tacitly endorsed the Ball recommendations out of the recognition that American power would slip still further if exports and other measures did not right the payments balance. He agreed that protectionism provoked retaliation from abroad, could turn the trade surplus into a deficit, and thus add to the dollar woes. The payments

deficit would be more burdensome in the decades ahead, he predicted. "If we're not able to export substantially more than we import", he warned three weeks after the inauguration, "we're going to either cut all assistance to countries abroad or begin to draw our troops home".[7]

The stubborn deficit showed that America' undisputed reign over the world economic order had ended. The Common Market now compelled adjustments in America's trade and financial dealings overseas, in a sense reversing the adage that when the U.S. sneezed, Europe caught a cold. While America suffered recessions, a growth rate that was one-third of the EEC's, and 7% unemployment, Europe, and even stagnating Great Britain, performed better. West Germany claimed that there were five job openings for every one person unemployed and boasted a 1% jobless rate. Italian and French chemical, steel, and appliance manufacturers reported such booming sales that they had to turn away orders.[8] That the U.S. must accept a more pluralist international order and ensure that it remain open through liberal trade was a foregone conclusion for Kennedy.

Debate over U.S. ratification of the Convention of the Organization for Economic Cooperation and Development (OECD) in early 1961 demonstrated Kennedy's acceptance of a mutually beneficial trade regime. This body of eighteen nations, soon to include Japan, provided an institutional foundation for an Atlantic partnership in trade.

Protectionists in Congress, however, opposed the potential meddling in U.S. policy which might result from the OECD. They revealed the political pitfalls involved in pressing for liberal trade and kept Kennedy conscious of the role import-competitors played in his fair-trade doctrine.

Trade was the major point of contention in the ratification process. Smaller nations, seeking to increase their access to markets in larger countries, noted unhappily that the U.S. and others had relegated the OECD to a mere consultative role in trade. Congress insisted on this vitiated function by refusing beforehand to let the OECD substitute for GATT, which it had never formally approved. Protectionists zeroed in on the Code of Liberalization of the Organization for European Economic Cooperation, the precursor to the OECD, which entailed a promise among Europeans not to discriminate against each other. If carried over into the OECD, the Code would bind Americans to trade agreements without approval from Congress, and thus undermine the RTA's authority. As a result of pressure against such "constitutional encroachment", Eisenhower refused to attach the Code to the completed OECD Convention in December 1960.[9]

Kennedy carefully circumvented the trade issue in his public pronouncements on the OECD. He showed a special interest in the forum, though reportedly believed that it was too weak to be of significant use. But he recognized

that Eisenhower had left him with a sure winner in international affairs since every ally had endorsed the OECD, and that its ratification was a certainty in Congress. Noting the sentiment that the Code had stirred up in Congress, however, he promoted the OECD as a facilitator of cooperation on foreign aid burden-sharing to help the deficit and as an organization which would encourage Western unity.[10]

Administration forces rallied behind this rationale, but protectionists remained skeptical. Secretary of State Dean Rusk, Ball, and Dillon pledged repeatedly that decisions in trade would be outside the domain of the OECD. The reason for ratification, said Senator William Fulbright (D-Ark.) during Senate Foreign Relations Committee hearings, was to win the cold war through economic cooperation. But letters to Fulbright against U.S. membership numbered ten times more than those in favor and showed how deeply rooted was protectionist sentiment regarding the OECD. The State Department, asserted Congressman W. J. Bryan Dorn (D-SC), had already been "outfoxed and outtraded" in previous negotiations. Now, decisions which would effect American imports and exports would be reached at OECD headquarters in Paris, "completely out of the range of eyesight or influence" of Congress, added James C. Davis (D-GA).[11]

Opposition to lower trade barriers was at the bottom of these comments. Indeed, many interests backed the OECD,

including the National Association of Manufacturers. But import-competitors, ranging from piano manufacturers to milk associations feared that the forum would precipitate large-scale tariff reductions. Ardent protectionists declared that efforts to end restrictions should be corralled in Congress. Other producers accepted the inevitability of freer trade yet sought a moderate liberalization policy. An electronics industry executive, for instance, appealed to Kennedy not "to rush pell-mell down the road to free trade" without some form of "shock absorbers" for industry.[12]

Antagonism toward the Common Market also surfaced. Fulbright informed southerners that their farm exports to the EEC could be expanded through discussion in the OECD. Yet many producers feared that the Six, by unfairly refusing products from low-wage nations, would force the United States to shoulder the burden and increase its intake of these highly competitive goods. The U.S. was also naive in hoping the Common Market would consider American interests when fashioning its import policy, added liberal traders Seymour Harris and John K. Galbraith. They thought Kennedy was too anxious to accommodate the EEC by not criticizing its selfish trade policies.[13]

Yet Kennedy had already recognized that though Europe might be overly-restrictive, reducing tariffs was the only realistic way to open the EEC to outsiders. This view was

at the heart of his plans for Japan and the LDCs in the OECD. To be sure, Americans hoped to restrict Japanese exports and complained that Tokyo's low wages unfairly lowered the price of its exports and had caused its exports to the U.S. to double from 1956 to 1961. But producers ignored the fact that the U.S. maintained a surplus with the Japanese of almost $800 million. Admittedly in need of liberalizing its import policy, Japan still worried about "signs of regression" in U.S. trade policy. Visiting to Washington in June, 1961, Premier Hayato Ikeda declared that his businessmen were losing enthusiasm for the American market. Other officials asked how the U.S. could square restrictions toward Japan with the demand that Europe lower its trade barriers?[14]

The answer was that to a large extent, Kennedy had to respond to Congress, which was very sensitive to import injury, while pressing for free-trade. Thus, he promised Ikeda an "orderly expansion of trade", stressing at the same time that the U.S. could not expect to just sell overseas and never buy goods from abroad. He could turn the table on Ikeda's frustration with American policy by attacking Japan's foreign exchange controls which penalized U.S. exports. Yet Tokyo remained the best customer of American farm exports, an important consideration now that the EEC's restrictive agricultural policy was nearly in place. Meanwhile, Japan needed markets to sustain its

growth rate and, most important, curb a desire for trade outlets outside the Western alliance, particularly in Communist China.[15]

Walt Rostow of the State Department suggested that the U.S. champion Japan's membership in the OECD as it had backed Tokyo's entry into GATT. Presently defining its role in international politics, Japan might be angered by its exclusion from this club of industrial nations. Its exports also curbed, Japan could turn to China, a Kennedy nemesis, or form a peaceful, inward-looking version of the former Co-Prosperity Sphere. The EEC felt Tokyo was "not ready" for full membership status, however, and delayed Japan's entry until 1964. Prohibitively restrictive of Asian imports, the Six feared a Japanese presence in the OECD would begin a flood of low-cost goods into Europe. This position clashed against U.S. plans to divert such products from America, which imported twice as many goods from Japan than Europe, to the thriving Common Market.[16] The OECD could advance this aim.

Trade diversion applied to LDC exports as well. The colonial independence movement of the past few years had provided the initial impetus for the globally-oriented OECD. The U.S. hoped that Europe would assume a greater share of funding assistance programs and buy more Southern products. Ball promised Congress that the OECD would expose those rich nations which refused to meet their

responsibilities in LDC trade and aid.[17] Fair-trade meant that low-cost Third World exports, because they oftentimes easily outsold goods made in the North, would be spread equitably among the industrial countries.

This forceful approach to Europe and sensitivity to concerns at home earned congressional approval of the OECD on 16 March 1961. A special "interpretation" by Congress discarded the Code of Liberalization and relieved America from any obligations made in trade agreements. Careful not to provoke anxious congressmen, Kennedy concentrated his remarks on the themes of Western economic cooperation and unity on which free-traders and protectionists alike agreed. To be sure, the administration believed that America must take an active part in OECD operations and supported the target growth rate of 50% in the members' collective GNP over the next decade.[18] Overall, the OECD became a symbol of multilateral cooperation among nations who enjoyed equal standing with America for the first time since the war.

The OECD episode was a test run for Kennedy's trade plans. Import-competitors battled for the first time against supporters of the New Frontier's liberal trade policies, even though the former group expected to lose this round. Regardless, protectionists indicated that new trade legislation would encounter a much bigger fight, a prospect Kennedy feared because he hoped to face the Common

Market with substantial negotiating authority. The EEC had accelerated its timetable for putting in place its common external tariff by 1 January 1962, and offered an initial cut of 20% if America responded with reciprocal reductions at the GATT talks which were already underway.

Revitalizing the RTA program demanded action, wrote Professor Jacob Viner in an assessment of the administration's first one hundred days of foreign economic policy. Regardless of its recent tariff cut proposal, the EEC was still a preferential trading bloc with the potential for building a restrictive tariff wall. Worse, Kennedy had not yet indicated the concessions on imports the U.S. might offer to meet the European demands at the trade negotiations, protectionism was on the rise in Congress, and the RTA was soon due to expire. The international trade regime had reached a crossroads.[19]

The President answered the call by setting up the administrative machinery to write a new trade bill. He concurred with aide Richard Neustadt's plan to direct the bill from the White House under a task force. A search began for candidates to head the group who were well-versed in the technical as well as political aspects of trade, respected by Congress, and preferably Republican to assure a non-partisan approach. The administration settled on Howard C. Petersen, a former undersecretary of war, a close friend of Ball's, and now a Republican banker interested in

foreign trade. Like Kennedy, Petersen held a hard-nosed view of trade. He faulted America as much as Europe for agricultural barriers, high tariffs, and restrictions against LDC goods, but criticized the EEC common tariff because it diverted many products to the U.S. market. Urging acceptance of the principles of just compensation, comparative advantage, and realistic access to markets, Petersen declared that "most of all, we shall have to create the fact and appearance of fairness" in trade.[20]

Petersen debated Ball over the bill. Both agreed on authority to halve tariffs over five years, but differed on the extent of safeguards from imports. Petersen revised the peril point, or the import level which permitted escape from a tariff agreement, because its elimination would invite the wrath of protectionists. Ball removed the peril points as part of his plan to junk entirely the RTA. Their major point of contention was when to present the bill to Congress. Ball said Petersen's suggestion of 1962 was too early to offer a radical departure in trade policy. He feared that provoking protectionists might hurt Democratic Party prospects in an election year. Kennedy also needed more time to educate the public on the link between freer trade and American economic health. Above all, Ball delayed so as not to upset Britain's chances of entering the EEC.[21]

Its trade on the Continent threatened, its leadership role in European politics undercut, and its economy mired in a state of stagnation, Britain had announced this course in August, 1961. Many British citizens opposed accession because of the potential loss of sovereignty, farm subsidies which kept prices high for farmers but acceptably low for consumers, and the preferential trade system of which the Commonwealth nations depended for duty-free access into British markets. Prime Minister Harold Macmillan pledged to protect these interests, but knew that the future of Europe lay not with the British-led EFTA, but with the blossoming EEC which had already drained U.S. investment capital out of England. He also believed his country could step in as a leader in the event that Charles de Gaulle did not survive the Algerian crisis or German Chancellor Konrad Adenauer retired.[22]

While the Six in general encouraged Britain, de Gaulle doubted British sincerity in upholding Common Market goals, especially economic and political integration. History made the application suspect. England had not only stayed aloof when the EEC was formed, but had been decidely hostile to the Six. London's deep commercial and political ties to the Commonwealth and the United States bothered de Gaulle, who wondered about Britain's committment to a wholly European bloc. Once a member, de Gaulle feared, Macmillan might lean more toward Atlanticism and boost U.S.

preeminence in Europe, destroy the purpose of the EEC, and subvert French leadership on the continent.[23]

The Kennedy administration recognized Gaullist suspicions as a legitimate concern. London stressed a "special relationship" between the U.S. and Britain, founded on their affinity in military, political, and economic affairs. Though soured over the Suez incident and recent U.S. opposition to the EFTA, Britain hoped that relations would blossom under the anglophile Kennedy. This wish was mere illusion. Kennedy and Macmillan were on friendly terms, but the appointment of "Europe-first" proponent Ball implied a loosening of the Anglo-American binds in trade. Kennedy reportedly pleaded ignorant when the Prime Minister referred to the special relationship. In effect, the U.S. sought a special relationship not with the UK, but with all of Europe in a united Atlantic community.[24]

Thus, when the British sounded out Ball in late March, 1961, concerning the accession, he told them that America would applaud the move on the condition that London accept the political integration of the EEC as a step toward Western unity. Contrary to the claims of de Gaulle, British anti-Common Marketeers, and hegemony scholars, Washington desired but had not forced the entry on London. Some Americans, such as Galbraith, even opposed accession because Britain might worsen the U.S. payments balance by

adding to an even stronger high-tariff bloc in Europe. Ball and Kennedy thought the opposite; membership would keep the EEC open. Nevertheless, before Macmillan visited Washington in early April, Ball cautioned Kennedy that the Prime Minister might seek the "best of both worlds" - trade advantages through a loose association without a full commitment to European integration.[25]

The President was aware of this possibility, but was also enthusiastic about the application. He accepted the judgment that a more competitive Europe might hurt U.S. trade interests, yet was confident that if the EEC expanded trade with other nations, the benefits of membership would outweigh the potential economic problems. Accession would prevent the Six from turning inward and restricting access to outsiders, as Britain would act as America's "lieutenant" in Europe to counter Gaullist nationalism. But without a doubt, entry would also serve British and European aims. Although "in every case" it might not be in American economic interests to back Britain, Kennedy added, "we believe [the UK] builds a stronger Europe".[26]

These hopes dampened when Britain qualified its application. Just after his visit with Kennedy, in which he had expressed his willingness to plunge Britain into Europe, MacMillan retreated to the "old grooves" of British policy. Due to intense pressure at home, he suggested that the President press for transitional arrangements for UK

agriculture, the Commonwealth, and the EFTA during Kennedy's meeting with de Gaulle in June, 1961. De Gaulle rebuffed Kennedy's representations, claiming that he had known all along that Britan would attach strings to its application.[27] At best, the meeting aggravated de Gaulle's suspicion that Britain would be Kennedy's "Trojan horse" in Europe.

Though sympathetic to the political constraints on MacMillan, the administration was irked by his qualifications. The U.S. could not permit the Commonwealth to have the same preferential access in the EEC as French overseas territories, while other LDCs suffered discrimination. MacMillan hoped to "slide sideways into the Common Market", argued Ball, by emphasizing economic and not political imperatives. But in doing so, Britain provoked nationalist sentiment in the EEC, thereby undermining cohesion within the alliance and jeopardizing Kennedy's primary consideration of political unity.[28]

In sum, Britain countered American plans for building a North Atlantic concert. For broad political reasons, the U.S. accepted that the EEC with Britain would be an even more effective competitor. This view showed that America did not seek a partnership solely on its own terms, as some scholars have claimed.[29] While MacMillan seemed reluctant to sacrifice for the Western alliance, Kennedy sought terms acceptable to the entire Atlantic community.

In any event, Ball anticipated problems at the EEC-UK talks, begun in October, 1961, and thus urged a delay in the trade bill until 1963. He reasoned that new U.S. trade legislation, by opening the way for reciprocal reductions in EEC barriers, might give British opponents of accession grounds to declare that membership was unnecessary once greater access to the Continent became a reality. Also, the Six might feel pressured by a new RTA, based in part on the hopes of an enlarged Common Market, and cancel the negotiations. Petersen and the President disagreed. Ball was being an alarmist about the fragility of the UK-EEC talks which might be might be pushed along if America had new trade negotiating authority, believed Petersen. Kennedy needed this power immediately, he continued, as events in the Dillon Round of the GATT soon revealed.[30]

The Dillon Round was the first test of whether America and the EEC could agree on refashioning the trade regime of the 1960s. Americans took to the negotiations in September 1960 the authority to reduce U.S. tariffs by 20% under the RTA of 1958. Because of peril point restrictions, however, most observers predicted America would not reach even this meager percentage cut. Since Europe would not trim its tariffs without reciprocal advantages in U.S. markets, GATT Secretary-General Sir Eric Wyndham White pronounced that the Round would at best serve as a launching point for more major progress in trade liberalization in the future.[31]

Like the other 22 participants, America expected problems because GATT had never before dealt with a customs union of such magnitude as the Common Market. The focus of the talks was the EEC common external tariff, which the Six offered to cut by 20%. Ball saw this offer as indicating the EEC's determination to pursue a liberal course, but Eisenhower and then Kennedy believed this reduction might not be equitable in all cases since cuts might expose sensitive industries or not lower EEC tariffs sufficiently. Moreover, before multilateral reductions could begin, GATT rules obliged the Common Market to grant compensation to outside suppliers of products which might be burdened by higher duties after the Six had adjusted their individual rates to the EEC common external tariff on 1 January 1962.[32]

The breaking of such "bindings" on these prior tariff commitments, of which the U.S. claimed amounted to 1100 rates valued at $2 billion, obligated the Six to cut duties on other products. But they resisted. In setting their external tariff, they averaged the high French and Italian rates with the lower German and Benelux duties which, they declared, essentially lowered the overall aggregate tariff level of the EEC as a whole and thus compensated outside exporters to Europe. The U.S. disagreed. After haggling, America pried concessions on bound duties in the EEC totaling almost $1.6 billion on 991 rates. The Six said

that this phase of the talks, extended four months past the initial deadline, was now over. Dissatisfied with EEC offers on agriculture, which were deferred to the next phase of the Round, Washington grudgingly acquiesced to this position.[33]

The complex field of agriculture, in fact, would plague U.S.-Common Market trade relations throughout the 1960s. The EEC's common agricultural policy, a particularly rigid protectionist system that penalized efficient exporters such as the United States, was a major culprit. The CAP promoted internal free-trade in farm goods, but subsidized exports and subjected produce from outside Europe to a minimum import price through a "variable levy" (supplemented in some cases by tariffs), which boosted the price of these goods above the cost of EEC-produced commodities. The levy promoted inefficiency; the Six, expecially France which possessed almost half of the EEC's arable land, needed more time to modernize farming techniques and overcome U.S. and Commonwealth comparative advantages in trade. The CAP, which relegated imports to a marginal role of filling the decreasing gap between EEC production and consumption, was anathema to suppliers reliant on European markets. GATT head Wyndham White blamed the "inward-looking" CAP for the "bleak" outlook of the Dillon negotiations.[34]

The CAP was not the sole culprit in stemming agricultural trade, however. European farmers hoped to transform outsiders into minor suppliers in the region. The EFTA excluded farm and fish products from tariff-reduction schemes and, contrary to GATT rules, bargained only on a bilateral basis. The United States, suffering from a chronic production-consumption imbalance, had constructed the biggest government subsidy in the world for farm goods. By the 1960s, however, Congress grew more reluctant to allocate funds, and an American comparative advantage in commodity trade gave export expansion through free market mechanisms a greater importance.[35]

Because of the balance-of-payments crisis, agricultural trade was critical to the New Frontier. Kennedy took much interest in farm exports as a partial solution for the deficit and set out early in his administration to attack protectionism overseas. He instructed Secretary of Agriculture Orville Freeman to initiate an export drive as one weapon to reverse the "marked lag" in trade barrier reduction abroad. The President urged an end to these restrictions "to keep the door of the Common Market open to American agriculture, and open it wider still".[36] True to his fair-trade doctrine, he sought increased farm exports because America held a comparative advantage over other nations.

Kennedy knew that the CAP was a prerequisite for European integration, but hoped to guarantee access for U.S. agriculture during the compensatory phase of the Dillon talks. Since the EEC bought nearly one-third of these exports, of which the variable levy penalized 40%, he pressed EEC Commission President Walter Hallstein to consider outsiders' interests before the CAP was in place in early 1962. But Kennedy also knew that America would be lucky to hang on to its existing markets, much less increase access, especially since European farmers demanded a greater share of regional trade. The Six, on the understandable grounds that the unfinished CAP excused them from setting tariffs for major commodities, would probably promise only to maintain access for selected U.S. exports.[37]

Kennedy hoped this pledge would satisfy American farmers. Freeman warned him about the difficulty of selling the tough controls envisioned for domestic farm program if it appeared that the U.S. had traded agricultural for industrial concessions at the Round. Southern peanut, rice, tobacco, poultry, soybean oil, and cotton producers were upset by the CAP; so were Midwestern feed grains, wheat, and dairy exporters. This bad feeling could spill onto Capitol Hill, where powerful House and Senate members would champion not only the cause of their constituents but expect the administration to fight EEC

farm protectionism on the LDCs. "The politics that flows from the potential loss of significant agricultural markets, especially in the light of the need to sell the Congress a Trade Expansion Act and a long-term supply management farm program", noted Freeman, "is obvious".[38]

His hands tied by Common Market policy, Kennedy agreed to the EEC offer to maintain America's historical level of access. He sent Charles Murphy of the USDA and Petersen to make "a strong representation" on this score to the EEC. They received assurances of access from the Six under "standstill" agreements, but the Europeans refused to compensate the U.S. for bindings broken on one-third of its farm exports. The USDA suggested suspending the Round as a signal of American displeasure, but Kennedy abandoned the issue for the time being. He viewed the EEC's offer as a concession which met an important U.S. demand. In any event, he expected to fight the CAP another day once his new trade bill gave him more bargaining authority.[39]

Besides, if he had pressed the EEC, he risked a collapse of the negotiations in the more promising industrial sector. On manufactures, remarked a trade official, "we're getting a damn sight more than we're giving away."[40] The EEC still offered to cut its external tariff on a reciprocal basis by 20% in broad, "linear" sectors. Washington welcomed the linear approach, used by the EEC in internal duty reductions, as a replacement for the

cumbersome method of negotiating tariff cuts on each item within a sector. Ball declared however, that the U.S. had no authority under the RTA of 1958 to proceed with such across-the-board cuts. In the end, though the Six attached numerous exceptions to the linear provision, America could offer concessions on only one-fifth of the EEC's requests on manufactured goods.[41]

Since the Six recognized the limited authority of the RTA, yet exected some showing of reciprocity, Kennedy proposed more concessions to forestall a collapse of the Round. A comparison of tariff rates on seven types of non-agricultural products showed most EEC duties ranged between 25-40%, while many American rates were much lower but also much higher. U.S. tariffs above 30% applied to 7% of the value of these goods, for example, while only 1% of Europe's duties were in this category. Stymied by peril points, which effectively emasculated his authority to reduce tariffs by 20%, Kennedy permitted negotiators to ignore the limits and grant concessions on $76 million worth of non-sensitive imports. Since the U.S. still gave substantially less than the EEC, the Six withdrew over 100 items from the bargaining table. The Dillon Round ended on 7 March, 1962 with duty cuts of 10% instead of the unambitious initial 20% goal.[42]

The results, though disappointing, were not fruitless. The difficult talks on agriculture had won an EEC promise

to maintain the status quo on farm imports and stimulated efforts to produce an agreement at the next GATT round. Both sides made significant concessions on manufactures; Europe on transportation equipment, electrical and industrial machinery, and chemicals and the U.S. on machinery, electrical apparatus, steel, and most important, European automobile imports which had jumped in the past couple of years. The Six offered once again to reduce their common tariff by 20% when America possessed new negotiating authority.[43]

Most important, the talks publicized the need for revised trade legislation. The Round revealed the anachronistic nature of the item-by-item approach to tariff negotiations and thus helped to persuade Congress to accept the linear method in Kennedy's trade bill. The President exaggerated the gains won by American negotiators in order to maintain domestic support for trade negotatiations with the Common Market. Yet he concentrated on the "hampering features" of the RTA which undermined the U.S. position at the Round. "Our negotiators were grievously short of bargaining power", he said, and though the EEC had understood this fact, "we cannot be expected to bargain effectively in the future under the limitation of the present law".[44]

His position showed a fair-trade bent. By dropping below the peril points, with substantial political risk, he

tried to forge an acceptable trade agreement with the Common Market. He had abandoned hope of prying open the EEC's agricultural market any further because Europe was not yet ready to give more, and took what he could in the industrial sector. Overall, the President implicitly recognized that problems with the EEC in farm exports, and America's inability to respond adequately with cuts in industrial tariffs, meant that Europe had managed to bargain with the U.S. for the first time on an equitable basis. In order to meet this new European bargaining power, he set out to replace the inadequate RTA with his own trade bill.

Some public feelers helped Kennedy begin this process. Returning from Europe, Congressman Hale Boggs (D-LA) asserted that an extension of the RTA would be "grossly ineffective" in future negotiations with the EEC. He held hearings in December to propagandize for new trade legislation. Former State Department officials Christian A. Herter and William L. Clayton had appealed to Boggs along the same lines on 1 November. While Europe moved forward, America "drifted backwards" under the RTA into protectionism, potentially causing allied friction, disarray in the Third World, and ultimately, the West to fail against "relentless, irreconcilable, [and] merciless" communist expansion, they wrote. A U.S.-EEC "partnership", forged by U.S. trade policy, could avert this occurrence.[45]

At this time, the administration disavowed the partnership idea and the closed regional system it implied in order to stress trade based on the most-favored-nation principle. But in its descriptive qualities, the Boggs-Herter pamphlet mimicked the administration's stance.[46] No longer could American economic health determine foreign trade policy, explained Ball to the National Foreign Trade Council. Khrushchev boasted that communism would win the cold war through growth and economic competition, and rising Soviet-EEC trade was just one indication of his mission.[47] Businessmen in the EEC and EFTA, moreover, had abandoned their old trade and investment patterns. They recognized the Common Market as an "inescapable fact", he added, which placed America on "the threshold of a new trading world" in which there was no place for economic nationalism. Thus, Congress must give the President the tools to bargain with the Six and maintain the U.S. initiative in international commerce.[48]

The momentum generated by the Boggs, Herter/Clayton, and Ball sorties wiped out any doubts about a "bold" trade bill for 1962. Kennedy hinted in early November 1961 that Congress could expect a bill which provided for large reductions in U.S. trade barriers to meet the challenge of the EEC. Some domestic interests might be hurt, he admitted, but the country must trade fairly by buying as well as selling. Kennedy already sided with Ball on the

outline of the bill and agreed with Petersen on 1962 as the time to proceed. Characteristically, he had reached these decisions before he met with Ball, Petersen, Hodges, White House aide Theodore Sorensen, and trade task force member Peter Jones at Hyannisport on 24 November to discuss the bill.[49]

Naturally, their central concern was Congress. Petersen admitted that since 1962 was an election year, legislators might be ultra-sensitive to import-competing constituents and choose to oppose a liberal trade bill. Seymour Harris urged Kennedy to beware of the doctrinaire free-traders, because if the President shrugged off protectionists by overstating the case for liberal trade, he would be "taking a large political gamble and probably a losing one" with his bill.[50]

Regarding the politics of trade, Kennedy needed no prompting. He appointed the respected Hodges to shepherd the bill in Congress and refused to erase the peril point because of its importance for protectionists. But, cognizant of congressional behavior, Kennedy opposed postponing or weakening his bill. Lawrence O'Brien, his liaison with Congress, promoted a departure from the RTA after encouraging talks with House Ways and Means Chairman Wilbur Mills, whose committee would hear the bill. Believing that much of the New Frontier's stalled legislation in 1961 was the result of delaying tactics by

the President, O'Brien pressed Kennedy to make the trade bill his top priority in Congress. The President agreed, believing the feeble RTA of 1958 had been the result of Eisenhower's unwillingness to attack protectionists. Kennedy, whom advisors agreed understood Congress as well as anyone, decided to take the offensive for "a big one".[51]

The President announced in early December his intention of sending a trade bill to Congress. Speaking before the National Association of Manufacturers (NAM) and the American Federation of Labor-Congress of Industrial Organizations (AFL-CIO), he noted the reasons for his legislation. The deficit, the EEC, aid to poor nations, and the cold war provided the impetus for a refashioned trade policy. In essence, America had no other choice but freer trade, for protectionism would chase capital and jobs from the country. Above all, restricting trade would further "diminish our stature in the Free World". Americans must accept that U.S. economic supremacy was a thing of the past, he said, and no "part of the world market is any longer ours by default" because "the competition grows keener".

To slow the loss of U.S. dominance and its leadership around the globe, there was one answer: free-trade. He did not seek to abandon the traditional safeguards for weak industries or lower American trade barriers unilaterally, but relied on adjustment assistance as a remedy for import

injury. Drawing the battlelines for protectionists, however, Kennedy boldly promised that imports would rise, though not as much as exports, he hoped. The nation could not tolerate inefficient industries; they were "standing in the way" of progress in American domestic and international plans. Trade based on comparative advantage must become accepted practice in American policy.

America must therefore approach negotiations with common sense. Surely no country would lower its trade barriers unless the U.S. offered concessions which were in their economic interest to accept. In order to induce every member of the Atlantic community to share military, economic, and political burdens, American domestic interests must accept that the purpose of tariffs was to "cushion adjustments", not to "shut off competition". The AFL-CIO and NAM might grumble, and some advisors wince at this straight forward declaration for liberal trade, but they should have also recognized it as the foundation of Kennedy's fair-trade doctrine.[52]

On 25 January 1962, the President sent his trade bill to Congress. It was novel, even in name. In order to detach the legislation from the outworn Eisenhower RTAs, and to promote growth as an overriding factor in foreign trade, the administration christened the bill the Trade Expansion Act (TEA). It aim to afford "mutual benefits" to all of America's trade partners, especially the EEC, boost LDC

exports, and assist, but not protect, import-competing industries. A "wholly new approach", the TEA "could well affect the unity of the West, the course of the Cold War, and the economic growth of our nation for a generation to come", Kennedy proclaimed.[53]

For international trade negotiations, the TEA provided the President with four kinds of authority to be used over a five-year period ending 30 June 1967. In all four, the linear, or sectoral tariff-cutting procedure replaced the onerous item-by-item method. First, there was a basic authority which enabled the President to reduce tariffs by 50% of the rates existing on 1 July 1962 on a most-favored-nation, or non-discriminatory, reciprocal basis. Such a drastic cut gave U.S. negotiators bargaining power to induce the EEC to grant wider access and fair treatment to outsiders' goods and crops. Second, the TEA provided for the elimination of tariffs of 5% or less.

The third authority was the "dominant supplier" provision, directed specifically at the Common Market. On products in which the EEC and the U.S. combined for 80% or more of world exports, the President could exceed the 50% basic authority and eliminate all tariffs. This zero duty clause addressed the "commonality" and unique "trade partnership" between the Six and America in that collectively, they held an overwhelming competitive position on certain goods. These products were ones in

which both sides sought more access and accounted for $2 billion in U.S. exports. The dominant supplier applied to other nations under the MFN rule, but the provision signified Kennedy's over-arching concern with the Common Market as he shifted trade policy from a multilateral to a regional focus as part of his Grand Design.

The dominant supplier turned out to be a misjudgment. Ball and Kennedy could not hide their intention of making British membership in the Common Market more attractive to the EEC through the zero duty clause. Without the UK figured in, very few products (aircraft and margarine and shortenings) existed in which America and the EEC combined for 80% of global sales. Thus, the Six could abort the clause if they refused Britain entry. The duty free measure might irk de Gaulle and several congressmen who perceived the authority as a veiled attempt to buy off the EEC. The policy appeared as if America indeed sought to push Britain into the EEC as its "trojan horse".

The fourth authority promoted Third World exports. The TEA decreased the trade disparity between rich and poor nations by applying MFN treatment to all countries, not just the North. The bill also included reductions of restrictions on tropical agricultural and forest commodities supplied by the LCDs and not produced in significant quantities in America. The latter proviso alleviated the fears of U.S. import-competing sugar,

cotton, and other commodity producers. Kennedy cloaked the LDC authority behind the humanitarian aim of raising Third World exports to a level which would provide a self-sufficient income.

The provision would also help Latin American exports climb over CAP barriers and gain greater access into the EEC. Kennedy sought curbs on the preferential tariff treatment accorded the African territories of EEC nations and the Commonwealth once Britain joined the Six. Most Latin American products entered duty-free into the U.S. but suffered discrimination in Europe. Opening up the EEC for Latin America was in America's interests, too, because greater opportunity in Europe might reduce the U.S. intake of LDC crops. Nonetheless, Kennedy's representation for Latin exporters was also generous and far-sighted.[54]

In order to meet the barrier reduction goals of the four authorities, and promote trade based on comparative advantage, the TEA restricted the use of domestic safeguard, or protection provisions. The bill introduced new criteria which changed the "no-injury" philosophy of the RTA. The previous definition permitted the escape clause even if imports were only partly responsible for injury of any segment of an industry. The TEA required proof that imports directly caused and were the main factor in persistent idling of a firm, or the inability to turn a profit, or unemployment in an entire industry. In effect,

the TEA made resort to the escape clause more difficult than under any previous RTA. Furthermore, the Tariff Commission would still hold peril point hearings, but would only recommend, and no longer make, peril point determinations to the President.[55]

By no means did the TEA abandon safeguards. The national security clause, which permitted a defense-related industry to withdraw from a trade agreement deemed harmful to the country's security, remained intact. The TEA also allowed escape when "indirect" competitive products, or import substitutes, displaced domestic production. For instance, imports of glace cherries were competitive with U.S. raw cherries and therefore could be restricted. Non-tariff barriers, including inducing other nations to establish voluntary export restraints, could be used if the President found serious injury from imports. As a temporary resort, he could also raise tariffs up to 50% of the rate existing on 1 July 1934 on dutiable or duty-free goods.[56]

Adjustment assistance, however, would provide an alternative to trade barriers as the solution to import relief. This plan, developed by Kennedy in the 1950s, gave the President flexibility to cut tariffs by relying on safety nets. The President, advised by the Tariff Commission, determined eligibility for adjustment assistance. Unemployment compensation, re-training, early

retirement benefits, and relocation aid was available to workers. Farmers, manufacturers, and firms received technical advice on planning and implementing adjustments to imports, tax benefits and loans with liberal depreciation and amortization allowances, and aid to modernize and diversify plant facilities. Industries could even resort to temporary tariff hikes. Aid flowed also through other legislation, such as the Area Redevelopment program, and cease when the injured party had recovered.[57]

The program was a realistic fair-trade compromise between protectionism and free-trade. Adjustment assistance substituted for high tariffs, explained Kennedy, yet eased the burden of duty reductions on producers and provided an option to the seldom-invoked escape clause. It also embedded the principle of comparative advantage into U.S. trade policy. The trend toward freer global trade offered more opportunities in the long-run for exporters, and would make import-competitors more competitive instead of postponing hard choices through protectionism. The "accent" of the TEA was on "adjustment" more than "assistance", he noted, in order to "strengthen the efficiency of our economy, not to protect its inefficiencies".[58]

The Trade Expansion Act was the culmination of Kennedy's experience over the past fifteen years and the most revolutionary reciprocal trade legislation since 1934. The

bill signified a major departure in tactics in postwar U.S. trade liberalism. Though it cushioned the impact of freer trade at home like the old RTA, the TEA offered direct government aid as a substitution for protectionism. Kennedy appraised the global transformations affecting American commerce and the political limits of pressing the principle of comparative advantage on Congress. The TEA thus reflected a fair-trade balance of aid and free-trade. By doing so, the bill furnished opportunities unparallelled in U.S. trade history for adjusting America to a trade regime in which it was no longer the sole leader.

Kennedy recognized the changes wrought by the Common Market, the payments deficit, and Soviet rivalry, and asked for the tools to meet these challenges. America faced a choice between a stronger domestic and global economy or endless recessions, deteriorating growth, and a fractured alliance of Western nations. Columnist Joseph Kraft wrote that economic dilemmas at home, rising LDC demands for aid, and European drift toward an independent course in economic and nuclear policy awaited the U.S. if Congress rejected the TEA. America would simply "default on power;", he warned, and "resign from history".[59]

Surely, Kraft noted that the administration had not made great strides in injecting U.S. power sucessfully throughout the globe during its first year. Kennedy suffered setbacks in his European policy, the most

noticeable being the Berlin wall in August and a troubled relationship with de Gaulle and Adenauer made apparent in June. The meager results of the Dillon Round, caused by the conflict over agriculture and U.S. peril points, revealed a possible split over trade matters between the allies. Furthermore, the Third World and Japan pressed increasingly for access into Atlantic markets and attacked U.S. protectionism.

Kennedy recognized the significance of the Common Market and its potentially harmful impact on U.S. trade. The payments deficit, the creation of the OECD, and the results of the Dillon Round were manifestations of European equality in commercial power relative to the United States. Kennedy feared that West Germany and France, the predominant powers in the EEC, might use the Six against American political designs for an open and united Atlantic community, especially by rejecting UK membership. Yet he also winced at Britain's pursuit of attaching conditions to its entry and further upsetting his European policy.

The TEA addressed these problems. To Kennedy, the bill was the logical outgrowth of postwar U.S. foreign policy, aimed at building a concert of Western nations through free-trade. He now meant to use the prospect of liberalized access to the American market to help the whole system. In effect, a trade coalition of rich and poor nations represented a segment of the international arena

where the West might make great strides in defeating communism, poverty, and the potential for war. In defense policy, Kennedy used U.S. military aid and other carrots to foster closer relations between the U.S. and its allies. In foreign economic policy he employed the Trade Expansion Act.

The primacy of the TEA propelled it to the top of the administration's legislative agenda of 1962. Some advisors, such as Arthur Schlesinger, believed that other programs deserved more attention. Critical of the mystique surrounding the TEA, he missed the intention of the legislation. The bill was the hallmark of the New Frontier's foreign economic policy, a panacea for present problems and future circumstances. It thus warranted the almost evangelical promotion by Kennedy. Thus, considering its sweeping provisions, there was truth in the President's statement that as "NATO was unprecedented in military history, this measure is unprecedented in economic history."[60]

Without a doubt, moreover, the need for a legislative victory explained the TEA's top billing in 1962. The first year of the New Frontier had yielded Kennedy few significant gains despite his desire to change things. His narrow electoral win in 1960 was not a mandate from the people which might ease his legislation through Congress, as Presidents Lyndon Johnson and Ronald Reagan later

enjoyed. Kennedy believed that the issue of trade, if advertised effectively as a crucial part of American economic health and international unity, might present him with a much-needed major victory on Capitol Hill.

The TEA was a calculated risk, however. Most of Congress might accept liberal trade, but protectionists were an obstacle, as the OECD debate had shown. The gutting of traditional safeguards under the TEA aggravated them, and even those private interests amenable to freer trade opposed opening U.S. markets "willy-nilly" to imports. Democratic and Republican legislators alike now considered the ill effects of trade on producers and workers at home rather than voting a party line on trade bills, as had been more the case in the 1950s. The Wall Street Journal in November 1961 reported that protectionist sentiment in Congress had never been higher. Other business experts predicted that protectionism "on Capitol Hill will clash head-on with the Administration", making the TEA campaign the "biggest" and "bitterest" battle over trade since the Hawley-Smoot high tariff debacle of 1930.[61] A victory for Kennedy was not a sure thing. He therefore set out beforehand to remove the most vocal and influential import-competing protectionists from the path of his trade bill.

[1]Louis W. Koenig, The Chief Executive (New York: Harcourt, Brace, and World, Inc., 1968), 171-176; Myer Feldman Oral History, John F. Kennedy Library, Boston Massachusetts, 34, 368 (hereafter cited as Feldman Oral History). President Kennedy to Secretary of State Dean Rusk, 12 April 1961, attached to Richard Neustadt to George Ball, 18 April 1961, Departments of State and Commerce-Foreign Economic Policy Correspondence 1958-1961, box 5, Papers of Jack N. Behrman, John F. Kennedy Library, Boston, Massachusetts (hereafter cited as Behrman papers). Kennedy scratched the Council on Foreign Economic Policy and had Secretary of State Dean Rusk set up an interagency luncheon of departmental undersecretaries to discuss foreign economic problems.

[2]Transcript of Interview of Ball, Meet the Press, NBC, 10 December 1961, George Ball TV Interview-12/10/61, box 35, Petersen files; George Ball to Myer Feldman, 15 May 1961, State of the Union Message II-5/25/61-Additional Speech Materials (VI) Trade, box 64, Sorensen papers; U.S.-Common Market Hearings, Ball, 138; Rashish Oral History, 33; Ball, interview with author; Ball, The Past Has Another Pattern: Memoirs (New York: W.W. Norton and Company, 1982), 103, 199; Arthur M. Schlesinger, A Thousand Days: John F. Kennedy in the White House (Boston: Houghton Mifflin Company, 1965), 438-445; Jean Monnet, Memoirs (Garden City, NY: Doubleday and Company, Inc., 1978), 227;

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[3]Lichtenstein, Political Profiles, 115, and 116-118; Thomas B. Ross, "Rich Boy Makes Good - Douglas Dillon" in The Kennedy Circle, Tanzer ed., chp. 6; Heath, John F. Kennedy, 5; Robert Solomon, The International Monetary System, 1945-1981 (New York: Harper and Row, Publishers, 1982), 39; Schlesinger, A Thousand Days, 652-655; Ball, interview with author; Theodore C. Sorensen Oral History, John F. Kennedy Library, Boston Massachusetts, 114, 117; Council of Economic Advisors Oral History, John F. Kennedy Library, Boston, Massachusetts, James Tobin, 39, Paul Samuelson, 59 (hereafter cited as Sorensen Oral History and CEA Oral History); Kennedy to Thomas Lamont, 1 June 1960, box 773, PPP; Piquet, The U.S. Balance of Payments, 11, Douglas Dillon to author, 10 March 1986.

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[5]Report to the Honorable Task Force on the Balance-of-Payments, 27 December 1960, Economy-Task Force Report on Foreign Economic Policy, box 1073, PPP; Special Message to the Congress on Gold and the Balance of Payments Deficit, 6 February 1961, U.S., President, Public Papers of the the

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[6]Report to the Honorable John F. Kennedy by the Task Force on Foreign Economic Policy, 31 December 1960, Economy-Task Force Report on Foreign Economic Policy, box 1073, PPP.

[7]Special Message to the Congress on Gold and the Balance of Payments Deficit, 6 February 1961, Public Papers, 1961, 57, and also 58, 60, 62-64. See also The President's News Conference of 29 November 1961, Public Papers, 1961, 763.

[8]"Prosperous Europe", Wall Street Journal, 17 April 1961: 1, 12; Statistical Briefing: US Trade and the Common Market, undated, President's Special Message on Trade-Correspondence Concerning the Speech, box 2, Petersen files.

[9] Henry G. Aubrey, Atlantic Economic Cooperation: The Case of the OECD (New York: Frederick A. Praeger Publishers, 1967), 24-25.

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[13] OECD Hearings, Fulbright comment, 114; U.S.-EEC Hearings, O.R. Strackbein, 171-172; Harris Oral History, 61-62.

[14] The President's News Conference of 8 March 1961, Public Papers, 1961, 159; OECD Hearings, U.S. Potters Association, 160; U.S.-Japan Trade Council, Japan Buys American in All 50 States, Japanese-American Trade Relations-Pamphlet (undated); Kennedy on Protectionism: Kennedy Seeks Trade Expansion as Protectionist Pressures Rise, reprint from the New York Times, 12 February 1961; U.S. Trade with Japan, 1956-1960, August 1961, Japanese-American Trade Relations-Background Materials, box 8, Petersen files; Memorandum for the President from W.W. Rostow, Japan and the OECD, 4 March 1961, Organization for Economic Cooperation and Development, box 104, POF; "Washington Outlook", Textile World 111 (August 1961): 22; "News and Comment", Textile World (November 1961): 40.

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[16] Memorandum for the President from W.W. Rostow, Japan and the OECD, 4 March 1961, Organization for Economic Cooperation and Development, box 104, POF; "Japan, U.S. Aired Trade Woes but Avoided Specific and Thorny Points at Conference", Wall Street Journal, 6 November 1961, 6,; OECD Hearings, Senator Wayne Morse (D-OR), 59-60; Senator Jacob Javits (R-NY), 93; Christian A. Herter, 114. Japan was a member of the OECD Development Assistance Committee.

[17] OECD Hearings, Ball, 18-19. See also Ball, The Past, 195-196; Ball, "The Less Developed Countries and the Atlantic Partnership", Department of State Bulletin 46 (12 March 1962): 414.

[18] Aubrey, Atlantic Economic Cooperation, 29-30; "OECD" Congressional Quarterly-Almanac 17 (1961): 67, 332; Congressional Record 107, pt. 4, 16 March 1961, 4170, the Senate vote was in favor 72-18; Statement by the President Following Ratification of Convention Establishing the Organization for Economic Cooperation and Development, 23 March 1961, Public Papers, 1961, 212; Statement by the President Upon the Departure of the U.S. Delegation to the Meeting of the Economic Policy of the OEEC, 14 April 1961, Public Papers, 1961, 279; James Tobin to the President, 3 November 1961, Secretary of State Dean Rusk to the President, 22 March 1961, IT 59-Organization for Economic Cooperation and Development, box 390, White House Central Files, John F. Kennedy Library, Boston, Massachusetts

(hereafter cited as WHCF-JFK); Robert Strausz-Hupe, James E. Dougherty, and William R. Kintner, Building the Atlantic World (New York: Harper and Row, Publishers, 1963), 148-149; "OECD Sets Collective Target for 50 Percent Growth in GNP", Department of State Bulletin 45 (18 December 1961): 1014-1016; Christian A. Herter, Toward An Atlantic Community (New York: Harper and Row, Publishers, 1963), 27; Secretary of State Rusk to American Embassy, Paris, 11 November 1961, Department of State-11/6/61-11/12/61, box 285, National Security Files, John F. Kennedy Library, Boston, Massachusetts (hereafter cited as NSF-JFK).

[19] Viner, "Economic Foreign Policy on the New Frontier", Foreign Affairs 39 (July 1961): 560, 565, 575.

[20] Richard Neustadt to George Ball, 18 April 1961, Departments of State and Commerce-Foreign Economic Policy Correspondence 1958-1961, box 5, Behrman papers; Bauer, Pool, and Dexter, American Business and Public Policy, 74; Rowland Burnsten to Myer Feldman, 22 May 1961, Trade Adjustment Legislation-5/22/61-6/16/61, box 29; Gabriel Hauge to Feldman, 29 May 1961, Reciprocal Trade-3/61-7/61, box 24, Feldman files; Register to the White House Staff Files of President John F. Kennedy: Howard C. Petersen, 3-5, John F. Kennedy Library, Boston, Massachusetts; Petersen, interview with author, 20 June 1986, Radnor, Pennsylvania; Exchange of Letters between the President and Howard C. Petersen, 21 November 1962; Petersen, Address, An

American Look at the Commercial Policy of the North Atlantic Community, 6 July 1961, Papers of Howard C. Petersen, Radnor, Pennsylvania (hereafter cited as Petersen papers).

[21] Proposals for 1962 United States Foreign Trade and Tariff Legislation from Petersen, undated (23 October 1961); The "Peril Point" Provision (Petersen), 23 October 1961, Howard Petersen Memos for the President-10/23/61; George Ball to the President, 23 October 1961, 10/61, box 50, POF. See also Ernest H. Preeg, Traders and Diplomats: An Analysis of the Kennedy Round Negotiations under the General Agreement on Tariffs and Trade (Washington, D.C.: The Brookings Institution, 1970), 44; Pastor, Congress and the Politics of U.S. Foreign Economic Policy, 105-106, 106n; Bauer, Pool, and Dexter, American Business, 74; Schlesinger, A Thousand Days, 846-847; Theodore C. Sorensen, Kennedy (New York: Harper and Row, Publishers, 1965), 410, discrepancies exist in the accounts of the Petersen and Ball proposals. Documents support the accuracy of Preeg's and Sorensen's view that the timing issue was the key difference between the two officials.

[22] Robert J. Pfaltzgraff, Jr., Britain Faces Europe (Philadelphia: University of Pennsylvania Press, 1969), chp. 3, 88-115; David Nunnerly, President Kennedy and Britain (New York: St. Martin's Press, 1972), 167-168; Miriam Camps, Britain and the European Community, 1955-1963

(Princeton: Princeton University Press, 1964), chps. 8-10, 300-301, 338-351, 363-366; Hinshaw, The European Community and American Trade, 103-104, 106-125; Drew Middleton, The Supreme Choice: Britain and Europe (New York: Alfred A. Knopf, 1963), 103, 104-119, 144-147; Walter Lippmann, Western Unity and the Common Market (Boston: Little, Brown, and Company, 1962), 14-17; John Pinder, Britain and the Common Market (London: The Cresset Press, 1961), 81-84. EEC farmers eagerly awaited Britain, the largest European importer of foodstuffs. The high prices enjoyed by British farmers would disappear upon entry since the Six sought a unified, lower price for each crop. Also, under EEC rules, the farm produce of Commonwealth nations, most of which entered Britain duty-free, would be subject to duties upon accession. Nearly 25% of Commonwealth exports went to Britain; 95% entering duty-free. Major exporters New Zealand and Australia were particularly upset by the accession application.

[23]Nunnerly, Kennedy and Britain, 168; Camps, Britain and the European Community, 305-309; Middleton, The Supreme Choice, 102, 144; Hinshaw, The European Community, 101; De Gaulle to MacMillan, 1 August 1961, Charles de Gaulle, Lettres, Notes, et Carnets, 1961-1963 (Paris: Librairie Plon, 1985), 121-122; Charles de Gaulle, Memoirs of Hope: Renewal and Endeavor (New York: Simon and Schuster, 1971), 219.

[24] David Reynolds, The Creation of the Anglo-American Alliance, 1937-1941: A Study in Competitive Co-operation (Chapel Hill: University of North Carolina Press, 1981), 12-13, 85; Nunnerly, President Kennedy and Britain, 7-8, 11; Pfaltzgraff, Britain Faces Europe, 74; Camps, Britain and the European Community, 283, 327; Pinder, Britain and the Common Market, 81; Robert Estabrook interview with Donald Maitland, 6 February 1962, British Foreign Office, box 1, Papers of Robert Estabrook, John F. Kennedy Library, Boston, Massachusetts (hereafter Estabrook papers); Costigliola, "The Failed Design", 234.

[25] George W. Ball, The Discipline of Power: Essentials of a Modern World Structure (Boston: Little, Brown, and Company, 1968), 79; Ball, The Past, 211-213; Report to the Honorable John F. Kennedy from the Task Force on Foreign Economic Policy, 31 December 1960, Economy-Task Force Report on Foreign Economic Policy, box 1073, PPP; Camps, Britain and the European Community, 336; Background talk with David Ormsby-Gore, 9 October 1961, same folder title, box 1, Estabrook papers; Schlesinger, A Thousand Days, 8455; Undersecretary George Ball to the President, 23 October 1961, United Kingdom-General-8/21/61-9/15/61, box 170, NSF-JFK. Labor leader Clive Jenkins charged that the U.S. held an IMF loan over MacMillan's head as a club to force the accession application. Ormsby-Gore denied the claim.

[26]The President's News Conference, 17 May 1962, U.S., President, Public Papers of the the Presidents of the United States (Washington, D.C.: Office of the Federal Register, National Archives and Record Service, 1963), John F. Kennedy, 1962, 406 (hereafter cited as Public Papers, 1962); The President's News Conference, 10 August 1961, Public Papers, 1961, 554; The President's News Conference, 23 May 1962, Public Papers, 1962, 436-437; Schlesinger, A Thousand Days, 845; Frank Costigliola, "The Pursuit of Atlantic Community: Nuclear Arms, Dollars, and Berlin" in Kennedy's Quest for Victory: American Foreign Policy, 1961-1963, ed. Paterson, 27.

[27]Nunnerly, President Kennedy and Britain, 172-173; Pfaltzgraff, Britain Faces Europe, 118-136; Schlesinger, A Thousand Days, 845-846; Ball, The Past, 215.

[28]Statement of the Right Honourable Edward Heath, M.R., Lord Privy Seal at the Meeting in Paris on 10th October 1961 between the Member Governments of the European Economic Community and Her Majesty's Government in the United Kingdom of Great Britain and Northern Ireland, Trade-General, box 20, Papers of Arthur M. Schlesinger, Jr., John F. Kennedy Library, Boston, Massachsetts (hereafter cited as Schlesinger papers); Joint Statment Following Discussions with Prime Minister MacMillan, 29 April 1962, Public Papers, 1962, 346; Undersecretary George Ball to the President, 7 August 1961, United Kingdom-

General-8/1/61-8/20/61, box 170, NSF-JFK; Ball, The Past, 215, 218; Undersecretary George Ball to the President, 23 August 1961, United Kingdom-General-8/21/61-9/15/61, box 170, NSF-JFK; Schlesinger, A Thousand Days, 846.

[29]Costigliola, "The Failed Design", 228.

[30]Undersecretary George Ball to the President, 23 October 1961, 10/61, box 50, POF; Ball, The Past. 198; Ball to Ambassadors, 25 July 1962; Undersecretary George Ball to McGeorge Bundy, 27 July 1962, United Kingdom-General-7/27/62-7/30/62, box 170A, NSF-JFK; Petersen, Address, An American Look at the Commercial Policy of the North Atlantic Community, 6 July 1961, Petersen papers; Howard Petersen to the President, 23 October 1961, 10/61, box 50, POF; Myer Rashish to Howard Petersen, 18 October 1961, 10/61, box 1, Petersen files.

[31]Eric Wyndham White, address, Looking Outwards, 6 April 1960, General Agreement on Tariffs and Trade Publications, box 8, Behrman papers; Isaiah Frank, The European Common Market: An Analysis of Commercial Policy (New York: Frederick A. Praeger Publishers, 1961), 194-196.

[32]"GATT Tariff Negotiations Conference Opens at Geneva", Department of State Bulletin 43 (19 September 1960): 453-454; U.S. EEC-Hearings, Undersecretary George Ball, 138; "Issues Facing GATT in the New Trading World", Department of State Bulletin 46 (1 January 1962): 4; Gerard and Victoria Curzon, "The Management of Trade Relations", 169.

[33] Report on Article XXIV: 6 [compensation rule] Negotiations with the Common Market, 8 February 1962, General Agreement on Tariffs and Trade Reports-12/60-4/65, box 8, Behrman papers; Curzon and Curzon, "Management of Trade Relations", 169-171, 200n.

[34] John O. Coppock, Atlantic Agricultural Unity: Is It Possible? (New York: McGraw-Hill Book Company, 1966), 19; Ross B. Talbot and Don F. Hadwiger, The Policy Process in American Agriculture (San Francisco: Chandler Publishing Company, 1968), 336; Brian E. Hill, The Common Agricultural Policy: Past, Present, and Future (London: Methuen, 1984), 18-32; Alex F. McCalla, "Protectionism in International Agricultural Trade, 1850-1968", Agricultural History 43 (July 1969): 338; Hanns Peter Muth, French Agriculture and the Political Integration of Western Europe (Leyden, Holland: A.W. Sijthoff, 1970), 15; Harry G. Johnson, "Mercantilism: Past, Present, and Future" in The New Mercantilism: Some Problems in International Trade, Money, and Investment (New York: St. Martin's Press, 1974), 12-13; T.K. Warley, "Western Trade in Agricultural Products" in International Economic Relations, ed. Shonfield, 308; White, "Looking Outwards", 6 April 1960, General Agreement on Tariffs and Trade Publications, box 8, Behrman papers.

[35] Robert Estabrook interview with Ambassador Douglas MacArthur II (Belgium), 28 November 1961; Dr. Oscar Zagletz, 28 November 1961, same folder titles, box 1,

Estabrook papers; Interdepartmental Committee of Undersecretaries on Foreign Economic Policy, United Stages Agricultural Policy, 19 February 1962, Interdepartmental Committee on Foreign Economic Policy Reports-1962, box 8, Behrman papers; Warley, Western Trade, 319-322; McCalla, "Protectionism in International Agricultural Trade", 340; Stausz-Hupe, et al., Building the Atlantic World, 160; Coppock, Atlantic Agricultural Unity, 22-26; Petersen, Agricultural Exports, Farm Income, 1979), 115-118.

[36]Special Message to the Congress on Foreign Trade Policy, 25 January 1962, Public Papers, 1962, 72. See also Key Elements of the Agricultural Situation, undated, same folder title, box 1071, PPP; Feldman Oral History, 14th interview, 54; CEA Oral History, 69; Warley, Western Trade, 321; Special Message to the Congress on Gold and the Balance of Payments Deficit, 6 February 1961, Public Papers, 1961, 63; Special Message to the Congress on Agriculture, 16 March 1961, Public Papers, 1961, 193, 197, Lichtenstein, Political Profiles, 163; Carroll Kilpatrick, "Protectors of the Natural Resources - Orville Freeman and Stewart Udall" in The Kennedy Circle, ed. Tanzer, 294-303.

[37]"GATT Tariff Negotiations Conference Opens at Geneva", Department of State Bulletin 43 (19 September 1960): 454-455; Howard Petersen, interview with author; Interdepartmental Committee of Under Secretaries on Foreign Economic Policy, 19 February 1962, Interdepartmental

Committee on Foreign Economic Policy Reports-1962, box 8, Behrman papers; Preeg, Traders and Diplomats, 32; Joint Statement Following Meeting with Dr. Walter Hallstein, President of the European Economic Community, 16 May 1961, Public Papers, 1961, 380.

[38]Orville Freeman to the President, 27 November 1961, White House Reports-November 1961, box 9, Papers of Orville Freeman, John F. Kennedy Library, Boston, Massachusetts (hereafter cited as Freeman papers). See also Orville Freeman to the President, October 1961, White House Reports-October 1961 and 12 December 1961, White House Reports-December 1961, box 9, Freeman papers.

[39]President Kennedy to Senator Herman Talmadge (D-GA), 15 December 1961, FO 3-3 8/25/61-12/31/61, box 237, WHCF-JFK; Report on Article XXIV: 6 Negotiations with the Common Market, 8 February 1962, General Agreement on Tariffs and Trade Reports-12/60-4/65, box 8, Behrman papers; John P. Duncan to Myer Feldman, 30 November 1961, box 24, Feldman files; Howard Petersen, interview with author; "U.S. Exchanges Tariff Concessions with GATT Contracting Parties", Department of State Bulletin 46 (2 April 1962): 564; Orville Freeman Oral History, John F. Kennedy Library, Boston, Massachusetts, 23 (hereafter cited as Freeman Oral History); Murphy to Interdepartmental Under Secretaries Committee on Foreign Economic Policy, 19 February 1962, Interdepartmental Committee on Foreign Economic Policy

Reports-1962, box 8, Behrman papers; Coppock, Atlantic Agricultural Unity, 49.

[40]"Common Market's Freer-Trade Moves May Aid Kennedy Case in Tariff-Cutting Drive", Wall Street Journal, 14 December 1961, 5.

[41]John W. Evans, The Kennedy Round in American Trade Policy: The Twilight of the GATT? (Cambridge, MA: Harvard University Press, 1971), 153, 161-162; Lawrence B. Krause, European Economic Integration and the United States (Washington, D.C.: The Brookings Institution, 1968), 209-211; "Issues Facing GATT in the New Trading World", Department of State Bulletin 46 (27 November 1961): 4.

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[43]Press Release from the White House, 7 March 1962, General Agreement on Tariffs and Trade (GATT) Megotiations-Press Releases, box 7, Petersen files; U.S., House Ways and Means Committee, The Trade Expansion Act of 1962, 87th

Cong., 2nd sess., 1962, Exhibit C, 2233-2235 (hereafter cited as TEA-House); "Activities of the Community", Bulletin of the European Economic Community (April 1962): 17-18 (hereafter cited as EEC Bulletin); Preeg, Traders and Diplomats, 41; Krause, European Economic Integration, 210; Curzon and Curzon, "Management of Trade Relations", 175.

[44] Special Message to the Congress on the Trade Agreements Concluded at the Geneva Tariff Conference, 7 March 1962, Public Papers, 1962, 204, 206-207. See also Howard Petersen to the President, 20 December 1961, Petersen, Howard C.-12/20/61-2/12/62, box 31, POF; Statement to the President by the Public Advisors to the United States Delegation to the GATT Tariff Conference, 9 March 1962, White House Press Releases: Statement to the President-3/9/62, box 36, Petersen files.

[45] Evans, The Kennedy Round in American Trade Policy, 139; U.S., Subcommittee on Foreign Economic Policy of the Joint Economic Committee, Foreign Economic Policy, 87th Cong., 1st sess., 4-12 December 1961 (hereafter cited as Foreign Economic Policy Hearings), Boggs 1-2; Christian A. Herter and William L. Clayton, "A New Look Foreign Economic Policy in Light of the Cold War and the Extension of the Common Market in Europe", submitted at the Foreign Economic Policy Hearings, 1 November 1961, 1-2. 5-6, 8-10.

[46]Undersecretary Chester Bowles to all Diplomatic and Consular Posts, 2 November 1961, Department of State-11/1/61-11/5/61, box 284-285, NSF-JFK.

[47]Summary Minutes of Meeting of Interdepartmental Committee of Under Secretaries on Foreign Economic Policy, 10 January 1962, East-West Trade Reports-1/62-11/63; United States Trade with the Soviet Bloc and Other Sensitive Areas, 21 May 1963, East-West Trade Correspondence-1/62-10/63, box 6, Behrman papers; United States Economic Defense Policy, 17 July 1962, NSC meeting no. 503, box 313; Summary Record of NSC Meeting, July 17, 1962, National Security Council Meetings-1962 No. 503-7/17/62; Subject: Revision of U.S. Economic Defense Policy - NSC 5704/5, 4 December 1962, Department of State-12/1/62-12/12/62, box 286, NSF-JFK. East-West trade affected U.S.-European relations. Kennedy knew that the Soviet bloc got from the EEC products that Congress the U.S. banned from selling in order to guard the U.S. technology edge. Kennedy consulted the allies about coordinating certain sales to the bloc, economic sanctions, and set up a committee to oversee export controls. He pressed for trade liberalization to try to wean some satellites away from the bloc, including in the TEA a grant of MFN status to Poland and Yugoslavia, which the senate rejected.

[48]Ball, "The Threshold of a New Trading World", address to the 48th National Foreign Trade Council, 1 November 1961, Department of State Bulletin 45 (20 November 1961): 832-837.

[49]United States Trade with the Soviet Bloc and Other Sensitive Areas, 21 May 1963, East-West Trade Correspondence-1/62-10/63, box 6, Behrman papers; The President's News Conference of 8 November 1961, Public Papers, 1961, 707-708; Hyannisport meeting in Peter Jones to Luther Hodges, 24 November 1961, Tariffs and Trade-Reciprocal Trade, 11/61, box 24, Feldman files.

[50]Seymour Harris to the President, 7 December 1961, Reciprocal Trade-12/61-3/62, box 24, Feldman files. See also Howard Petersen to George Ball, 18 October 1961, 10/61, box 1, Petersen files.

[51]Myer Rashish to Howard Petersen, 8 September 1961, 8-9/61, box 1, Petersen files. See also Sorensen Oral History, 111; Lawrence O'Brien, No Final Victories: A Life in Politics - from John F. Kennedy to Watergate (Garden City, NY: Doubleday and Company, Inc., 1974), 130-131; Rashish Oral History, 15; George Ball, interview with author.

[52]Address in New York City to the National Association of Manufacturers, 6 December 1961; Address in Miami at the Opening of the AFL-CIO Convention, 7 December 1961, Public Papers, 1961, 775-779, 781-784, 791-792, 795.

[53]Annual Message to the Congress on the State of the Union, 11 January 1962, Public Papers, 1962, 14. See also Summary of New Trade Legislation Sent by the President to the Congress on January 25, 1962, Trade Legislation-Correspondence on Proposals-1/13/62-11/5/62, box 2, Petersen files.

[54]Special Message to the Congress on Foreign Trade Policy, 25 January 1962, Public Papers, 1962, 74-75; Memorandum for the Vice-President, The Trade Expansion Act of 1962: A Brief Description and Analysis, 8 January 1962, Trade Policy Memorandum of Correspondence on Proposals-12/22/61-2/27/62 and undated, box 2, Petersen files.

[55]Hawkins and Norwood, "The Legislative Basis", 119-120; Don D. Humphrey, The United States and the Common Market: A Background Study (New York: Frederick A. Praeger, Publishers, 1964), 169; Summary of New Trade Legislation as Sent by the President on January 25, 1962, 24 January 1962, box 2, Trade Legislation-Correspondence on Proposals-1/13/62-11/5/62, Petersen files; Judith Goldstein, "Ideas, Institutions, and American Trade Policy", International Organization (Winter 1988): 190, 192.

[56]Humphrey, The United States and the Common Market, 173-174; Special Message to the Congress on Foreign Trade Policy, 25 January 1962, Public Papers, 1962, 75; Memorandum to the Vice-President, Subject: The Trade Expansion Act of 1962: A Brief Description and Analysis, 8

January 1962, Trade Policy Memorandum of Correspondence on Proposals-12/22/61-2/27/62 and undated, box 2, Petersen papers; Special Message to the Congress on Foreign Trade Policy, 25 January 1962, Public Papers, 1962, 75-76; "President Sends Trade Bill to Congress", Congressional Quarterly-Weekly Report 20, (26 January 1962): 98; Hawkins and Norwood, "The Legislative Basis", 120-121.

[57] Summary of Attached Draft Adjustment Assistance Bill, undated, Trade Adjustment Legislation-5/1961, box 29, Feldman files; Charles R. Frank, Jr., Foreign Trade and Domestic Aid (Washington, D.C.: The Brookings Institution, 1977), 40-45. The Adjustment Assistance Advisory Board, chaired by the Secretary of Commerce overlooked the program. The Department of Labor administered workers, while Commerce, the SBA, and others handled firms and management.

[58] Special Message to the Congress on Foreign Trade Policy, 25 January 1962, Public Papers, 1962, 76. See also Frank, Foreign Trade and Domestic Aid, 39; Goldstein, "Ideas, Institutions, and American Trade Policy", 209, 215; Summary of the Trade Legislation as Sent by the President on January 25, 1962, 24 January 1962, Trade Legislation Correspondence on Proposals-1/13/62-11/5/62, box 2, Petersen files.

[59] Joseph Kraft, The Grand Design: From Common Market to Atlantic Partnership (New York: Harper and Row, Publishers, 1962), 119-120. See also Special Message to the

Congress on Foreign Trade Policy, 25 January 1962, Public Papers, 1962, 77.

[60]Special Message to the Congress on Foreign Trade Policy, 25 January 1962, Public Papers, 1962, 77. See also Schlesinger, A Thousand Days, 847.

[61]American Letter, no. 2246, 16 September 1961, Petersen papers. See also C. Wilson Harder to Undersecretary George Ball, 2 November 1961, State Department, box 23, Petersen files; Barrie, "Congress and the Executive", 175; "Free Trade Forces Push for '62 Legislation But Aides Are Questioning Timing", Wall Street Journal, 2 November 1961, 26.

CHAPTER 3

THE POLITICS OF PROTECTION: TEXTILES AND LUMBER

The passage of the Trade Expansion Act depended on how effectively the President mustered votes from Congress. Kennedy counted on support from Midwestern farm states, which sought an increase in agricultural exports, and industrial states in the East, Midwest, and Far West which traditionally backed liberal trade. But in 1958, Eisenhower had relied on these states, too. Though he won his trade bill, Congress limited his ability to lower trade barriers by attaching a plethora of safeguards and weakening his authority over tariffs. Kennedy demanded much more authority, and from a similarly protectionist Congress.

Kennedy aggressively approached Congress. Realizing that his bill undermined the traditional protection of previous U.S. trade policy, the strong, organized protectionists had already served notice of their intent to mount a vigorous campaign to defeat the TEA. Many of them were not strident protectionists who opposed free-trade out of principle, but merely sought aid for industries which had suffered under rising imports in recent years. Textile and lumber interests, both with powerful support on Capitol Hill, were two examples. Kennedy hoped, like Eisenhower, that free-traders would overwhelm the protectionists. Yet

he tried to satisfy the latter's demands before the TEA came to a vote and neutralize large blocs of protectionists.

This tactic of wooing legislators provides a test case for models of interest intermediation. Corporatists point to a consensus of government and private sector decision-makers in forging textile and lumber trade policy. Bureaucratic politics points to competition between departments and officials in molding policy choices and influencing presidential decisions. The interest group and regulatory politics models offer Congress as the arena where trade policy is determined.

Centered on Capitol Hill, with the administration on one side and interest groups on the other, the decisions on textile and lumber indicated an accommodation between the President and Congress consistent with the regulatory politics model. Pushed by their constituents, the textile and lumber blocs confronted Kennedy and demanded relief from imports. He satisfied enough of these legislators with special assistance programs, but not to the extent wished by import-competitors. The President based aid on one leg of the fair-trade doctrine, yet such help signified a tactical compromise. His attention cleared the way for congressional acceptance of the TEA and made possible the international leg of the doctrine. That is, Kennedy protected some industries in order to achieve his overall

goal of lowering trade barriers under the principle of comparative advantage.

The administration confidently predicted victory for the TEA but off the record worried about its prospects. One senator estimated only 40 votes for the TEA in the Senate, while support in the House was lacking. The President's congressional liaison office reported that supporters of the 1958 trade act had turned lukewarm in recent years. Polling Congress, Theodore Sorensen told Kennedy that the TEA needed bi-partisan support to win. But Congress had stalled the New Frontier in 1961, prompting Congressional Quarterly to predict an "uphill struggle" for Kennedy legislation in 1962.[1]

The 87th Congress was the most conservative since 1954 because of a coalition of Republicans and Southern Democrats. Wilbur D. Mills (D-Ark.), chairman of the House Ways and Means committee which would hold hearings on the bill, supported Kennedy but was tough on imports. Senator Harry F. Byrd (D-W.VA), whose Finance Committee would also hear the bill, was a protectionist and disliked the new President. Kennedy missed the leadership of free-traders Sam Rayburn, the House Speaker who died in 1961, and Lyndon Johnson in the Senate, got on badly with the new House Speaker John W. McCormack (D-MA), and was weakened by Senate floor leader Mike Mansfield (D-Mont.), who lacked Johnson's power. Partisan politics, moreover, inspired

Republicans to veto legislation on which the President had risked much of his prestige. By rallying against the TEA, they hoped to seize control of Congress and hamper the New Frontier as a way of derailing Kennedy's re-election bid in 1964.[2]

To win the TEA, Kennedy also had to overcome protectionism as an effective force in Congress. Congressman John H. Dent (D-PA), who claimed that Kennedy's view of trade was a one-way street of exports where imports were ignored, led these forces in the House. His Senate counterpart, Prescott S. Bush (R-CT), railed that the TEA permitted a "reckless destruction of jobs" with little insurance except for the "untested" and "dubious" adjustment assistance measure.[3] Since 1962 was an election year, Kennedy feared that even members of Congress with import-competing constituents, who sided with free-trade, might join the protectionists in order not to upset voters at home.

Imports encumbered the President's task of removing the cotton textile industry, the largest protectionist interest, from the opposition's camp and enhancing the prospects of the TEA. From 1958 to 1960, imports of cotton goods increased by nearly two and one-half times; in dollar value, a jump of over 76%, or $119 million. Meanwhile, since exports rose only slightly, the cotton textile trade surplus, which had been $125 million in 1958 shrank to $19

million two years later. These high imports and sluggish exports curbed production and depressed the industry. For instance, 128 mills closed across the nation and employment reached an alltime low.[4]

His senate experience and the campaign of 1960 compelled Kennedy to address these problems. As a senator, he had described Eisenhower's textile import policy as "shabby" but the presidential politics of trade required some balance. During the campaign, Kennedy relied on a regional strategy of winning the South, New England, and big Northern industrial states. A protectionist policy on textile imports would appeal to the former two, where the industry was strongest. Fair-trade might win votes from the latter, where states such as New York, Pennsylvania, Illinois, and Ohio ranked high as exporters but had industries which had suffered import injury. During the campaign, he pledged to South Carolina Governor Ernest Hollings, who made good on a pledge to deliver his consitutuents to the Kennedy cause, that a solution to the cotton textile problem would be a "top priority objective" of his administration.[5]

His commitment was sincere but based on a keen appreciation of the industry's political strength. One of the nation's largest manufacturing employers, the cotton textile industry amassed approximately 94% of its workers in 16 states. Over half of these employees hailed from

four deep-South states -Alabama, Georgia, and North and South Carolina - and another 7% came from Virginia and Tennessee. Due to 140 mill closings since 1951, these six states had suffered an average drop in textile jobs of nearly 17%, and the South as a whole a loss of 14%.[6]

Kennedy's textile program centered on cotton manufactures in order to win TEA votes from southern congressmen, most of whose districts were filled with cotton textile mills. Howard Petersen and House Majority Whip Carl Albert calculated that the President needed support from Southern Democrats since he could not depend on Republican votes. Though Kennedy did well in the South in 1960, he surmised that a trade policy which hurt the region, especially an industry with "political muscle" like textiles interests, would bode ill not only for his TEA, but for agricultural, civil rights, and social spending bills which would face congressional committees led and dominated by southerners. Opposition from mill owners to free-trade had a great effect on Southern congressmen, noted a Georgian businessman, and even many legislators from non-textile districts were philosophically protectionist and thus sympathetic to restraints on imports.[7]

The South was not Kennedy's only worry, however. Every New England and Mid-Atlantic state except Vermont, Maryland, and Delaware, in addition to Ohio and Illinois,

were among the top 16 states with textile employment. They, too, demanded special consideration regarding import limitations on cotton, wool, and synthetic textiles. With employment down 61% since 1951 and 12% from 1958, or 15,000 jobs, New England had experienced 278 mill liquidations in all textile categories. In the Mid-Atlantic states, 47% of the workers had lost their jobs since 1951 and in Illinois alone, 27%. Kennedy expected some opposition among congressmen from these states to a liberal trade program.[8]

Six votes on trade between 1948 and 1961 showed the depth of protectionism in the textile bloc. In the 16 top employment states were the 132 congressmen and 32 senators who would vote on the TEA. In the House, 61%, or 81 of the members in these states voted against the RTA at least twice and 38%, or 50 voted protectionist in 1958. In addition, many of the 128 members of a new, 35-state bi-partisan textile group did not come from the major textile states, including all but one of the 22 congressmen from Florida, Mississippi, South Dakota, and West Virginia. House members who had conditioned their support for the last RTA on assurances that textile imports would not injure the industry were now upset that the opposite had occurred.[9]

In the Senate, only seven out the 32 members of the 16 textile states voted for a restrictionist amendment to the 1958 RTA and only nine sided with a similar amendment to

the minimum wage bill in 1961. Yet, 34 senators, including at least one member from all but one of the top 16 textile states, one each from Alaska, Kentucky, Mississippi, Oregon, South Dakota, and both from Texas and Wyoming, signed two letters to the President expressing their concern over textile imports. Senator Edmund Muskie (R-ME) warned that without a "realistic solution to the problem of textile imports", Kennedy faced "real difficulty" on the Trade Expansion Act.[10]

Behind Congress was a powerful and vocal lobby of textile interests. Since 1958, when major hearings on textile imports began, Congress heard repeated grievances from "Big Textiles", such as Burlington Industries, J.P Stevens, and Cannon Mills, against imports. They were members of the peak political cotton textile organization, the American Cotton Manufacturers Institute (ACMI), which represented 80% of the industry. The ACMI compelled the National Cotton Council, an association of growers who sold cotton to mills, to support protectionism. Joining them was the Textile Workers Union of America. These groups enjoyed leverage in Congress.[11]

Textile protectionism varied in degree, but the majority within the bloc sought import restrictions. Congressman Dent held hearings throughout 1961 on a variety of import-competing products, including textiles. He explained that protectionism for the industry was not new, quoting Senator

Kennedy's remarks about cutting imports when certain industries faced extinction. Textilemen supported freer trade, but not when competition was "unfair" due to low-cost and low-wage production abroad. Indeed, administration members remarked that Americans most feared imports of labor-intensive manufactures from the Third World.[12]

Interest group pressure prompted a subcommittee headed by Senator John O. Pastore (D-RI) to recommend import quotas, modernization efforts, and federal assistance to help the industry. Pastore admitted that the industry's health was cyclical and pledged support for the TEA, yet implied to the ACMI that inaction on textile imports might lose his vote. He urged a reappraisal of the import situation by the cabinet-level Inter-agency Textile Committee (ITC), which under Eisenhower had rejected all the subcommittee's suggestions. Textilemen remembered that Kennedy had pledged a "comprehensive industry-wide remedy" and had backed Pastore's recommendations. Now they urged him to make good on his campaign promises.[13]

Kennedy tried to head off such pressure, but events overtook him. Just weeks after Hollings, the textile bloc, and the industry recommended a textile import quota bill In February, 1961, he appointed Commerce Secretary Hodges, a veteran of service to the textile industry who, as Governor of North Carolina, had called for quotas on textile imports, to lead the ITC and find a solution to the import

problem. Before Hodges could act, the Amalgamated Clothing Workers of America announced a boycott in February 1961 on cut cloth from Japan unless the U.S. established quotas. The President warned that such action only invited retaliation from other nations and worsened the payments deficit. The union stopped the boycott, but labor groups remained uneasy about the inflow of imports.[14]

Meanwhile, the textile bloc and the ITC suggested import restrictions. Representatives Carl Vinson (D-GA), a key source of Southern support for the New Frontier, W.J. Bryan Dorn (D-NC), an enemy of the administration, and a nucleus of protectionists formed the 128-member Textile Conference Group. After talking with Kennedy on 27 March 1961 about imports, the Group wrote him a letter which predicted congressional rejection of a new trade bill unless there were safeguards for textiles. In April, the ITC reinforced this and the Pastore subcommittee position. Bureaucratic politics mattered little; the protests of free-trader George Ball, a member of the ITC, were swept aside. Hodges recommended a system of controls modeled after the 1957 voluntary export restraint on Japanese cotton textiles which slashed Tokyo's sales to America by a quarter after 1956.[15]

On 2 May 1961, Kennedy bowed to congressional and industry pressure and proposed a seven-point agenda of assistance for the cotton textile industry. He called for

government aid to help the industry modernize and become more competitive, including revised depreciation allowances, loans, and research and development programs. He asked for a study of the two-price global cotton price system and the possible imposition of an eight and one-half cents "equalization fee" on cotton textile imports. A barrier against raw cotton imports made textile manufacturers captives of higher domestic cotton prices, while foreign manufacturers bought cotton at the lower world market cost. The fee would balance out the differential.

The seven-point plan also opened up the possibility of easier resort for cotton textile manufacturers to the escape and national security clauses of the RTA as well as permitting industry's to seek federal aid. Most important, Kennedy directed Ball to arrange a meeting under GATT to negotiate a protective trade agreement. The program, Kennedy hoped, would build a fair-trade regime in cotton textiles by protecting domestic producers and slowly expanding LDC exports.[16]

Ball began organizing a GATT trade regime for cotton textiles. Believing that LDC development depended on export expansion of their lucrative but scant industrial exports, Ball urged the North to ease restrictions on light manufactures such as textiles. Behind the plan was America's objective of decreasing U.S. imports from poor

nations while increasing Third World access into the EEC. Ball sought a fair-trade arrangement by protecting Northern textile industries without cutting off textile exporters - Japan, Hong Kong, Taiwan, India, Pakistan, and the United Arab Republic - from Atlantic markets.[17]

Ball advocated two aims as he shuttled between the LDCs, Europe, and North America to round up participants for the GATT meeting. First, he sought to ease severe restrictions in importing nations by a more equitable distribution of LDC cotton textile exports. Ball focused on compelling the EEC to take its fair share. Second, and somewhat disingenuously he believed, the U.S. sought voluntary export restraints so that the North could "stabilize" LDC exports in an expanding but "orderly" fashion. He opposed unilateral quotas, planned to discuss only cotton goods, and set import levels higher than expected by the U.S. textile industry. When prodded for a more restrictive policy by the U.S. textilemen, Ball grew hostile toward them.[18]

Ball's response obviously did not appease textile interests, who reacted angrily to the details of the plan, and disturbed the politically sensitive Myer Feldman, the President's aide on trade matters. Wool, synthetic, and apparel manufacturers and unions and the ACMI expressed dissatisfaction that the GATT talks would be limited to cotton textiles and would base future textile imports on

the high 1960 level. A letter signed by the House and Senate textile blocs denounced the Kennedy solution as a "piecemeal and totally inadequate program" that could only embarrass the President's long-term trade proposals. Senator Pastore added that the alternative to satisfactory quotas was certain defeat of the projected trade bill by the concerted efforts of the textile bloc.[19]

A generally uncooperative international community also threatened to upset the plan. Only Canada and West Germany, both with textile problems similar to those of America, endorsed the GATT conference without qualifications. Japan and the LDCs, with comparative advantages in cotton textiles, feared that the U.S. and the EEC would turn any agreement into a global quota system and therefore severely restrict their exports. Japan, Hong Kong, and India to a lesser extent backed a multilateral quantitative scheme, though a voluntary export agreement between the former and the U.S. and British bilateral limits with the latter two already existed. But they only supported a regime that would assure more liberal trade and curb export restraints.[20]

Skepticism was the feeling in Europe. Britain chafed at letting in more textiles from Asia. Under accords with Hong Kong and India, London had accepted more cotton goods and, to the detriment of its Lancashire mills, became a net importer by 1958. The British posited that cautious,

bilateral negotiations, not a global multilateral regime, would better serve the interests of all nations. To appease Kennedy, however, Britain supported "orderly" import growth but only when other nations accepted comparable shares of textiles from Japan and the LDCs.[21]

Britain and the U.S. accused the Common Market of muffling discussions on liberalizing textile imports. Four members of the EEC still withheld Most-Favored-Nation treatment from Japan, thus discriminating against its goods. While imports from Japan and the LDCs totaled 34% and 26% respectively of American textile imports in 1960, the Six took in a paltry 9% from these nations, well below even the EFTA's intake. The Common Market "agreed on the principle" to ease quotas, but domestic pressures prompted France, Belgium, and Italy to request a weak textile regime which would preserve their ability to invoke future restrictions. Prior to the textile negotiations in Geneva, Assistant Secretary of Commerce Hickman Price, Jr. noted the foot-dragging by all the Six but West Germany. _The Economist_ warned that "the prospect of a liberal outcome at Geneva does not look good".[22]

Nevertheless, the GATT parties reached a settlement under a Short-Term Arrangement on cotton textiles in July 1961 which satisfied the Kennedy administration. The 17 nations agreed that, starting 1 October 1961, any textile importer suffering import-related "market disruption" could

ask an exporter to cut back textile shipments to the levels of the previous year ending 30 June 1961. If the exporter refused, the importer could apply for a waiver from GATT to restrict imports. This new safeguard was a novel concept in discrimination against the LDCs. The U.S. also attached a clause which, pending the establishment of a Long-Term Arrangement, would assure that the EEC "share fairly" in the growth of cotton textile imports.[23] The new regime stretched the fair-trade doctrine but provided for the continued, albeit slower, growth of Third World exports.

Still, all sides attacked the cotton textile accord. It indeed impressed American textilemen and Congressmen Vinson and Dorn by its recognition that import restrictions were in order. But they considered it as merely a "first step", and wanted Kennedy to end the two-price cotton system, reduce and police the quotas, and limit other fibers. The EEC was lukewarm but grudgingly increased import quotas by 60%. Hong Kong expressed uncertainty about which categories of textiles would be affected while Japan predicted that restrictions on its exports would allow Hong Kong to fill the gap at Tokyo's expense. Japan called the Short-Term Arrangement a "backward step in world trade" which ignored its voluntary export restraint with the United States, and warned of retaliation, especially against America.[24]

U.S. trade policy lay at the root of Japan's unhappiness with the GATT agreement. Tokyo complained that Americans used Japan as a scapegoat for their more complex problems of inefficiency and for the harm done by other nations to U.S. textile interests. Japan was America's major source of cotton textile imports, occupying approximately one-quarter of the U.S. market. Yet these imports comprised less than 1% of U.S. production in 1960 and actually shrunk by 5 million square yards from 1958 to 1960, while the sales of Spain, Portugal, Egypt, and France as a group rose 3.3 billion, Formosa, Korea, Pakistan, and India 1.2 billion, and Hong Kong 321 million square yards. On the well-worn issue of unfair labor practices, moreover, Japan's wage rate in the textile industry was as high or higher than all of the aforementioned countries except France.[25]

The U.S.-Japan trade relationship also favored America. The United States suffered a deficit in cotton textile trade due to Japan's comparative advantage, and economic and military aid to Japan cut into America's favorable overall commercial balance and worsened the payments deficit. But except for a slight deficit in 1960, Washington enjoyed an export surplus with Japan, its second biggest customer next to Canada, every year since the war until 1965. Meanwhile, the booming Japanese economy created a large demand for imports and worsened Tokyo's

payments deficit. A major customer of American cotton, moreover, Japan's purchases were three times larger than its sales of textiles to the U.S.[26]

Kennedy and Ball warned of the dire implications of clamping down on Japanese imports. America could not cut off textile imports and expect "anything but ruin for our cotton exporters", said the President. Thus trade with Japan must be a matter of "balance", especially since that nation took in more U.S. cotton than America's total textile imports from the entire world. International politics also were critical. Premier Ikeda had hinged his leadership on economic growth and close ties to America. Restrictions would undermine these goals and might force Japan to turn to China as a source of raw cotton. Kennedy abhorred communist China and hoped to avoid this outcome.[27]

None of the arguments swayed U.S. textilemen, who complained about Japanese textile dumping. The administration both resisted and acquiesced to this pressure, renewing the 1957 bilateral cotton agreement under which the U.S. raised its import quota ceiling 6% instead of the 30% demanded by Tokyo. The textile industry grumbled even over this hike, to take effect in January 1962, but that was all they could expect.[28] The deal was more than generous and, most important, a blow to Kennedy's reputation as a liberal trader.

In November 1961, contrary to Japanese interests, Kennedy also ordered the Tariff Commission to study the equalization fee, which would raise the price of cotton textile imports by eight and one-half cents in order to balance out the higher prices textilemen paid for U.S. cotton. The industry deemed the fee crucial to textile votes for the TEA. The Commission rejected the measure in September 1962, after the TEA vote, but Kennedy immediately ordered the Department of Agriculture to find a solution to the iniquitous "two-price" system.[29] This request boosted the administration's claim that it was doing everything possible to assist the industry.

The TEA, in fact, was the overriding influence on the textile program. Kennedy preferred protection rather than risk a "boomerang action" from textilemen and their congressional allies against the TEA. Ball warned other industries not to interpret the restrictive Short-Term accord as a general rule in U.S. trade policy and Petersen lamented the lack of international and national priorities among the White House staff on trade. But Kennedy himself was accustomed to ward politics. "The mentality was Boston", said Petersen. "You want the votes, you give the guy the post office".[30]

Relentless pressure from Congress forced Kennedy to deal. Textileman Robert Stevens wrote Senator Pastore blasting the TEA because Kennedy seemed willing to "sell

down the river" whole segments of U.S. industry. The watchdog House Textile Conference Group and a letter on 23 January 1962 from over one-third of the Senate criticized the projected provisions of a Long-Term Cotton Textile Agreement, to replace the Short-Term accord. The textile bloc wanted ceilings on imports with no increases unless U.S. consumption of textiles rose and the inclusion of all fibers. Congressmen, consistent with regulatory politics, had made their offerings. Now they expected cooperation from the President.[31] Votes on the TEA were at stake.

Kennedy did not completely meet these stringent aims, but produced a five-year Long-Term Arrangement (LTA) that came close. The U.S. proposed to abolish cotton textile quotas after five years, but on this point liberalism ceased. The LTA would freeze imports in 1963 and 1964 followed by a controlled rise in quota levels based on the concept of market disruption over the next three years. Citing the inordinate growth of textile imports as the reason for these limits, the administration admitted that the plan might be interpreted as sheer camouflaged protectionism. Yet the LTA sought to pry open European markets and spread the burden of imports among all Northern nations.[32]

The international community reacted coolly to the Arrangement. The Asian nations were gratified for the increased access into the EEC but still feared the

potential for greater restrictions. Since a rise in imports would affect the Common Market more than any of the other 19 participants signees, the Six began to hedge on liberalizing their textile trade policy. Fearing a doubling of imports over the next five years, the EEC recommended a more liberal use of the escape clause to invoke the market disruption clause than desired by Washington. Kennedy resisted any change in the LTA.[33] Fair-trade required that the Common Market significantly increase its share of cotton textile imports in the new regime.

As approved on 9 February 1962, the LTA favored the United States. By diverting foreign textiles bound for America to Europe, the accord allowed a possible "standstill" of cotton textile imports, announced the administration. Dissatisfied with the LTA, however, every nation except the U.S. and Britain delayed signing the accord for nearly seven months, or just before it took effect on 30 September 1962.[34]

American treatment of Hong Kong boded ill of textile policy in the future, believed these nations. Refusing restrain its textile exports to America, Hong Kong paid a price. When Kennedy prohibited importation of eight categories of cotton textiles in April 1962, a third of Hong Kong's textile workers reportedly lost their jobs. Though the U.S. did not adequately demonstrate market

disruption under the terms of the GATT textile agreements or intend such a serious blow, Washington claimed that Hong Kong would make up for its loss by its competitive superiority.[35]

At home, the LTA cleared the way for the trade bill. In March, 1962, the administration claimed that it had realized, or would soon fulfill, all seven points of the textile program, sought a decision on the industry's request for relief under the national security clause, and pledged to apply the textile plan to other fibers. Such aid earned an acknowledgement from the journal Textile World that the President had "gone to bat for the industry". The National Cotton Council announced its support for the trade bill because of the "exceptional treatment" given by Kennedy. Victory was definitely his, however, when the ACMI thanked Kennedy on 31 March 1962 for his "unprecedented degree of thoughtful consideration and constructive action for textiles". The ACMI then endorsed the Trade Expansion Act.[36]

Congress revealed the political effectiveness of the seven-point program. Business Week wrote of Kennedy's neutralization of the congressional textile bloc. Senator Pastore appreciated the cooperative efforts of government leaders in reaching the LTA and the resulting standstill on imports. Congressman Vinson told textilemen to back the TEA. When some industry leaders persisted about government

neglect of imports, Vinson slapped them for their ingratitude. He asserted that the President had placed the industry "in a unique, preferential, and beneficial position - a position not enjoyed by any other segment of American industry" and acquiesced to Commerce Secretary Hodges's request to keep the textile bloc "in line" for the upcoming vote on the TEA.[37]

The criticism by free-traders of the LTA also told much about Kennedy's adept political maneuvering. Importer William Bernhard cynically applauded textilemen for their political "efficiency" but warned Kennedy that further concessions to protectionist industries might turn the TEA campaign into a disastrous "economic Bay of Pigs". Importer Jerome Pitofsky had expressed his shock when the ACMI endorsed the TEA, the first time to his knowledge that the headlines of the textile industry's newspapers proclaimed support for a liberal trade bill. Pitofsky asked what "backroom political deal" by Kennedy had been necessary to accomplish "the miracle" of textile industry support for the TEA?[38] Kennedy's textile program, an accommodation based on inter-branch politics, was the answer.

Unease from TEA proponents also surfaced in Congress. In June 1962, Kennedy signed a bill which allowed the President to limit cotton textile imports from non-signees of the LTA. The bill aimed to slow down U.S. textile

imports in 1962, which exceeded 1961 levels, by applying the Arrangement to all textile exporters. The legislation wooed textilemen but stung liberal traders. Congressman Thomas B. Curtis (R-MO), disgusted by the "raw political deal" which epitomized Kennedy's textile program, denounced the "gross inconsistency" of the bill to free-trade. Senator Paul Douglas (D-Ill.) asserted that the textile bloc "in a very genteel fashion has held a pistol to the head of the President", extorting concessions for its vote on the TEA.[39]

Though morally right, the charge (which the administration denied) that Kennedy bought off the textile bloc to pass the TEA, was naive. Vinson had warned of growing unrest in the textile bloc over the TEA and urged the President to carry out the terms of the LTA without modification or dilution. But Kennedy had told Senator Pastore that though freer trade was in America's interests, he would stand by the protectionist aspects of the seven-point program. Thus, meeting with 11 senators led by Pastore, and supported by Finance Committee chairman Byrd, just four days before the senate vote on the TEA, he reaffirmed his intention of freezing textile imports more effectively.[40]

The President reaped the rewards of his textile policy. On 11 October 1962, the TEA passed by large margins and garnered substantial textile bloc support in both houses of

Congress. The 16 top textile employment states yielded 158 of a possible 213 votes in the House, or almost three-quarters, and 28 out of 32 votes in the Senate in favor of the bill. Many bloc members were confirmed liberal traders or voting the Democratic Party line, so they would have backed the TEA regardless of the textile program.

Yet the tally also reveals extensive Republican opposition. The party had resisted the New Frontier in 1962. In Eisenhower's first RTA in 1953, moreover, 95% of the Democrats backed him. By contrast, three-quarters of the Republicans supported Kennedy's first trade bill. Thus, the 4 "nays" in the Senate and 40 of the 55 in the House came from Republican stalwarts. They either retained vestiges of traditional GOP protectionism or hoped to embarrass Kennedy by rejecting the centerpiece of his legislative agenda. The textile strategy did not matter in their case.

Most significant, 87 out of the congressmen who had joined Vinson's 128-member Textile Conference Group and 28 of the 34 senators who had signed the textile letter to the President voted for the TEA. Thirty-eight congressmen voted against it, but well over half of them were Republicans, as were five of the six opponents in the Senate. The other nay vote came from Strom Thurmond (D-SC) who soon switched parties. In addition, 77 members of the House bloc and a majority of the Senate bloc opposed

protectionist amendments or motions to recommit the old RTA. Also, 14 senators opposed an attempt by Senator Bush to restore the broad powers of the peril point, which was defeated by only a handful of votes.

The vote also showed regional trends of support. Kennedy won over Southerners. For instance, White House staffers expressed amazement that Congressman Dorn of North Carolina, who had voted for only 4 of 43 administration bills during 1961, acted "totally out of character for him" and "not only voted for us, but worked with a large number of members" to gain their support.[41] Eighty-two of 105 House Southern Democrats followed Congressman Vinson and supported the bill, including all of those from Georgia, Tennessee, and Virginia and a predominant majority from Alabama and North Carolina. In the Senate, 19 out of 20 voted for the TEA. New England backers tripled the number of those opposed, including Senator Pastore, whose subcommittee had led the fight for protectionism on textiles. The concessions on textiles were not the sole reason for the favorable outcome, but as many observers claimed, they were a major factor.[42]

Thus, the seven-point program attained its objective. The LTA indeed violated GATT principles by restricting trade. Liberal traders recognized the hypocrisy in the administrations's professed aims for freer trade when measured against the international agreements on textiles.

Perhaps Kennedy had over-stretched his fair-trade doctrine, but he had good reasons. Among these were his sympathy with the textile industry and, most prominent, the battle he faced in Congress over the TEA.

The only other explicitly formulated concession offered by Kennedy to an import-competitor was an assistance program for the softwood lumber industry. The Pacific Northwest (Washington, Oregon, and northern California) and the "Inland Empire" (Montana and Idaho) lumber interests appealed for restrictions of lumber imports from British Columbia, Canada. These were states which Kennedy had lost in the presidential election and needed in order to offset Republican foes or possible Southern flight from the New Frontier. Some pine and hardwood regions mobilized behind them. Senator Karl Mundt (R-SD), for instance, said that imports had placed the industry "in a serious fix" for "precisely the same reason that the textile mills" were in trouble.[43]

Like textilemen, lumber interests tested Kennedy's political skills in preserving free-trade under the TEA. Recognizing that the problems stemmed as much from U.S. laws and government policies which curtailed timber cuts, hindered transportation, and raised prices for lumbermen as they did from Canadian exports, Kennedy sought to placate the industry with federal aid and revamping goverment

procedures. Included was a pledge to seek some sort of voluntary export restraint from Ottawa, but merely as a sop to lumber interests. Kennedy by no means intended to disrupt the profitable U.S. trade with Canada through a restrictive accord. In its international and domestic aspects, his lumber import plan was a mark of his fair-trade doctrine.

An flood of cheap softwood imports from British Columbia to the prime U.S. East coast market instigated the lumber problem. Almost four-fifths of U.S. forests were softwood, of which the West coast supplied 70% of Eastern consumption in the 1950s. But Canada, the world's leading softwood exporter, depended on America to buy more than half of its production. This reliance was critical after 1954, when competition from the Soviet Union, Finland, and Sweden began to shut out Commonwealth Canada from its traditional market in Great Britain and as Canadian consumption leveled out during the 1950s while production rose. Thus, a burst of Canada's softwood exports from 1959 to 1963 seized over 57% of the U.S. market. Ten years earlier, British Columbia occupied 15% of the Atlantic market, while West coast lumbermen held the rest.[44] Now, the trend had reversed.

This situation affected U.S. production. The 1950s had been a "boom" period in production due to construction surge, reported the National Lumber Manufacturing

Association (NLMA). Domestic consumption fluctuated, but remained even, despite occasional lags in housing starts. By 1961, however, production fell by 5 million board feet, or 16%, from the 1959 figure. Only once in the 1960s would production climb above the 1959 total. Such sluggishness was especially serious for Oregon and Washington, where the forest industry accounted for 60% and 40% of the manufacturing payroll respectively. Employment in the industry fell 44% between 1947 and 1961, making many counties in lumber states candidates for the new Area Redevelopment program.[45]

Lumbermen blamed imports for their problems. Declining U.S. production and soaring consumption had attracted Canadian lumber at the expense of American mills. Despite an upswing in housing in 1962, claimed the new Lumbermen's Economic Survival Committee, imports had caused prices for lumber to fall, creating a simply "awful" state of affairs. The Simpson Timber Company of Seattle, for instance, estimated a loss to West coast sawmill communities of $10 million a year because of competition from Canada. An Idaho banker remarked that he had never witnessed a decline in the industry, similar to that of 1960-1962, since the Great Depression. The cause clearly was "foreign competition", wrote Congressman Jack Westland (R-WA) to President Kennedy.[46]

In reality, however, Canadian imports were a symptom, not one of the many causes, of these lumber problems. Canada enjoyed several advantages in the lumber trade. In order to correct its worsening balance-of-payments deficit with America, Ottawa devalued its dollar in June 1961, which made imports more expensive and exports cheaper. The currency reached a sub-par value of 92.5 cents (U.S.) before being stabilized by the International Monetary Fund. The depreciated Canadian dollar had a "devastating" effect on U.S. lumber interests, admitted the State Department. Regardless, to aid its payments woes, Canada later adopted an import surcharge affecting many U.S. products.[47]

Canada had other advantages. British Columbia experienced its second most active year in logging history in 1961, and lumbermen there lobbied for higher export quotas which at present restricted their sales abroad. Lower wages and operating costs and a more liberal allowance of national forest cuts relative to the United States helped Canadian lumbermen. In 1962, Canada had the lowest stumpage prices in its postwar history, thus mills paid less for timber from British Columbian forests than Americans. Meanwhile, Japanese buyers, willing to pay a premium for logs, had driven up the cost of timber for U.S. mills. The nominal U.S. tariff on softwood lumber, especially relative to Canada's, also added to Canadian competitiveness.[48]

Transportation laws also gave British Columbia an edge over U.S. lumbermen. The method of selling cars of lumber in transit, the "free-hold" system, allowed for cheaper Canadian railroad costs. Of more impact was the U.S. Merchant Marine Act of 1920, or the Jones Act, which required the goods bound for domestic markets to be shipped in U.S. vessels. Northwest lumbermen paid the more expensive American rate of $36 per thousand board feet while British Columbia sent its lumber to the East coast in world charter bottoms at $6 to $11 below the U.S. rate. In addition, the number of ships engaging in intercoastal trade had declined since the mid-1950s, leaving American lumbermen without adequate service. For instance, only one vessel ran every 45 days from Portland, Oregon to Puerto Rico. Not bound to U.S. ships, Canada doubled its share of waterborne shipments to the Atlantic Seaboard and Hawaii and monopolized service to Puerto Rico.[49]

The lumber industry urged the administration to address some of these problems in early 1962. Over 50 industry spokesmen, including the NLMA and lobbyists from softwood areas in the South, Southwest, and Northwest, 7 U.S. senators, and 14 congressmen visited Secretary of Agriculture Freeman on 21 February 1962. They requested an orderly program of timber sales at fair stumpage prices, more access roads, and more efficient administration in the National Forests, which were the major sources of timber.

A letter from nine senators to Freeman and congressional hearings in April prompted an investigation of lumber conditions by the USDA.[50]

Like textiles a year earlier, the lumber import issue thus appeared on the national stage of trade problems. A poll by Crow's Lumber Digest regarding Canadian softwood exports found unanimity among producers and wholesalers that palliatives were necessary; the former group placed more weight on tariffs or quotas as the answer. Both groups backed a modification of the Jones Act, continued prohibition of the railroad free-hold, and a requirement that the Buy American preference be used on homes insured under the Federal Housing Act (FHA). Imports were also the major topic at the annual meeting of the West Coast Lumbermens Association (WCLA) in March.[51]

The WCLA and NLMA concurred on two remedies. First, Congress should amend Section 22 of the Agricultural Adjustment Act to qualify forest products for quantitative import limits in trade agreements, as enjoyed by other commodities. Second, they recommended a 10% duty plan under which tariffs on softwood lumber would be removed altogether until a time when imports from either Canada or the U.S. reached 10% of domestic consumption. At this point, the importer could assess a duty of 10%.[52]

The plan was a thinly veiled protectionist measure. A removal of lumber tariffs would not harm America, since its

duty was minimal. More revealing, since Canadian imports had already reached 17% of U.S. consumption, the 10% duty would go into effect automatically. Northwestern and Inland Empire interests had drawn the line of protectionism clearly for the President.

The congressional bloc championed the recommendations. In the spring and early summer of 1962, Congresswoman Julia B. Hansen (D-WA) introduced the Section 22 amendment, House members Walt Horan and Thomas M. Pelly (R-WA) the 10% plan, and Hansen and Congressman Clem Miller (D-CA) a provision which would have discriminated against lumber exporters by requiring a country-of-origin label on all wood product imports. Senator Mundt tried to attach a protective timber import agreement on to the same bill that subjected non-participants of the GATT textile Arrangements to quotas. All of these measures met eventual defeat over the next two years thus, in part, undermining the interest group model.[53] But, they alerted Kennedy to disgruntlement on Capitol Hill which might transfer to the Trade Expansion Act.

Kennedy listened most attentively to lumber problems because the TEA was moving through Congress at the time. His task, as in the textile case, was to reach a fair-trade balance of assistance while keeping open the channels of liberal trade. Lumbermen noted the difficulty of considering quotas while Congress debated a trade expansion

program, but they argued that barriers were permissible under the concept of the TEA. The President, however, did not want to enmesh himself in another difficult and restrictive international agreement like the LTA, if avoidable.[54]

Sending Secretary of State Rusk to Seattle to investigate the import problem, Kennedy reminded lumbermen that trade restrictions on Canada were not in U.S. interests. Ottawa held an advantage in lumber trade, but the U.S. enjoyed an overall trade surplus ranging from $58 million to $1.25 billion from 1945 to 1968. This surplus was halved between 1960-1962, but by 1965 approached the high 1960 level. In material terms, America supplied almost 90% of Canada's agricultural implements and over one-third of its steel and iron. Canada was America's single most important customer; their trade comprised the largest volume of merchandise exchanged by any two nations in the world.[55]

Thus, the administration stressed that federal assistance, and not trade restrictions, which might cut off this lucrative trade, was the best way to help lumbermen. Though sympathetic to West coast problems, Rusk said that a voluntary export restraint by Canada was the most that could be realistically expected. Harsher measures might provoke retaliation and upset bilateral cooperation in defense and economic matters. Sensitive to U.S. domination

of their economy, Canadians, under the politically unpopular Prime Minister John Diefenbacker, had hinted at protectionism as a symbol of independence. The import surcharge and a reportedly restrictive revision of the Canadian Tariff Law were two outward manifestations of this sentiment. Ottawa's support of the TEA hinged, moreover, on America's commitment to free-trade. Limits on lumber imports might provoke Diefenbacker to oppose U.S. designs to lower trade barriers under the TEA.[56]

Howard Petersen pressed the free-trade line. Restrictions, he summarized, should be a "last resort". Commerce Department figures revealed that softwood imports from Canada amounted to only 13% of U.S. consumption, which meant Western lumbermen supplied a healthy 87% to America. A more "durable solution" than limiting imports, he wrote Senate lumber bloc leader Wayne Morse (D-OR), was domestic and export measures aimed at increasing total demand at home and abroad. Under the fair-trade approach, the administration placed "primary reliance on encouraging domestic industries to become more competitive by the adoption, where necessary, of appropriate domestic measures" and not by the "essentially negative step of restricting imports".[57]

These explanations fell on deaf ears within the industry. Not all of the forest products industry opposed the trade bill; pulp and paper manufacturers, multinational

loggers, and plywood wholesalers, hoping to boost their exports, supported Kennedy. But the NLMA disliked the TEA because it abolished the escape clause, lowered the already minimal tariff on lumber imports, and offered inadequate help under the adjustment assistance measure. When the NLMA advocated the 10% plan, several representatives of the hardwood and plywood industries in the Mid-West, South, and New England, which opposed imports from Canada, Japan, the Philippines, and Finland, supported its position.[58]

Private sector efforts incited congressional appeals. Legislators weighed free-trade with rising unemployment among their constituents which would inevitably occur under the TEA. They also considered their chances in the upcoming November elections. Thus, Senator Morse, the chief critic of lumber imports, cringed at a handbill presently circulating around mills in his home state of Oregon. It advertised that foreign workers should apply to Morse for jobs lost by American employees if the TEA passed. Though supportive of the TEA and realizing that imports were not whole cause of lumber problems, he thought possible some "conscionable compromise" with Kennedy, whom he perceived was sympathetic to the import problem.[59]

Just weeks before the House vote in late June on the trade bill, however, Congress still expressed dissatisfaction with administration offerings. Protectionists rallied. Fresh from the textile battle,

Congressman John Dent claimed he would vote for the TEA only when Kennedy informed him of the fate of the possibly several thousand unemployed lumber mill workers. Others recognized that the TEA would help expand lumber imports to Europe, but until that eventuality, they sought some emergency restrictions. Trade journals reported that Kennedy now faced the "greatest barrage of protectionists against Canadian lumber that has ever been fired" from Capitol Hill.[60]

Most noteworthy was the bloc of 43 congressmen from various areas, but concentrated in the West and South, who wrote Kennedy a "lumber letter" on 12 June 1962. The letter urged federal aid and quotas and surely concerned him since the lumber bloc issued it just two weeks before Congress voted on the TEA. Eighteen of the signees had voted against the 1958 RTA. Yet the overall House tally on the TEA revealed that among the bloc, only Washington state legislators cast a majority against the bill. The lumber letter adherents also split along party lines, explaining why 17, or 40% of the 43, rejected the TEA and 19 voted for the major protectionist amendment. The House vote showed that interest groups had not prevailed on Congress, but the import problem worried Kennedy because the Senate was really the main seat of lumber bloc discontent.[61]

In the Senate, most of the lumber bloc, including close friends of the administration such as Democratic whip and

Inland Empire representative Mike Mansfield, were sensitive to the NLMA proposals for import limits. Senator Warren Magnuson (D-WA), a free-trader and chair of the lumber hearings, complained that quotas were not under consideration even though softwood interests had suffered import injury. The most fervent opinion came from Morse, who pledged to fight the administration on the TEA to ensure that the lumber industry would not suffer. He was impatient with the President's delays on lumber especially since Kennedy had acted so swiftly for textilemen. "I cannot vote for the President's foreign trade bill," Morse pronounced, unless "we get comparable justice for lumber as was given the textile industry" under a "fair" trade program.[62]

On 26 July 1962, Kennedy hoped to meet this requirement by proposing a six-point program of assistance for the lumbermen. He ordered an increase in loans and new depreciation schedules to upgrade mills and promote productivity. The plan provided for more access road construction and efficient transport of logs in the National Forests, an immediate increase in cuts in Bureau of Land Management areas, and a study by the USDA on the feasibility of raising allowable cuts in the national forests. Kennedy sought to modify the Jones Act to overcome the high cost or lack of ships available for U.S. producers and ordered government agencies to buy more

American lumber. In trade, he promised talks with Canada and a prompt Tariff Commission investigation on imports that had been requested earlier by the industry.[63]

Private sector reaction was positive. In fact, the only real criticism came from the free-trade Committee for a National Trade Policy which claimed that the prospective restrictive agreement with Canada, Buy American preference, and Tariff Commission action were inconsistent with the principles of the TEA. Most lumber groups expressed their gratitude to Kennedy and their congressmen, although they warned about laxity with Canada regarding import barriers. The NLMA still wished to tack to the trade bill authority for an emergency quota, but thanked the President anyway at the TEA hearings for his program which addressed all of its previous complaints.[64]

Congress, too, was appreciative, and turned its attention from Kennedy to Canada as the main target. Before both houses of Congress, Representative Hansen analyzed each provision of the six-point program and described the administration's tireless efforts on behalf of the industry. She argued especially that Kennedy had undertaken every action legally open to him under the present RTA by urging a Tariff Commission investigation and swiftly naming a negotiating team to Ottawa. Morse exemplified the shift from pressure on Kennedy to an attack on Canada the day the President signed the TEA. Commending

Kennedy for the "remarkable job" he had done for the industry, Morse served notice to Canada that "we mean business" on restricting imports. Congressional-presidential cooperation had succeeded.[65]

Consultations with Canada required Kennedy's attention before he could confidently turn away from the lumber issue. Lumbermen hoped for a voluntary export restraint agreement to emerge from the talks, scheduled for 27 August 1962, because they knew Kennedy was reluctant to contradict his commitment to freer trade by import quotas.[66] But by stubbornly refusing self-imposed restrictions, Canada deflected Senate lumber bloc attacks away from Kennedy while preserving the goal of liberal trade.

Canadian arguments against a restrictive accord were compelling because British Columbian lumbermen based trade in lumber on the principle of comparative advantage. Canada enjoyed lower operating and transport costs and wages below American levels, they explained at the talks. Furthermore, the problems of American producers was the fault of U.S. government policies and laws. Canadian observers claimed that the conference was a product of congressmen who had the November elections in mind. The lumber bloc used the import issue as political capital.[67]

Canada's stance also paralleled administration logic regarding the U.S.-Canada trade relationship. British Columbia believed it had every right to sell as much as

possible to the United States in light of Canada's apparent increasing failure to correct its payments deficit with its neighbor and the world as a whole. Demand had mounted in America for lumber, moreover, and Canada had not exactly begged East coast builders to buy its lumber. Ottawa feared the same occurrence Kennedy had dreaded: a return to the "bad old days" of Smoot-Hawley. It was ironic, thought Canada, that America's best customer should find itself the scapegoat for U.S. domestic economic problems, too.[68]

Thus, at the talks, Ottawa manuevered around U.S. requests for restraints. The Canadian government noted that it had never adopted a voluntary export restraint, and only once (for zinc) had it permitted an industry to do so. In words that could be attributed to the President of the United States as much as Canadian producers, the latter hoped that "the U.S. lumber industry will not persuade liberal-minded Washington to play once more the same kind of disastrous protection against the country's main customer" as it had during the Great Depression.[69]

In the end, nothing came of the succession of negotiations, or subsequent talks with Prime Minister Diefenbaker, over the next two years. Canada was stubborn, but it seems clear the Kennedy administration did not push too hard for restrictions, either. Both sides merely pledged to reach an agreement of "mutual interest" without consenting to quotas. Kennedy therefore received credit

with U.S. lumber protectionists for seeking restraints yet in no way jeopardized profitable trade relations with Canada or his liberal trade goals.[70]

At home, the Senate bloc rewarded Kennedy by easily passing the Trade Expansion Act. The voting record of the 9 senators who visited Freeman in February 1962 gives an accurate indication of the success of the six-point program. These legislators, all from the Pacific Northwest and Inland Empire states, voted unanimously for the TEA. The 2 senators from Alaska, active on the import issue, also favored the bill. The bloc voted against the Bush amendment to restore the peril point by a total of 10 to 1 and unanimously opposed three other protectionist measures.

Again, other reasons are plausible for the bloc's support, including the fact that all but one of its members were Democrats supporting party legislation. Yet, both parties had soundly defeated Mundt's proposal to negotiate a protective lumber agreement similar to the textile accords and Wayne Morse, the most outspoken member of the bloc, voted for the TEA. Less than half of Kennedy's legislative requests for 1962 passed Congress but thanks to adept presidential politicking, the TEA did not become one of the casualties.[71]

Progress on the six-point program also played a part in swinging votes. In early September 1962, the Senate amended the Jones Act to permit mills to ship lumber on

non-American vessels to Puerto Rico if no U.S. vessels were available. In January, 1963, Georgia-Pacific became the first company in 43 years to load lumber on a foreign vessel bound for a domestic port. In October 1962, the USDA announced an increase in allowable cuts from the 42 national forests in the five lumber states by 547 million board feet. The Bureau of Land Management followed suit on its land. Loans through the SBA and Area Redevelopment Administration were available upon request for any producer, the Defense Department had awarded 95% of lumber procurement contracts to U.S. firms, and funds for building access roads were allocated under the Highway Act.[72] Kennedy satisfied the industry by making good on his lumber program.

In lumber, Kennedy not only received unanimous support from injured producers but averted a restrictive trade agreement. When the Tariff Commission in early 1963 rejected the industry's plea to invoke the escape clause, the first case heard under the TEA, the administration removed the threat of retaliation against Canada. Under the new concept of injury, the TEA required that a tariff or quota could be applied only if an industry showed its injury was caused by a former trade concession. The Commission pointed instead to Canada's depreciated dollar, its cheaper shipping and rail rates, and higher U.S. timber prices as responsible for American lumber hardships.[73]

In conclusion, the fair-trade design helped lumbermen without diverging from trade liberalism. In fact, during the next five years under the TEA's authority, the trade regime in lumber and bilateral commercial relations in general, benefited Canada. Softwood imports from Canada rose throughout the 1960s, and jumped in 1968 by 16%, the biggest increase of the decade, after the U.S. eliminated its lumber duty at the Kennedy Round of GATT. That same year also marked the first time since the war that America suffered a trade deficit with Canada.[74]

Kennedy championed a policy of seeking mutual benefits in the global trade regime. The U.S. became so generous with Canada, however, that it lost its trade surplus. Surely, the views of the comparative-advantage school are more than accurate in this case in that American leadership was beneficial for all.

Textile trade is more important for assessing aims and outcomes because the U.S. created a restrictive regime. The LTA regime of the 1960s was not representative of trade liberalism nor an example of the comparative-advantage principle at work. Yet Kennedy's program was a compromise in a long-disputed problem in world commerce and a clear instance of the fair-trade doctrine in practice. The reasoning behind import restrictions had some foundation, since several nations had virtually flooded the U.S. market with cotton goods. Their superior comparative advantage

caused a quickening decline in the American textile industry.

Fair-trade meant that the burden of such injurious imports would be equitably distributed among trading partners. Kennedy also interpreted the doctrine to mean that there was no point in liberalizing trade if lower barriers destroyed a domestic or foreign industry or, most critical, derailed passage of the TEA. The cotton textile accords were the fairest approach possible, considering the economic factors and, above all, the domestic restraints on Kennedy. In sum, America forged a mutually acceptable textile regime which actually helped the LDCs.

One target of American protectionism was Hong Kong. That nation had captured approximately 28%, of the U.S. cotton textile market by the 1960s. Its cotton textile exports shot up 67.8 million yards, a stunning thirty-two fold increase from 1958 to 1961, and nearly $11.2 million in value. This rise was crucial to Hong Kong's cotton textile industry which employed 45% of the country's manufacturing workers, accounted for 50% of industrial exports, and made the textile industry the top export sector. Throughout the 1960s, textile jobs and exports expanded. Hong Kong's overall production also rose, diversifying the economy and fueling a climb out of LDC status. The LTA provided the nation with more market opportunities in Europe, Canada, and Australia and America

took an increasingly larger share of Hong Kong's exports, and at just a slightly slower growth rate. Thus, Hong Kong quickly rebounded from the U.S. restrictions of April 1962, became the most successful textile exporter under the LTA, and benefited additionally from the free-trade effects of the TEA.[75]

In general, U.S. leadership created a regime which made world cotton textile trade less restrictive than would have been the case without the LTA. The thirty-country pact compelled importers to relax restrictions over the next five years. America led all nations until the mid-1970s in filling its quotas and importing cotton textiles from the LDCs. Under authority from the TEA, the U.S. cut its tariffs on various cotton textile categories by 21%. at the Kennedy Round of GATT. Partly as a result, Asian textile exports to the U.S. increased by half in value during the second half of the 1960s. In addition, U.S. textile and apparel imports tripled from 1961 to 1970 and over the same period, the ratio of imports to domestic consumption more than doubled until the Nixon administration slowed the increases by imposing more stringent quotas under bilateral accords in 1971 and the Multifiber Agreement (MFA) of 1974.[76]

The regime also served to increase access to the Common Market and boost LDC export markets throughout the world. While the EEC lagged behind America in liberalizing

barriers, the Six reluctantly increased access and admitted that the new burden was not excessive. Only Japan's share of the cotton textile market declined, but Tokyo would soon make up the losses in other sectors. During the period 1961-1965, the LDCs' share increased from 21 to 24% and their exports to the developed nations outpaced the overall growth rate for all countries by 4%. The renewal of the LTA in 1967 slowed this increase somewhat and an outburst of American protectionism at the end of the decade led to the limits imposed by the MFA. Yet as a result of the Kennedy initiative, the LDC's share of cotton textile markets in the North expanded to 28% by 1969 and brought a more equitable sharing of imports within the North than before the accord.[77]

Thus, America sought and largely achieved mutual benefits in global textile and lumber trade. The cases validate the argument of the comparative-advantage school because these products were one in which the country had suffered import injury and could have easily raised prohibitive trade barriers. The concessions might have jeopardized, but did not indicate a retreat from, Kennedy's goal of free-trade, as the hegemony school charges. Instead, they constituted a fair-trade compromise compelled by the pluralist decision-making process in U.S. trade policy.

In essence, the American political system determined decisions on trade. The ultimate motive behind Kennedy's actions on textiles and lumber was politics. The Trade Expansion Act, his top priority legislation for 1962, was in the hands of free-traders and protectionists on Capitol Hill. Blocking its passage were large blocs of legislators who represented equally large and powerful import-competing interests. Congress wanted concessions from Kennedy before giving him the TEA in return.

Bureaucrats formulated and implemented policy, but were not central to the decision-making process. Despite differing priorities, Hodges and Ball held the same views on textile and lumber policy. The Commerce Secretary, as a former textileman, was sympathetic to industry complaints. Since his job was to usher the TEA through Congress, Hodges championed free-trade over protectionism and did not break with the State Department line. Ball fought the textile accords and limits on lumber imports, eventually losing out on the first and winning the second. Still, he followed Kennedy's wishes in both instances, even devised the cotton textile Arrangements, and did not compete with other officials to change presidential policy. These bureaucrats agreed on free-trade, the need to pass the TEA, and the tactics of concessions to domestic interests to do so. In sum, Kennedy's fair-trade doctrine molded decision-making and precluded bureaucratic infighting on the TEA.

A combination of government and economic elites did not control policy-making, either. Appeals for protection came from labor-intensive industries which promoted, contrary to Kennedy's policy, import restrictions rather than export expansion. Thus, not only were there sharp differences in private and public sector aims, but corporatism is not applicable because the rising export sector of capital-intensive firms did not dominate decisions. In addition, private interests did not work through the administration, they exerted pressure through Congress. Thus, again, the corporatist analysis of a supposed consensus between the government and textile and lumber elites is off base.

Interest group pressure on Congress was important in pushing legislators to pressure the President. But neither textilemen or lumbermen got key requests granted by the administration. In the case of textiles, Congress refused to force Kennedy to make the LTA more restrictive, include other fibers in the accord, or provide an equalization fee before the TEA came to a vote. Lumber interests could not prevail in winning their 10% import limit plan or in the end, restrict Canadian softwood sales. Furthermore, legislators with textile and lumber constituents, backed the TEA bill even with the knowledge that lower trade barriers might injure these industries and, consequently, hurt their chances of re-election. Interest groups therefore won concessions but not full satisfaction.

Instead, the modus vivendi reached by Kennedy and Congress, according to the inter-branch politics model, was the basis of decision-making. The congressional textile and lumber blocs pressed for help; Kennedy shrewdly responded because he needed their vote. These blocs heard the complaints of their constituents but then, with some autonomy on the issues, reached bargains which satisfied them but oftentimes not the voters they represented. The process boiled down to horse-trading between Congress and the administration, in which both sides laid their cards on the table, reached an accommodation, and folded up and returned home. In any case, Kennedy's tactics, called brilliant by experts and aides alike, cut out "the heart" of two major protectionist coalitions and preserved the U.S. aim of promoting liberal trade.[78]

In short, horse-trading confirms the pluralist nature of trade policy. A difficult issue such as trade, as well as the President's weak position on Capitol Hill, forced him to compromise by using, in correspondent Carroll Kilpatrick's words at the time, "favors, pork, patronage, and charm" to win the TEA. The activist Reverend Theodore Hesburgh even linked the trade bill to civil rights. He claimed that Kennedy skirted the issue in 1962 out of a fear of losing southern votes on the TEA.[79] Not validated by other sources, this analysis nonetheless seems plausible especially after considering the great lengths the

President went to woo various congressional blocs. His relationship with Congress overrode all other concerns.

In part, appeasing the textile and lumber congressional blocs enabled Kennedy to take the negotiating authority won under the TEA to the Kennedy Round of GATT and bargain with the Common Market. These blocs were two of the critical obstacles to the trade bill, but they were not the only ones. Coal and oil producers and carpets and glass manufacturers also stood in the way of the TEA, and required the President's attention to ensure a legislative victory.

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[5]Theodore Sorensen to John F. Shaw, 13 July 1955, Trade: Tariffs-7/13/55-9/23/55, box 658, PPP; "News and Comment", Textile World 110 (August 1960): 17-18, 20; Lichtenstein, Political Profiles, 231; Senator Kennedy to Governor Ernest Hollings, 31 August 1960, Part I-Kennedy

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[6]U.S., Congress, Senate Subcommittee of the Committee on Interstate and Foreign Commerce, Problems of the Domestic Textile Industry, 87th Cong., 1st sess., 1961 (hereafter cited as Textile Industry Hearings I), 25 (Table 20); 302 (Table 12); 305 (Table 16); Survey, undated, Congressional Voting Records: Textiles, same folder title, box 28, Petersen files.

[7]White, The Making of the President, 1960, 421, 430-431; Thomas Finney to Peter Jones, 20 March 1962, Memoranda on Positions of Senate and House Members, box 14, Petersen files; Memorandum for Mr. Albert, 25 June 1962, (2), box 56, Carl Albert Papers, Carl Albert Congressional Research and Studies Center Congressional Archives, University of Oklahoma, Norman, Oklahoma (hereafter cited as Albert papers); Bauer, Pool and Dexter, American Business and Public Policy, 359, 362; Thomas Blake to the President, 26 January 1962, LE/FO 3-3 7/16/62-7/31/62, box 480, WHCF-JFK.

[8]Textile Imports-Exports Hearings, 129 (Table IV); 60; Textile Industry Hearings I, 305 (Table 16).

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[10] Aggarwal, Liberal Protectionism, 86. See also 30 senators to the President, 22 June 1961, same folder title; 34 senators to the President, 23 January 1962, same folder title, box Pastore-General Files-Textiles, John O. Pastore Collection, Phillips Memorial Library Archives, Providence College, Providence, Rhode Island (hereafter cited as Pastore papers). The senators from Tennessee did not sign.

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[28] "News and Comment", Textile World 111 (October 1961): 20; Hunsberger, Japan and the United States, 329-330.

[29]President Kennedy to Ben Dorfman [Tariff Commission], 21 November 1961, Cotton-Cotton Equalization-10/61-6/62, box 21, Feldman files; Burris Jackson [ACMI] to Senator Pastore, 11 July 1962, Long-Term Cotton Textile Arrangement, Geneva-February 1962, box Pastore-General Files-Textiles, and Statement of Senator John O. Pastore, undated, Textiles-Senator's Statement on Tariff Commission Decision, September 6, 1962, box Textiles General, Pastore papers; "House Approves Cotton Subsidy Bill, 216-182", Congressional Quarterly-Weekly Report 21 (6 December 1963): 2111-2112, a cotton textiles subsidy passed in 1963.

[30]Howard Petersen, interview with author. See also Summary Minutes of Meeting of the Interdepartmental Committee on Foreign Economic Policy, 4 October 1961, Interdepartmental Committee on Foreign Economic Policy Reports-1962, box 8, Behrman papers; Hickman Price to Myer Feldman, 23 June 1961, Textiles-Textile Advisory Committee-5/61-6/61, box 25, Feldman files.

[31]Robert Stevens to Senator Pastore, 3 November 1961, Textiles-General-Ball, George, Undersecretary, box Textiles-General, Pastore papers; White, "The Kennedy Era: Stage Two, The Coming Battle With Congress", Harper's 224 (February 1962): 102; Schlesinger, A Thousand Days, 848; "'Effective Congress' Group", Congressional Quarterly-Weekly Report 19 (29 December 1961): 1991.

[32]Press release, Geneva, 9 February 1962, Cotton-Cotton Textiles Agreement-2/9/62, 4/61-2/62; Undersecretary of Labor Willard Wirtz, statement to the Cotton Textile Committee, 31 January 1962, Cotton-Cotton-General-1/62-2/62, box 21, Feldman files.

[33]"Restrictions First", The Economist 200 (29 July 1961): 474; Hunsberger, Japan and the United States, 331; "Activities of the Community", Bulletin of the EEC 4 (December 1961): 26-27; Aggarwal, Liberal Protectionism, 85-90; "Geneva Formula", The Economist 202 (17 February 1962): 642. Denmark and Portugal joined the 17 nations which had signed the Short-Term Arrangment.

[34]Hickman Price to Myer Feldman, 13 February 1962 and attached draft letter, Cotton-Cotton Textile Agreement-2/9/62, 4/61-2/62, box 21, Feldman files.

[35]"Unkind Cut?", The Economist 202 (17 March 1962): 1052-1053; K.Y. Chen, "The Economic Setting" in The Business Environment in Hong Kong, ed. David G. Lethbridge (Hong Kong: Oxford University Press, 1980), 26-27, 48; Aggarwal, Liberal Protectionism, 92.

[36]President Kennedy to Carl Vinson, 26 February 1962, Cotton-Cotton Textile Agreement-2/9/62, 4/61-2/62, box 21, Feldman files; "Shouzld You Back the Trade Expansion Act?", Textile World 112 (April 1962): 39-40; TEA-House, pt. 6, Burris C. Jackson, National Cotton Council to Congressman Wilbur Mills, 9 April 1962, 4130; Proposed Resolution of

the ACMI for Annual Meeting, 31 March 1962, Cotton-American Cotton Manufacturers Institute Meeting-3/62, box 21, Feldman files. In addition to the LTA, the equalization fee, and a national security investigation, Kennedy planned to boost research, development, and market analysis, granted generous depreciation allowances, and authorized SBA loans for over $6 million for modernization. Adjustment assistance under the TEA would also apply to the industry.

[37]Cong. Carl Vinson to Hickman Price, 16 March 1962, Cotton-General-3/62, box 21, Feldman files. See also "Administration's Coup on Textiles", Business Week no. 1695 (24 February 1962): 34; Telephone Conversation with Senator Pastore, undated, Briefing-St. Dept.-Commerce, re Geneva Textile Conference, 9 February 1962, and Sen. Pastore to Seabury Stanton, 23 February 1962, Textiles-Letters of Commendation, box Pastore-General Files-Textiles, Pastore papers; Carl Vinson to Robert T. Stevens, 24 March 1962, attached to Lawrence O'Brien to Vinson, 28 March 1962, LE/FO 3-3 3/21/62-4/5/62, box 479, WHCF-JFK; Carl Vinson to Myer Feldman, 15 March 1962, box 55, Petersen files; Secretary Luther Hodges to Cong. Carl Vinson, 22 March 1962, Cotton-General-3/62, box 21, Feldman files.

[38]Textile Industry Hearings II, William J. Bernhard, American Chamber of Commerce for Trade with Italy, 66-67; TEA-House, Pitofsky, American Association of Apparel and Textile Importers, 2736-2737.

[39] "Cotton Textile Imports", Congressional Quarterly-Almanac 18 (1962): 346-348; "Congress, President Present Mixed Record in 1962", Congressional Quarterly-Weekly Report 20 (19 October 1962): 1937.

[40] Myer Feldman to Senator Jacob Javits (R-NY), 3 October 1962, LE/FO 3-3 8/26/62-10/20/62, box 479, WHCF-JFK; Rashish Oral History, 24-25; Congressman Carl Vinson to the President, 15 February 1962, Industries (oil, shoes, and textile)-Background Materials, box 14, Petersen files; Congressman Carl Vinson to the President, 13 June 1962, attached to the President to Vinson, 27 June 1962, LE/FO 303 6/1/62-8/25/62, box 479, WHCF-JFK; Textile Industry Hearings II, Pastore, 144; The Wool Textile Problem, attached to memorandum from Undersecretary George Ball, 4 March 1963, State-2/63-3/63, box 88A, POF; Senator Pastore to Senator Norris Cotton (R-NH), 27 August 1962, Textiles-Meeting of Senators with President-Friday, Aug. 31, 1962, box Pastore-General Files-Textiles, Pastore papers.

[41] Henry Wilson to Lawrence O'Brien, 2 July 1962, Memoranda-7/1/62-7/9/62, box 3, Wilson files. See also Thomas D. Blake to the President, 23 July 1962, LE/FO 3-3 7/16/62-7/31/62, box 480, WHCF-JFK; Henry Wilson to Lawrence O'Brien, 2 July 1962, House Material-Miscellaneous, box 31, O'Brien files; House and Senate Support for Key Presidential Programs, 87th Congress - 1st Session, October 1961, 10/61, box 50, POF. For a survey of

regional and Party voting on the TEA, see Barrie, "Congress and the Executive", 263-272.

[42]United States Senate, 87th Congress, 2nd session, Degree of Republican Opposition on Key Issues, undated, Legislative Files-9/4-14/62, box 52, POF; House of Representatives, 87th Congress, 2nd Session: Total Support, undated, Support for Key Presidential Programs, box 32, O'Brien files; Myer Feldman to the President, 10 October 1962, Eisenhower, Dwight D.-12/14/61-9/8/63 and undated, box 29A, POF; Luther Hodges to Myer Feldman, 6 August 1962, attached to Memorandum for the President from Feldman, 10 August 1962, Trade Negotiations, 3/62-10/63, box 26, Feldman files; "House Extends Defense Productions, Export Control Acts; Enacts Kennedy Trade Bill After Defeating Substitute", Congressional Quarterly-Almanac 18 (1962), 618-619, 688; Harris Oral History, 60, 63; Hodges Oral History, 82; Bauer, Pool, and Dexter, American Business and Public Policy, 79. The House vote was 298-125 (Republicans 80-90 against and Democrats 218-35 in favor). Southern Democrats (SDs) voted 82-23 in favor. Senate Republicans voted 22-7, Democrats 56-1, and SDs 19-1 in favor. The House defeated the Mason motion 171-253 with SDs against 37-69. The Senate rejected the Bush amendment 34-45, SDs voting 9-10, and the Curtis 20-63 (SDs 1-19, Dirksen 28-56 (SDs 5-16), and Prouty amendments 21-54 (SDs 1-16).

[43] Congressional Record-Senate, v. 108, pt. 6, 16 May 1962, 8534. See also White, The Making of the President, 1960, 420-421. Softwood lumber includes pine, spruce, fir, and hemlock.

[44] Darius Adams and Richard Haynes, "U.S.-Canadian Lumber Trade: The Effect of Restrictions" in U.S. International Forest Products Trade, ed. Roger A. Sedjo (Washington, D.C.: Resources for the Future, Inc., 1981), 103; U.S., Senate Committee on Commerce, The Impact of Lumber Imports on the United States Softwood Lumber Industry, Part II, 87th Cong., 2nd sess., 1962, Edwin C. Rettig, Potlach Forests, Inc., 463-464 (hereafter cited as Lumber Hearings-II Lewiston or Olympia); Commodity Research Bureau, Commodity Yearbook, 1972 (New York: Commodity Research Bureau, 1972), 200; U.S., Department of Commerce, Business and Defense Services Administration, Impact of Imported Canadian Lumber on the United States Lumber Industry, 29 January 1962, Lumber Industry Background, box 9, Petersen files; U.N., Yearbook of Forest Products Statistics, 1962 (Rome: Food and Agricultural Organization, 1962), ix and 1963 (Rome: Food and Agricultural Organization, 1963), vii.

[45] "1950-1960 was a Boom Decade for Lumber", Timberman 62 (29 May 1961): 20; U.S., Senate Committee on Commerce, The Impact of Lumber Imports on the United States Softwood Lumber Industry, Part I, 87th Cong., 2nd sess., 1962,

Exhibit A-2, 46 and Exhibit A-1, 45 and Representative Clem Miller (D-CA), 4-5 (hereafter cited as Lumber Hearings-I); "Commerce Dept. Reviews Past Year; Sees Uptrend", Crow's Lumber Digest 40 (8 February 1962): 45; "Soaring Sixties Turn Soggy in Housing", Timberman 62 (29 May 1961): 17; Commodity Research Bureau, Commodity Yearbook, 1963 (New York, 1963), 200 and Commodity Yearbook, 1972, 202; Myer Feldman to the President, 24 July 1962, Lumber Industry, box 102, POF; Historical Statistics of the United States, pt. II, 671.

[46] Myer Feldman to the President, 24 July 1962, Lumber Industry, box 102, POF; Lumber Hearings-I, Robert Dywer, Lumbermen's Economic Survival Committee; Lumber Hearings-II Lewiston; James to Senator Wayne B. Morse [D-OR], 8 February 1962, Papers of Wayne B. Morse, University of Oregon, Eugene Oregon (hereafter cited as Morse papers); Melvin O'Neal, Idaho First National Bank; Senator Jack Westland to the President, 22 February 1962, White House Congressional Replies-6/9/61-10/23/62, box 13, Petersen files.

[47] "Canadian Dollar Marked Down to Speed Recovery", Foreign Commerce Weekly 66 (17 July 1961): 5; Lumber Hearings-I, Report, State Department, "Imports of Softwood Lumber from Canada", 29-30, and G. Griffith Johnson, Assistant Secretary of State for Economic Affairs, 105, 113; "Canada Applies Surcharge to 3 Import Schedules Affecting U.S. Exporters; Lists 650 Items", International

Commerce 68 (9 July 1962): 6-7, Canada removed the surcharge in March 1963.

[48] "Loggers in British Columbia Ask for Log Export Boost", Timberman 63 (February 1962): 54; Lumber Hearings-I, Mortimer Doyle, NLMA, 38 and Joseph Miller, Western Forest Industries Association, 81-83; Adams and Haynes, "U.S.-Canadian Lumber Trade", 109 (Figure 4); Report on Pacific Northwest Log and Lumber Exports to Japan, attached to Richard McArdle to Senator Wayne Morse, 16 February 1962, Lumber Industry Correspondence-2/16/62-5/24/62, box 9, Petersen files; U.S., House Subcommittee on Forests of the Committee on Agriculture, Serial X: Export of Logs to Japan, 87th Cong., 1st sess., 1961, Morse, 2-4, 14.

[49] Lumber Hearings-I, Report, State Department, "Imports of Softwood Lumber from Canada", 27 February 1962, 30. The "free-hold" delayed transit of lumber cars, giving speculators time to dump lumber at prices below cost or hold out for a higher price. The U.S. Interstate Commerce Commission outlawed the free-hold in 1960, though railroads then delayed by a circuitous routing system. Ottawa dropped the free-hold in 1962. See also "Wanted: Equal Shipping Rates", Crow's Lumber Digest 40 (25 January 1962): 3; Lumber Hearings-II Olympia, William G. Reed, Simpson Timber Co. to Clarence D. Martin, Jr., Undersecretary of Commerce for Transportation, 9 January 1962, 301-304, and Richard Ford, Washington Public Ports Association, 287-288; Lumber

Hearings-I, Senator Maurine B. Neuberger (D-OR), 97, and Report, State Department, "Imports of Softwood Lumber from Canada", 27 February 1962, 31, and 34 (Table 8) Historical Statistics of the United States, pt. II, 757.

[50] Albert Hall, "What's Happening in Forestry", Report to Private Forestry Enterprise 13, no. 5 (1 March 1962): 5; Wayne Morse and eight senators to Secretary of Agriculture Orville Freeman, 5 March 1962, attached to Freeman to Morse, 17 April 1962, Lumber Industry Correspondence-2/16/62-5/24/62, box 9, Petersen files. In charge of the National Forest Service, the USDA directed timber cutting in the 42 forests of the Pacific Northwest and Inland Empire.

[51] "Controversy . . .: U.S. Lumber Market to be Major Topic at WCLA Meeting, Crow's Lumber Digest 40 (22 March 1962): 8; "Readers Reply to Crow Poll on Canadian Lumber Imports", Crow's Lumber Digest 40 (3 May 1962): 28, 30.

[52] Lumber Hearings-I, Mortimer Doyle, NLMA, 40 and G. Cleveland Edgett, West Coast Lumbermens Association, 13.

[53] Frank Welch [USDA Assistant Secretary] to Cong. Julia B. Hansen (D-WA), 16 May 1962, Lumber Industry Correspondence-2/16/62-5/24/62, box 9, Petersen files; Congressional Record-House, v. 108, pt. 4, 27 March 1962, Pelly, 5189; Congressional Record-Appendix, v. 108, Reel 12, 13 June 1962, Pelly, A4384; Congressional Record-Appendix, 3 July 1962, Mundt, A5115.

[54] Lumber Hearings-I, "Time for Action Near on Timber", Oregon Journal, 1 June 1962, 133 and "Some Relief for Coast Lumbermen Foreseen", Seattle Times, 3 June 1962, 131-132.

[55] Department of Commerce, Preliminary: Trade Relations Between Canada and the United States, 6 February 1962, Foreign Trade Fact Book-Special Country, Area, and Regional Economic Problems, box 31, Petersen files; Historical Statistics of the United States, pt. II, 903, 905; Commodity Yearbook, 1972, 200; Lumber Hearings-I, G. Griffith Johnson, 105.

[56] Lumber Hearings-I, "Seattle's Business: Timber Industry Pledged U.S. Aid", Seattle Post-Intelligencer, 1 June 1962, 133-134 and G. Griffith Johnson, 107; State Department Briefing Memorandum for Meeting with Prime Minister Diefenbacker, undated, Canada- Security-1961, box 113, POF; Raymond Vernon to the Undersecretary, undated, attached to Memorandum for McGeorge Bundy, 10 October 1963, Canada-General-9/5-9/19/63, box 19-20, NSF-JFK.

[57] Petersen to Senators Morse and (Henry M.) Jackson (D-WA), 9 May 1962, attached to Leonard Weiss to Myer Rashish, 8 May 1962, Lumber Industry Correspondence-2/16/62-5/24/62, box 9, Petersen files. See also Howard Petersen to (Senator) Dennis Chavez (D-NM), 24 May 1962, Lumber Industry Correspondence-2/16/62-5/24/62, box 9, Petersen files; Howard Petersen to Senator Morse, 24 May 1962, Morse papers.

[58] Robert Barrie to Joe Gunterman, 23 April 1962, Lumber Industry Correspondence-2/16/62-5/24/62, box 9, Petersen files; Statement of Policy on the Trade Expansion Act of the American Pulp and Paper Association, attached to Myer Feldman to H.E. Whitaker, 1 March 1962, FO 3-3 2/16/62-5/10/62, box 238, WHCF-JFK; TEA-House, pt. 5, David J. Winton, Winton Lumber Co., 2814; G. Colbert Thomas, Wholesale Lumber, Millwork, and Plywood Co. to the President, 14 May 1962, attached to Myer Feldman to Thomas, 28 May 1962, LE/FO 3-3 5/26/62-7/15/62, box 480, WHCF-JFK; H.D. Gresham to Robert Barrie, 6 March 1962, Trade Expansion Act Related Correspondence-11/13/61-4/10/62, box 23, Petersen files; The Lumber Letter, 23 February 1962, box 9, Petersen files; TEA-House, pt. 4, Mortimer Doyle, NLMA, 2096, Gordon Connor for Birch Club, Northern Hardwood and Pine Association, and Timber Producers Association, 2379-2384, Robert E. Hollowell The Fine Hardwoods Association, 2374, and Byron E. Bryan, for Southern and Atlantic hardwood plywood producers, 2385-2387; Lumber Hearing-I, W. Spencer Fox, Southern Pine Industry Committee, 55-56; State Department, "Hardwood Plywood", 1 February 1962, Foreign Trade Fact Book-Special Industry and Commodity Problems, box 31, Petersen files.

[59] Lumber Hearing-I, Congressman Miller, 3; Albert Hall, "What's Happening in Forestry", Report to Private Forestry Enterprise 13, no. 12 (16 June 1962): 1;

Congressional Record-Senate, v. 108, pt. 10, 19 July 1962, Morse, 14103 and pt. 2, 19 February 1962, Morse, 2441; Morse form letter, 3 May 1962, Morse papers.

[60]Congressional Record-Appendix, v. 108, reel 12, 13 June 1962, "U.S. Loggers Seek an Ax for Canadian Imports", (journal unknown), A4385. See also Congressional Record-Appendix, v. 108, reel 12, 13 June 1962, Dent, A4385; Congressional Record-House, v. 108, pt. 9, 28 June 1962, Hansen, 12085.

[61]Congressional Record-House, v. 108, pt. 10, 18 July 1962, Congress of the United States to President John F. Kennedy, 12 June 1962, 14068; "1948-1961 Voting Records on Reciprocal Trade", Congressional Quarterly-Weekly Report 20 (27 April 1962): 680-681; "House Extends Defense Productions, Export Control Acts; Enacts Kennedy Trade Bill After Defeating Substitute", Congressional Quarterly-Almanac 18 (1962): 618-619.

[62]Congressional Record-Senate, v. 108, pt. 6, 4 May 1962, 7806-7807 and pt. 10, 18 July 1962, 13914. See also Lumber Hearings-I, Magnuson, 108, Morse, 119-120, E.L. Bartlett (D-AK), 116, and Frank Church (D-ID), 16; Congressional Record-Senate, v. 108, pt. 7, 1 June 1962, 9593-9595.

[63]White House Statement on a Program of Assistance to the Lumber Industry, 26 July 1962, Public Papers, 1962, 580-581; Myer Feldman to the President, 24 July 1962, box

102, Lumber Industry, POF; "Kennedy Airs Views on Lumber", Crow's Lumber Digest 40 (9 August 1962): 10.

[64]Press release, Committee for a National Trade Policy, 27 July 1962, Lumber Industry Background, box 9, Petersen files; "WCLA's Reaction to JFK"; "WPA [Western Pine Association]: Immediate Break Needed"; "LESC [Lumbermen's Economic Survival Committee] - Committee to Continue Work", Crow's Lumber Digest 40 (9 August 1962): 10-11; TEA-Senate, pt. 4, Henry Bahr, NLMA, 1767-1768, 1835-1836.

[65]Congressional Record-House, v. 108, pt. 15, Hansen, 24 September 1962, 20557-20559; Congressional Record-Senate, v. 108, pt. 11, 31 July 1962, Hansen, 15182 and 27 July 1962, 14903-14904 and pt. 17, 11 October 1962, Morse, 23168-23169.

[66]"Canada-U.S. Talks Set", Crow's Lumber Digest 40 (23 August 1962): 18; "U.S. Will Request Canada to Limit Lumber Exports", Wall Street Journal, 27 July 1962, 5; "Canadians Upset Over Lumber Curbs", New York Times, 27 August 1962, 31.

[67]Lumber Hearings-II Olympia, "U.S. Mills Hurt By Own Laws", Tacoma News-Tribune, 12 January 1962, 333; "Editorial", British Columbia Lumberman 46 (September 1962): 9; Congressional Record-Appendix, v. 108, reel 13, 9 August 1962, "Crucial Time for Lumber Aid", Seattle Times, A6170.

[68] "CLA [Canadian Lumbermens Association] Sounds Off on Import Crisis", Crow's Lumber Digest 40, 23 (August 1962): 17; "Industry with Problems on All Sides", Forest Industries 89 (July 1962): 48; "Market Review", British Columbia Lumberman 46 (August 1962): 82; "Editorial", British Columbia Lumberman (September 1962): 7; "More Bellowing", British Columbia Lumberman 46 (October 1962): 69.

[69] "Editorial", British Columbia Lumberman 46 (July 1962): 8. See also "Lumbermen Fight Back", Business Week no. 1722 (1 September 1962): 23.

[70] "U.S., Canada Conclude Lumber Talks in Ottawa", New York Times, (30 August 1962): 37; "Second Tariff Meeting Finds Each Side in Doubt", Crow's Lumber Digest 40, (15 November 1962): 42; Memorandum of Conversation between the President and the Prime Minister at Hyannisport, 11 May 1963, Lumber Interests, box 5, Feldman files.

[71] "House Extends Defense Productions, Export Control Acts; Enacts Kennedy Trade Bill After Defeating Substitute", Congressional Quarterly-Almanac, 618-619, 688, Thomas Kuchel of California was the lone Republican in the bloc; Parmet, JFK, 206, writes that 44.3% of New Frontier legislation for 1962 passed, although he argues that this figure is deceptive.

[72] Congressional Record-House, v. 108, pt. 15, Hansen, 24 September 1962, 20557-20559; Orville Freeman to the President, 12 October 1962, roll 4, Records of the United

States Department of Agriculture, John F. Kennedy Library, Boston Massachusetts (hereafter cited as USDA Records); "55% Ship Subsidy Kept, Pacific Coast Differential Needed", Congressional Quarterly-Almanac 18 (1962), 569; "Jones Act Waived", Crow's Lumber Digest 41 (10 January 1963): 25.

[73] David Jones, Lumbermens Economic Survival Committee to Dean R. Rust, U.S. Tariff Commission, 23 August 1962, box 945, WHCF; "The U.S.-Canadian Situation", Forest Industries 89 (October 1962): 38; "The Cream Puff Barrage", Crow's Lumber Digest 40 (1 November 1962): 40; "Tariff Commission Rejects Move to Regulate Imports", Crow's Limber Digest 41 (21 February 1963): 33.

[74] Commodity Yearbook, 1972, 200; John H. Young, "Study 1. The Traditional Export Industries" in Trade Liberalization and a Regional Economy: Studies of the Impact of Free Trade on British Columbia, eds. Ronald A. Shearer, John H. Young, and Gordon R. Munro, in Regional and Adjustment Aspects of Trade Liberalization, ed. H. Edward English (Toronto, 1973), 69-70; Ronald Shearer, "Study 1. The Economy of British Columbia" in Regional and Adjustment Aspects of Trade Liberalization, ed. English, 26-27; Historical Statistics of the United States, pt. II, 903, 905.

[75] Aggarwal, Liberal Protectionism, 92; TEA-Senate, 1002, 1005; "Hong Kong Growth Continues; U.S. Textile Ban Causes Concern", International Commerce 68 (23 July 1962):

40; Shik Chun Young, "The GATT's Long-Term Cotton Textile Arrangement and Hong Kong's Cotton Textile Trade", Ph.D. Dissertation (Washington State University, 1969), 1, 4, 30, 46-48, 62-69, 121-122, 139, 158, 163, 178.

[76]President Kennedy to the Secretaries of State, Commerce, and Labor, 27 July 1961, attached to Willard Wirtz to Myer Feldman, 28 July 1961, Textiles-Textile Advisory Committee-7/61, box 25, Feldman files; "Washington Outlook", Textile World 112 (August 1962): 19-20; "Activities of the Community", Bulletin of the EEC 5 (November 1962): 20-21; Aggarwal, Liberal Protectionism, 87, 90-94, 112-136; U.N., World Economic Survey, 1969-1970: The Developing Countries in the 1960s - The Problem of Appraising Progress (New York: Department of Economic and Social Affairs, 1971), 152; Brandis, The Making of Textile Trade Policy, 66-67, chp. 5.

[77]U.N., World Economic Survey, 1963, I: Trade and Development - Trends, Needs, and Policies (New York: Department of Economic and Social Affairs, 1964), 195; Summary of 23 May 1963 meeting of Interdepartmental Committee of Under Secretaries on Foreign Economic Policy, 4 June 1963, Interdepartmental Committee on Foreign Economic Policy Reports-5/63-6/63, box 8, Behrman papers; Brandis, The Making of Textile Trade Policy, 29, 33; Aggarwal, Liberal Protectionism, 92-94, 101-102, 111; Brian Toyne, Jeffrey S. Arpan, Andy Barnett, et al., The Global

Textile Industry (London: Allen and Unwin, 1984), Appendix 2; Lenway, The Politics of International Trade Policy, 95.

[78] Bauer, Pool, and Dexter, American Business and Public Policy, 77, 362. See also Barrie, "Congress and the Executive", 176.

[79] Carroll Kilpatrick, "The Kennedy Style and Congress", Virginia Quarterly Review 39 (Winter 1963): 1, 6; Theodore Hesburgh Oral History, 7, John F. Kennedy Library, Boston, Massachusetts.

CHAPTER 4

THE POLITICS OF PROTECTION: OIL AND TARIFFS

Despite the assistance for textile and lumber interests, the President shrewdly calculated that the Trade Expansion Act would encounter problems on Capitol Hill without attention to the oil and coal industries and, to a lesser extent, glass and carpet manufacturers. Again, Kennedy deviated from a defense of free-trade ideals by forging a private deal with Congress to limit oil imports and by raising tariffs to restrict glass and carpets from abroad. But these tactical manuevers, aimed to win the TEA, did not obscure the goal of liberal trade.

The oil and tariff cases provide another look at the American decision-making structure. Bureaucratic politics shaped options for the President but again, Kennedy's concern not only with the international implications of his policy but the political constraints placed on him by Congress overrode departmental aims. Interest intermediation reflected the pluralism of the private sector-congressional-Executive branch triangle. Thus, the corporatist, interest group, and inter-branch models more likely apply.

Kennedy eventually met oil and glass and tariff demands from the private sector and Congress. His concessions greased the TEA past legislators who were concerned about the impact of free-trade on import-competitors back home

(and the consequent effects on their election chances in November 1962) and who felt pressure from or sympathized with influential protectionist blocs on Capitol Hill. The fair-trade doctrine determined the President's handling of the TEA on the two issues; concede protectionism now for a few vulnerable but politically potent interests, and win the trade bill and mutually expansive and beneficial commerce for all trading nations later.

Concerning oil imports, the problem stemmed from conditions in the immediate postwar era. Requiring more oil for its industrial plant, America became a net importer of petroleum in 1948 for the first time since World War I. The cold war provided a further impetus for purchases abroad. The U.S. hoped to keep this vital commodity available to industrial countries and buoy the economies of oil-dependent Middle Eastern and South American nations, tying them to the Western camp. Yet rising imports had a downside; the inflow began to displace independent oil and domestic coal producers in the American market.

These well-organized forces pressured Congress to limit imports. Oil-state legislators attached the national security amendment to the trade bill of 1955, providing for restrictions when imports impaired domestic production of commodities deemed necessary in an emergency. Two years later, rising imports compelled "voluntary" controls by U.S. importers of foreign oil, limiting sales to 12% of

estimated domestic demand east of the Rockies. The Eisenhower administration soon replaced these faltering restraints with the Mandatory Quota Program in March 1959. The program restricted imports to 9% of estimated domestic demand but exempted Canada and Mexico from quotas since their overland supplies would be critical in a defense crisis. Imports of residual fuel oil, a heavy petroleum product used for heating factories, schools, and hospitals along the Atlantic seaboard, were given a ceiling at their 1957 level and kept under review.

The aim of controls was to bolster stagnating production in U.S. oil and coal regions, but restrictions hurt fuel oil users who chafed at the prospects of energy shortages during the winter months and paying higher prices. On the foreign front, Venezuela was particularly vulnerable to the program. This nation relied on revenues from oil to prop up its depressed economy and fledgling democracy. Yet Caracas received no exemption from quotas like Canada and Mexico, because it transported oil by sea. The controls also damaged Venezuela's residual fuel exports, of which it provided most of America's supply. Inimical to liberal trade, the quota program was well ensconced by the time Kennedy arrived in Washington.[1]

Kennedy's prior stand on oil issues burdened the new President, however. Of all the presidential aspirants in 1960, he had been rightfully singled out by the oil press

as the most "openly hostile" to the industry. A prominent foe of the depletion allowance, which gave tax breaks to producers, and the quota program, he was one of twelve members of the New England Senate Delegation who argued against limiting residual fuel oil. The oil and coal industries suffered not from imports of residual, he claimed, but from the switch by consumers to other forms of energy and the concentration by independents on crude production. Failing to persuade Eisenhower to exempt fuel oil from limits, Kennedy censored the quota program as a "completely unjustified, uneconomic and shortsighted action" which not only raised prices but "cuts athwart our trade position, unnecessarily damages our relations in this hemisphere, . . . and does not contribute to our national defense and security".[2]

Such a view did not sit well with domestic oil and coal interests. As a result, during the presidential campaign in 1960, Kennedy toned down his remarks. He stressed instead regional redevelopment and modernization to aid the coal industry. Wary of inviting "howls" of complaints from oilmen, where his support was weak, his campaign staff requested that he not depart from the quota program. He complied. Nevertheless, partly because of his position on oil, he won only Texas among the oil states, and this state thanks to his Vice-Presidential running mate Lyndon B. Johnson, and lost nine of the ten major coal states.

Energy interests were uneasy, and hoped that the pro-oil Johnson would temper Kennedy's stand on import controls.[3]

The new President played it safe. Secretary of the Interior Stewart L. Udall revised the rules of the quota program and increased imports of fuel oil. Since this product affected the coal industry, such measures worried Appalachia more than the Southwest. Oil interests warned that easing residual controls signaled the imminent collapse of the quota program, but most paid little attention to the coal bloc at this time. Asked about the future of fuel oil limits, Kennedy responded guardedly that "we have to consider the needs of the coal industry and domestic producers, the needs of New England, and we are trying to reach a balance which will protect the public interest".[4] Despite a rise in crude quotas in the last half of 1961, producers expressed satisfaction with this fair-trade statement regarding oil.[5]

Nevertheless, oilmen asked a fundamental question about the import program. Would Kennedy swing the concept of controls away from national security, and protection of domestic production, and toward reducing quotas for the sake of Western cooperation and foreign aid? Assistant Secretary of the Interior and oilman John M. Kelly argued that domestic health should be the top priority on the grounds of national defense. Total petroleum imports had risen over 63% since 1954, and while foreign crude

production was up an average of 29%, the output of the U.S. independents had not kept pace. For the sake of the nation's security, Kelly and Udall suggested cutting import quotas by 50,000 barrels a day.[6]

However compelling, the potential injury to the LDCs and Kennedy's opposition to trade restrictions and high fuel prices offset the Interior argument. Kelly and Udall were the sole supporters of oil protectionism within the administration and found their proposed quota reduction tabled. Presidential policy supplanted bureaucratic politics; as oilmen had feared, Kennedy shifted the focus of import policy from the national to the international level in order to ensure close trade relations with other nations. He did not seek an end to the quota program, and critics pointed out the inconsistency of pursuing free-trade in tandem with oil import controls. Yet in general, Kennedy was a staunch believer in freer trade in order to correct the payments deficit and prevent inroads by the Soviet bloc into the LDCs.[7]

In fact, the Soviet Union was a catalyst to Kennedy's trade program as well as his resistance to oil import restrictions. Moscow had chosen petroleum as a weapon in its economic offensive against the West, becoming the second-ranking producer behind the United States. Italy had already responded to Soviet overtures by selling or bartering construction materials for East-bloc oil. The

State Department now worried over Soviet penetration in the politically unstable LDCs, many of whom turned to Russian financing for exploration and drilling when international oil companies refused such help.[8]

Regarding communist penetration, Venezuela, the largest source of American petroleum imports, was a major worry for Kennedy. Enjoying the highest per capita income in the region, Venezuela was a gauge of the effectiveness of his Alliance for Progress and of democratic government in Latin America. The world's top oil exporter, the nation also had become the sixth best customer for the U.S. goods, buying over $1 billion worth thanks to its petroleum revenues and the help of bilateral trade agreements with the United States. Venezuela was also considered the bellwether of the Latin American oil industry.[9]

Washington recognized that all was not golden in Venezuela, however. The country had endured a severe recession in 1959-1960, with unemployment at 12%, a decline in drilling by 42% since 1959, and a deficit of over $800 million. Oil investment was down and petroleum exports, comprising one-fourth of Venezuela's GNP and over 90% of its overseas sales, were sluggish. The world oil surplus consequently weakened prices and thus reduced earnings for the country. And, the new, moderate leftist President Romulo Betancourt frightened some investors, both domestic and foreign.[10]

Politically, Venezuelans remembered Eisenhower's tolerance of the brutal dictatorship of Perez Jimenez, and had shown their disfavor to Vice-President Richard Nixon in 1958 during his visit to Caracas. Now, Kennedy courted President Betancourt, in order to cushion Venezuela's new democracy from economic and political turmoil. Betancourt had recently survived a bombing attempt on his life from insurgents on the Left. From the Right, he faced an oligarchic and entrenched ruling class which resisted land, government, and other reforms. As White House aide Arthur Schlesinger warned, Betancourt's ousting or death would guarantee a Castro or Peron.[11] A prosperous economy, undergirded by a healthy oil industry, would benefit Betancourt and U.S. aims in the region invaluably.

But since its inception, the quota program had been a problem for Venezuela, and its first Minister of Mines and Hydrocarbons, Juan Pablo Perez Alfonzo, sought compensation. Perez Alfonzo adhered to the ideas of Brazilian economist Raul Prebisch, who claimed that the terms of trade gave the manufactured goods of the North a price advantage over the raw materials of the South, and thus permanently impoverished the LDCs. The Minister, a believer in government intervention in the petroleum industry, addressed this problem by trying to raise world prices of oil, reduce output, and control exports. To these ends, Perez Alfonzo helped form Organization of

Petroleum Exporting Countries (OPEC) in 1960, which proved effective a decade later. In the early 1960s, though, Caracas seemed merely to alienate Venezuelan oilmen, which further depressed the economy and enhanced leftist inroads in its democracy.[12]

The oil quota program was a focus of Venezuelan grievances, although Caracas was sympathetic to its political necessity. The program had stabilized prices and allowed a sustained growth of exports, yet Venezuela feared losing its historically favorable position in the U.S. market to cheaper Mideast and burgeoning Canadian oil. Opposed to a reduction in quotas, Perez Alfonzo complained that Venezuela did not receive a preferential overland exemption from the program like Canada and Mexico. Betancourt was more strident. In 1961, he sent a letter to the Departments of State and Interior, noting the harmful effects of quotas, and asked UN Ambassador Adlai Stevenson to end the "abuses and injustices" of oil restrictions.[13]

These complaints were the principal theme during Kennedy's visit to Venezuela in December 1961, the first ever by a U.S. President. Drawing on arguments by Interior's Kelly, the President responded that the program actually helped Venezuela. Because of the overland exemption, for instance, Canada's Western provinces were not subject to U.S. controls and sold oil profitably in the American upper Midwest. Thus, Canada saw no need to build

a oil pipeline to its eastern provinces, a large market dependent on petroleum from Venezuela. Furthermore, decontrolling fuel oil would lower prices, impairing Caracas' exchange rate. Also, Venezuelan oil was not in bad shape in the U.S. market. Residual fuel was not overly limited and Kennedy had abandoned plans to reduce crude quotas.[14]

Nevertheless, always sensitive to the developing nations, Kennedy recognized Venezuela's democracy was teetering on the edge of political ruin. In response, the U.S. had doubled its loans to the nation to $100 million in 1961 and urged Venezuela to boost all LDC exports through regional economic integration under the Latin American Free Trade Association (LAFTA), a common market similar to the European Economic Community. As a fair-trader, Kennedy accepted LAFTA discrimination against U.S. goods because he believed that the body was essential to economic viability. He also affirmed that the importing countries of the north must recognize the region's dependence on exports. Kennedy promised to hold consultations with Betancourt before changing the quota program, even installing a "hot-line" between the Oval Office and Betancourt's chambers to effect such communications.[15]

Back home, Kennedy prepared for the task of placating domestic interests in order to net votes for the TEA. Returning from the Army-Navy football game in early

December 1961, he had announced a review of the Mandatory Quota Program by the Office of Emergency Planning (OEP). This study, due out in mid-1962, did not comfort oilmen about the future of controls. It did win praise from the coal industry, which thought the quota program was inadequate. Overall, the energy sector believed that the administration lacked a clear-cut oil policy, but that 1962 would be a "showdown year" over trade and other issues.[16]

Well before the TEA campaign, though, the coal and oil factions began the battle against imports. Indeed, the coal industry was in a sad state. While world coal production had risen by 35% from 1950-1962, U.S. output had dropped 13%. Even economically distressed Britain registered an increase. Of the ten principal coal-producing states, only three small producers, Virginia, Tennessee, and Missouri, mined more coal in 1962 than 1950. Meanwhile, nearly one-fifth of American mines closed and employment dropped by 65%, or 272,000 workers. But these conditions existed because exports to Canada and Europe had been halved while railroads had shifted to diesel and consumers to natural gas. To be sure, residual oil imports had captured the Eastern seaboard, but that market provided a minor part of coal's traditional purchasers.[17]

The industry wanted Kennedy to increase exports, particularly to West Germany and Canada which restricted U.S. coal. Producers attacked Canadian restrictions on

U.S. coal on the grounds of receiprocity; Ottawa received free entry of its oil through the U.S. overland exemption. The U.S. also reproved Germany, which discriminated against American bituminous while discreetly importing cheaper East Bloc coal. Bonn criticized U.S. restrictions on residual oil, but Senate free-trader Paul Douglas retorted that West German duties on U.S. coal were just as bad.[18]

But most observers, however erroneously, perceived imports as a bigger problem. The major coal associations, companies, and the United Mine Workers (UMW) cited residual oil imports as injurious to Appalachia, a testing ground for the New Frontier economic recovery program. The UMW, demanding a "permanent rigid quota" on residual oil imports, opposed the TEA, while management, having not yet announced its position, criticized oil import policy. Kennedy preferred modernization plans already drawn up, such as a coal slurry, to stake out a certain portion of the eastern market for coal producers and help them compete with residual oil. Such efforts, though, only led a West Virginia legislator to point out that "the President is killing us with kindness" but "we're not going to get what we really want".[19] They wanted limits on fuel imports.

The oil industry, in an unusual concert with coal interests, drummed up similar arguments. Independents cared more about crude than residual imports, since oilmen supplied only 10% of the fuel oil consumed in America. Yet

they allied with the coal industry because this percentage still added up to 900,000 barrels a day (bbl./day) in sales and because they feared that further decontrols on any petroleum product might signify an easing of crude quotas. Spokesman for oilmen, the Independent Petroleum Association of America (IPAA) and state groups, were disappointed that Kennedy refused to cut quotas by 250,000 bbl./day, or even by 50,000 following Udall's recommendation.[20]

The independents cited imports, which they claimed had absorbed market growth, and loopholes or overly liberal quotas, as the causes of stagnations in production and exploration. They complained that the overland exemption enabled Canada's western provinces to dominate the U.S. upper Midwest. A major loophole which irked them was the "Brownsville Shuffle", a deceptive transhipment manuever around American customs houses which Mexico exploited to avoid U.S. oil restrictions. In the interest of "national security", the IPAA offered a plan to limit total imports to 14% of domestic production, instead of estimated demand, in order to reduce U.S. dependence on foreign oil. Oilmen girded for a "tough fight" with Kennedy, willing to trade support on the TEA for a tightening of the quota program.[21]

Oil imports were partially to blame for the industry's problems. Indeed, production of crude in the country still more than doubled the output of the closest competitors, Russia and Venezuela. Since 1950, production had risen by

25% and output in 1961 had topped the previous boom year of 1957. Residual fuel production had fallen but this drop was by choice, since the independents wished to concentrate on refining the more profitable crude. Nonetheless, surplus world production and eroding prices had increased imports, which took an increasing share of U.S. demand. Excess capacity, coupled with rising imports, idled drilling and prompted worker lay-offs. In Texas, exploration fell 44% from 1958 to 1961, as the glutted market limited production from an average of 21 days a month in 1952 to just over 8 days a month in 1961. Louisiana, Kansas, Oklahoma, and New Mexico suffered similar fates.[22]

Calls for import limits found sympathetic ears in Congress, since lawmakers viewed the TEA vote as an opportunity to take a stand for their constituents. Many faced re-election and many in the Southwest relied on oilmen to bankroll their campaigns. Though gratified by Kennedy's attention to Appalachia in his domestic agenda, coal-state members had soured on oil imports. West Virginia, led by Arch A. Moore, Jr. (R) and the venerable Cleveland M. Bailey (D), and Pennsylvanians under protectionist John Dent, whose special hearings on trade focused first on coal and residual oil problems, mobilized the House coal bloc. One indication of its influence was the position of Thomas Morgan (D-PA), Chairman of the House

Foreign Relations Committee, who opposed the TEA as an ally of the UMW.[23]

The House oil bloc marched with their coal cohorts, with Representative Tom Steed (D-OK) leading protectionists. Steed's hearing on oil imports under a subcommittee of the House Small Business Committee in late 1961 had been a platform for independent producers to criticize what they viewed as an over-liberal quota program. With Arch Moore, Steed proposed an amendment to the TEA which endorsed the IPAA plan of limiting imports to 14% of domestic production. He described the Steed-Moore amendment as a weapon with which the oil-coal alliance would make a "final" stand against oil imports.[24]

Protectionists united by an impressive margin in April 1962. For instance, 33 congressmen introduced bills identical to the Steed-Moore amendment. A bipartisan group of 110 House and Senate members endorsed a pamphlet published by the National Coal Policy Conference calling for import restrictions. A few signed the pamphlet to voice discontent about foreign discrimination of U.S. coal exports. But in general, the 79 House members attacked imports, and 84 congressmen from 23 states expressed similar disgruntlement in the <u>New York Times</u>. Kennedy could not help but notice the outcry, especially since it involved several members of the Ways and Means Committee, which directed hearings on trade legislation in the

House.[25] Signs pointed to success for interest groups in their fight against oil imports.

If the revolt against oil imports had been as clear-cut as the one by the textile industry, Kennedy might have responded promptly with restrictions. But Venezuelan interests, and more immediate, the position of the "consumer" bloc, prevented a hasty move. The New England Council and the Independent Fuel Oil Marketers of America spearheaded efforts toward relaxing restrictions. They argued, like Senator Kennedy, that residual imports were not responsible for coal problems. They claimed that these imports were consumed on the Atlantic seaboard where coal was no longer a significant source of energy and because fuel oil was too heavy for economical transport inland. Anyway, consumers said that they were willing to buy U.S.-made residual if produced in sufficient quantities. Meanwhile, import controls made consumers pay high fuel prices and had forced three large New England fuel oil marketers out of business.[26]

Consumers had a plausible case. Since 1950, stocks and production of residual fuel in the U.S. had fallen by 17% and 30% respectively due to slackening demand. Fuel oil for industrial and heating purposes had not filled the gaps in the market created by the switchover to other energy sources by railroads, utilities, and ocean-going vessels. Also, since producers earned about $1 less per barrel for

residual than crude, the yield of fuel oil since 1959 had been halved as independents concentrated on the more lucrative crude. Before the war, residual accounted for over half the output of U.S. refineries; in 1962, the production ratio was only 9.6%. Even the Oil and Gas Journal, a voice of the petroleum industry, conceded that removal of fuel oil controls would have little effect on producers, would hurt coal interests only if prices dropped appreciably, and that perhaps Venezuela should supply America's fuel demand.[27] Consumers did not make Kennedy's decision on oil any easier.

The illogicality of import controls on residual oil prompted pressure for their removal by the House consumer bloc during the TEA campaign. The Massachusetts delegation of Republicans Silvio Conte and Hastings Keith and Democrat Thomas Lane were at the vanguard of these Atlantic seaboard forces. In all, the House bloc included New England, several Atlantic states, and Florida, numbering roughly 75 members. They urged the President to "show his genuine belief in freer trade by removing barriers to residual oil imports" and ending "protection gone wild".[28]

This line-up of consumer and oil-coal blocs placed Kennedy in a difficult position, yet he leaned toward freer trade in oil. Udall raised the ceiling on residual imports by 10% in April 1962, an action that enraged the coal bloc but pleased the consumer faction. A continued refusal to

amend the TEA with the Steed-Moore limit brought "rumblings" from Steed, who visited the President in March 1962. Kennedy and Udall opposed the Steed-Moore amendment on the grounds that other commodity interests would attempt to tack on special clauses to the trade bill and that help for oil could be accomplished "administratively" through the quota program. Though aware of the depressed conditions in the oil industry, the administration believed security interests would be better served by not cutting off LDC producers from the American market and throwing them into the laps of the Soviet bloc.[29] As a matter of general policy, cold war concerns overruled the demands of domestic producers.

For the political short-term, however, Kennedy decided passage of the TEA took precedence, and thus handled the coal-oil with care. To pacify oilmen, Kennedy kept the national security provision intact in the TEA. Though Steed adamantly refused to back off his 14% amendment, rumored to be a losing proposition because of presidential opposition, Kennedy privately assured key congressmen that he had considered revising quotas along the lines of Steed's proposal. Thus, Steed returned from the White House encouraged by Kennedy's "understanding". In addition, despite rising fuel oil imports, the recovery program for Appalachia, as well as a tariff increase on glass imports, convinced many coal bloc members of

Kennedy's concern for their region.[30] Such were the initial results of interest group pressure working through inter-branch cooperation.

Most important, Kennedy had developed key friends in Congress which bettered prospects for the TEA. One ally was Ways and Means Chairman Wilbur Mills, who managed to defeat the Steed-Moore amendment in the committee by a vote of 15-10 on 23 May 1962, arguing that it would unduly tie the President's hands in trade policy. The action bolstered Kennedy'a hopes for winning votes, even from oil-state congressmen.[31]

On 28 June 1962, the trade bill sailed through the House, and the application of the fair-trade doctrine to oil imports was a major reason. Of the 108 representatives who had the signed publications calling for more oil restrictions, 71 voted for the TEA. Congressmen who tallied against included 24 anti-New Frontier Republicans and intractable protectionists such as Steed, Moore, and Dent. The coal states backed the bill, including two-thirds of the West Virginia delegation and over half of Pennsylvania's members. Two-thirds of the oil-state legislators from Louisiana, Oklahoma, Texas, Kansas, and New Mexico sided with Kennedy, as did 20 of the 33 co-sponsors of the Steed-Moore amendment. Not surprisingly, four-fifths of the consumer bloc favored the bill.[32]

This win secured, Kennedy's tightrope act on oil imports faced a similar challenge in the Senate. The vote could prove sticky because the OEP report on the quota program was due and might draw a hostile response from oil interests. Kennedy wisely delayed the report's release until September, though oilmen criticized his "vague promises that never seem to materialize". Their last "thin thread of hope" for protection was the Senate.[33]

The battlelines were drawn immediately in the Senate. The New England Delegation, the 12-member bipartisan collection of senators of which Kennedy had been a member, represented the consumer bloc. The voice of the coal forces was newcomer Robert C. Byrd (D-WVA), backed by legislators from several states, while Robert S. Kerr (D-OK) directed the oil bloc. Earlier, 27 oil- and coal-state senators had complained to Secretary Udall about the adverse effect of oil imports. Eighteen had warned the President that imports jeopardized the nation's security, and 30 had endorsed the same pamplet or advertisement signed by their counterparts in the House. All together, the oil-coal bloc consisted of 39 senators from half the states in the union.[34]

The real strength in the bloc belonged to Robert Kerr. The second-ranking Democrat on the Finance Committee (which had jurisdiction over the TEA) and part owner of Kerr-McGee Oil Company, Kerr had reached the apex of his power as New

Frontier legislation made its way through Congress in 1962. He had been instrumental in handing the administration one of its worst defeats on Capitol Hill over the Medicare bill. Regardless of this independence, however, he was one of Kennedy's few friends of influence on Capitol Hill.

The power of Kerr, the "King of the Senate", was not lost on the President. As the story goes, Kennedy, looking ahead to his legislative agenda for 1962, announced he would visit Kerr's ranch in late October 1961. Before the trip, a jealous Oklahoma Governor J. Howard Edmondson, a possible replacement for Lyndon Johnson as a vice-presidential running mate in 1964 and a Kennedy intimate, hysterically telephoned and then flew to Hyannisport, found the President on a golf course, and demanded to know Kennedy's purpose. The President responded, "Why Howard, I'm going to Oklahoma to kiss Bob Kerr's ass". Kennedy had become Kerr's "legislative captive", and the administration knew it.[35]

This relationship gave Kerr much leverage. His allies, senior senators called "whales" by LBJ, dominated the President's "minnow" friends. Persuading these veterans on votes enabled Kerr to win concrete advantages for Oklahoma. Biographer Ann Morgan explains how Kerr suggested that Kennedy trade a tax bill for pork, an allusion to the senator's pet public works proposal, the Arkansas River Navigation Project. Kerr reported that he could not break

the logjam in Congress on the tax bill before the President moved on the project. A smiling Kennedy replied, "You know, Bob, I never really understood the Arkansas River bill before today", and accepted the bill. Kerr also chaired the Aeronautical and Space Sciences Committee which funded NASA and could reject Kennedy's plans to send a man to the moon.[36] He could also make or break the Trade Expansion Act.

In order to win favors for Oklahoma, promote his image in the senate, and undercut the power of his rival on the Finance Committee, Chairman Harry Byrd, Kerr single-handedly bargained with Kennedy over oil imports. He had opposed the last two trade bills, helped write the national security amendment in 1955, and pushed for the Mandatory Quota Program. Now, willing to abandon the protectionist camp, Kerr advocated liberal trade as a benefit to Oklahoma and responded tepidly to the Steed-Moore amendment. The national security clause would be sufficient, he argued, if the President tightened up the quota program.[37] Kerr's support of the TEA hinged on this trade-off.

Throughout the spring and summer of 1962, Kerr visited the White House. His only "understanding" with the President was a vague avowal that Kennedy was interested in accommodating the oil-coal bloc. Kerr pledged to make this goal easy for Kennedy and planned to reach an accord after hearings on the TEA ended in mid-August. Yet, he received

heat back home for not supporting the Steed-Moore amendment. When the oil press reported that he would guide the TEA through the senate, which meant he could not back Steed, Kerr claimed that the amendment was a political impossibility, promised his position had not changed on limiting oil imports, and proclaimed that he would oppose the TEA if he thought Oklahoma and oilmen might suffer.[38]

The eventual deal lived up to these assurances. Kennedy agreed to limit crude imports to 12.2% of domestic production, instead of estimated demand, taking 1961 as a base period. The new plan exempted residual oil from the formula, it was less than the 14% Steed-Moore-IPAA proposal, and it retained the overland exemptions for Canada and Mexico. But it adopted the Steed method of allocating quotas, restricted imports more effectively than the current program, and expanded consumption of domestic crude especially on the oil-deprived West coast. The plan reduced imports an estimated 70,000 bbls/day, limited Canadian oil in the U.S., and did not increase imports faster than domestic output. In return, Kerr did not introduce an oil amendment to the TEA. Most important, he promised to corral votes for the bill.[39]

Kerr did just that. In a remarkable turnaround for an erstwhile protectionist, Kerr campaigned for the TEA. His persuasion won votes from the senior members of the oil bloc, 34 of the 39 senators who had endorsed restrictions,

and unanimous consent from the Southwestern oil states. Every senator but two from the coal states followed suit, including bloc leader Robert Byrd. Meanwhile 9 of the 12 New England Delegation members sided with Kennedy. Dissent came from either staunch protectionists or the President's Republican enemies.[40] The fair-trade strategy of conceding protectionism in oil in return for general trade liberalization under the TEA was a success.

There remained two loose ends to tie up before the administration could relish its victory. The first dealt with the OEP report, cagily released in September after the Senate vote. When the OEP recommended liberalizing quotas, the watch-dog Kerr readied a special bill to tighten them in case Kennedy did not. At once, the President told reporters that the OEP proposal was "not acceptable" and on 30 November 1962, he had Udall announce a revised Mandatory Quota Program identical to his deal with Kerr. Earlier, the IPAA gave Kerr a standing ovation for his efforts and thanked Kennedy for the special treatment.[41]

The other loose end was the foreign response to the revised program. Over the past two years, Canada had sought to boost its exports in the American market, and though its oil might be indirectly hurt by the new program, the U.S., in fact, did not squeeze off the burgeoning flow of crude from Canada nor revoke the free entry status of the overland exemption. Thus, Canadian oil sales in the

U.S. surpassed those of the Middle East by 1966 and top exporter Venezuela by 1972, resulting in an overall rise of 21% from 1962 to 1973. America also sustained the level of Mexico's negligible exports at 30,000 bbl./day, continued the overland exemption from quotas until 1971, and even accepted the tricky "Brownsville Shuffle".[42] American oil trade policy was more than fair; it was overly generous.

For Venezuela, the situation was more complicated. During 1962, Betancourt had quelled several leftist rebellions, thus stabilizing the transition to democracy. Recovery from the recent depression underway, oil production began to increase. Also, relations between Washington and Caracas grew more cordial after the Kennedy visit. Even oil minister Perez Alfonzo, though still demanding preferential treatment for Venezuelan oil in the American market, had toned down his recriminations against the import quota program during a trip to the U.S. in April 1962. Indeed, he realized Venezuela would be the chief beneficiary from the raised residual oil ceiling that occurred that month.[43]

Yet the revised program threatened to derail these good feelings. The American embassy in Caracas reported private and government indignation over the new restrictions. Betancourt "had worked up quite a head of steam" after a briefing by Perez Alfonzo, and was reconsidering his proposed visit to Washington in early 1963 unless

concessions were forthcoming.[44] Kennedy took this complaint seriously and dispatched White House aide Myer Feldman to Venezuela for consultations.

Betancourt and Perez Alfonzo issued their grievances to Feldman. The revised program contradicted Kennedy's pledge never to change the system unilaterally, asserted Perez Alfonzo. Also, Venezuela was America's oldest and most important supplier of petroleum in the hemisphere, yet did not enjoy an exemption from the quota program like Canada and Mexico. This lack of preferences "entirely disregarded" that Venezuela was an "integrated Sister-Republic" with the United States. Despite the continued dominance of its oil in the eastern Canadian and American residual market, moreover, Venezuela was left with "the bones" of fuel oil sales as opposed to the more profitable crude.

Another gripe was a new method of "quota trading". The revised system reduced the percentage of imports allocated to "historical" importers, those U.S. companies who bought foreign, and mostly Venezuelan, oil before 1957. The rules now allowed "inland" refiners, which did not directly use imported oil, to swap their quota allotments for domestic petroleum. Quota trading cut imports; Venezuela estimated a loss of revenue of $35 million. Betancourt wished to eliminate quota trading, charging that the allocation of

permits for imports encouraged speculation by greedy refiners. He desired that they use Venezuelan oil.[45]

Feldman responded with a sympathetic yet firm defense of the Kennedy program. On preferences for others and not Venezuela, he repeated that without the overland exemption, Canada would have cut off Venezuelan exports to the Montreal area by building a pipeline from its oil-producing provinces. Besides, Canada's position in the U.S. market was fixed under the quota exemption while Venezuela had an increased sales potential once American consumption expanded. Anyway, Venezuela's rising exports during 1962 confirmed the nation's competitiveness in the United States.

Admittedly, the revised quota program would slow Venezuelan crude sales, said Feldman, but Caracas could look forward to increased demand in Europe and in the many markets it dominated, such as Puerto Rico, other Caribbean countries, and Canada. Though residual oil did not reap as high profits as crude, it still offered "attractive opportunities". Venezuela virtually owned the American fuel oil market, supplying about 86% of the residual consumed in the U.S. either directly or through the Netherlands Antilles. These exports had climbed 30% over the past three years and could rise further, depending on Kennedy's response to a pending OEP report on residual oil quotas.

Like Betancourt, Kennedy did not like the speculation involved in quota trading, and promised a solution. But Feldman explained that quota trading aided domestic producers, who were required to expand their sales to inland refiners penalized by the allocation advantage of historical importers under the previous system. Phasing out this competitive edge for importers was only fair. Besides, an elimination of quota trading would actually hurt Caracas by forcing inland refiners to transport oil from the coast at an uneconomical cost, thereby depressing prices and bringing in less revenue for Venezuela.[46]

In the end, Betancourt and Perez Alfonzo accepted the U.S. position. Purely for home consumption, Betancourt pledged in January 1963 to end the "Sword of Damocles" by which the U.S. could unilaterally make decisions taken" affecting Venezuelan oil in the American market. But the following month, he privately expressed to the President his satisfisfaction with the revised program. Meeting Betancourt in Washington, Kennedy promised to inform him of any changes in the import program.[47]

As time would tell, the administration's claim that Venezuela would encounter steady growth in exports was borne out. From 1962 to the first oil crisis in 1973, its exports to America increased by 83 million barrels, a feeble 8 million barrels a year. Yet since Venezuela also produced nearly all of the oil exported from the

Netherlands Antilles, it gained an additional 100 million barrels over the period, or 18 million barrels per year. While the nation remained the top oil supplier to America, dropping to third behind Canada and the Middle East by 1975, Venezuela remained in first place in the U.S. market until 1976 when Caribbean sources are added to its export total.[48]

Furthermore, Kennedy rejected the recommendation of the OEP in February 1963 to eliminate controls on residual oil, but began a trend toward liberalization that ended in abolishing limits in 1966. While American imports of crude rose by 15%, to 483,293 thousand barrels a day, residual imports more than doubled to 557,845 thousand barrels a day, thus topping crude imports, by the end of the decade. Significantly, the ratio of residual imports to U.S. domestic consumption leapt from 48.2% in 1962 to 69.4% in 1970. Since it sent nearly nine-tenths of this fuel oil, Venezuela profited considerably.[49]

Increased exports to America showed that the controls imposed by the Kennedy fair-trade approach to oil imports were limited in their effect on trade. They were not limited in their effect on congressional treatment of the TEA, however. The revision of the Mandatory Quota Program was a sop to oilmen; the refusal to junk restrictions on residual fuel a bone to coal interests. In the end, Kennedy's oil import policy, based on the delicate balance

of the fair-trade doctrine, satisfied all parties. Oil and coal producers were protected, while consumers enjoyed the general trend toward trade liberalization. Canada and Venezuela initially criticized but accepted the revised program. And Kennedy won a strategic victory which helped win him the trade bill and the essential power to transform his liberal trade goals into reality.

Kennedy granted the most explicitly protectionist of all of his concessions well before he signed the TEA, by raising tariffs on glass and carpet items. Based on a unanimous recommendation by the Tariff Commission to invoke the escape clause, which released an industry from a prior trade agreement and enabled an increase in barriers to imports, the action was the first and only tariff hike he ever made. The duties were too drastic to explain away as mere economic assistance, especially since the administration was in the midst of trying to inject liberalism into the international trade regime. Instead, they indicated the lengths to which Kennedy would go to pass the TEA.

The President raised tariffs on wilton and velvet carpet imports as another part of his aid for the textile industry. The inflow of carpets from abroad reached a record high $8.2 million square yards in 1961, almost double the level of 1958, which compelled congressional

representatives of major producing areas, particularly Congressman Samuel S. Stratton (D-NY) from upstate New York, to lobby the President for limits. The textile industry joined this appeal. Kennedy, of course, had already exerted much effort on behalf of textile manufacturers, thus his help for wilton and velvet carpet manufacturers added to his good standing within the industry and on Capitol Hill.[50]

More revealing of the motives behind and the impact of the tariff hike was the issue of sheet glass imports. Sheet glass, used for windows, had been rejected twice for a duty increase by Eisenhower despite Tariff Commission suggestions to the contrary. Kennedy kept the glass industry in mind during the 1960 campaign as a possible focal point for a "trade adjustment bill" in the event he won the election. He had lost, however, a majority of the top nine glass-producing states, including West Virginia and Oklahoma, two of the three largest. In the presidential politics of glass trade, he did not succeed.[51]

Now in office, he had his chance to act on the findings of a Tariff Commission hearing in May 1961. Before the Commission, major companies - Libbey-Owens-Ford, Pittsbutgh Plate Glass, and American-St. Gobain - as well as the United Glass and Ceramic Workers of North America, the Window Glass Cutters League, and the Ohio, Pennsylvania, West Virginia, Indiana Glass Workers

Protective League, complained about imports. They testified that the steadily declining tariff since the war, labor and material cost advantages of foreigners, and parity in technological expertise and productivity among domestic and overseas firms gave imports a competitive edge.[52]

The Tariff Commission agreed with them, finding imports to blame for the decline in sheet glass production. Sales of domestic manufactures had decreased by one-quarter between 1955 and 1960, employment had dropped 16%, and the four major manufacturing firms suffered net operating losses of over $1.1 million. A discriminatory factory distribution arrangement, which drove unfavored buyers to turn to cheaper imports in order to compete with "recognized" factory and consumer distributors, caused some of these problems. Yet the industry had also lost nearly one-quarter of the domestic market to imports during the past decade. In order, Belgium, Japan, and other European countries had accounted for 32% of these sales in 1959, when just nine years before they had less than 3% of the market. Overall, the percentage share of U.S. sheet glass consumption for domestic manufacturers had fallen from 97.8% to 75.4% from 1950 to 1960. Based on its findings, the Commission recommended in June 1961 invoking the escape clause.[53]

Yet, the President, suspicious particularly of the discriminatory distributor practice, postponed his decision to act on the recommendation. Aware of the seriousness of a tariff increase on foreign relations, Kennedy wanted more information in order to consider fully the "national interest" without "unduly restricting fair competition" from abroad. He figured that the predicted imminent economic recovery in the country, fueled by expanding production in the construction, automobile and aircraft sectors, would benefit window-makers and reverse the depressed conditions in the sheet glass industry. Also, by delaying, Kennedy shrewdly avoided inciting Congress to override him in the event he rejected the Commission's recommendation.[54]

This approach angered Congress, however. The postponement induced Senator Styles Bridges (R-NH) to introduce a bill which made Tariff Commission recommendations binding on the President. That three presidents had accepted only 13 of 36 recommendations for tariff raises since 1950 frustrated protectionists. The six House members at the Commission hearing had also backed calls for restrictions on foreign sheet glass. They concurred with the demand of the four-state Glass Workers Protective League to know "plainly and promptly" where Kennedy stood on the import issue, for they had received to

date "no encouragement-only the opposite" - from the White House.[55]

Surely sparking Kennedy's attention was Congressman Dent's self-proclaimed "crusade" for restrictions on sheet glass imports. Dent was an irreconcilable protectionist; Kennedy could not hope to woo him to the TEA. But he was also an articulate opponent of liberal trade and might rally fellow legislators who accused the administration of giving "second-class consideration" to American workers and industries. The sheet glass problem was an example of Kennedy's "perverted" trade policies, he said, which permitted imports of goods in which there already existed a surplus, particularly in his home district in Pennsylvania where the world's largest glass factory had recently closed. Not very subtly, Dent pointed to the President, saying that "it does not take a Harvard graduate to make two and two equal four" in relating imports to economic stagnation.[56]

Dent gathered a collection of House and Senate supporters of the tariff increase on sheet glass imports. These legislators hailed from the nine major glass-producing states and even included administration allies such as Senators Estes Kefauver (D-Tenn.) and J.W. Fulbright (D-Ark.). Added to them was Robert Kerr and the entire Oklahoma congressional delegation, minus House majority whip Carl Albert. This informal "glass bloc"

paralleled to a large extent the regional make-up of the coal-oil forces and numbered around 90 House and 15 Senate members.[57]

The interim between the decision to postpone action in late June 1961 and the time tariff hikes were instituted eight months later allowed Kennedy to weigh the various elements of the case. The Department of State reminded him of the international implications of tariffs. Japan would be sorely hurt at a time Tokyo was sorting out its trade relationship with the West. Restrictions could enrage Premier Ikeda, disgruntled over the limits on cotton textiles, and might heighten pressure within Japan to shut out some important American exports.

The potential difficulty with Belgium and the rest of EEC demanded the most attention, however. Belgium had endured a series of foreign and domestic setbacks. Its grant of independence to the Congo had led to political chaos and war which had not served Belgian interests. Brussels was also the sole member of the Six whose economy lagged, and the GATT textile accords, which pried Belgium open to cheap imports made the nation ever-more sensitive to further economic burdens and foreign harrassment. But the U.S. also counted on the moderate and long-time Belgian statesman, Paul-Henri Spaak, to sustain an outward-looking, liberal-trading Common Market.

The EEC had stepped in this direction during the Dillon Round of GATT, which was drawing to a conclusion by early March 1962, around the same time Kennedy would decide on the tariff issue. An American tariff raise, warned the State Department, would be "counterproductive, both psychologically and practically" to the participants at the Round. Restricting carpets and glass might set off a "chain reaction" of retaliation by the Common Market and doom the emerging trade relationship of the U.S. and the Six that was the raison d'etre of the TEA.[58]

Once again, Kennedy found himself in a familiar no-win situation. He would gladly close out the Dillon Round, move on to the TEA, and open the next GATT round without raising tariffs. But timing was on the side of congressional protectionists; the desire of the President to gather votes on the TEA brightened the prospects of escape clause action. Besides, glass interests were adamantly opposed to free-trade. The President of Libbey-Owens-Ford, for instance, stated that "we're in favor of protection", and his company joined three other major producers in staunchly rejecting the TEA. The congressional bloc followed suit. Dent foresaw "nothing but disaster" for producers (and presumably the TEA) unless Kennedy protected jobs.[59]

Facing the TEA vote in Congress, and with the Tariff Commission in support, the President opted to raise tariffs

on 19 March 1962. He did refuse to boost duties on baseball gloves and ceramic mosaic tiles on the grounds that domestic production had not been directly affected by imports. But sheet glass and carpets, with organized protectionist blocs behind them, received favorable treatment. Aide Theodore Sorensen explained that Kennedy acted on behalf of these industries to show that under U.S. trade laws, there still existed the principle of selectivity in choosing some industries for protection.[60] Since neither carpets nor sheet glass contributed much to the gross national product or to imports or exports relative to other products, this principle took on a distinct political meaning. Kennedy traded protectionism for support on the TEA.

That politics overrode other considerations is shown by the subsequent reaction of the parties concerned. The sheet glass industry continued, despite the tariff hike, to resist the trade bill. In fact, the day the hikes were announced, nine industry witnesses testified against the TEA before the House Ways and Means Committee. When Kennedy delayed the tariffs for 90 days to give importers a chance to find new sources of supply, the industry criticized him. But manufacturers then turned around and, against the wishes of the President, raised prices and received the full benefits of owning a greater share of the market.[61] Interest groups won their demands, but the

industry and the White House were still at odds on general trade policy.

If the industry and the President were out of step, Kennedy and Congress certainly were not. Members of both houses noted the linkage of the tariff action with the upcoming votes on the trade bill. Time Magazine responded that the duties cast in doubt upon Kennedy's sincerity for promoting free-trade, but they won him votes. Many legislators expressed their "delight" with the move. Escape clause originator Cleveland Bailey pointed out that since Kennedy had shown a genuine concern for injured industries by raising tariffs, the congressman would vote for the TEA. Congressman Ed Edmondson (D-OK), like Bailey one of the six House members who attended the Tariff Commission hearing, said after the hike that "I feel that I can not only go along with the [trade] bill, but work for its passage".[62]

Winning over protectionists was the outcome envisioned by the administration. The duty hike on carpets earned the votes of the two concerned New York congressmen, Samuel Stratton and Steven B. Derounian (R). Senator Harry Byrd later attributed the passage of the TEA to the seven-point textile program coupled with the carpet duty action. Legislators from glass producing areas in West Virginia, Pennsylvania, Ohio, and Illinois who, as Business Week claimed, had been "100% against" the legislation earlier,

were now divided. In the House, four of the six members who demanded an escape clause ruling by the Tariff Commission now voted with Kennedy. The 90-member glass bloc split down the middle on the TEA, with the intractable Dent and congressmen from the nine glass states in opposition. Yet 34 of those against were the Republicans from whom Kennedy could not expect any help. In the Senate, all but two of the 15-member bloc, one of whom was free-trader Fulbright who did not record a vote, the other Republican Homer Capehart (R-Ind.), tallied in favor.[63]

The Common Market did not publicly acknowledge the politics of glass trade in criticizing the tariff hike, which occurred just twelve days after the end of the Dillon Round. With Belgium in the lead, the Six denounced the increases which raised tariffs on wilton and velvet carpets from 21 to 40% and on sheet, crown, and cylinder glass from 1.3 to 3.5 cents per pound. Belgium had already recalled its delegate to GATT and its Ambassador to the United States for consultation. Foreign Minister Maurice Brasseur now called the hikes a "brutal" and "immoral" step. France joined Belguim in claiming that the new tariffs further indicated that any European industry which competed successfully in the American market would be penalized. In its entirety, the EEC was more diplomatic, dismayed that the measures were "not in the spirit of the recent [Dillon

Round] talks or of the coming talks" to be held after the passage of the TEA.[64]

The Common Market might have recognized the constraints on Kennedy, however. Quite justifiably, the Six retaliated in June 1962 by raising tariffs from 19 to 40% on certain U.S. chemical, man-made fiber, and paint exports. Yet the reprisals were not politically injurious to the President. That is, the American chemical industry, primarily an exporter, incurred the brunt of the European duty raises. The few chemical manufacturers who were import-competitors cared more about retaining the restrictive American Selling Price than protection from tariffs. They also viewed Europe as a temporary outlet until the U.S. market could absorb their products. Thus, the Six very likely picked the healthy chemical industry, and not more vulnerable producers, so as not to arouse protectionists in Congress any further against the TEA.[65] The EEC understood that inter-branch politics underlay Kennedy's decision to raise tariffs.

The EEC, though, still questioned the utility of future negotiations with America if the President could enact such blatant protectionism just after a round of tariff cuts. U.S. imports of wilton and velvet carpets plummeted from the high of of 8.2 million square yards worth $28 million in 1961 to a low in 1966 of 560,000 square yards valued at only $3.1 million, and never rose above the 1961 levels

during the next decade. The new tariffs provided similar severe cuts in sheet glass imports. Belgium's share of these carpet and glass imports actually rose during the decade, but did not register real gains since this market was obviously much smaller. In addition, Brussels ran alternative trade surpluses and deficits with the U.S., but when in the red, Belgium's deficit grew from $146 million in 1962 to $232 million by 1970.[66] Trade tended to favor America.

The effect of the tariffs, though, ranked second to the trade bill in Kennedy's mind. He justified the tariffs by citing Belgium's favorable payments balance and healthier glass and carpet industries relative to American producers, and before the EEC retaliation, meekly argued that the TEA would stimulate employment on both sides of the Atlantic. After the EEC reacted, he said that protectionism was regrettable. But reminding Americans of link between the duty raises and the trade legislation, Kennedy preferred to emphasize that if the TEA had been in effect, "we could have then offered an alternate package which I think would have prevented retaliation".[67]

Clearly protectionist, the carpets and glass tariff hikes served their purpose of winning adherents to the trade bill. Indeed, it is difficult to determine exactly how heavily economic motives weighed in the President's actions, but politics took precedence. Aide Myer Feldman

in August 1962 echoed his boss in writing a chemical industry leader that it was precisely to avoid the type of mini-trade wars which had occurred during the carpets and glass episode that the TEA must be passed.[68] It is unlikely that Kennedy would have risked upsetting his carefully cultivated relationship with Europe and future trade negotiations for the sake of selfishly protecting two rather minor industries. Instead, he decided to lose a battle to protectionists and enrage the allies now, and win the war later by passing the TEA and reducing overall trade barriers in negotiations with Europe.

The action on carpets and glass, like the measures for oil and coal, lumber, and textiles, indicated that Kennedy was not an ideologue on trade, despite his penchant for lofty rhetoric. He pragmatically balanced the domestic and international elements inherent in the fair-trade doctrine. The President seemed already to have mastered the domestic political element. He learned that legislative leadership depended on compromise which broke down resistance to his bills. The TEA, his top priority for 1962, required extra effort toward this end.

One example of his conciliatory tactics related to an incident involving Senator Russell Long (D-LA). After giving a pitch for the TEA to a group of senators, Kennedy fielded their questions. Long, upset about the administration's previously announced intention of shutting

down some military bases around the country, demanded an explanation about the closure of Louisiana's Fort Polk. An irritated Kennedy informed Long that the meeting concerned trade, not bases. "I understand trade and I hope you do to", replied the senator, "I'll trade you that fort for a vote on the Trade Expansion Act".[69]

In short, Kennedy perceived he had little choice but to forge these agreements. By resisting protectionists, the TEA would surely lose. By meekly submitting to them, as Eisenhower had done, the trade bill could be altered and its effectiveness as an instrument of trade liberalization undermined. His fair-trade tactic was a middle course that preserved the basic outline of the TEA and appeased Congress at the same time. As Theodore Lowi wrote, inter-branch bargaining on the TEA signified a most "vulgar pluralist view of American politics".[70]

Decision-making reflected this pluralism. Private elites, including potent independent oil producers who pressed for import restrictions during the TEA battle, did not enjoy an informal, consensual relationship with the Kennedy administration. Even adherent David Painter singles out the domestic oil industry as incompatible with the supposed corporatist international petroleum structure.[71] Leaders in the glass industry certainly did not see eye-to-eye with Kennedy trade policy. In essence, government and private sector leaders were not in alliance

and corporatism does not explain decision-making in these cases.

Bureaucrats indeed took distinct positions on both issues, but in the end their views merely provided the President with a list of opinions. Interior Department official Kelly and George Ball were surely at odds on oil import policy, for instance, but Kennedy knew the options available to him and the ones that were feasible in light of the TEA. Very likely nobody in the administration wanted tariffs raised, but the timing of the TEA and the Tariff Commission report virtually made the hike a fait accompli. In actuality, Kennedy had decided his course, guided by his political instincts. Buying votes did not require policy prescriptions from advisors.

The dependent variable for Kennedy was Congress. In the oil and tariff issues, interest groups achieved their goals. Oilmen came very close to getting the full slate of their demands, including levels and the method of limiting imports. Coal interests received sympathy for overseas export barriers and much government attention to development. Consumers were assured of freer trade and lower prices in fuel oil. Glass and carpet manufacturers won higher, nearly prohibitive tariffs. Yet the very tangle of rival parties, especially regarding oil imports, also casts doubts on relying entirely on the interest group model as an explanatory tool for the decision-making

process. Kennedy juggled all concerns and satisfied industries, yet not because of direct pressure from the private sector. Interest groups got the President's ear, but only through their congressmen.

Instead, both cases represent interest group politics succeeding through inter-branch, regulatory bargaining. The deal with Kerr over oil imports epitomizes this process. Kerr discreetly but firmly informed the President that the demands of the oil industry would have to be met before Kerr wielded his considerable clout in the Senate and pushed the oil bloc to vote for the TEA. Kennedy acquiesced, granting the independents their demands. At the same time, he preserved his goal of fair-trade by winning votes from all three congressional blocs on the TEA, giving foreign producers a slowly growing share of the U.S. oil market, and offering the potential for more access on other goods once he used the TEA to bargain down trade barriers through GATT. The President's concentration on domestic politics certainly had an impact on international affairs, the other half of the fair-trade doctrine. Trade in textiles, oil, and carpets and glass became more restrictive because a recalcitrant Congress forced Kennedy to limit imports of these products. Some scholars cite this parochial congressional power over the more global strategies of the President as the reason for eroding liberalism in economic regimes during the last

twenty-five years.[72] In any event, the point is that Congress had considerable control over American policy in the international trade regime.

The notion that Congress got the upper hand through inter-branch politics at the expense of U.S. and foreign trade interests can only be taken so far, however. The special treatment accorded to the several industries by Kennedy, which ended up restricting trade, strayed from commerce based on the principle of comparative advantage. But the halving of the American merchandise trade surplus by the end of the 1960s bears witness to the fact that other countries did not unduly suffer from U.S. trade policies, and that America did. Canada, Japan, Venezuela, and the EEC, all affected by Kennedy's protectionist arrangements, soon developed surpluses with America.

For instance, critics of U.S. trade policy blame American oil import limits for reducing Venezuelan gains in crude oil exports and thus hindering that nation's lack of diversification of its oil-based economy. But blame can be just as easily placed on Venezuela. The country's high cost structure, due to its lofty tariffs and overvalued exchange rate relative to LDCs and other nations, restrained growth in export sectors other than petroleum. Venezuela was not successful in using its considerable earnings from oil exports to build a solid industrial base necessary for economic diversity and growth.[73]

The hegemony scholars also overlook the fact that U.S. imports rose at America's own expense. Fuel oil imports climbed while coal exports to Europe and Canada continued to plunge until 1970. Oil imports grew by 65% from 1962 to 1973, the U.S. share of world production dropped, and purchases from overseas filled a growing percentage of demand and consumption, taking more of the market away from domestic producers and giving it to other nations.[74] American oil and coal producers were hurt in trade.

At the same time, the effects of the Trade Expansion Act sent American trade into the red, and not only with Venezuela. Critics contend that this deficit was warranted by America's overall world trade surplus and its domination of the Venezuelan economy. Yet as Secretary of State Rusk informed Betancourt in late 1962, the oil import program would in no way effect the growing tide of other Venezuelan exports to the United States. He was right. The U.S. trade deficit with Venezuela more than doubled between 1960 and 1976, when it totaled $896 million. By 1976, moreover, the U.S. suffered a global trade deficit of almost $6 billion, when fifteen years before it had enjoyed a $5 billion surplus.[75] The benefits brought to others in commerce, added to the injury domestic producers suffered, proved that America was a magnanimous fair-trader.

Indeed, at last glance, the oil quotas did not grant American producers immunity from import injury. The door

remained ajar to U.S. markets at the expense of the independents. The pay-off was that under the authority of the TEA, America would reciprocally boost exports in which it enjoyed a comparative advantage and maintain leadership over the global trade order. Regardless, increases in oil imports, decreases in coal exports, and the halving of the American trade surplus by the end of the 1960s bears witness that other nations did not unduly suffer from U.S. trade policies, and that America, to an extent, did. Again, considering the political constraints on Kennedy, trade was as fair as possible.

In other cases, other nations fared well under U.S. trade policy. Hong Kong in textiles and Canada in oil and lumber registered gains in trade, and the latter earned an overall trade surplus with the United States. Belgium in carpets and glass and Japan in textiles were hurt, yet the former used the muscle of the EEC to bargain down tariffs later in the decade and the Japanese enjoyed a steadily burgeoning trade surplus with America by 1968 and thereafter.[76] It should be noted also that all of these nations were not innocent from protectionism, and restricted U.S. exports of certain significant goods. In sum, America was not very successful in maintaining its postwar trade power in the global economy of the 1960s and beyond.

To a considerable degree, the U.S. sacrificed its home markets to foreign competition in order to retain its shaky leadership over the world trade order. Kennedy believed such a trade-off worthwhile because he sought a reciprocal opening of doors abroad for American exports. This goal undergirded his hope, soon to be somewhat dampened, that most Americans would understand the importance of the Trade Expansion Act in promoting exports and helping the country achieve the domestic and foreign aims envisioned by the New Frontier.

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[28] Congressional Record-Appendix, v. 108, reel 11, 7 March 1962, Keith, A1980, and "Protectionism in Oil", Boston Herald, 30 December 1961, A1718. See also Congressional Record-Appendix, v. 107, reel 11, 12 September 1961, Dante B. Fascell (D-FL), A7167, and Conte, A7542; Mike Manatos to Lawrence O'Brien, 8 November 1961, Memoranda-10/3/61-12/31/61, box 1, Manatos files.

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President and Congressman Clark Thompson, 11 May 1962, Tariff-Trade-Oil Import Controls, box 23, Feldman files; Truman Richardson [Steed's assistant] to Ross Porter, 14 March 1962, folder 18, box 307, Steed papers; Congressional Record-Senate, v. 108, pt. 9, 5 July 1962, Cleveland Bailey, 12798.

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[33]"Oil/Gas and the November Elections", World Oil 154 (1 August 1962): 14, 18. See also "Platt's Oilgram" 4 May 1962, attached to Henry Wilson to Myer Rashish, 10 May 1962, Chronological file-5/1/62-8/20/62, box 14, Petersen files; "Key Oil Decisions Coming Soon", Oil and Gas Journal 60 (27 August 1962): 43-44.

[34]Congressional Record-Senate, v. 107, pt. 2, 20 February 1961, Letter from [New England Delegation] to the President, 7 February 1961, 2363; Mike Manatos to O'Brien,

7 April 1962, Senate Correspondence, box 327, O'Brien files; Senator Harry Byrd to the President, 12 April 1962, ND 4-2-2 Petroleum, box 599, WHCF; Coal and Residual Hearings, Sullivan, National Coal Association to Udall, 9; Congressional Record-House, v. 107, pt. 3, 2 March 1961, Byrd, 20801 and 18 Senators to Kennedy, 3137-3138. Coal-oil bloc senators came from AL, Ala., Ark., CO, Ill., Ind., KS, KY, LA, MD, MO, Mont., ND, Nev., NM, OH, OK, PA, Tenn., TX, UT, VA, Wash., WVA, WY.

[35]Anne H. Morgan, Robert S. Kerr: The Senate Years (Norman, OK: University of Oklahoma Press, 1977), 221, also 209-210, 232-233, 242. See also Rashish Oral History, 28-30; Luther Hodges to the President, 20 August 1962, Legislative Files, 8/13-20/62, box 51, POF.

[36]Morgan, Kerr, 210, 233. The "whales" included veterans Richard B. Russell (D-GA), Carl Hayden (D-AZ), Allen Ellender (D-LA), and James Eastland (D-Miss.).

[37]Kerr to John H. Cosey, 4 May 1955, folder 8, box 34; Kerr to Cleo C. Ingle, 13 April 1955, folder 9, box 34; Kerr, "The Reader Writes: Senator Kerr's Amendment", Christian Science Monitor, 26 July 1958, folder 79, box 1; Address to the Midyear 1958 Meeting of the IPAA, 29 April 1958, folder 40, box 8; Press release, Kerr and Senator A.S. Monroney (D-OK), 28 February 1959, folder 99, box 18; Transcript of Television Show on the Trade Expansion Act of 1962, Washington, D.C., 14 June 1962, folder 28, box 25,

Papers of Senator Robert S. Kerr, Carl Albert Congressional Research and Studies Center, Congressional Archives, University of Oklahoma, Norman, Oklahoma (hereafter cited as Kerr papers); Press Release, 28 March 1962, Kerr, Robert S. (OK), box 56, Petersen files; "Watching Washington", Oil and Gas Journal 60 (23 April 1962): 65; Morgan, Kerr, 233.

[38] "What Kerr Says About Changing Import Controls", Oil and Gas Journal 60 (30 July 1962): 90; Press Release, Kerr and A.S. "Mike" Monroney (D-OK), 20 June 1962, Kerr, Robert S. (OK), box 56, Petersen files; "Producer Given New Hope on Imports", Oil and Gas Journal 60 (30 July 1962): 89; Harris Bateman to Kerr, 5 April 1962, folder 21, box 4; Kerr to M.E. Dale, 29 January 1962, box 25 folder 29; "Kerr, Steed on Different Sides on Oil Amendment", Oklahoman, 1 April 1962, folder 18, box 307; Kerr to W.L. Pickens, 4 April 1962, folder 26, box 24; Kerr to Thomas E. Williams, 16 April 1962, folder 22, box 4; Kerr to J. Howard Edmondson, 21 May 1962, folder 21, box 4, Kerr Papers; E.A. Smith to Kerr, 27 March 1962, folder 9D, box 69, Papers of Congressman Page Belcher, Carl Albert Congressional Research and Studies Center Congressional Archives, University of Oklahoma, Norman, Oklahoma, for report by Oilgram News Service of 25 March 1962 that Kerr traded non-oil projects for the TEA.

[39] Kelly Oral History, 43-46; Luther Hodges to Myer Feldman, 2 August 1962, Tariff-Trade-Oil Import Controls, 7/62-8/62, box 23, Feldman files; Kerr to E.A. Smith, 8 October 1962, folder 21, Kerr papers; "Other Major Developments Related to 1962 Trade Act", Congressional Quarterly-Almanac 18 (1962), 289; Harold Decker to members of IPAA, 12 October 1962 and attached copy from the Congressional Record, Russell Long (D-LA), folder 53, box 11, Kerr papers. A rumor circulated that Kerr put a signed agreement of the deal with Kennedy in his safe, but no written accord turned up in the Kerr or Kennedy papers. Kerr said that a speech by Udall to the IPAA in September 1962 was the only "positive assurance" on the revised plan that he received from the administration. Senator Long said he, Senators Frank Carlson (R-KS), Ralph Yarborough (D-TX), Ellender, and Kerr, received Kennedy's pledge on import limits and that independents would get a greater share of the U.S. market.

[40] Transcript of Television Show on the Trade Expansion Act of 1962, Washington, D.C., 14 June 1962, folder 28, box 25; Statement by Senator Robert S. Kerr, Trade Bill-Compensation for Import Damage, 9 October 1962, folder 49, box 25; Statement by Senator Robert S. Kerr on Trade, 9 October 1962, folder 49, box 11, Kerr papers; "Senate Passes Trade Bill After Rejecting Escape Clause, Farm Import Restriction, Shorter Duration; Ratifies Treaty",

Congressional Quarterly-Almanac 18 (1962), 688, Homer E. Capehart (R-Ind.) and Wallace F. Bennett (R-UT) opposed.

41 A Report to the President by the Petroleum Study Committee, OEP, 4 September 1962, Tariff-Trade-Oil Import Controls-9/62-12/62 and undated, box 23, Feldman files; The President's News Conference of September 26, 1962, Public Papers, 1962, 715; Proclamation 3509, 30 November 1962, Tariff-Trade-Oil Import Controls-9/62-12/62 and undated, box 23, Feldman files; Bohi, Limiting Oil Imports, 107; "Kennedy Stiffens Oil Import Rules to Aid U.S. Output", New York Times, 1, 29; Kelly Oral History, 42; Myer Feldman to Harold Decker, 19 December 1962, White House Replies, D-I, 1962, box 13, Petersen files; Kerr to E.A. Smith, 8 October 1962, folder 21, box 4; Remarks of Senator Robert Kerr to the IPAA Annual Meeting, Dallas, Texas, 29 October 1962, folder 53, box 11; "Kerr's Magic Sways Oilmen", Oklahoman, 4 November 1962, folder 53, box 11; Statement by Harold Decker, IPAA, 30 November 1962, folder 27, box 25, Kerr papers.

42 Report by the United States Delegation to the United States-Canadian Discussions of Petroleum Policies and programs, 13-14 December 1962-Oil Imports, box 104, POF; Bohi, Limiting Oil Imports, 107, 132-134; Rabe, The Road to OPEC, 198. Under the revised program, Canada's estimated imports for each year were figured into the total amount of import quotas available for allocation under the program, thereby reducing its imports by lowering the overall sum of

quotas. To Ottawa's benefit, the U.S. consistently underestimated Canadian imports, causing Canada's oil and overall total imports to overshoot the 12.2% level.

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[44]Telegram, Ambassador C. Allan Stewart to the Secretary of State, 18 December 1962, Venezuela-General-12/62, box 192, NSF-JFK.

[45]Report of Myer Feldman on Discussions with President Betancourt on the United States Oil Import Program, Caracas, Venezuela, Attachment 1, New Regulations on the Oil Import Restrictions, First Personal Impressions, by Dr. Juan P. Perez Alfonzo, Oil Imports-12/29-30/62, box 104, POF; Betancourt, Venezuela: Oil and Politics, 390-391.

[46]Betancourt, Venezuela: Oil and Politics, 391; Report by Myer Feldman on Discussions with President Betancourt on the United States Oil Import Program, Caracas, Venezuela, attachments 1 and 2, Oil Imports-12/29-30/62, box 104, POF; cable, White House Situation Room to General McHugh for the President, 23 December 1962, Venezuela-General-12/62, box 192, NSF-JFK.

[47]Betancourt, Venezuela: Oil and Politics, 390; Telegram, Ambassador C. Allan Stewart, American Embassy, Caracas to the Secretary of State, 2 January 1963, Tariff-Trade-Oil-Venezuela- 12/61-6/63, box 24, Feldman files; Joint Statement with the Venezuelan President, 20 February 1963, U.S., President, Public Papers of the Presidents of the United States (Washington, D.C.: Office of the Federal Register, National Archives and Records Service, 1964), John F. Kennedy, 1963, 188 (hereafter cited as Public Papers, 1963).

[48]Telegram, Department of State, Ambassador C. Allen Stewart to the Secretary of State, 30 December 1962, Venezuela-General-12/62, box 192, NSF-JFK; Rabe, The Road

to OPEC, 198; Magin A. Valdez, "The Petroleum Policies of the Venezuelan Government", Ph.D. Dissertation, New York University, 1971, 6-7.

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[56]Congressional Record-House, v. 107, pt. 2, 20 February 1961, Dent, 2456. See also Congressional Record-House., v. 107, pt. 3, 13 March 1961, Dent, 3801-3804; John Dent to a Friend, undated [1962], item 71, box Trade-Tariffs-GATT, Dent Collection.

[57]Glass Import Hearings, Jennings Randolph to John Dent, 11 July 1961, and telegram, Senator Robert C. Byrd to the President, 3; Overton Brooks to the Executive Office of the President, 27 May 1961, attached to Lawrence O'Brien to Congressman Overton Brooks, 8 June 1961, Senator J.W. Fulbright to the President, 25 May 1961, attached to O'Brien to Fulbright, 29 May 1961; Senator Estes Kefauver to the President, 13 June 1961, attached to O'Brien to James G. Fulton (R-PA), 29 May 1961, TA 2 Earth-Earthenware-Glassware TA 2-TA-201, box 945, WHCF-JFK; Oklahoma House and Senate Delegation to the President, 15 January 1962, folder 30, box 25, Kerr papers. There were 7 concerns operating 14 sheet glass plants, 4 in WVA, 2 each in OK and PA, and one in Ark., Ill., Ind., LA, OH, and Tenn.

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[59]Gresham to Barrie, on statement of G.P. MacNichol, President, Libbey-Owens- Ford, 6 March 1962, box 23, Petersen files; Manufacturers of Flat Glass Products statement, undated, Trade Record 50-100, Sen. 87A-E8, U.S. Senate, 87th Congress, Committee on Finance, HR 11970, Record Group 46, Senate Finance Records, National Archives, Washington, D.C. (hereafter cited as Sen. Finance-RG 46; Congressman John Dent to the President, 15 December 1961, LE/FO 3-3 1-20-61-3-6-62, box 478, WHCF-JFK.

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[66]Carpet and Rug Institute Industry Review, (1968): 9, (1970): 16, (1978-1979): 16, Carpet and Rug Institute; U.N., Yearbook of International Trade Statistics, 1966 (New York: Department of Economic and Social Affairs, 1968), 87-88, 863, and 1970-1971 (New York: Economic and Social Affairs, 1973), 53, 796, 798.

[67]The President's News Conference of 14 June 1962, Public Papers, 1962, 496. See also The President's News Conference of 29 March 1962, Public Papers, 1962, 277.

[68]Myer Feldman to John H. Randolph, 27 August 1962, TA 1 Chemicals-Oils-Paints, box 945, WHCF-JFK.

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[70]Lowi, "American Business and Public Policy", 685.

[71]David S. Painter, Oil and the American Century: The Political Economy of U.S. Foreign Oil Policy, 1941-1954 (Baltimore: The Johns Hopkins University Press, 1986), 206-207.

[72] Susan Strange, "The Persistent Myth of Lost Hegemony", 572.

[73] Rabe, The Road to OPEC, 116; Magdoff, The Age of Imperialism; Williams, The Tragedy of American Diplomacy, are critics. See Harris, "The Impact of the Petroleum Export Industry on the Pattern of Venezuelan Economic Development", 12, 77, 93, 102.

[74] Commodity Yearbook, 1971, 93, 253; Bohi, Limiting Oil Imports, 23.

[75] Rusk to the American Embassy Caracas, 20 December 1962, Venezuela-General, box 192, NSF-JFK; Rabe, The Road to OPEC, 194.

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CHAPTER 5

KENNEDY DRIVES fOR EXPORTS

After mollifying the major protectionist blocs, Kennedy assumed he could round up votes for the TEA from export-minded legislators. His belief was well-grounded: exporters were usually efficient producers who would benefit, under the law of comparative advantage, from tariff reductions. Indeed, by the early 1960s, a wider acceptance of liberal trade existed in agricultural, labor, business, and industrial circles, and increasingly on Capitol Hill, than ever before. The newly-recovered nations presented capital-intensive enterprises with attractive trade and investment opportunities, leading many in Congress to stress export expansion, especially with an eye on Europe. America seemed primed to export.

Yet two tendencies within the American economy boded ill for the trade expansion effort. First, producers oftentimes lacked a will to search for overseas outlets. In many cases, the actual orientation of the private sector toward exploiting the domestic market overshadowed the opportunities available in foreign trade. When producers sought markets abroad, moreover, they encountered stiff resistance from other countries and failed to sell enough to make exporting worth their while. A passivity, indifference, or hostility toward exchanging tariff

reduction for expansion into foreign markets was prevalent among U.S. producers.

Second, the essential pluralism at the societal level-of-analysis endangered Kennedy's trade program. In general, the private sector, exporters included, eyed each other and the adminstration with suspicion and diverged on trade policy. In other words, agricultural, labor, business and industrial interests competed against each other for the benefits of trade, and many ran into conflict with Kennedy. The divergent views within the private sector and between these interests and the White House exemplified behavior among exporters.

These themes are clearer after a look at the perspective and policies of the three trade sectors in the U.S. economy: agriculture, labor, and manufacturing. Contrary to hegemony school theory, prctectionism was more powerful than the search for overseas markets, even in segments of the export-oriented farm community, because selling in the home market still took precedence. Furthermore, even when exporters went abroad, they were often stymied by foreign restrictions. Kennedy encouraged exports as the main benefit of his fair-trade doctrine. The inherent tendency of Americans to turn inward, especially in matters affecting the economy, however, compelled him to promote the TEA as more than just an aid to trade expansion.

Not counting solely on economic argument to win the TEA, the administration and its allies in Congress promoted the bill as a critical part of American security. Along with military programs, trade was a part of Kennedy's "Grand Design", his U.S.-European policy aimed to unify and strengthen the Western allies under an "Atlantic partnership". Reversing the balance-of-payments deficit by expanding exports served these objectives. Exports helped finance the country's considerable outlays for overseas military and aid programs, which provided the bases of alliance security. The hypothesis that the push for exports came from cold warriors in the administration and Congress and not from the American private sector thus illuminates the arguments of the comparative-advantage and hegemony schools.

This debate also sets up a test for the models of interest intermediation. The bureaucracy agreed on the need to win the cold war by every means, including trade. Thus, it can be assumed there was no fundamental differences among officials with Kennedy policy. Corporatism provides a more relevant paradigm, for expanding exports was a goal in which private and public elites promoted in unison. Thus, the decision-making arena may have included links, either institutionalized or informal, between the rising capital-intensive export sector and the administration. Or, as in the protectionist

cases, the most applicable models might be those in which Congress is the central focus of interest group or inter-branch politics.

Since export expansion was Kennedy's reason for introducing the Trade Expansion Act, corporatism is a compelling explanation of the decision-making process. But it is flawed. A public-private partnership on trade, such as the corporate-led Randall Commission under the Eisenhower's "industrial administration", did not exist in Kennedy policy-making. The only bodies for formulating trade policy were bureaucratic entities, such as the inter-departmental Trade Policy Committee or the Petersen task force. The latter, though drawn from the private sector and instrumental in the formulation of the TEA, was limited to the campaign in Congress. A candidate for testing the corporatist analysis, though, was the Committee for a National Trade Policy (CNTP), an effective lobby for liberal trade.[1]

While it included on its rolls the major U.S. corporate executives, the CNTP was not a forum for policy-making, nor was it asked to be. Some of the 2000 members of the CNTP, founded in 1953, included Ford Motor, Standard Oil, Chase National Bank, Gillette Safety Razor, Burroughs Manufacturing, IBM, General Mills, ITT, Pillsbury, H.J. Heinz, and Crown Zellerbach. All of these firms backed the TEA. In additions, many of the architects of postwar trade

policy had been members of the CNTP; founders George Ball, William Clayton, and Paul Hoffman had served in key government or related positions. But the CNTP engaged in educating the public, giving its opinion on trade measures, and acting as one of Petersen's liaisons with Congress and private interests. However influential, the organization was devoid of a corporatist decision-making role in the Kennedy administration.[2]

Nevertheless, the administration appreciated the CNTP's efforts in persuading Americans to accept exporting as a necessity for the 1960s. The President fought to convince Congress <u>and producers</u> to ignore their natural proclivities to turn inward and exploit the U.S. economy. Yet Seymour Harris pointed out that the stress on exports over imports had a limited appeal since many producers believed that GATT negotiations tended to increase imports, not exports. Kennedy could also not ignore the most telling fact about U.S. trade; only an estimated 5% of all American manufacturers sold abroad.[3]

Kennedy hoped to convert these unwilling or apathetic interests into exporters by an impressive propaganda campaign for the TEA. He discussed the salutary effects of overseas sales to the domestic economy, and tried to present exports as a crucial part of American foreign policy by linking commerce to political goals. "Be export-minded", he told the National Association of Manufacturers,

in order to offset the payments deficit and permit the country "to meet our commitments" in aid and defense.[4]

The entire administration helped in the campaign. The TEA was a foreign rather than an economic policy, echoed Petersen, in attempting to give the bill a broader meaning. Policy planner Walt Rostow added that without American business expansion (including exports), the U.S. would complicate the adjustments occurring in the Atlantic community, damage the interests of the LDCs, and hearten Soviet leaders who feared a resurgent West. Ultimately, the President himself had to convince the public. America could either "trade or fade", he warned, with the obvious consequences of losing more power in global economic and political terms if the latter happened.[5]

Indeed, upon entering office, Kennedy seized the initiative, instructing Secretary of Commerce Hodges to boost Eisenhower's export expansion program. Hodges set out to reverse the previous complacency of his department and businessmen in trade. He began trade fairs, conferences, and centers abroad, and revitalized the overseas commercial services organization to aid exporters. Under State Department jurisdiction, foreign country surveys, product lists, directories, and personnel available to U.S. businessmen had suffered neglect. The State Department pledged to expand the services and elevate

employees to ministerial rank in exchange for continued control over the services.[6]

To reward exporters, the President introduced the "E" (export) flags in recognition of businessmen who built a large export trade. The flags had flown over the most productive factories during World War II. He also approved the expansion of credit for exporters through the Export-Import Bank, and credit guarantees. Under Eisenhower and Kennedy, the expansion program played an important role in increasing merchandise exports by almost $6 billion from 1959 to 1963.[7]

But such efforts did not have an effect on changing the attitudes of the private sector toward foreign trade. Ambassador to Belgium Douglas MacArthur II attributed the poor showing of American goods in foreign markets to the U.S. business sector's loss of "vigor", while an Export-Import Bank official called the export performance "pathetic". Hodges complained that even U.S. ambassadors downgraded the commercial services to the point where they were inadequate. At a White House conference on export expansion, 40 trade associations rejected free-trade and demanded more protection, prompting Petersen to conclude that Americans were "not strong seekers of export opportunities".[8]

The public shared this view. Parochialism, the impact of imports, and the inability of producers to see the

benefits of exports undercut the President's appeal. The public response to the TEA revealed either an unawareness of market opportunities abroad or no convincing evidence of support for liberal trade. Asked if they had heard of the Common Market, over three-quarters of the people polled by George Gallup responded "no". Nearly half had no knowledge of Kennedy's bill in January 1962; by April, after the informational campaign by Petersen was underway, this figure had worsened to 54%. Of those that did know about the TEA, 60% saw no reason to change or lower duties or had no opinion at all. Failure to win the TEA, acknowledged Petersen's staff, would not be due to a lack of persuasiveness by the administration, but because of public ignorance.[9]

The export figures which Petersen brought to the Oval Office showed Kennedy the reason behind this unconcern. Exports accounted for 35% of the Netherlands' gross national product and 10 to 19% of the GNP of the Common Market, Britain, Sweden, and Canada. The world leader in export volume, the U.S. earned nearly $20 billion from sales in 1961, or one-sixth of the global total. Yet only 3.8% of the American GNP in 1962 was attributable to exports, and this figure had not moved above 6.8% since 1920. It rose to only 4.4% by 1970.[10]

A novel "export origin" study by the Commerce Department in 1962 showed that all 50 states benefited from

overseas markets, but agriculture was the only sector reliant on these sales. Only eight states accounted for 60% of manufacturing exports and fewer than one of every 25 manufacturers exported. With justification, protectionists complained that the study, which claimed that 6 million workers were employed in plants that produced for exporting, was misleading since only a small percentage of the total output of these plants went abroad. In effect, America did not need to export its industrial goods out of necessity as other nations did, a reality which backs up the comparative-advantage school's argument but hurt the campaign for the TEA.[11]

Kennedy was happier with the response of farmers to his bill and about the trade figures for agriculture, where exports were much more important. Fourteen states sent abroad farm produce worth more than $100 million. The farm export total of $5.1 billion out of $35 billion produced, which accounted for 14% of farm income, was impressive, but it must be noted that $3.2 billion were earned dollars while almost $2 billion went abroad as aid or gifts. An overall farm commodity surplus of $1.4 billion in 1962 grew larger as the decade progress, though America ran a deficit in dollar exports until 1970. Farmers were nonetheless America's export champions. One of every six acres harvested and 15% of farm goods, as opposed to 8% for non-agricultural production went abroad. Broken down into

commodities, production as a percentage of exports ranged from 57% for rice to 20-49% for barley, tobacco, cotton, soybeans, wheat, and 14% for sorghum. "Make no mistake about it", said Secretary of Agriculture Orville Freeman to Congress. "The prosperity and stability of the American farmer is directly dependent upon our exports".[12]

As a result, Big Agriculture was the most consistent supporter of liberal trade, and the most demanding of access into the lucrative Common Market. The EEC took close to 30% of U.S. farm goods but its common agricultural policy, already instituted for a few commodities, was a troublesome protective device. Though farm-state legislators urged lower barriers to trade, Kennedy feared that agricultural interests would sour on the TEA when they perceived little chance for reciprocity from Europe. To secure votes for the bill, he fought for access into the EEC, though the Six dodged his efforts on the grounds that the CAP was still in its formative phase. Poultry exports emerged as the weapon in Kennedy's crusade.

The celebrated "chicken war" grew from a squabble over EEC trade restrictions into a dramatic stand by America against the CAP. The problem stemmed from a six-fold upturn in U.S. poultry (broilers and eggs) exports beginning in 1959, and a rise by 36% in 1962. Technological advances in breeding and management had caused an oversupply of chickens at home and prompted a

search for new markets. Unfortunately, the explosion was ill-timed; exports ran headlong into the integration process and a similar poultry production revolution in the Common Market. After rancorous inter-EEC negotiations, the Six approved the CAP in mid-January 1962 and readied variable levies on poultry imports for 30 July of that year. CAP Regulation 22 sought to harmonize internal EEC poultry prices, restrict U.S. and Danish exports, and reserve the lucrative West German chicken market for Dutch, French, Belgian and, to a lesser extent, Italian producers.[13]

But American raisers already controlled one-quarter of the German market, with exports valued at $49.5 million and growing. The levy, and a special "sluice gate" provision which set a minimum import price, raised the cost of U.S. chickens in West Germany by nearly 10 cents per pound. The EEC had declined to negotiate the fee, though it was one of the two CAP levies set at the time of the Dillon Round. As a result, the "standstill agreement" of 1961 on poultry did not assure the U.S. of its historic share of the EEC market. As Ross Talbot explains, this stalemate allowed the chicken export issue "to fester and irritate".[14]

By the time the levy was in place at the end of July 1962, just before the Senate hearings opened on the TEA, pressure had built for a major conflict. The American Farm Bureau Federation and the National Farmer's Union demanded

that the EEC agree to maintain America's share of the German market. The influential Institute of American Poultry Industries, an amalgam of chicken and egg producers with offices in Washington, D.C. and Frankfurt, West Germany, mobilized producers and congressmen to lobby Kennedy for "fair-play" from Europe. The subsequent visits and mail to the White House from poultrymen, delegations of governors from 17 states, and chicken bloc legislators were considerable.[15]

The President surely felt the need to take action because, like textiles, the poultry industry was centered in the South. The fact that chicken producers were free-traders while textile manufacturers were protectionist did not matter. Southern congressmen controlled key committees, and thus much Kennedy legislation, and demanded solutions to the chicken problem. Congressman Harold Cooley (D-NC), for instance, chairman of the House Agriculture Committee, could tie up the beleaguered Kennedy farm program indefinitely. And no less than Ways and Means Chairman Wilbur Mills, from one of the top chicken-producing states, was a member of the poultry bloc. He warned Kennedy that the TEA would not pass if the President failed to persuade the EEC to lower the CAP or give adequate compensation. Mills said that it was ridiculous to grant Kennedy tariff reduction authority which later

would be dissipated by bargaining down the very barriers that the Common Market had raised arbitrarily.[16]

In the Senate, another administration ally and Arkansan, Democratic Senator J. William Fulbright, the powerful chairman of the Foreign Relations Committee, made known his discontent. He scorned the EEC's farm trade policy, calling it "trade strangulation". Joining Fulbright, who was also a member of the Senate Finance Committee, were other key Southern Senate veterans who held important posts, such as Richard B. Russell (D-GA), John L. McClellan (D-Ark), Allen J. Ellender (D-LA), and John J. Sparkman (D-AL). Kennedy also expected pressure from Atlantic state legislators, especially Maryland.[17] Interest groups worked through inter-branch politics to achieve their aims.

Such concerted pressure sent White House aides scampering to help the poultry industry. Not that the administration did not favor action; indeed Freeman, Petersen, and Kennedy had been disappointed with EEC agricultural policy at the Dillon Round and the restrictive CAP. Now they plotted an approach to Europe. Not surprisingly, Myer Feldman insisted on avoiding congressional recriminations, and so opposed waiting until the TEA passed before working out a bargain with the EEC. He also ruled out appeals to the EEC, realizing the Six would merely ignore them, and also turned down an option calling for a meeting of Common Market agricultural

ministers. To bring the entire EEC to a conference table to discuss unfair and untimely European trade barriers, furthermore, put Kennedy in an uncomfortable spot. Talks would come on the heels of EEC retaliation to the inopportune American tariff hikes on carpets and glass.[18]

Instead, the President opted for a bilateral approach by sending a letter to German Chancellor Konrad Adenauer in June 1962, before the poultry levy was activated. Kennedy's goal was not increased access but to maintain America's share of the EEC market. Basing his request on the fair-trade doctrine, Kennedy called the levy "unfair and inconsistent" with the principles of GATT. The fee harmed Atlantic community relations and might doom the TEA. Kennedy warned that American disfavor of the EEC could be "an important adverse factor in the consideration of the Trade Bill now before Congress". Noting the pressure from Capitol Hill, he asked Adenauer to defer the imposition of the levy from 30 July until, preferably, after passage of the TEA.[19]

Adenuaer's response was encouraging, but negative, due to constraints on his options. He promised to look into the fee but that the EEC Commission determined the levy. Indeed, on 20 July 1962, the Chancellor requested the Common Market to lower poultry duties and maintain this level until the end of the year. The administration was delighted; the State Department remarked that the German

effort would at least "earn us some credit in this matter" with Congress. The EEC Commission, resisting pressure from large farm organizations in Europe to institute the fee at the same level, authorized the reduction in the German levy subject to approval by the Bundestag. Since German farmers had considerable political influence and sought to protect their market, however, the parliament never acted. The poultry levy went into effect on schedule on 30 July 1962.[20]

Thus, over the next year, the poultry issue erupted into the Chicken War. The congressional poultry bloc appreciated Kennedy's understandably limited actions against the Common Market, and voted overwhelmingly for the TEA, choosing to take their hostility out instead on the EEC. USDA Secretary Freeman met with EEC leaders and futilely berated them for the levy. In June 1963, the chickens had made such an impact on diplomacy that Kennedy raised it during his trip to West Germany, though the President regretted the fact that the issue had become so protracted. But the conflict was not resolved until December 1963 when the United States retaliated, raising tariffs amounting to $26 million on items that particularly injured West Germany, France, and the Netherlands, the main poultry protectionists.[21]

At the very least, the Chicken War showed that the future of expanding agricultural exports under the CAP was

quite limited. By 1971, U.S. poultry exports to the EEC fell to less than one-fifth of their high levels of 1962 and almost half of sales in 1959. Though overall U.S. farm exports to the Common Market rose in value, they declined as a percentage of EEC imports. Thus, the U.S. did not retain its historical share of access commensurate to the rise in total global farm imports into the EEC.[22] America possessed a comparative advantage in chickens but the Six refused to trade fairly. Contrary to the claims of the hegemony school, the U.S. could not force Europe to keep the door open to exports despite persuasive efforts and ultimately, the threat and reality of retaliation. The issue indicated how far American strength had waned.

In general, most agricultural interests took the same expansionist position on trade as the poultry industry, but their views did not mean they supported the TEA right down the line. For instance, the American Farm Bureau wholeheartedly backed freer trade and greater access for farm goods into the EEC. But the Bureau, as an opponent of government intervention in the economy, disliked the Kennedy domestic farm program of subsidies and price supports and the adjustment assistance provision and the export subsidies in the trade bill. The National Grange and National Farmers Union backed trade expansion, too, as did major export commodities, but there were enough

discrepancies between them to confirm the pluralism within the farm sector.[23]

For instance, the Farmers Union, a family-farmer oriented organization with import-competing members, advocated adjustment assistance in opposition to the Farm Bureau. Other farmers hurt by imports flocked to Washington to complain, too. Among those demanding protection were livestock and dairy producers, whose legislators accounted for two-thirds of the votes against the TEA. Also, a plethora of California specialty crop farmers, Pacific fishermen, and vegetable and fruit growers from all over the nation opposed Kennedy. Most significant, cotton producers, who enjoyed a comparative advantage and exported half their production abroad, backed protection. Cotton farmers feared losing the two-price cotton subsidy which textilemen opposed, and denounced the Farm Bureau's liberal trade stance.[24]

Corporatism was not a trait among farmers in trade. Some analysts questioned the utility of exporting to solve the domestic farm surplus problem, asserting that overseas markets only partly helped. A Farm Bureau official admitted he had a "damn tough job" of even interesting farmers in the trade expansion goals of the TEA. As Lauren Soth writes, those who generalize about farm opinion stand on "dangerous ground".[25]

Legislators were not immune from import-competing farm interest groups. Both senators from New York claimed that their state sold only 1% of its produce abroad, while agricultural imports displaced workers. The inflow of strawberries could provoke noise from congressmen from several states, noted the TEA task force, while Representatives Al Ulman (D-OR) and Clair Engle (D-CA) pressed for restrictions on a host of non-basic specialty commodities. The lumber bloc already pushed for restraints, and Senator E.L. Bartlett sought to limit fish imports. These legislators listened to the Western Growers Association when it argued that "foreign trade should be fair trade".[26]

Kennedy expected, and received, however, solid support from the farm bloc because of the TEA's promise of export benefits. The Farm Bureau delivered, for example, all but one member of the Kansas delegation. Kennedy did not buy votes in the farm sector with special concessions, as he had with textiles and lumber. His inaction, wrote an administration analyst, implied that he was willing to risk losses in upcoming elections in agricultural districts in order to gain them in industrial areas. Yet farmers had leverage over him through inter-branch pressure. Indeed, their demand for access abroad forced the President to answer to Congress and plead, often in vain, with the EEC for retaining or increasing U.S. farm exports. By doing

so, he most likely hoped to alleviate his political weakness in the Midwestern farm states, which he lost in the 1960, before the next election.[27]

In the labor sector, where, contrary to farm states, Kennedy's political stock was high, he expected and received solid support for the TEA. But its backing came with a price tag, qualifications, and deep disagreement with the business community. It was also unclear if workers recognized the importance of exports, but they certainly realized the effects of imports on their jobs.

Administration and labor leaders exaggerated the employment benefits of foreign trade, especially in lowering the jobless rate. About 3.1 million workers, nearly one-third of these farm labor, relied on exports. Thus, 13.2% of agricultural workers benefited from sales abroad. Yet, only 5% of all non-government, non-agricultural jobs and 7.7% of manufacturing workers depended on exports. As Vice-President George Harrison of the AFL-CIO explained, since the percentage of employment attributable to exports and imports (7.5%), as well as the ratio of the GNP to foreign sales was so small, the U.S. was not reliant on trade for domestic economic security. Exports of merchandise created jobs, said Senator Albert Gore (D-Tenn.) in assessing Kennedy's contention that foreign sales were critical to domestic well-being. But exports were certainly not of such great magnitude that a

reasonable increase could absorb enough workers and lower unemployment to an acceptable level, he concluded.[28]

That the administration counted on labor support for the TEA stemmed not just from the perception that more exports would create jobs but from the cold war views of AFL-CIO President George Meany. A fervent anti-communist, Meany linked liberal trade to a unified Atlantic community joined with the LDCs. The Soviet bloc was anathema; he opposed, for instance, inviting Moscow to agreem to a code of fair practices. For Meany, the foreign affairs involved capitalism versus communism. "In this struggle", he told Congress, "the economic well-being of the free nations, our own included, is of paramount importance."[29]

Security concerns aside, the AFL-CIO nevertheless made adjustment assistance a condition of its support for Kennedy. Because unions were one of his key political bases, the President had to satisfy worker demands on trade policy. Big Labor had sided with all the Reciprocal Trade Acts since 1934 as part of New Deal legislation. But unions signaled that without some form of unemployment compensation to cushion workers after the TEA eliminated the "no-injury" criteria, that is, little reliance on the escape clause and peril points, they would oppose the bill. The AFL-CIO even requested the retention of the no-injury measures at the Democratic convention in 1960. Now, AFL-

CIO endorsement was "wholly contingent upon inclusion of these trade adjustment assistance provisions".[30]

Of course, this requirement was not a burden on Kennedy. He welcomed the AFL-CIO demand since he had sought adjustment assistance for the RTA of 1953 and made it a centerpiece of his fair-trade doctrine under the Trade Expansion Act. AFL-CIO adamancy, however, restricted his flexiblity in changing parts of the provision to suit conservative, anti-labor industry leaders and congressional foes of adjustment assistance.

Labor intransigeance on adjustment assistance indeed posed a problem for Kennedy, since it sparked criticism by the business community as yet another dole for the welfare state. A reporter goggled at the rare sight of labor and business leaders walking into the Capitol together when the TEA hearings began, but the sight belied the tensions below the surface in this expedient union against protectionism.[31] Adjustment assistance laid bare the fundamental schism between both sectors on societal values, the role of government in the economy, and the continuation of the New Deal. These differences put in doubt the corporatist view that a firm alliance existed between business and labor.

The AFL-CIO issued, for instance, numerous statements which took indirect jabs at the corporate "enemies of progress", who claimed that the payments deficit resulted

from high labor costs which priced American goods out of domestic and foreign markets. The deficit, competition abroad, and cheap imports were favorite "fronts" for "those" who advocated wage restraints on U.S. labor, argued labor leaders. In reality, high wages permitted workers to buy more goods, so boosting corporate profits and mutually benefiting everyone. "Honest businessmen and bankers" knew that feeble salesmanship by industry explained the lack of exports and the persistent deficit.[32] Economic and ideological differences caused a pluralistic divergence among these societal interests.

Pluralism existed within the labor movement as well. Some unions opposed freer trade, and though small in number, they were influential. Unions of carpenters and joiners, shoemakers, potters, and glass and textile workers rejected the AFL-CIO stand on liberal trade. Higher tariffs and the textile program showed the protectionist influence of the latter two on the Congress and Kennedy. The 1.7 million member Teamsters brotherhood also expressed "serious reservations" about the trade bill, viewing it as a major departure from other RTAs. The TEA made "no provision for fair trade" by equalizing international wages or eliminating non-tariff barriers. Like many others, the union accused Kennedy of inconsistency with his more protectionist Senate record.[33]

In sum, workers were not "free traders in the usual sense", as Solomon Barkin of the Textile Workers Union explained. Labor support was highly qualified, both by an insistence on adjustment assistance and a demand by some unions for protection for industries which suffered market disruption. Kennedy recognized and acted on these propositions, and won the majority to liberal trade. As Meany contended, "I would support any legislation that would be helpful to our country's position in the world, and at the same time find some way to help protect our own workers".[34] Such was the fair-trade balance necessary to win labor's support.

The fair-trade compromise ran into more opposition from the business community, where protectionism held its ground. Manufacturers were at odds with labor and the administration on trade and other issues to the point where a partnership of private interests with the government was unworkable. But the factor that stands out in the business community perspective is the pervasive influence of protectionism. Unlike agriculture and labor, Kennedy struggled to convince industrialists of export opportunities abroad. In the end, he marshalled the strength of congressional liberal traders to dampen down protectionism.

As scholar Robert A. Dahl discovered, pluralism on trade was prevalent in the two major business organizations, the

United States Chamber of Commerce and National Association of Manufacturers (NAM). A spokesman for local merchants and trade, business, and professional associations, the Chamber consisted of export industries as well as import-competitors. This variation explained why the Chamber had always supported the RTA but only with the inclusion of protectionist safeguards. In 1962, the organization's vote on its resolution for the TEA provoked a stormy session. Protectionists blocked endorsement of the bill and united against adjustment assistance as an answer to import injury. The Chamber's board of directors managed to reverse some votes and win support for Kennedy, but many members agreed with Monsanto's Thomas J. Dewey that such a "wide diversity" existed within the Chamber that no policy statement should be made at all. In the end, the one Chamber reservation, in conflict with Kennedy, concerned federal funding for adjustment assistance.[35]

NAM, the voice of Big Business, remained neutral. Split between export- and import-competitors and firms with no interest whatsoever in foreign trade, this 22,000 member organization had maintained a consistent neutrality since the 1940s. Rejecting both extremes of free trade and protectionism in fair-trade fashion, NAM hoped for expanded trade but not at the expense of domestic producers. Officials doubted that liberal trade was advantageous to America since it opened up domestic markets to competitive

forces. But its neutrality was so deep-rooted that NAM's Economic Advisory Committee routinely discussed all facets of foreign economic policy except tariffs, to which it left the "widest discretion" to its membership. Though not promulgating an official resolution on the TEA, NAM firmly opposed adjustment assistance, sought a one year extension of the RTA, and desired to reduce presidential authority over tariffs.[36]

The cold to lukewarm reception to the trade program from NAM and the Chamber showed not only variation within the private sector between industry, labor, and agriculture, but discord between business and the administration. Recent scholarship on the 1960s draws the picture of a president who was the consummate "corporate liberal", vigorously pursuing tax and trade policies which assured corporate hegemony in the domestic and foreign economy. In reality, the President encountered much resistance from private interests, a condition borne out by the steel price crisis, tax and investment policy, and resistance to his trade bill. And, as Jim Heath notes, even when agreement occurred, Kennedy acted not for businessmen but in the national interest of updating and invigorating the economy.[37]

No doubt a substantial portion of the business community fell in behind Kennedy's call for freer trade. Transportation, consumer goods, and heavy machinery

manufacturers joined banks and insurance companies in stressing the "amazing opportunities" which were opening up in Europe for exports. The liberal CNTP and the Committee for Economic Development, a political think-tank, added to these forces. Producers and service industries sought an end to the "vicious circle" of trade restrictionism for diplomatic reasons, but the profit motive served as a major catalyst. Take away the national income derived from exports and imports, commented an industrialist, and the cushion between profit and loss would be eliminated.[38]

Even among such capital intensive enterprises, however, the support was mixed in its intensity and diverse in its reasoning. One trend was clear: the TEA represented a "sweeping change" in business attitudes away from protectionism and toward liberal trade, said business analyst Gene Bradley. The urge to export and invest abroad converged in the early 1960s to build this enthusiasm. For many, though, tariffs were not important. Automakers like Chrysler Corporation, for instance, admitted that road and other taxes doubled the price of their cars in Europe, so a duty cut of even several hundred dollars would make little difference in sales. Aircraft giant Boeing remarked that tariff cuts were not a concern since most of its foreign and domestic buyers were government-owned and would pay any price.[39] These firms backed the TEA, but not actively.

Other rising industries were not so forthcoming. Political scientist James Lindeen found in his survey of testimony in the RTAs since 1934 that the more competitive the producer, the more inclined toward liberal trade. Yet some firms seemed apathetic to the free-trade cause. The CNTP reported several members were delinquent in donating to the organization, including Texaco, Coca-Cola, American Radiator and Standard, and F.W. Woolworth. Still other multinationals, such as Caterpillar Tractor, were concerned with exports but more with maintaining subsidiaries overseas. And competitive, high technology industries in the chemicals, coal, steel, and aluminum sectors straddled the fence between the TEA and protectionism.[40]

The products of the fast-growing electronics industry, for instance, with export sales accounting for 6% and $613 million of its output, would fall under the dominant supplier provision of the TEA and therefore enjoy free access into the Common Market. But the industry predicted that European advances in technology and production would soon squeeze out American competitors like Westinghouse. Anyway, the main market for radios, televisions and semi-conductors was at home, claimed manufacturers. Thus, the Electronics Industries Association issued a resolution calling for trade restrictions which disappointed the administration and enraged the CNTP. Because Japanese imports threatened domestic production, electronics

manufacturers requested a cotton textile-type quota agreement to limit these products, the retention of existing protectionist devices in the TEA, and additional enforcement measures.[41] Here was a capital-intensive industry that turned inward as well as outward.

This tnedency also showed up in the chemical industry. On the surface, this industry was a prime candidate for the export club. With 6% of sales going overseas, chemical manufacturers ranked fifth in total sales and fourth in assets among all American producers and boasted a growth rate that was three times the national average. They accounted for 8.7% of U.S. exports in 1961, grossing $1.7 billion, while imports amounted to less than $400 million. Not only did exports more than quadruple imports, but total trade had climbed over the $2 billion mark beginning in 1960 and continued to rise. Market surveys predicted rapid growth in investment and trade, especially in competitive but capital-starved Western Europe. "Never before has the chemical industry played so heavy a role in the U.S. export trade", proclaimed Chemical Week.[42]

Chemicalmen were a paradox, however. Their knee-jerk reaction against imports dominated the industry's trade stance. Strident protectionism stemmed from the struggle against German dye manufacturers who had dumped their products on the American market just after World War I and nearly destroyed the fledgling chemical industry. In order

to protect its infant industry against powerful German concerns, the U.S. raised tariffs and introduced the American Selling Price (ASP) method of customs valuation in 1922. Reinforcing the prohibitive 60% chemical rates of the Fordney-McCumber tariff, the ASP standard undercut the price advantage of foreign manufacturers in organics (dyes) by basing duties on the current American price of chemicals instead of the value of the goods. While high tariffs fell over the next 40 years, the ASP remained intact and limited organics imports to 20% of their potential in the American market.[43]

The revival of British and EEC chemical cartels, soon to be united under the Common Market, exacerbated American fears of destructive competition. West Germany, France, Italy, and Great Britain had experienced tremendous growth in chemical production since the late 1950s and as a result, cut into America's global share of markets. Despite the boom in U.S. production, Western European output rose one-third higher. Free-traders pointed to the huge surplus of exports over imports, but chemicalmen predicted a leveling off of overseas sales and a six-fold jump in imports. Manufacturers hoped Kennedy would increase access for chemicals in Europe, while protecting less competitive sectors.[44] The industry was ready for some fair-trade persuasion.

Influencing chemical producers in this direction proved to be a difficult task, though, and one compounded by differences between the industry and the administration on trade and other matters. Manufacturers were content but not enthusiastic about the new export credit guarantee program, for instance. The program, administered by U.S. insurance companies in agreement with the Export-Import Bank, issued coverage for financial institutions which granted credit to exporters. Since their main European markets were low-risk trade areas, chemicalmen were not in dire need of the program. Kennedy's approach to business also revealed the rifts. His confrontational rollback of steel prices in May 1962 upset chemical leaders, as did the lack of more liberal depreciation allowances to help plant modernization.[45]

Kennedy's plans to change the overseas investment tax deferral privilege was another point of discord. Corporations did not pay federal tax until earnings of their subsidiaries were remitted to the parent company. But Kennedy sought to tax subsidiaries in order to discourage investment and slow the outflow of capital which worsened the payments deficit. Between 1957-1960, capital investment in Europe and Canada exceeded the dividends remitted to the parent company by $655 million. Kennedy withdrew the plan under industry and congressional pressure, but his action angered chemicalmen, who claimed

that producing at home was expensive compared to the advantages of cheaper labor, transportation, and manufacturing costs in Europe. They could compete in the EEC only by skirting around the common external tariff to set up plants in Europe. Putting this view into practice, the industry set up 55 new plants in Europe from 1957 to 1962 and increasing the output of American subsidiaries by 84%.[46] Export expansion was not the industry's top concern.

Kennedy and producers were also at odds on trade. At the Dillon Round, the Synthetic Organic Chemical Manufacturers Association (SOCMA), backed by the industry's trade organization, the Manufacturing Chemists Association (MCA), revolted when many chemical products appeared on the list of goods eligible for tariff cuts. Demanding higher tariffs instead, the MCA remarked that the list looked like it had been prepared by foreigners eager to enter the U.S. market. Chemical Week cautioned against such sarcasm, but implored negotiators to remember that "there is no stigma attached to considering U.S. interests".[47]

The Dillon Round provoked animosity over chemical trade on both sides of the Atlantic. Charges of chemical dumping flew both ways in late November 1961; the EEC protested the flood of U.S. polyethylene while Americans denounced cheap imports of antibiotics from Europe. A British producer called Americans "two-faced" because they wished to sell

without reciprocally lowering chemical protection. The ASP standard was particularly nettlesome because it more than doubled the price of European chemical products. Anyway, argued the Europeans, the reasons for American protectionism in chemicals had disappeared long ago since other products had assumed a much greater export significance in trade than those covered by the ASP system.[48]

Americans were accurate, however, in claiming that the EEC had higher chemical tariffs than the United States. Senator Paul Douglas, for instance, called European tariffs "astronomical" and "unrealistic", and urged their reduction. In the end, the EEC included chemicals in its initial tariff cut offer at the Round, but withdrew concessions on products that it considered too heavily restricted in America and on which the U.S. had refused to negotiate. The U.S. still got the better deal, receiving 244 cuts valued at $203 million on chemicals while granting 80 concessions worth $25 million and retaining the ASP.[49] U.S. producers won their protectionist cause.

Despite the gains, the Round left chemicalmen with a bad taste for the Kennedy trade program. Even before the TEA, they girded themselves for one of their "stiffest battles with the government in years" over tariff policies. Linear, or sectoral, tariff cuts, would leave them in "complete uncertainty" in future negotiations and

discourage development of new, but vulnerable, products. Other spokesmen accepted tariff reductions as long as Kennedy did not water down the escape clause and peril point provisions, which he in fact did. In stiff opposition were synthetic organic producers, who predicted an evisceration of the ASP valuation if the TEA passed Congress.[50]

Diverse enough opinion on the TEA ran through the ranks of the chemical industry to make a statement of policy impossible. But there was no doubt that regardless of the "split personality" of exporters and militant protectionists, the industry leaned toward more restrictions. Welcoming the bill were executives of American Cyanamid, Cabot Corporation, Pfizer International, and Baird Chemical, who confidently predicted that U.S. chemical products could penetrate the EEC. Others, such as Reichhold Co. and National Distillers and Chemicals were resigned to the inevitablity of tariff cuts as long as they were gradual.[51]

Opposition to the bill was overwhelming, however, and much resistance came from chemical giants who were major exporters. Dow Chemical and Monsanto, both with a high volume of foreign sales, opposed the TEA. Dow wanted "reasonable" controls on imports and saw a "definite peril" to employment and research from liberal trade. Monsanto actually proposed a five-point program designed around

item-by-item reductions. Criticizing the TEA for its lack of insurance for true reciprocity, Monsanto spokesmen took their cue from founder Edgar Queeny's 40-year old stress on protectionism, which still prevailed in the company.[52]

Dupont's exports comprised 6% of total sales, yet the dye and chemical division dominated policy. Vowing to "fight for our very existence", dyemakers pushed President Crawford Greenewalt to offer four amendments to the TEA which would safeguard their interests. These measures strengthened the escape clause and retained the peril point, eliminated adjustment assistance, and assured reciprocity in negotiations in which industry advisors would be present. Dupont supported Senator Prescott Bush's protectionist amendments, but much of the industry predicated support for the TEA on the Dupont amendments.[53]

Protectionists translated their views to the major trade associations. As expected, synthetic organic producers denounced the bill as a "reckless" piece of legislation that squandered U.S. economic strength. As of March 1962, moreover, the MCA, representing 182 producers who accounted for 90% of chemical sales, edged toward a revised TEA instead of defeat or acceptance of the bill in its present form. Indeed, Chairman Robert Semple sided with export promotion as a goal in commerce and, like Kennedy, sought to establish "fair trade rules so that the U.S. manufacturer operating abroad has an equal break with the

foreign competition delivering his products to our shores".[54] Semple backed the Dupont amendments to the TEA and opposed giving the President more authority, and Congress less, over tariffs.[55]

The MCA position concerned the Kennedy forces which, like the CNTP, had predicted that all chemicalmen except for organics would be at the "vanguard of liberal trade". Petersen told the MCA that the industry was a model of the laws of comparative advantage: it possessed substantial investment capital, cheap raw materials, and enviable production and marketing efficiency to exploit overseas markets. Imports were negligible, moreover, accounting for only 5% of U.S. consumption.[56]

The President reiterated this message during a visit of MCA officials to the White House on 9 April 1962. Semple accompanied General John Hull, President of the MCA and former aide to General George C. Marshall, to discuss chemical issues, including the four Dupont amendments and retention of the ASP system. Kennedy promised to take the four amendments under "earnest consideration" and make a careful determination of which chemical items to reserve from the "zero" list at the negotiations under the dominant supplier clause, the provision of the TEA which eliminated duties on products in which the U.S. and the EEC accounted for 80% or more of world trade. Upon the advice of Petersen, the President also pledged to retain the crucial

ASP. Though he was disappointed at the industry's intransigeance, Kennedy agreed not "to disturb" the chemical sector. Hull later thanked Kennedy and Semple gave qualified approval to the TEA, but surely, as Petersen aide Myer Rashish concluded, the industry was "one of those squeaky wheels that get the grease".[57]

Kennedy relied on Congress to deal with the chemical industry. When organics producers complained, Wilbur Mills called Carl Gerstacker, SOCMA chairman and Dow President, selfiish. Exports way above imports for the industry as a whole, Mills noted, so inefficient sectors must adjust or bow under to competition for the good of all chemicalmen. Congressman Sidney Yates (D-Ill.) asked producers to look at the export origin study by the Commerce Department to discover how beneficial chemical exports were for every state. To Kennedy's relief, House and Senate conferees refused to attach the Dupont amendments to the TEA.[58] Interest groups failed to move Congress.

In the end, administration allies in Congress secured the chemical industry for the TEA. Though Chemical Week was resigned to "make the best" of the TEA, for instance, the journal conceded that the legislation had a "silver lining" since it would lower EEC restrictions on U.S. exports.[59] The interaction reflected more interest group politics than inter-branch relations, as Congress fended off pressure from organic producers and convinced the rest

of the industry of the advantages of reduced tariffs. Free-trade legislators also took up the TEA banner for the President and fought chemical protectionists.

The promise of lower tariffs and increased exports came true in the Kennedy Round. Subject to congressional approval of a complex agreement eliminating the ASP standard, the EEC, United Kingdom, and other chemical importers would drop duties by 49%. The accord hinged on an American pledge to reduce by half its tariff on chemical products. The industry and Congress later balked at the arrangement, but exports and total foreign sales to the EEC continued to rise throughout the decade. Such were the results of Kennedy's onerous push for fair-trade for an industry that to most observers seemed a confirmed liberal trader.[60]

Other manufacturers showed a similar resistance, some an indifference, to the Kennedy trade program. Many businessmen demonstrated a reluctance to accept tariff reductions which might hurt fellow producers. Some refused to speak out publicly for the TEA out of a fear of risking boycotts from Americans injured by imports. Others were apathetic. Elmo Roper pollsters found that though most sided with Kennedy, only 27% of the 500 largest corporations answered their survey. A Research Institute of America survey of 30,000 businessmen found 57% in favor of the TEA but one-quarter against and 17.3% undecided. At

the local level, of 262 industrialists polled in Cleveland, Ohio, 164 opposed or had no opinion on the bill. Finally, a Business Week sampling of 150 executives found fully one-half undecided but concerned about the effects of the TEA on local industry, and the other half split between supporters and opponents of the bill. A "solid minority" of opposition, in Heath's words, when added to fence-sitters, revealed the diversity in the business sector.[61]

In many cases, the administration failed to convince U.S. businessmen to become export-minded. Lumbermen, for instance, sent a trade mission to Europe in 1963 and considered gearing production according to foreign specifications. Yet giants Georgia-Pacific and Weyerheuser remained skeptical of exporting. U.S. labor and management in general, admitted Kennedy, remained "largely unconcerned" about opportunities abroad. Only a handful of companies, he told some bankers in February 1963, gave the export market "the attention it deserved" because they thought the risks were greater than the potential benefits, the profit margin for exports was much less than that of the domestic market, and foreign restrictions limited sales.[62]

Conflict between the administration and the private sector, moreover, outnumbered the agreements. Kennedy playfully but accurately told NAM that the organization was not one of his staunchest supporters. Though comfortable

with a labor audience, he also had disputes with unions over wage-price guidelines. In addition, many agricultural interests opposed his farm program. Businessmen abroad, such as a member of the International Chamber of Commerce, noted the close relationship of governments to the private sector in other countries but admitted that a similar relationship in America was "more difficult to achieve".[63] Erecting bridges between business and government was an aim that the President found taxing and often unfruitful.

To overcome hostility or apathy to his trade policy, Kennedy banked on muffling protectionist legislators with concessions but also looked to a "liberal trade" bloc in Congress for help. This bloc is hard to identify since many of its members remained silent in order to avoid arousing import-competitors in their districts. One unidentified midwestern congressman perceived little political gain in voting for the TEA but recognized the need for new trade legislation to meet the Common Market. Yet he preferred to cast his vote with Kennedy and then "keep quiet about it and hope nobody notices".[64]

Other liberal traders in Congress were bolder, such as the 22 congressman who wrote Kennedy urging an aggressive bill because trade liberalization helped more than it hurt. This group was indicative of support he could expect from legislators representing major exporting states, such as California, Florida, Illinois, Michigan, New Jersey, New

York, and Texas, many of which he had won in the election and expected to win in 1964. He counted on farm-state votes, too, for the TEA, and hoped for their support in 1964. Guarding against defections within these states, and to offset the sizable protectionist forces, the President also welcomed recent converts won over by concessions on textiles, lumber, oil, and carpets and glass.[65]

The heart of the pro-Kennedy forces was a bipartisan segment on Capitol Hill which looked beyond local conditions to the national and international interests. Like the President, they recognized that a trade war with Europe or failure to reverse the payments deficit would impair America's strength in the cold war. Kennedy's diplomatic scheme for American-European relations, a Grand Design which promoted an Atlantic partnership between the Common Market and the United States, appealed to them.

Indeed, the idea of an Atlantic partnership had been enunciated many years before and most recently by Eisenhower in response to the rise of the EEC. The partnership meant that the U.S. accepted Europe as a decision-maker on matters pertaining to the Atlantic alliance. Since trade legislation was the only expression of the partnership available, trade policy became the testing ground for the Grand Design. Equality was based on two commercial partners of the same strength. Two "pillars", one American, the other European, joined by the

common purpose of trade liberalization under the TEA, seemed a real possibility.[66]

The Grand Design implied that America was no longer the sole great power in the West and that the country must orient itself toward cooperative, and not unilateral, endeavors in foreign economic policy. The OECD was a start toward this end. As the President wrote one journalist, "We have sought among our European allies not a band of followers, but a strong partnership capable of sharing with us the leadership" of the West.[67]

The concrete forms of the partnership remained vague, and many of its proponents erroneously tended to think that the EEC would logically and easily accept the idea. The concept was glamorous as a call to unite the West, and Europe responded generally in favor. The full integration of the EEC was a requisite for the partnership to succeed. To the administration, this aim hinged on whether Britain entered the Common Market. For Charles de Gaulle and other suspect Europeans, this reliance on Britain raised again the specter of U.S. infiltration into European affairs using London as a disguise. Did the partnership cloak Kennedy's intention of preserving U.S. dominance at the expense of a truly European Common Market, they asked? Yet EEC officials, such as Commission President Walter Hallstein, Vice-President Robert Marjolin, and others said

that a partnership would avert protectionism on both sides of the Atlantic.[68]

Kennedy emphasized that the EEC had instigated a new, more equitable relationship among the Atlantic powers. In his "Declaration of Interdependence" on July 4, 1962, a statement directed at foreign as much as domestic listeners, he explained the Grand Design. The speech summed up his view of Europe's place in his fair-trade ideology by stressing American-European trade "on a basis of full equality". Kennedy recognized that the "cement" of healthy U.S.-EEC relations did not depend on complete agreement on all political and economic matters.[69] The United States did not aim "to please all of our European allies", but only wanted "the benefits of this kind of union to be shared".[70]

Basically, Kennedy knew that the era of U.S. predominance was over and his Grand Design sought to redress the economic balance-of-power in ways acceptable to all. The EEC was a trade rival, and the idea of an Atlantic community to keep Europe open to American goods and preempt Gaullist nationalism took on a greater urgency than ever before. Indeed, as Ball explained, any U.S. trade disadvantages incurred because of Europe would be more than offset by the increased volume of trade under a free-trade regime. Under the TEA, America would enter trade negotiations with Europe which would create, as

Kennedy exclaimed, "the greatest market the world has ever known . . . a trillion dollar economy, where goods can move freely back and forth."[71]

Defense imperatives underlay this goal. The administration hoped that a trade partnership would spread to aid and military spheres, as Europe assumed more of the financial burden while the U.S. shared decision-making power in nuclear policy. Without the TEA, however, the economies of Europe and America would drift apart, a fissure which the Soviets would gladly exploit. Above all, Moscow feared a U.S.-EEC front which would enhance European integration, build up the Atlantic economy, strengthen NATO, and turn its full attention to the LDCs, reported Roger Hilsman of the State Department. Thus, the success of U.S. foreign policy, added Kennedy, relied on trade to solidify Western political unity. A partnership would frustrate communist hopes for a capitalist trade war and fund the military deterrent of the alliance, thereby dooming Soviet "efforts to split the West" to "failure". Thus, said Deputy Secretary of Defense Roswell L. Gilpatric to Congress, "while defense provides the essential security of the alliance, trade provides the substance."[72]

Understanding the relationship of the TEA to national security, liberal traders in Congress pushed for the TEA. Senator Fulbright reiterated that a trade partnership was more than a dream, it was a necessity in the cold war. A

trade war with Europe, warned Senator Vance Hartke (D-Ind.), would "only delight the communists". Congressman John R. Lindsay (R-NY) claimed that Soviet encroachment in the LDCs and America's need for raw materials were reasons enough for a free-trade program. Rep. William S. Moorehead (D-PA) argued that winning the cold war outweighed the consideration of economic injury to America. "Much more [was] at stake" than U.S. employment and expansion, added Senator Jacob K. Javits (R-NY). The TEA addressed "the economic strength and military power of the nations confronted today by a massive and multi-faceted Soviet challenge."[73]

If the cold war lay at the ideological base of the TEA, the fair-trade doctrine emerged as the practical foundation of support for the bill. Critical to passage were amendments, worked out by House and Senate conferees, which ensured a liberal trade bias but satisfied congressmen worried about injury. Wilbur Mills spearheaded this effort. He tacked on a change in congressional veto power over presidential escape clause decisions from two-thirds to merely a majority vote. Also, the President could not reduce tariffs for five years on items which the Tariff Commission deemed injured by imports. In addition, the TEA provided for a bipartisan delegation of two House and two Senate members to accompany the new Special Representative

for Trade Negotiations (STR) to the upcoming tariff talks.[74]

The creation of the Special Trade Representative was the most novel of the fair-trade amendments. This official, working out of the White House, would preside over a revamped committee within the administration charged with formulating trade policy, thereby replacing the State Department as chief negotiator at GATT. While Rusk and Ball grudgingly accepted the position, the Commerce Department and Kennedy supported it as a concession to Congress and the business community, both of which had previously accused the State Department of being too generous with tariff reductions. Upon the advice of Ball and others, the President selected ailing former Secretary of State Christian A. Herter as STR. Some disagreed with the choice; Congressman Henry Reuss (D-Wis.) wanted someone capable of confronting the EEC "who smokes a cigar without lighting it and doesn't smile very often", rather than the genteel Herter.[75] Yet Herter hoped to spend more time in Washington as a coordinator, leaving the bargaining to his deputy. Thus, Congress was happy when J. Michael Blumenthal, a seasoned, tough negotiator who Ball had tapped to forge difficult international commodity agreements (including the GATT cotton textile accords), became Herter's man in Geneva.[76]

Ironically, the most significant defeat for ardent liberal traders came from the administration itself. Predicting British failure to join the Common Market, Congressman Reuss and Senator Douglas proposed an amendment to extend the dominant supplier provision, to eliminate tariffs on items in which the U.S. and EEC provided 80% of world trade, to the British-led, seven-member European Free Trade Association. Noting that Britain had a hand in most of the products covered by the provision, the Douglas-Reuss amendment allowed for the cuts regardless of EEC action.

The amendment sparked a dispute between the two legislators and the administration. Ball opposed the measure, fearing that the EEC would interpret it as an interference in the delicate UK-Common Market talks. Other officials believed that by supporting the provision, the U.S. would signal that it had lost confidence in Britain's chance to join the EEC. Reuss and Douglas retorted that America had already injected itself into the talks by siding with British entry. Howard Petersen disagreed, arguing that the U.S. had not urged Britain's application and that anyway, the dominant supplier was the best means to achieve a true Atlantic partnership. In any event, de Gaulle crushed the hope for zero duties by rejecting British membership in 1963.[77]

The ardent liberal traders in Congress were thus victims of international policy beyond their control, but on Capitol Hill, they succeeded in winning the TEA without vitiating its ability to bargain down tariffs with the Common Market. Crucial to this outcome was the defeat of 37 crippling protectionist amendments authored by Senator Bush that would have eliminated adjustment assistance, boosted import restrictions on farm products, and restored the "no-injury" criteria by reinstating the peril point and escape clause procedures. The amendments, believed the administration, would have "nullified" the TEA. Regardless, when the votes were tallied, Kennedy racked up the fifth highest total in the House and accumulated the most votes ever in the Senate on the 12 votes on reciprocal trade legislation since 1934.[78]

Congressional liberal traders helped Kennedy coax other legislators and amenable elements of the private sector toward acceptance of tariff reductions. Congress and the President worked out a bill suitable to the disparate band of exporters, import-competitors, and a vast segment of the population who cared or knew little about foreign markets. Senator Eugene T. McCarthy (D-Minn.) summed up the bill accurately the day it passed the Senate. The TEA was, "in reality, a 'fair trade' bill. Its aim is to insure those conditions around the world which will foster and guarantee the age-old right to exchange goods and services in a free

and open market place. It is designed to protect the American businessman in his right to compete fairly around the world [while] it protects American workers and firms from unfair competition".[79]

Kennedy had completed a grueling campaign for his top priority legislation of 1962. Placating key protectionists had been especially hard, but luring exporters by a pledge to increase their access access abroad was another burden necessary to win the bill. Along the way, convincing Americans of the importance of foreign trade, stirring their enthusiasm for exports, and steering them away from the domestic marketplace and toward an interest in economic opportunities abroad had been particularly wearisome. He was not always successful in these tasks, as the general apathy or sizable opposition to the TEA, recalcitrance from exporting industries, or disagreements with big trade associations showed.

A sure win for the TEA had not been assured back in January because of the divisions and opposition within the private sector. Not only were protectionists resistant to the bill, but the President could not count on a tight-knit coalition of exporters in agriculture, labor, and business to support him. Many of these interests, in general, leaned toward freer trade. But intra- and inter-industry divisions, a concern among multinationals more for their subsidiaries abroad than for exporting, and the relative

unimportance of exports to the U.S. economy, even in parts of the farm sector, rendered support for the trade program tepid or even neutral in many sectors.

Thus, Kennedy did not enjoy homogeneous support for his TEA within the private sector. According to corporatism, the linear or sectoral method of cutting tariffs under the TEA gave large sectoral "syndicates" control over decisions. These associations supposedly united to decide trade policy administratively, that is, "outside parliamentary channels".[80] Yet the existence of such a coalition, and even such unity within each syndicate, is questionable. Export interests were Kennedy's best allies. But they did not monopolize policy positions because of the diversity between and within sectors. They also did not have a decision-making role in the trade process.

Instead, in the politics of liberal trade, Congress played a predominant part, though not mediatory as in the textile, lumber, oil, and tariff cases. The common purpose of free-trade precluded any infighting within the Executive branch; thus, the bureaucratic politics model is not pertinent. The interest group model also does not apply. Exporters did not pressure Congress, like import-competitors did, since they agreed with the substance of the TEA. When they did press Congress, such as during the poultry episode, Kennedy was not forced to deviate from his

free-trade position. Chemicalmen did not deter him, either, even as import-competitors prescribed policy.

Instead, congressional liberal traders joined Kennedy in an inter-branch agreement. The Reuss-Douglas dominant supplier amendment signified that squabbling existed between Capitol Hill and the White House. But a significant portion of Congress backed liberal trade, uniting behind Kennedy's reasoning that the nation's security depended on an international free-trade regime and close cooperation with trade partners. Once Kennedy lived up to the protectionist side of his fair-trade doctrine by aiding import-competitors, liberal traders assured him his TEA. An inter-branch accord, styled by the President's foreign policy aims, determined the politics of free-trade.

Though compelling on economic grounds and as a political tactic, the fair-trade doctrine alone did not induce Congress to vote for the trade bill. The national security concerns of the administration and Congress did. That is, economic growth was an important reason for freeing global trade, but had limited appeal in Congress where import-competitors were influential. Instead, Kennedy placed the TEA within the context of the cold war, urging approval in order to reverse the balance-of-payments deficit and preserve America's ability to finance its overseas commitments.

His Grand Design in trade and defense sought to unite the allies under a free-trade regime in order, ultimately, to provide a solid front against Soviet power. Kennedy and cold warriors in Congress, not domestic economic interests, pushed a liberal trade regime based on an Atlantic partnership. Thus, the comparative-advantage school is more accurate in explaining the motives and aims of U.S. trade policy than their hegemony counterparts.

Shrewd maneuvering and graceful rhetoric gave Kennedy a well-earned triumph. For the President, the victory was the go-ahead signal for much of his foreign policy agenda. Upon signing the bill on 11 October 1962, he proclaimed that the TEA was "the most important international piece of legislation, I think, affecting economics since the passage of the Marshall Plan."[81]

This statement implicitly placed Europe as the key target of the American trade program. But as the President later explained, the TEA was an opportunity not only for advances in trade but for closer political relations with Europe, for boosting the economies of the less-developed nations, and ultimately, for unifying the West in the cold war. With these broad goals in mind, Kennedy approached the trade negotiations named in his honor.

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[9] Peter L. Bernstein, "American Shoppers and the Common Market", The Nation 194 (27 January 1962): 79; Gallup, The Gallup Poll, 1746, 1750, 1761, polls taken 17 December 1961, 10 January 1962, and 8 April 1962; J.Robert Schaetzel, "The United States and the Common Market", Department of State Bulletin 47 (3 September 1962): 351, Schaetzel reported some other instances which showed the parochialism among Americans. Upon asking a New York City commuter what he thought of the Common Market, a friend of his was asked in return if he was referring to the new supermarket in White Plains.

[10] TEA-House, pt. 1, Luther Hodges, chart 7, 65; Kennedy statement (inside cover), Foreign Commerce Weekly 68 (18 June 1962); Historical Statistics of the United States, pt. II, 884, 887.

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[19] Draft Letter, President John F. Kennedy to Chancellor Adenauer, 8 June 1962, Tariffs-Trade-Poultry-6/62-12/62, box 24, Feldman files.

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CHAPTER 6

ROUND ONE TO EUROPE, 1963-1964

With the Trade Expansion Act secured, Kennedy expected world trade barriers to be lowered at the sixth round of the General Agreement on Tariffs and Trade (GATT), dubbed the Kennedy Round in recognition of his initiative. Duty rates were already low, but the TEA would ensure the European Economic Community's common external tariff would stay at a reasonable level. Even better, pending British entry into the Common Market, the dominant supplier provision would eliminate tariffs on the many goods traded between the EEC and the United States. The provision would bring expanded trade dividends for both sides and further enhance the unity and strength of the Atlantic partnership.

The Kennedy Round became entangled in the divergent aims of the U.S. and the EEC, however. Trade problems between the two had simmered since the disappointing end to the Dillon Round, the Six's retaliation to the U.S. carpets and glass tariff hikes, and the chicken war. In diplomacy, the stalled UK-EEC negotiations and French President Charles de Gaulle's criticism of American foreign policy were only some of the major irritants.

Underlying these problems, moreover, was an inherent contradiction in American and EEC trade relations. Washington had always encouraged European integration, but unification wrought by the imposition of Common

Agricultural Policy (CAP) and the common external tariff meant trade discrimination against outsiders. EEC integration served U.S. security objectives yet conflicted with free-trade. American negotiators addressed the problem during the rule-making stage of the Kennedy Round in 1963 and 1964, the period following passage of the TEA, through the fair-trade doctrine.

In effect, as the United States tried to wield the new powers of the TEA, the fair-trade doctrine came directly under attack by Europe. Prodded by de Gaulle, the EEC dominated the rule-setting stage of the negotiations. In order to protect its fledgling agricultural system from U.S. penetration and adjust tariff structures which it believed favored America, the Common Market frustrated Washington's hopes for harmonious and fruitful preparations for the Kennedy Round. The conflict was a reflection of heightened European trade leverage, and lessened U.S. economic power, in the GATT regime. Surely self-interested, America nonetheless found Europe to be more so.

The period before the actual bargaining occurred pertains to the historiographical debate over trade policy. Hegemony scholars assert that the U.S., under domestic pressure, sought rules which forced Europe to open up to American exports by reducing EEC trade restrictions and selfishly refused to lower its own barriers. Comparative advantage historians claim, however, that Washington

avoided the protectionism desired by producers at home while pursuing export expansion of efficiently produced goods (regardless of which side made them) for the mutual benefit of all traders. In light of Europe's obstinate policy in the early stages, the latter school appears more accurate.

For the first time in GATT's history, the contracting parties had problems agreeing on rules. But well before this conflict, the EEC had showed signs of dissent against Kennedy's trade designs. Its Commission, the Common Market's institutional force, applauded the aims of the Act and accepted the Atlantic partnership in economic affairs. The less enthusiastic nationally-oriented Council of Ministers, which held the ultimate power in the EEC by granting the Commission its negotiating mandate, supported the linear method of cutting tariffs in broad sectors. Its members were apprehensive that large-scale cuts in duties and non-tariff barrier (NTBs) might weaken the unity among the Six, since an effective common external tariff and the protectionist CAP were their basic link. The conflict between European integration and Atlantic free-trade was at issue throughout the Kennedy Round.[1]

More than any other EEC member, France singled out this conflict as a prime consideration in trade policy. West Germany, Italy, and the Benelux countries generally shared America's free-trade ideology and goals for the Round,

though German Chancellor Konrad Adenauer feared a "monstrous" influx of American goods. Above all, de Gaulle controlled the EEC Commission's trade policy. France hoped to limit European concessions, noting that America's trade surplus with the Common Market might grow larger if the Six lowered their external tariff. French Minister of Finance Valery Giscard d'Estaing stressed cautious consideration of the dominant supplier provision, agriculture, NTBs, and the "doctrine of integration" implied by the Atlantic partnership.[2]

French attitudes became even clearer when de Gaulle vetoed Britain's application for membership into the EEC on 14 January 1963. The rejection undercut the TEA. It also had grave implication for the Grand Design of allied military and economic unity, which de Gaulle (and hegemony scholars) viewed as a scheme to extend American predominance over Europe.[3]

De Gaulle scoffed at the Atlantic partnership, presuming that as the Soviet threat abated, Europe would disengage from America. During the Cuban Missile Crisis, Kennedy showed that the allies would not be consulted in an emergency, and de Gaulle further doubted America's will to defend Europe. Paris sought both a European nuclear "third force" to offset the two Superpowers and closer relations with West Germany by planning a treaty of friendship. London's acceptance of American control over NATO's nuclear

force in December 1962 in exchange for U.S. Polaris missiles convinced him that Britain was more loyal to Washington than an independent Europe. The EEC now might be weakened by the Americophile Britain. De Gaulle decided to stop Britain from "dragging the West into an Atlantic system" under U.S. domination.[4]

Franco-American economic relations affected this opposition to the Atlantic partnership. Concerned about U.S. investments in European subsidiaries and firms, French industrialists complained that their small enterprises could not compete with large-scale American manufacturers. The TEA portended an invasion of cheap U.S. exports and an attack on EEC institutions such as the CAP. With 47% of the EEC's arable land, France was a main beneficiary of the CAP. Not surprisingly, therefore, Paris denounced USDA Secretary Orville Freeman's criticism of farm protectionism in Europe during his visit in November 1962. De Gaulle also feared Britain's support of less protectionist Holland and West Germany, the latter at odds with French farm policy, and thus encourage U.S. trade penetration.[5]

But if blame can be assessed on the U.S. for the veto, it lay not in Kennedy's imperialistic ambition but in misjudgement. He mistakenly believed that Europe would readily accept closer economic interdependence. De Gaulle did not. Arthur Schlesinger and historians studying the era, asserted that de Gaulle voiced a growing European

sense of potency and desire for independence. Indeed, he tapped the pride of Europeans whose enterprises had contributed to the EEC's growth and competitive vitality. The Grand Design was also too impressionistic, a vision with few practical guidelines. As a program, a "common pursuit of economic expansion" was vague and provoked suspicions about the self-interested goals of the U.S. in Europe.[6]

To a large extent, however, De Gaulle's view of Europe mainly determined his veto. Initially opposed to the EEC, he now aimed to control it. Plotting Franco-German domination of the Community, de Gaulle believed that the addition of another great power would alter this plan. Once Britain - and presumably the rest of the EFTA - joined the Common Market, and majority voting emerged by 1966, there would be more votes against de Gaulle's policies than for them.[7] The general did not look forward to these prospects.

Washington tried to remain aloof from the entire entry issue, though the British, several other EFTA nations, and de Gaulle became aggravated by George Ball's overzealous interest in the affair. Kennedy supported Britain but pledged cooperation with the Six in the event of a rejection.[8] De Gaulle gave him the chance to live up to his word.

On the whole, most nations reacted against the veto. Mostly the far Right and Left, who fought for greater independence from America, supported de Gaulle. Yet the other members of the Common Market, joined by European integrationists such as Jean Monnet, Belgian Foreign Minister Paul-Henri Spaak, and EEC Commission head Walter Hallstein, agreed with the West German parliament members who called 14 January 1963 "a black day for Europe". A majority of European politicians and businessmen also reaffirmed their support of the Atlantic partnership. Still, out of a desire to preserve the EEC and because France was an important trade partner for weaker nations such as Belgium and Italy, the Common Market members and the EEC Commission were somewhat reluctant to confront de Gaulle.[9]

Across the Atlantic, the veto was seen as an affront to U.S. policies and as an indication that the Grand Design was rapidly "going down the drain". Only arch-protectionists applauded de Gaulle, since the veto vitiated the TEA's effectiveness in lowering American tariff barriers. The White House and State Department wished to avoid a shouting match with de Gaulle, but stressed that the the General's policies were more damaging to France and Europe than the United States. Before a visit by Hallstein, Ball insisted that the President make clear America's aim of defending its trade interests and the

expectation that the EEC would remain open and devoted to free-trade. Kennedy continued to emphasize that he did not want to influence or dominate Europe, but merely opposed European independence through protectionism. Privately, he wrote MacMillan that he held France accountable for any increase in restrictiveness in EEC trade policy, which "would be a disaster" for the alliance.[10]

The effect of the veto was immediate on the Kennedy Round in nullifying the dominant supplier provision. Its elimination prompted Congressman Henry Reuss and Senators Paul Douglas and Jacob Javits to propose anew that the provision apply regardless of British membership. They criticized the administration for its obsession with the Common Market, and especially with Britain's joining the EEC, instead of using the dominant supplier as a tool to pursue the most-favored-nation principle. Because of Kennedy's "toadying" to Europe, said Reuss, tariffs could be erased only on jet aircraft and margarine and America had simply punished itself by making it impossible to bargain effectively with the EEC. The dominant supplier amounted to "all sound and fury, signifying nothing". Kennedy said he would accept the Douglas-Reuss amendment if Congress did, but believed it was not essential to the negotiations.[11] It never passed.

Thus, from the start, a gloom pervaded the preparation for the Kennedy Round. GATT Director Eric Wyndham White

called for an early meeting of GATT Ministers in order to restore confidence in trade cooperation after the veto. Yet some U.S. officials took de Gaulle's action as another sign that America would encounter much resistance in Europe to its free-trade policy. John K. Galbraith, for instance, argued that the trade talks would worsen America's balance-of-payments deficit because agriculture would fail to penetrate the EEC and trade in manufactures would favor lower-cost European producers. The administration must cease its "self-delusion" that tough bargaining would open up Europe to U.S. goods; instead, America should raise its trade barriers to reverse its balance-of-payments deficit.[12]

Discussions in the White House showed that Kennedy had also decided to get tougher. At a cabinet meeting on 1 March 1963, he cautioned against a shouting match with de Gaulle. Yet, the administration must now concern itself with protecting America's own economic interests and position. Kennedy felt mounting pressure to take forceful action from many sectors, notably poultry and wool, and complained that he could not "keep running around" aiding them because he would lose his effectiveness as a leader. In response to de Gaulle, Kennedy announced that "the day of free traders around this administration was over" and that the STR, State Department, and White House must "sort out our priorities" at the Kennedy Round.[13]

The major priority, however, was to avoid the protectionism that Gailbraith suggested because Kennedy had plugged free-trade not only as a solution to the deficit but as a critical part of Western cooperation and strength. The deficit had worsened in 1962 by $5 million, prompting the President to bring in former Secretary of State Dean Acheson to iron out a coherent monetary policy, propose an interest equalization tax to cut down on foreign loans and an investment tax credit to help industries modernize. He also urged Americans to expand exports, arguing that the deficit could be brought into balance if exporters could increase their sales just 10%. White House aide Carl Kaysen reminded the President that without an increase in its trade surplus, the U.S. would have to reduce its disproportionate share of military and economic expenditures.[14] Thus, the fair-trade doctrine must be put into practice to pry open overseas and American markets on a reciprocal basis in such a way as not to injure domestic producers or incite nationalists like de Gaulle to raise barriers unilaterally in Europe.

Thus, diplomacy was central to U.S. policy at the Kennedy Round. The talks, said the Special Representative for Trade Negotiations (STR) Christian Herter's negotiating chief W. Michael Blumenthal, were a test of "cooperation" and the "sum and substance of a strong and vital Atlantic alliance."[15] Failure at this largest and most ambitious

Round in GATT's history, invited divisive trade practices, encouraged nationalism and regionalism, and threatened the alliance with destructive, 1930s-style protectionism. The safeguard against such an outcome, explained Herter's deputy William Roth, was "trade liberalization and expansion which has contributed so greatly to the buoyant economies of the postwar industrialized world and which holds the greatest potential for rapid development of the emerging nations". Building a vibrant and unified Western bloc of nations was "what the Kennedy Round was all about".[16]

While the level of the common external tariff was still "malleable" and Europe enjoyed high growth and employment rates, the U.S. attacked protectionism in Europe. The EEC's tariff reduced American exports, enabling inefficient but politically powerful European producers to seize U.S. markets in the region. If encouraged to keep their tariff low, the Six would remain more open, permitting a sharing of trade benefits by all nations on the basis of comparative advantage and the fair-trade doctrine.[17]

Thus, the administration's initial policy was simple: insist on halving tariffs in broad sectors (keeping exceptions to this rule to a minimum), include "fair access" for agriculture as an integral part of the discussions, and recognize that the elimination of NTBs involved politically-sensitive decisions. The U.S.

leverage to achieve these goals was its large market, knowledge that the EEC nations depended on trade for their economic health, and willingness to exchange needed industrial tariff concessions for cuts in European agricultural barriers.

But the EEC also had leverage. The Common Market bought one-third of U.S. exports. American agriculture relied on European markets, enjoying a five-to-one edge in trade in food products. Since trade of manufactured goods among the Six and and to the EFTA and America yielded more benefits for the Common Market than farm exports across the Atlantic, the EEC saw no benefit in reducing the CAP. In addition, export expansion of industrial items promised more gains than agriculture for Washington, as sales to the EEC of manufactures had risen almost four times that of farm goods. Yet the common external tariff was the determining factor in the future level of industrial exports. Also, Europe knew the importance of exports to Kennedy, who had revealed his hand in selling the TEA as a corrective for the payments deficit.[18] Europe held many cards, too.

Recognizing this fact, the State Department wanted America to aim its sights lower for the Kennedy Round. The U.S. was asking for more concessions than it could give the Six, but the American trade surplus made the EEC less unwilling to reciprocate equally. Thus, the request for

50% cuts was a wish, not an expectation. Washington should try for a maximum reduction of the EEC's tariff on items in the 10-20% range, on which 60% of Europe's duties applied. Herter and the State Deaprtment argued that the U.S. should also be careful not to attack Common Market protectionism, especially on agriculture, which de Gaulle might construe as inimical to European integration.[19]

Behind this more realistic position were trade patterns which forewarned much resistance in Europe to American free-trade goals. In 1962, the EEC's growth rate and exports to non-members slowed. The Common Market suffered an overall trade deficit of $1.9 billion in 1962, down from the previous year but worsening by 1964. Much of the deficit was attributable to its unfavorable balance with America, as Europe's share of the U.S. market decreased 71% while American exports shot up by 93% between 1958 and 1964. Though Washington insisted that the EEC was too concerned with its deficit, the Common Market frequently emphasized this disadvantage throughout the Kennedy Round.[20]

The way the Six coped with its deficit was to increase their share of the EEC market, to the detriment of U.S. exports. Of 177 items made on both sides of the Atlantic, for instance, 97 American products suffered a decline in market share and 12 showed no change from 1960 to 1962. Some of reductions, as in cotton, were due to shifts in

European purchases from other countries. But many, such as transportation goods and electrical machinery, occurred because of production increases in the EEC. America faced increasingly adverse competitive conditions also in cereals, fruits, coal, chemicals, and aluminum. In order to compete, America could expand sales in all of the aforementioned sectors, in which it still had a comparative advantage, only if the Common Market cut its external tariff by half.[21]

But de Gaulle set out to hinder this aim. The State Department reported that de Gaulle would not torpedo the Round for fear of inciting a negative reaction from free-trading West Germany and upsetting his carefully cultivated scheme for a Paris-Bonn alliance. But most of the French government sought only a limited success for the negotiations in order to preserve the protectionist building blocks of the EEC, prevent an incursion of U.S. goods, adjust French industry to the eventual removal of Common Market internal trade barriers, and enable France's farmers to become the main supplier of food in exchange for buying manufactures from the other five members. Paris continued to stress the "political madness" of opening Europe to a flood of U.S. products by slashing tariffs further.[22]

French policy placed the other five members in a dilemma. Despite rallying against Gaullist obstructionism,

they agreed that unless America negotiated "even where it hurts", the Round would generate little enthusiasm on their part for free-trade. The EEC Commission, influenced by France, suggested separate talks on farm goods, in direct opposition to U.S. policy. The smaller members of the Community also felt vulnerable to the U.S. trading monolith. Yet led by pro-American West Germany, and by October 1963, its new free-trade Chancellor Ludwig Erhard, these nations basically supported the Kennedy Round and U.S. objectives. Though all hastened for protection for certain industries, the smaller four looked to Bonn to confront the French black sheep and promote trade liberalization.[23]

In effect, running underneath the Kennedy Round was a current of Franco-German differences on EEC integration and trade. Erhard, enraged at de Gaulle's veto of British membership, believed the Common Market should accept the EFTA nations as members. Above all, he was an Atlanticist, who knew German industry relied on markets in America as well as in Europe. Thus, as de Gaulle tried to distance the Common Market from Washington, Erhard pressed for closer Atlantic relations. America welcomed this policy and hoped to enlist Erhard in the fight against Gaullist protectionism in the Kennedy Round.[24]

The growing rift between Bonn and Paris centered on EEC agricultural policy. France, in its quest to dominate

Common Market food supplies, hoped to discourage the production of cereals in the other five nations by negotiating a common price of grain at a low level. Bonn balked at low cereals prices, which would permit French grain to undersell politically powerful German farmers, and hoped to delay a decision on a unified grains price until after the Federal elections in 1965.

The price issue, however, was entangled in the Kennedy Round negotiations. De Gaulle, pressed by farmers at home, could not accept high prices. Ironically, his American trade nemesis backed this approach in order to increase access for its grain in Europe. Meanwhile, West Germany supported Washington's call for lower industrial tariffs, which Paris did not. Once in office, Erhard pledged to ensure personally that France would not sabotage the Kennedy Round by confronting Gaullism at EEC policy-formulation meetings. He did so through his "synchronization" plan, in which West Germany would permit the imposition of the CAP for beef, rice, and dairy products in exchange for French cooperation at the Kennedy Round on industrial tariffs. The proposal fell short of the common grains price agreement, but because Bonn would go no further, the issue soon stalled the GATT talks on farm trade.[25]

Meanwhile, the other major industrial participants at the Kennedy Round in general awaited U.S.-EEC discussions.

The low-tariff, liberal EFTA, depended on the Common Market as its primary market. The volume of trade between Scandinavia and the Six alone exceeded the U.S.-EEC total. Thus, the Outer Seven were interested in the concessions granted to American products which, in turn, would apply to the EFTA on MFN basis.

Canada, the rest of the Commonwealth, and the LDCs opposed the linear cut method because it would expose their smaller secondary industries to unacceptable competition. Canada, for instance, was predominantly agricultural and doubted that a 50% tariff cut on industrial items would be of much benefit. Ottawa preferred instead to grant selective, product-by-product tariff concessions of equal value to the linear approach. The LDCs sought trade preferences through separate negotiations under the United Nations Conference on Trade and Development for help.[26]

Japan would profit from reduced duties, but eliminating voluntary export restraints, such as textile quotas, were of primary concern. Until VER's were cut in America and especially Europe, Tokyo refused to accept linear tariff reductions for its highly protective duties. America was receptive to this complaint since Japan was the country's second largest export market. Yet Herter reminded the Japanese mission in Geneva of their nation's own quotas and severe restrictions on U.S. farm goods which, if not

lowered, might hurt Tokyo's sizable exports to the United States, which rose 70% from 1960 to 1964.[27]

Overall, the contracting parties watched the developing American-Common Market problems. As early as December 1962, at a GATT working party session in preparation for the rule-setting Ministerial meeting, the EEC backed away from the simple linear tariff cut method on the grounds that significant "disparities" existed between American and European duties. On French insistence, the Six claimed that a 50% reduction in the many U.S. tariffs with high rates and the more medium-range EEC duties would not lead to concessions of equal value. By March 1963, de Gaulle had compelled the Commission to insist on a formula for dealing with the disparity problem, making compensation by America a top priority before bargaining could occur.[28]

The disparity issue plagued the negotiations for over a year, erupting into a battle between Herter and the Six. The STR rebuffed French efforts to establish an automatic rule for cutting the "peaks" off the high U.S. tariffs to harmonize them with other nations. Such a rule would result in unequal and inadequate reductions, which would cause America to lower its duties more than the EEC, fall short of the 50% tariff cut goal, and invite outcries at home from import-competitors about giving away too much and receiving too little in return.[29]

In fact, America's 895 tariffs at the high range of 30% or more did were more numerous than the EEC's mere 45 at this level. High tariffs encompassed 18% of the U.S. total dutiable imports, while only 2% of the Six's imports. But 990, or 20% of U.S. imports were duty-free, while only 10%, or 270 enjoyed free-list status in the EEC. And, more than half of the latter's tariffs provided middle-range protection of 10-20% ad valorem, which the Commerce Department believed most effectively restricted U.S. industrial exports, while 30% of America's were grouped at this level. A halving of tariffs, on the other hand, would result in a reduction of $8.7 billion in American tariffs and $12 billion in EEC duties, though both would net $3.8 billion in receipts. In short, though the U.S. indeed had many higher tariffs, the differences between these and EEC rates were minimal and not nearly enough to warrant a gutting of the 50% linear cut method. All of the GATT members, except the Common Market, agreed with Herter that the disparities were merely a subsidiary issue.[30]

At the Ministerial meeting in May 1963, the U.S. and EEC compromised on disparities after Herter warned of a breakdown at the talks over the matter. France backed down on the formula for "de-peaking" U.S. tariffs while America allowed for a departure from the equilinear cut when justified by a "significant" disparity. Identifying these cases occupied the GATT members during the ensuing year.

But, the Ministers decided to proceed with tariff cuts applied across-the-board with a bare minimum of exceptions, though the rules were less precise than those sought by the United States. Kennedy welcomed the "Geneva Compromise" but recognized that there was still much work ahead before bargaining brought down trade barriers in Europe.[31]

The Ministers also discussed NTBs, of which all parties were guilty. Herter naturally hoped to reduce or remove the most onerous foreign barriers, such as Italian and French taxes on U.S. cars. But he also offered to modify his country's own escape clause, the Buy American provision, and other NTBs. The EEC, led by West German chemical producers, insisted that the Six not negotiate with America unless the prohibitive American Selling Price (ASP) system was placed on the bargaining table. Japan, West Germany, Benelux, and Austria also complained about the Anti-Dumping Act imposed on American steel imports, which the U.S. claimed were priced below the cost these products sold abroad. GATT committees were asked to study these NTBs and submit lists of the measures in need of discussion.[32]

For America, the most bothersome form of protection was the EEC's common agricultural policy. Just as in industry, all nations had farm barriers. Yet only 26% of U.S. commodities benefited from quantitative restrictions, while 80% of Common Market, and even more of the EFTA's crops,

had such protection. Thus, it was no surprise that the U.S. stress on placing agricultural barriers alongside manufactures for the first time in postwar trade negotiations, prompted rancorous discussions within the Atlantic community. Agriculture tested the extent of trade liberalism in Europe in the face of large, U.S. farm exports, America's growing food trade surplus, and Washington's reversal from protectionist farm policies of the 1950s.[33]

The prospects for increased access for U.S. agricultural exports in Europe was dim, as they had been at the Dillon Round. Farm employment was higher in the EEC than across the Atlantic, which made farmers in Europe more influential and markets more precious. American farm commodity exports had soared in recent years, climbing 26% in 1960-1964 over the previous five years. Feed grains, wheat, and oilseeds were the top performers, comprising $650 million of the $1.5 billion in agriculture the Common Market bought from the United States. But while the variable levy curtailed poultry and other products, the strongest U.S. export crops suffered from the CAP's inflation of prices in the EEC, which encouraged inefficient production and forced American farmers into a role as residual suppliers. U.S. prices for wheat, corn, and barley, for instance, were one-third lower than in France.[34] An adjustment of the CAP would help U.S. farmers.

The Department of Agriculture led the attack on the CAP. Delighted that farmers were now full partners in GATT, Secretary Freeman declared that without an access agreement satisfactory to U.S. farmers and Congress, the Kennedy Round would not be concluded. He reminded the President that "all agriculture is watching carefully" for Kennedy actions against restrictions in Europe. For home consumption, Kennedy and Herter backed up the USDA by stressing that farm trade exports sold according to the principle of comparative advantage helped the payments balance. The President pledged "to take every step to protect the full rights due American agricultural exporters", and that "a fair agreement [was] an essential first part" of the trade talks.[35]

Freeman used this support to criticize the CAP, which had gone into effect on 30 July 1962 for feed grains, rice, poultry, and wheat. The EEC, he said, could now modify the Dillon Round "Standstill Agreements" by breaking tariff bindings and raising import barriers. Touring Europe, Freeman found a "very disturbing" trend emerging in the EEC, in which each country had staked out its market in particular commodities - France in wheat, Italy in rice, Holland in dairy products. French Agricultural Minister Edgar Pisani informed him that French farmers needed years to develop and expand their production, sheltered from outside competition. EEC Vice-President for Agriculture

Sicco Mansholt warned that without U.S. pressure, the Common Market's grains prices would climb to the high German level, boost EEC production, and hurt American exports.[36]

Freeman responded that America was willing to modify its protectionist policies in agriculture, but upon returning to Washington, he devoted his efforts at the White House for action against the CAP. He, and the President, realized the United States had a weak bargaining position on farm goods, since it sold one-third of its crops to the EEC while purchasing only 10% of Europe's produce. But pressure was mounting from the farm bloc to end foreign restrictions, and Kennedy had based his campaign for the TEA with this aim in mind. Though acceptance by the Six for the principle of comparative advantage was an "ideal", Freeman declared that Herter must insist on minimum guarantees to insure a "fair sharing of markets" abroad, said Freeman. If not granted, the U.S. should "let the people in Western Europe and their governments know what we really meant about agriculture" as America clearly showed in retaliating in the chicken war in August 1963.[37]

The STR, State Department, and the White House agreed with the USDA on gaining access assurances, though less vehemently. Chief negotiator Blumenthal reminded Americans that productivity rises and static wheat consumption in Europe were not new but antedated the CAP. Therefore, the

U.S. should keep prices low through world commodity agreements and sell feed grains, meat, tobacco, and fruit in which it was most efficient and in which EEC consumption and imports were growing. Above all, he said, farmers should not expect to "sweep away the elaborate structure of agricultural protectionism" but seek a progressive enlargement of access in the EEC.[38]

In fair-trade fashion, the STR recognized that Europe had compelling reasons to confront Freeman. The CAP was a structural support of European integration, and EEC farm organization, financing, and pricing policy was still under debate. Farmers in the region pointed out that the technological revolution made possible by American financial generosity after the war had taken hold in Europe, reducing farm employment but raising output and creating surpluses. Anyway, America was guilty of its own protectionism, restricting certain dairy products, wheat, cotton, and peanut products. Thus, instead of knocking down barriers, implied the EEC, all nations should agree on a level of price supports for their farmers.[39]

Pushed by France, EEC minister Mansholt suggested this hotly contested "margin of support" plan in February 1964. Assuming that protectionism and price controls in all countries precluded the possibility that world agricultural prices would ever reflect free-market prices, the EEC aimed to raise world prices to a level in which nations

maintained production without subsidies. The plan, in short, set minimum import prices and left each nation free to set its own level of protection. In practice, once the EEC agreed on a unified grain price, the Six would bind the high levels of domestic support for three years. The Common Market viewed the "Mansholt Plan" as a valid concession at the Kennedy Round, agreeing to limit domestic farm support through international trade agreements if others did likewise.[40]

The proposal drew criticism from West Germany. Bonn resisted lowering grains prices, especially because its farmers received sizable subsidies which would be cut under the Mansholt Plan. Conceding to unify cereals prices within a year, West Germany refused to change its domestic support levels, provoking France to consider a rigid position on the tariff disparity issue in return.[41] Bonn eventually gave in to the Mansholt Plan.

The United States issued the major opposition to the margin of support, formulated purely in the interests of the EEC without regard to outside producers. The proposal universalized the hated CAP variable levy system, set prices at levels which were too high for exporters, and would not reduce import barriers and expand access for U.S. agriculture. The Mansholt Plan disregarded existing GATT rules and concessions by fixing new, three-year bindings, and in no way addressed the problem of limiting production

of commodities in chronic surplus. The plan was the fundamental source of disagreement between the U.S. and EEC in farm trade. Yet the Chicken War, which by the summer of 1963 had erupted into a major clash between the U.S. and the EEC, and disagreement on agricultural rules, also revealed the widening gap between the allies.[42]

The rift irked farmers at home and, as during the TEA battle, brought pressure on the administration. Farm-state legislators were irate about the drive in the EEC for self-sufficiency in food production. They now believed Kennedy had been too naive in advocating export expansion or had craftily inflated domestic farm hopes in order to sell the TEA, and warned him either to persuade Europe to open up or expect Congress to retaliate. Farmers already had rejected his supply management farm program in a wheat referendum in the Spring 1963. The vote added to U.S. trade problems, permitting overproduction and thus creating larger surpluses which required outlets abroad.[43]

There was also disgruntlement in industry. As required by the TEA, the President submitted to the Tariff Commission the items America wished to table for tariff cuts at the GATT talks. Kennedy hoped to minimize the number of products withheld from this list in order to show his intention of promoting free-trade, though certain "exceptions" were mandatory under law, such as oil under the national security clause, and carpets, glass, and seven

other manufactures under the escape clause. In October 1963, Kennedy submitted 6000 products for tariff cuts, the largest negotiating list in history. Approximately 87% of U.S. dutiable imports were included; by comparison, only 25% had been sent to the Dillon Round by Eisenhower.[44]

The domestic input began at this point. The Tariff Commission held hearings starting in late 1963, in which manufacturers presented cases against the inclusion of their products on the negotiating list, and Herter chaired a forum for exporters that identified foreign protectionist barriers. Also, pursuant to the TEA, the President appointed 35 advisors from industry, agriculture, and labor to aid the STR in formulating a negotiating plan in each sector. He also selected Congressmen Cecil King (D-LA) and Thomas Curtis (R-MO) and Senators Herman Talmadge (D-GA) and John Williams (R-DE) to accompany the U.S. delegation to Geneva as overseers for Congress.[45] Herter would be closely watched by legislators and producers.

The private sector grumbled about post-TEA trade policy. When the Tariff Commission rejected three petitions for adjustment assistance, the AFL-CIO denounced the Commission's technical interpretation of the law and threatened to withdraw its backing of the Kennedy Round. The lumber bloc, now 108 strong, urged limits on Canadian softwood imports. New England and Southern legislators increased pressure for an cotton textile Arrangement-type

agreement on woolen textiles from Britain, Italy, and Japan, but England refused. Kennedy closed some loopholes in the wool import laws and considered reserving woolens from the Kennedy Round offer list. Yet other industries pointed to the LTA as an example of what could be done with "sufficient will" by the administration. The President continued to step delicately, reiterating that fair-trade required letting in imports to expand exports.[46]

Yet the difficulties with the EEC were a call-to-arms for enemies and allies of free-trade. The ambiguous conclusion of the May Ministerial meeting, which had resulted in rules favoring the Common Market on disparities but no progress on agriculture, angered domestic observers. Protectionist John Dent joined free-trader Javits in calling the meeting a failure for U.S. trade objectives. Other legislators vowed to block a removal of critical NTBs, particularly the highly-prized ASP, as long as Europe strangled American exports such as poultry. Congressional advisor Curtis, struggling against Herter to sit in on policy planning meetings in Geneva, reminded Kennedy that the TEA granted no power to deal with NTBs.[47]

Even close friend Wilbur Mills joined the dissenters. He made unusually strong statements about the Kennedy Round, warning that Congress "would legislate toughness" if Herter was not firm with Europe. Mills had blocked several protectionist bills on Capitol Hill, but a "soft position"

would warrant consideration of them. In no uncertain terms, he declared in May 1963 that "there would be hell to pay" if the Kennedy Round "resulted in an unequal agreement".[48]

Kennedy listened, both as a fair-trader who was discouraged by EEC protectionism but also as a politician for whom the 1964 election loomed. Herter's staff played down the election because it made Kennedy appear more vulnerable to domestic pressure, perhaps instilling a cautious, less liberal approach in other GATT members. The timing of the Tariff Commission hearings in late 1963 and the scheduled official opening of the Kennedy Round for May 1964, placed U.S. protectionists in a politically favorable position. If forced to give in to them, Kennedy risked upsetting the negotiations named in his honor, in which he had made the target of his biggest legislative achievement in 1962.[49]

When Kennedy counted votes, he noted that a victory in 1964 was not a certainty. The race issue had hurt him in the South, where he had carried 7 out of 11 states in 1960. If he lost some of these 7 states (and polls showed him losing Alabama and North Carolina), he would not be re-elected assuming the other results remained the same. Furthermore, he had won 4 Midwestern farm states in 1960 - Illinois, Michigan, Minnesota, and Missouri. But if he lost the former and any two of the others, his opponent

would assume the presidency. He had won Illinois only with help from Chicago Mayor Daley and Minnesota riding on Senator Hubert Humphrey's (D-Minn.) coattails. In 11 states, his margin of victory was less than 51%, and even worse, the Kennedy states would have 10 fewer electoral votes in 1964.[50]

How much trade policy affected votes is hard to assess. But the election was surely a consideration as he examined the status of the GATT talks. Kennedy hoped to win the industrial regions again, where his strength lay, and he needed farm state support, where he was weak. Thus, Kennedy publicly backed agricultural export expansion in part for political reasons. In private, he told Freeman that he understood the need for access but that the prospects were not good because of EEC protectionism. The President also complained that he bent over backwards to help farmers with special programs and export incentives, but "then they vote Republican" anyway. Perhaps, lamented the President just before leaving for Dallas in mid-November 1963, he had oversold the Kennedy Round. His failing attempt to retain U.S. farm markets in Europe, writes William Borden, was perhaps the most disappointing (and perhaps politically dangerous) aspect of his foreign economic policy.[51]

Yet Kennedy's successor, Lyndon B. Johnson, launched into a further public relations campaign for the

negotiations. In his first address to Congress, for instance, the Texan "rededicated" the U.S. to trade expansion. Like Kennedy, the new President was a vigorous adherent to liberal trade as a safeguard against economic depression, a key to friendly allied relations, and a unifying force against communism. But Johnson, also a fair-trader, arrived at his trade principles by a different route than Kennedy. In addition, his record of defending local economic interests <u>against</u> instead of by protectionism permitted him to step easily into the role of promoting the Kennedy Round.

While Kennedy observed the Depression from the comfort of Hyannisport, Johnson had grown up in an area marked by rural poverty, though he did later live in a small town as a member of the lower middle class. In any event, this upbringing, and a close attachment to his mentor, House Speaker Sam Rayburn (D-TX), instilled in him a populist bent. Ignored by Washington in the 1920s and early 1930s, farmers plunged into ruin as crop prices fell and farm foreclosures were rampant. Meanwhile, rich Eastern manufacturing and banking interests prospered behind high tariff walls. This situation, which greeted Johnson when he came to the Capitol in 1931, angered Rayburn. The Speaker hated the Eastern Establishment and especially the protective tariff, which he called the "robber tariff, the most indefensible system the world has ever known".[52]

Rayburn greatly influenced Johnson. In 1948, Johnson denounced the tariff, labeling it a subsidy for Northerners while declining world commodity prices undercut farm income. Texas was reliant on exports, he said, but for nearly a century the restrictive Republican tariff had caused foreigners to choke off the state's overseas sales, to the detriment of farmers. The congressman, therefore, vigorously supported the Reciprocal Trade Act as a means to help his rural constituents. The RTA was "not pleasing to rich northern and eastern industrialists. They want to bring back the high tariffs which keep the South in a state of economic dependency. Lyndon Johnson is on record for extending" the RTA. He did throughout his political career.[53]

A confirmed free-trader for populist reasons, therefore, Johnson soon promoted liberalism for national and foreign policy interests. Protectionism alienated America's allies, he argued in the early 1950s, and resulted in "international depression". Though oil imports might hurt Texas independents, in general the American economy would improve by keeping trade barriers at a minimum. As the Senate Democratic leader, he urged Eisenhower to resist protectionism during the RTA renewals, and opposed Senator Robert Kerr's amendment in 1960 aimed at preventing further tariff cuts at the Dillon Round.[54]

Of course, Johnson realized that some import-competitors needed protection, and advocated prudence in granting tariff concessions at negotiations. He once reportedly joked that a free-trader should never reveal his true identity because there were no votes in it. Thus, while applauding passage of the RTA in 1951, he warned against rushing headlong into cutting tariffs while other nations raised their barriers.[55]

Above all, oil imports demanded his attention, since he garnered financial support from Texas independent producers. He believed that the petroleum industry was a "keystone" to national security and must not be jeopardized by "reckless neglect". But he was not a tough protectionist like Kerr. Johnson backed the Voluntary and Mandatory Oil Quota programs, but rejected the Neely amendment for oil quotas in favor of the national security provision. In effect, strict controls on imports might provoke easterners to try to eliminate the depletion allowance tax break, impose price controls, and permit Federal rationing of crude oil. He much preferred a middle course that prevented the national security clause from becoming a "toothless tiger" but preserved free-trade on a "fair and equitable basis".[56]

Johnson's stress on oil protection and farm export expansion were basically parochial concerns and earned him a reputation as less of a free-trader than the other

presidential contenders in 1960. Business Week even claimed that Johnson's conservatism was a major reason why protectionism had mounted on Capitol Hill. In reality, though, he was merely more forthright than the others on trade, an ardent free-trader but clearly worried about "unfair competition" from abroad. Myer Feldman distinguished between Kennedy and Johnson in stating that the former initially promoted liberal trade and then approached each industry to accomplish this aim while the latter started with each producer and tried to arrive at a general free-trade posture.[57] Regardless of tactics, what is important is that the two ended up as fair-traders, seeking to aid vulnerable producers in order to achieve the overall goal of export expansion.

Johnson also linked exports to the payments deficit. His efforts at boosting exports, discouraging the outflow of dollars, and tying aid to purchases of American goods helped reduce the deficit slightly and completely halt the gold drain in 1964. In December 1963, he established an Interagency Committee on Export Expansion to boost overseas sales. Partly as a result, the trade surplus hit its peak of the decade, at $6.7 billion, and the highest level since 1948.[58] But the deficit warranted a concern for selling more abroad.

In order to increase exports, Johnson opposed import restrictions to avoid provoking retaliation overseas.

Thus, one of his earliest actions as president was to veto the protectionist lumber origin labeling act. He also refused to limit woolen imports, despite pressure from large delegations of legislators, agreeing with GATT's Eric Wyndham White that quotas would contradict U.S. policy at the Kennedy Round.[59]

He demonstrated his commitment to free-trade during the first trade crisis of his administration. Beef imports, primarily from Australia and New Zealand, jumped 106% from 1961 to 1963 and undercut domestic meat prices. The Common Market levies on beef had reduced these nations' exports in Europe. Though overproduction affected prices, cattlemen and dairy farmers sought quotas on imports as a means to boost prices. The Senate narrowly defeated a quota bill sponsored by Senator Roman L. Hruska (R-Neb.) in March 1964, but the Finance Committee began hearings on the problem and one-quarter of the Senate proposed various restrictive amendments. Senator Mike Mansfield introduced the Meat Import Law, setting targets above which imports could not climb without triggering quotas.[60]

Johnson was receptive but would not go as far as establishing permanent quotas by law. The beef problem was familiar to him; his constituents had begun writing him in 1959 about rising imports. He also hoped to woo cattlemen, who were traditionally Republican, to his side in the 1964 election. Thus, the President initiated promotional

schemes, ordered government agencies to buy more beef, and told Freeman to investigate expanding exports to the LDCs through PL 480 shipments in order to boost consumption at home and abroad.[61]

He also instructed Herter to negotiate voluntary export agreements, under which Australia and New Zealand promised to lower their exports by 29% and 22% respectively. These cuts were more than those projected under the Mansfield Meat Act, which passed Congress. By Fall 1964, the administration had rolled back imports to pre-1962 levels with little complaint from Australia and New Zealand. They turned back to European markets for their beef sales.[62]

The administration also considered the views of import-competitors at the Trade Commission hearings prior to the Kennedy Round. The Commission heard testimony from hundreds of industries concerned with the extensive public list of items available for duty reductions and which sought protection from the effects of the 50% linear tariff cuts. Herter cautioned that the hearings would usher in mounting pressure from producers to place products on the exceptions list, which prompted Johnson to issue a memorandum that forbade government officials from promising certain industries this sort of protection.[63]

But protectionist pressure increased from Congress. A total of 75 congressmen from 38 states spent two hours in late April 1964, just days before the Kennedy Round

officially opened, discussing the need for import restraints. The STR office feared an uprising against the GATT conference and The Economist stated that 1964 would be known as the "year of retraction" in trade because of the plethora of restrictive amendments pending on Capitol Hill. These included the Meat Act, Buy American clauses attached to the Urban Mass Transportation law and to the Food Stamps Act, and lobbying for quotas on shoes, wool, lead and zinc, steel containers, and electron microscopes, the effort for the latter two successful. The Tariff Commission also imposed anti-dumping duties on Canadian steel. In response, Johnson repeated his pledge for fair-trade, believing barriers abroad to be a greater problem than domestic pressure.[64]

Johnson expected gains for exporters at the Kennedy Round. Optimistic about the talks, he nevertheless realized the need for patience, persistence, and firmness with Europe. Johnson supported the Atlantic partnership as a basis for trade relations and as a means to avoid a wave of anti-Americanism in Europe and protectionism at home. But he reiterated America's determination to achieve reciprocity in the industrial sector and fair access for agriculture. And, adhering to fair-trade principles, Johnson explained that the negotiations were "not the kind in which some nations need lose because others gain".[65]

By early 1964, however, the Kennedy Round seemed no longer a grand attempt at Western economic cooperation but a hard-fought business deal. Galbraith criticized Herter for not recognizing how tough the bargaining would be with the EEC once the negotiations began on 4 May 1964. But the STR realized that American objectives might be unattainable, and thus expected a more modest achievements. Even German Chancellor Erhard, who sided with the U.S. trade liberalization effort, believed Washington exaggerated the chances of the Common Market willingly cutting its tariffs in light of its trade deficit with America.[66]

The Six, for instance, persisted on the tariff disparity issue. The other nations played down disparities and emphasized the linear cut method. But the EEC presented a formula that actually expanded the cases in which America would cut its duties more substantially than the EEC and which drastically scaled down the 50% reduction rule. The Common Market finally backed down at the opening meeting of the Kennedy Round, though the U.S. leaned toward conditionally accepting the proposal out of recognition that the prestige of the EEC Commission was a stake. Both sides agreed to wait until exceptions lists were "tabled", or presented, in September before discussing disparities, and accepted the 50% linear rule as a "working hypothesis".

Yet the disparity problem was partly responsible for the pessimistic spirit of the Round.[67]

Franco-German tension also hurt the negotiations. The two countries' friendship treaty had fallen flat in the Bundestag, with West Germany reaffirming an attachment to the U.S. and criticizing Gaullist ambitions in Europe. American Ambassador to France Charles Bohlen reported a less obstructionist de Gaulle had still sought a cautious approach from Bonn on tariff cuts and pointed to America's trade surplus with Europe as a reason for harmonizing tariff disparities. Above all, the general insisted on a common grains price as a prerequisite to French participation on agricultural talks at the Kennedy Round. Erhard countered de Gaulle on these points, but he agreed in talks with Ball that the EEC seemed to be drifting apart, a development that would present a real crisis at the GATT negotiations.[68]

After threatening to walk out of the EEC in December 1963 if West Germany did not agree to a low, unified cereals price, France made clear that its membership in the Common Market was predicated on the notion that the other five nations would import French farm goods and subsidize its exports through an EEC agricultural fund. But the Bundestag opposed the low prices, out of concern for removing protection before the Federal elections, and opposed financing an inordinate share of the fund.[69]

Throughout 1964, therefore, agriculture was at a stalemate: Bonn dragged its feet on market organization while France would not budge on negotiating farm barriers at the Kennedy Round until West Germany accepted the unified prices. Without the future levels of protection set within the EEC, said Mansholt, the Six could not yet bargain with outsiders. Despite Commission requests for immediate discussion on grains prices, the matter prevented the Common Market from tabling exceptions in agriculture along with industrial goods as the GATT members planned in September 1964.[70]

But even if the grains issue had been settled, the EEC was unwilling to lower the CAP for non-members. Since 20% of EEC voters were farmers, there was considerable resistance to reducing the variable levies. The Common Market's largest farm lobby, the Committee of Preferential Agricultural Organization, even pronounced that the subject of lessening farm protection was off-limits at the Kennedy Round. French Ambassador to the United States Herve Alphand told an American audience that though low grains prices would benefit U.S. producers, a guarantee of proportional access for Farm-belt exports was not possible.[71]

Such was the bad news for U.S. farmers, but Johnson, like Kennedy, continued to sell the trade negotiations on expanded exports. In 1964, more acreage and farm

employment was attributable to exports than ever before, which could rise even higher with the removal of EEC restrictions. On the campaign trail, the President proclaimed that U.S. agricultural exports had broken all records by rising $1 billion in 1964, or 20%, a 35% gain since 1960. It was no surprise that farmers expected a tough stance against European trade barriers.[72]

Many in the American farm bloc claimed Herter was selling them out by not insisting the establishment of rules for agriculture as he had for industry. This belief prompted several resolutions which opposed commodity agreements as substitutes for reciprocal trade in farm goods and attacked French restrictions of U.S. fruit. A related bill even called for the termination of the TEA two years before its expiration date of 30 June 1967 in order to evaluate the Kennedy Round, which some legislators were now calling an "unforgivable economic stupidity".[73]

Except for Freeman, America had softened its policy on EEC access guarantees but had not deviated from the fundamental position of including farm with industrial products at the talks. The USDA wanted global market-sharing and liberalization; if refused by the EEC, America should withdraw from the Kennedy Round. Prompted by Herter, President Johnson and Secretary of State Dean Rusk discouraged Freeman's view. Herter thought such an approach fatalistic, placing the U.S. in the uncomfortable

role of attacking European integration or hinting of a trade war. He offered a "flexible, pragmatic" plan, in place of the EEC's margin of support proposal, to negotiate tariff cuts on fixed duty items and access on grains and variable levy items by any method, including world commodity agreements.[74]

Herter also eased the pressure on Erhard to agree on the EEC cereals price. Though offering to cushion the Chancellor from domestic German farm recriminations by announcing that low grain levels were demanded by the United States, Herter was willing to proceed with agricultural negotiations without a common cereals price if Europe agreed. Most important, with Johnson's approval in October 1964, he decided to table the industrial exceptions list without its companion farm list. This move was contrary to American policy all along of linking the two sectors.[75]

His decision reflected the deadlocked EEC talks on grains which prevented the Six from negotiating with the United States. But he also worried that the Kennedy Round would lose momentum if farm problems delayed meaningful bargaining on manufactured goods. In addition, Herter realized that the Common Market might use a postponement to put off decisions on its internal farm organization. By going ahead without agriculture, Washington could shift the

burden of responsibility for continuing the GATT talks onto the EEC, and especially France.[76]

Herter's recommendation naturally irked France. By dropping its insistence on proceeding with the Kennedy Round only if farm goods were considered next to industrial items, the U.S. removed pressure from West Germany to unify cereals prices. More adamant than ever, de Gaulle again threatened to walk out of the EEC in December 1964 if there was no agreement on grains. Erhard finally acquiesced, and in a major step toward integration, the Common Market decided on unified prices beginning with the 1967 crop. Yet the issue of funding agricultural subsidies still posed a large problem. Agriculture, asserted The Economist, seemed "more than ever like the sick man of Europe".[77]

U.S. farm interests also reacted against Herter's retreat. Freeman believed the policy might force France to accept higher grain price levels than desired by America. Eventually, Freeman backed Herter's decision and scrambled to assure farmers that the basic policy of negotiating on agriculture had not changed. Farmers expressed outrage, especially the anti-Johnson American Farm Bureau, which pledged to block the President's farm legislation. This dissension, along with a protectionist attack on the administration's free-trade policy from Republican vice-presidential candidate William E. Miller just weeks before

the election might have worried Johnson. But he won the rural and industrial vote handily. Nevertheless, the agricultural stand-off dampened hopes for a successful Kennedy Round.[78]

The more promising negotiations in the industrial sector were also somewhat shaky by the end of 1964, as each nation presented its list of "exceptions" from the 50% linear cuts. Britain, Japan, Finland, the EEC, and America tabled exceptions. EFTA members Austria, Sweden, Norway, Denmark, and Switzerland did not reserve any products, but retained the right to reduce their offers if they did not receive reciprocity. Commonwealth countries pleaded that their basically agricultural economies precluded them from subjecting their vulnerable industries to trade competition. Canada, with similar problems, drew up a list of an equivalent value of goods in place of the linear method.

The lists from nations which did table exceptions portended of future disputes, especially between the contracting parties and the Common Market. As an expression of disgruntlement over the "voluntary" export restraints imposed by other nations, Japan reserved the most goods, about one-quarter of its dutiable imports, from the negotiations. Britain's list covered 10% of its tariffs, including plastics and coal imports from America.

After the public hearings on the U.S. list ended in the Spring of 1964, the inter-departmental Trade Expansion Act Advisory Committee eliminated even more items from the exceptions list during October in order to demonstrate an intention to lower trade barriers. The U.S. then exempted 18% of its dutiable imports, tabling cotton textiles, machine tools, optical instruments, watches, and other items falling under the escape clause. Oil, comprising 8% of the list, was not significant to the Round since Venezuela was not a member of GATT. And, since Canadian petroleum enjoyed an exempt status from quotas, America considered the inclusion of oil on the list unrelated to the upcoming debate on reciprocity.[79]

The EEC's list stirred up controversy, though in defense of Europe, the process of creating the list was complex. Each of the Six reserved several items from the GATT talks, while the Commission proposed a modest list. France's exceptions were the most numerous of the six nations. After a marathon Council of Minister's session, a compromise provided a list of exceptions shorter than those of the individual countries but longer than the Commission's. Covering 10% of the EEC's dutiable imports, however, the final product bothered the other GATT parties.[80]

Though comprising the same percentage of U.S. imports (excluding oil), the list was much more encompassing and

restrictive than those of the other nations. For instance, the EEC essentially eliminated 80% of Norway's exports from tariff cuts. Also, the list was complex, divided into three categories.

There was a section for full exceptions, including machinery and commercial vehicles (detrimental to U.S. interests) and a variety of other items. Partial exceptions, in which the EEC would offer less than 50% cuts, contained aluminum and magnesium. Finally, conditional exceptions would be removed on chemicals if America eliminated the ASP; on autos, when Britain took them off its list, on watches as soon as Switzerland stopped banning the exports of watch-making equipment; and on cotton textiles, if all nations put them up for bargaining. The EEC argued that the latter two categories would ensure reciprocity, but congressional advisor Thomas Curtis later wrote that the tactic was another indication of Common Market impediments to the Kennedy Round.[81]

The EEC and the other nations would have to justify their industrial exceptions during the next stage of the negotiations, and the prospects for further conflict between America and Europe were likely. Over the past two years, de Gaulle had exposed the differences between the two trade partners. In the larger political and diplomatic realm, de Gaulle's veto of British membership in the Common Market signaled a dissatisfaction with U.S. efforts to link

the Atlantic community together on a more intimate military and economic basis. Most Europeans did not share de Gaulle's opinion that America plotted to preserve its domination in Europe by using Britain and the idea of a partnership to bend the Six in favor of U.S. policies. They viewed the veto as a flagrant abuse of his power within the Common Market. Without a doubt, however, de Gaulle stymied the Grand Design, considerably weakened the effects of the TEA, and in many respects, put his partners in the EEC and the U.S. on notice that the Kennedy Round would be a difficult affair. And with the veto, Kennedy's death, and Johnson's subsequent Vietnam-first policy, the Atlantic community, as historian Frank Costigliola points out, was "gone in a flash."[82]

De Gaulle was able to control EEC policy; the ten months of bitter and wasteful debate between America and the Six over the French-induced tariff disparity issue attested to his power. But he also found himself confronted by Bonn just when he had achieved one of his long-standing goals - placing the mini-alliance of France and West Germany at the helm of the EEC. Erhard's support of trade liberalization in industry and protection of inefficient West German farmers contradicted French objectives. Thus, de Gaulle was mired in a two-front war against German aims within the Common Market and U.S. free-trade designs externally.

By the end of 1964, he appeared to be winning on both fronts. Erhard had acquiesced to unified grains prices, while the Common Market had submitted a list of exceptions that prohibited tariff cuts on a large number of items, he held the bogey of tariff disparities over America's head, and made clear to U.S. farmers that the CAP was permanent and directed at European self-sufficiency in food production. By no means was the French input uncontested among the Six, but the EEC Commission's policy closely resembled or was heavily influenced by Paris.

The impact of Gaullism on Atlantic trade relations and the Kennedy Round was largely negative. Hegemony scholars point to America's trade surplus with the EEC and growth in agricultural exports to Western Europe as a justification for the de Gaulle's (and EEC) resistance to U.S. free-trade policies. The argument is compelling, for the EEC overall trade deficit with America rose to a record high of -2.3 billion in 1963 and improved only slightly in 1964.[83] The deficit, joined by strong domestic pressure on EEC members to reserve markets for European producers gave the Commission every right to request rules and table exceptions that were in the Common Market's best interest.

But the U.S. was bargaining for the future, cognizant of the implications on America's prospective export performance of the CAP and French resistance to lowering the common external tariff. Chicken exports amounted to

only 3-4% of total U.S. farm exports to the EEC, but the implementation of the CAP would mean a loss of sales to the region. The share of U.S. manufactured exports in the Common Market would drop as European industries became more efficient and productive. In sum, the effect of EEC integration and the resolution of European domestic economic problems would shift to outsiders. France might succeed in convincing the other five members that the EEC was for the benefit of members at the expense of outsiders. The Six then could subordinate their commitment to commercial liberalization under the Rome Treaty to protectionism be setting restrictive rules at the Kennedy Round.[84]

Also, the hegemony argument does not take into consideration the tremendous drain of NATO expenditures on the U.S. treasury for the defense of Europe, which were several times those supplied by the EEC. Of course, America received benefits from extending its power throughout the world, but the payments deficit subjected its overseas commitments to the threat of cutbacks and and undermined domestic social programs. Without a large trade surplus, poorer nations dependent on U.S. aid would suffer and Europe's defenses would decline. Support existed in America for the withdrawals of troops and other aid, but few Europeans, not even de Gaulle, desired such an approach.

Thus, a fair-trade policy of export expansion for all GATT parties seemed the wisest course. Washington was willing to accept an exchange of more manufactured imports from Europe for access to agricultural markets in the Common Market. With the submission of a slim U.S. exceptions list and the determination to trade according to comparative advantage, the gains from concessions granted in the Kennedy Round would be equal on both sides of the Atlantic.

Just as policy and trade factors support the comparative advantage school's case, so too does the disgruntlement of U.S. producers and legislators. The fair-trade doctrine was not working satisfactorily according to many Americans. Farmers criticized EEC protectionism and were extremely disappointed at Johnson's decision not to compel a tabling of agricultural offers alongside industrial exceptions. Manufacturers chafed at both sides' lists, believing the Common Market was unduly restrictive and the U.S. not protective enough. Congress' barrage of protectionist bills to prevent a flood of European imports, while the administration just as vigorously fought these and EEC efforts to discourage free-trade, provides clear evidence that the administration faced problems in promoting fair-trade.

Common Market policy in the preparatory stage dispelled the idea that a hegemonic America dictated trade policy.

When the TEA called for 50% equilinear tariff cuts, the EEC created a major conflict out of a relatively subsidiary issue by harping on tariff disparities. When Freeman pressed for access guarantees in agriculture, he was flatly denied by EEC official and private farm interests. Europe also managed to postpone the agricultural exception lists and in general, called the shots at the Kennedy Round because of its unfinished farm organization.

Also, when Herter minimized U.S. industrial exceptions, the Six devised a novel, three-category list that penalized its trade partners. The U.S. had an edge in bilateral trade with the Common Market, but the latter was trying hard to begin a reversal of this pattern by adjusting the negotiating rules in its favor. Thus, it is difficult to discern American hegemonic behavior in the early stages of the GATT talks. On the contrary, Washington seemed victimized by French-dominated EEC policy.

The setbacks took their toll on the Johnson administration's faith in the Kennedy Round. The President remained "prudently confident of fruitful results", though this statement was a far cry from the bounding optimism after the TEA passage two years before. The STR office cautioned that France could kill the Round by vetoing EEC policy and German reluctance to accommodate Paris on Common Market farm issues weakened Bonn's advocacy of free-trade. There was also growing support within the Commission for

slower progress in the negotiations in order to consolidate EEC institutions. Herter predicted average tariff reductions of 30-35% instead of the original 50% authorized by the TEA.[85]

By late 1964, gloom pervaded the Kennedy Round. The submittal of exceptions lists brightened the prospects for the negotiations, claimed The Wall Street Journal, but the talks would be prolonged at least one and one-half years by disputes. Business Week placed no bet that the conference would even reach a final agreement. Secretary of State Dean Rusk also did not elevate hopes in remarking that "the Kennedy Round, like all great enterprises that are underway, could come to nothing."[86] Such was the dispirited atmosphere in Geneva as the contracting parties prepared to justify their exceptions.

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[4]De Gaulle, *Memoirs of Hope*, 171. See also Nora Beloff, *The General Says No: Britain's Exclusion from Europe* (Harmondsworth, GB: Penguin Books, Ltd., 1963), 152-163; D.C. Watt, "The American Impact on Europe", *The Political Quarterly* 34 (October-December 1963): 327-328; Costigliola, "The Pursuit of Atlantic Community", 50.

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[7]Overseas Report, C.D. Jackson, 25 June 1962, United Kingdom-General-7/62-12/62, box 127, POF; Stanley Hoffman, "De Gaulle, Europe, and the Atlantic Alliance", International Organization 18 (Winter 1964): 1-17; Hughes to Secretary of State, De Gaulle's Foreign Policy in 1964, 20 April 1964, France, Vol. II, 4/64-6/64, box 169, National Security Files, Lyndon B. Johnson Library, Austin,

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[13] Memorandum for the Files from USDA Secretary Orville Freeman, 1 March 1963, Freeman Diary.

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CHAPTER 7

THE AMERICAN RETREAT, 1965-1968

Negotiations over specific tariff levels at the Kennedy Round began in December 1964 when the participants sought to justify industrial exceptions and confront the offers tabled by others. This bargaining phase culminated two and one-half years later after delays, confusion, and acrimony among the participants. As the talks dragged out into 1966 and 1967, the differences between United States and Common Market trade policies were magnified. As a result, the negotiations became a business deal, neglecting both the grander political implications and often the principle of comparative advantage.

As in the two preceding years, the EEC and America shaped discussion, and internal constraints factored heavily into their negotiating positions. The trend toward greater European domination in Geneva continued in the bargaining phase. The U.S. pressed its policy, particularly in the agricultural sector, but found itself stymied either by the EEC's internal problems or by its external trade policies. How successfully America attained its objectives at the Kennedy Round in spite of Common Market negotiating barriers drives to the heart of the debate over U.S. trade policy.

In short, this debate centers on U.S. benefits garnered from the GATT talks. Hegemony scholars contend that

Washington compelled other nations to accept its free-trade policies. While conceding losses in some sectors, America, driven by domestic interests, emerged with a bargain that strengthened its dominance over the international trade regime.

The comparative-advantage school argues that the final stages of the GATT talks witnessed the coming-of-age of EEC power and the simultaneous decline of America's capabilities in the regime. The Johnson administration fought against European protectionism, lost, and failed to sign an agreement satisfactory to producers at home. Proclaimed a triumph for liberal trade, the Kennedy Round did not meet U.S. expectations and undercut its trade strength.

During the first six months of 1965, the newly-arrived country delegations focused on the exceptions lists offered by the nations taking part in the linear tariff cut exercise. If not whittled down, these lists, and especially the extensive ones presented by the EEC and Japan, would undermine the 50% across-the-board reductions authorized by the TEA. When the effort to narrow down the lists proved ineffective, GATT Director Eric Wyndham White proposed that the linear participants discuss separately the key sectors which encompassed a large volume of trade and were also the most sensitive items at the negotiations.

At first, the U.S. feared the sector approach might replace the 50% cuts with special rules, encourage cartels, or induce the EEC to refrain from large reductions in the hopes of reducing the tariff disparities between American and Common Market barriers. Yet the U.S. backed the sector plan for aluminum, pulp and paper, cotton textiles, steel, and chemicals, as a means to examine more thoroughly all the trade problems in each industry. Besides, having looked over the industrial offers, Herter found many "meaningful" potential concessions. In any event, outlines of the sector agreements did not emerge until late 1966.[1]

While negotiators went to work in the five sectors, however, a cloud of uncertainty hung over the Kennedy Round, due mainly to French policy toward America and the Common Market. De Gaulle's familiar domineering attitude toward the Atlantic community and Europe drove the EEC in 1965 to a major crisis. Paris still maintained that the Kennedy Round had come too soon and might weaken the integration process of the Common Market. Since the reduction of internal tariffs among the Six had not hurt French industry, though, most Frenchmen began not to fear as much the potential effects of external trade liberalization.

The problem, wrote American Ambassador Charles Bohlen, was de Gaulle. Moving progressively away from EEC Commission and U.S. objectives, the general attempted to

retain French dominance among the Six by discouraging the shift of decision-making power to the Commission in Brussels. He soon pushed his own "Grand Design", promoting European nationalism to counter what he saw as American "hegemony". Disengagement from NATO, overtures to the Soviet Union and China, and disrupting the Kennedy Round were some of the manifestations of his policy.[2]

Increasingly, French actions at the Kennedy Round revolved around the agricultural sector, and particularly grains. The EEC's unfinished farm program was an impetus to Gaullist disruption of the talks and the Common Market. France disposed of 90% of its growing surplus of soft wheat by exports to non-EEC nations. The country relied on an export subsidy, paid in part by France and part out of the Common Market's agricultural fund, to finance its shipments abroad. Yet, in order to compete with historical grains exporters, the French newcomer on the world grains market cut its wheat prices. Such reductions, however, raised the subsidy required by farmers to maintain income levels and placed an additional burden on the treasury in Paris.

Thus, de Gaulle sought to control the Common Market's farm policy for the benefit of his farmers. In order to discourage production by other members, he had persuaded West Germany to unify cereals prices at an acceptable level by 1967. De Gaulle next hoped to shift as much as possible of France's share of the export subsidy to his EEC partners

by persuading them to increase the French share of the agricultural fund. Furthermore, Paris aimed to stablize global wheat prices at a high level to boost profits for farmers. To an extent, these objectives met with the disapproval of other EEC members and the United States.[3]

Franco-American problems on agricultural exports emerged as a key potential area for disappointment for Washington at the GATT talks. The foundation of America's fair-trade farm policy had been the pursuit of access guarantees into the EEC. But this aim seemed doomed as the Six pressed for the Mansholt margin of support plan, which permitted import levies to fluctuate with domestic price supports, protected EEC producers, and withheld access commitments. By limiting Common Market production, the U.S. hoped to receive assurances of its historical and growing share of the EEC market. Not only were controls naturally unpopular in France, though, but the Commission refused to grant access because the EEC's own producers did not receive such treatment.[4]

The administration stepped up pressure against EEC restrictions. Criticizing the Mansholt plan, USDA Secretary Freeman found recognition in Europe that a "meaningful" access commitment was in order, particularly after predictions that U.S. commercial wheat exports would be halved and the French surplus increased in 1965. Herter added to EEC Commission President Walter Hallstein "in no

uncertain terms" that America required access commitments or lessened protection under the variable levies and opposed the margin of support. Mansholt admitted that only France did not seek a resolution of the farm trade issue.[5]

But Mansholt's views worried the administration. When he urged the U.S. to consider domestic as well as international trade factors, Herter reiterated his pledge to negotiate U.S. farm policy. Since the Common Market exported a relatively small amount of farm goods to the U.S., however, this offer was not significant. Still, Vice-President Hubert Humphrey later told Mansholt that high priced domestic subsidies attracted political pressure that hurt efforts to liberalize trade. Simply put, the Kennedy Round would "flop" without progress in the agricultural sector because Congress would never permit U.S. concessions on manufactures while cutting out the American farmer from benefits.

Mansholt replied that America's large trade surplus and farm exports made appeals against EEC protectionism seem absurd. Yet Humphrey explained that the problem was not just economic but psychological, in that it gave the impression that Europe was no longer interested in free trade. He might also have added that correcting the U.S. payments balance, so America could fund its disproportionate share of NATO and foreign aid commitments, depended on rising farm exports to undergird the trade

surplus. Humphrey warned that Johnson had no choice "but to take stern measures unless Europe is willing to play fair on agriculture".[6]

In order to avoid a trade war and test the EEC's willingness to compromise in the farm sector, Herter persuaded President Johnson to forego the fixing of farm trade rules, as in the industrial sector, and set 16 September 1965 as the date for presenting non-grain agricultural offers. Domestic pressure necessitated this move, since farmers and Congress demanded an indication of the administration's continued resolve to link cuts in manufactures with agricultural concessions. But the STR also hoped to prevent the Common Market from offering the bare minimum of concessions and forcing Washington either to suspend the Kennedy Round or acquiesce to meager trade liberalization on food goods. Thus, in the event the EEC's offer was insufficient, Blumenthal recommended that other nations withhold offers until the Six proposed acceptable agricultural concessions.[7]

In May 1965, the Kennedy Round participants also began talks on a worldwide marketing arrangement to replace the International Wheat Agreement of 1949. Trade in cereals were central to Euro-American problems in agriculture. Wheat comprised only 15% of U.S. sales to the EEC. But America cared much more about feed grains, which amounted to 42% of its exports to the Common Market and boomed from

$197 million in 1960 to $476 million in 1966. The future of these exports under the CAP worried America. By most estimates, France would seize a greater share of the market, limiting not only U.S. feed grains but other nations' meat and dairy exports and possibly diverting them to America.[8]

Guided by the fair-trade doctrine, the United States thus had three aims at the grains talks. First was the pursuit of access in import markets. The EEC proposed to base access on a "self-sufficiency ratio", in which member states would provide 90% of its wheat and feed grain needs and outside producers would supply the remaining 10%. At present, this ratio was 87% to the outside exporters' 13%. When America pressed for a guaranteed quota at this latter percentage, the Six refused and countered with the margin of support plan, proposing limits on internal price and income supports which would restrict imports.

Second, Washington sought a realistic world price level for wheat. In order to remain more competitive in the global marketplace, Canada consistently dropped below the wheat price levels set by the International Wheat Agreement. Meanwhile, the U.S. had observed the Agreement, maintained higher prices, and subsequently lost a share of the market. Though America broke with the Agreement in 1965 in response to Canadian actions, and captured a greater percentage of key wheat sales in the United Kingdom

and Japan, the administration opposed Canadian and Australian aims at the Kennedy Round of setting minimum price levels for wheat significantly above the world price. Even more important for American exporters, the U.S. resisted an EEC request for a high minimum price for feed grains which would jeopardize exports in this growing area of agricultural trade.

Third, America hoped to establish a multilateral program to share in providing food aid. The commitment would both prevent the EEC's excess production above the self-sufficiency ratio from entering the world commercial grains market and relieve the U.S. from its disproportionate burden of aid to the LDCs. Experts worried that while America gave away food, and thereby reduced its already depleted wheat stocks, other nations would seize more of the commercial market. Asserting that the EEC was quite capable of taking responsibility for food aid, the U.S. set an annual target of 10 million tons, of which America would supply 40%, the EEC 25%, and Britain, Japan, and others the remainder.

In short, America and other exporters wanted increased outlets for grain surpluses through the aid commitment, balanced production and consumption, and stable prices. Above all, Washington sought access guarantees from the EEC. Early on, the talks on cereals sparked optimism in

the otherwise gloomy assessments of progress in the agricultural sector.[9]

Optimism abruptly ended when France boycotted the decision-making activities of the EEC on 30 June 1965. In March, the EEC Commission had proposed an ambitious program for financing agricultural subsidies. Also recommended was a greater role for the European Parliament in budgetary decisions of the Common Market. The member states also went ahead with the timetable to install majority voting by 1967 as a replacement for the unanimous voting procedure, which had allowed de Gaulle to wield his veto so effectively against Great Britain. The general could not stomach these proposals because they enhanced supranational control by the Commission and undercut his power to shape European policy.[10]

The other five countries, led by West Germany, countered de Gaulle. Since France would be the main beneficiary of the farm subsidy fund to which they would make large contributions, they demanded acquiescence to an expanded role for the EEC in budgetary and political matters in exchange. While de Gaulle refused to link the farm program with political integration, Erhard and the Five refused to separate them, and the general walked out of the EEC. The Common Market suspended operations, including participation in the Kennedy Round, until the end of May 1966.[11]

In Geneva, the GATT talks stalled without the EEC Commission's negotiating mandate from the Council of Ministers. The contracting parties pondered their alternatives as the tabling date for agricultural offers approached. The EFTA and Japan, as agricultural importers, were not enthusiastic about including the farm sector in the Kennedy Round and thus might jump at the EEC crisis as an excuse to withhold concessions. Also, the Six would feel no pressure to offer concessions once the crisis ended, which could prompt a withdrawal of offers from other nations and unravel the entire conference.[12]

After weighing the options, the administration decided to present its offers. Only Freeman recommended a postponement of farm sector talks until Europe was ready. But the STR reasoned that this "stiff-necked" approach was useless. Blumenthal argued that since "agriculture in the Kennedy Round [was] not going to be a success story" anyway, the U.S. should try to prevent any failure in the sector from being marked as "our fault". The reasons, he said, were due to domestic politics and diplomatic problems.[13] Herter suggested presenting the offers but withholding items of particular interest to the Common Market. When farm organizations and legislators agreed, the President gave the go-ahead. On 16 September 1965, the U.S. offered cuts of 50% on $500 million of $2.1 billion

dutiable farm imports and withheld $250 million pending EEC action.[14]

After the tabling, negotiations were suspended. The EFTA, Canada, Japan, Australia and New Zealand joined America in the tabling exercise, hoping the Common Market would soon follow with concessions. This scenario was unlikely as de Gaulle continued to denounce the EEC. GATT Director White called agriculture a "ghastly problem" that would destroy the Kennedy Round if not solved. By December 1965, much to the delight of U.S. protectionists, the Geneva talks had reached a low point in morale and activity. As a European journalist noted, the Kennedy Round had "run out of gasoline".[15]

A break in the EEC crisis seemed imminent, however, when de Gaulle failed to win a majority on the first ballot in the French elections, partly because of disgust with his obstructionism in the Common Market. He promptly agreed to discuss EEC problems in January, 1966. Out of these talks emerged the "Luxembourg Compromise" in which de Gaulle acquiesced to the budget and voting procedures, lowering internal tariffs further, and completing the EEC's negotiating position at the Kennedy Round, while Erhard conceded on the organization of the Common Market's farm program. In the end, de Gaulle's dramatic exit from Brussels won him few rewards.[16]

The Compromise gave the Kennedy Round a shot in the arm, though the EEC breakdown had halted the negotiations for 11 months. The GATT members now felt pressed for time since the expiration of TEA authority was just over a year away on 30 June 1967. Reaching this deadline would be a great feat, especially after the Common Market, constrained by the CAP, presented its disappointing agricultural offers in July 1966.

Freeman took a hardline against the EEC, urging a reduction of America's concessions to the match Europe's offers. Not only would these shallow offers limit U.S. exports, he argued, but the LDCs would find more reasons to demand bilateral quotas and preferential trading arrangements which were policies contrary to Washington's aims of trade liberalization. Freeman also warned that giving into the EEC on politically sensitive farm goods would provoke domestic repercussions.[17]

Indeed, the American Farm Bureau, wheat farmers, and fruit and vegetable growers watched developments at the Kennedy Round in disgust. The latter group, for instance, warned that the binding of the restrictive CAP at such a high level of protection might prompt another chicken war. Though total exports of fruits and vegetables to the EEC had risen 42% from 1960 to 1965, sales in the former began to fall in 1966 and the latter had already declined in 1963. The U.S. National Fruit Export Council, backed by

the Senate Agriculture Committee, opposed any agreement on farm or industrial goods until American commodities got improved access in Europe. This view parallelled sentiment on Capitol Hill. According to Senator John Sparkman (D-Ala.), the patience of Congress, ranchers, and farmers was not "inexhaustible" in regards to Common Market protectionism.[18]

The administration responded, but not to the extent desired by Freeman. Herter attacked EEC tobacco regulations, warning of retaliatory measures if U.S. exports declined. But he wisely resisted a tit-for-tat response of withdrawing concessions. Instead, he believed that maintaining America's offer would pressure Europe to improve its concessions; a skimpy offer would merely lower all others and lessen the scope of the trade negotiations. Many farmers besides the Farm Bureau also conceded that beating the EEC with a stick was useless. The Six were not only committed to protect their own farmers but had not finished formulating their collective agricultural policy. By mid-1966, Herter and many farm interests began to realize that the demand for access guarantees was unrealistic.[19]

This emerging belief, however, did not ease frustrations during negotiations in the non-grain farm sector in September 1966. The EEC offer was a bad one for America, amounting to concessions of less that 10% on about one-

sixth of the Common Market's dutiable farm imports. That is, the Six offered tariff cuts on only 20%, or $40 million, of America's $1.5 billion worth of non-grain exports to the EEC. Thus, Herter conceded to Senate Finance Committee Chairman Russell Long that every effort had been expended to persuade the Common Market to lower farm import barriers, with little result. Confiding to former Secretary of State Dean Acheson, Herter admitted that he was "frankly, none too sanguine as to the final outcome" in the farm sector.[20]

Discussion on industrial barriers held more promise than food goods. At the urging of Great Britain, the GATT members negotiated and agreed to an Anti-Dumping Code mostly as an attack on American use of this NTB. Despite congressional efforts to make the U.S. law more restrictive, most of the country's exporters and the administration approved of the Code as a way to prevent other nations from invoking their anti-dumping acts once tariffs provided less protections after the Kennedy Round.[21]

Tough talks in the five sectors also made headway in 1966. The EEC was a focus in these talks, and yet the STR also feared that the Six would substitute the sectoral approach for trade liberalization under the 50% linear cut rule. Apparently, the Six saw the U.S.-Canada Automotive Products Act of 1965, which removed trade barriers on

automobiles and parts in order to create a single North American market, as a model of how trade might be controlled rather than freed.[22] There were indications, then, that the sector talks would be rough.

Not a major exporter or importer of pulp and paper and aluminum, America had only a secondary interest in these sectors. Nevertheless, the U.S. had some stake in exports. In the former, Washington rejected plans by the Nordic and protectionist EEC nations to tie tariffs to prices in a sort of preferential trade agreement. In aluminum, the three big American companies were not big exporters but backed Canadian and Norwegian efforts against high Japanese and EEC protective tariffs.[23]

Steel trade, however, was of critical importance to the U.S. since it had become a net importer. Previously an ardent supporter of the TEA, the industry reversed its free-trade stance and pushed for quotas after 1962 on LDC and Japanese imports. By this time, the gap between rising imports and declining exports had widened, and the ratio of imports to consumption rose from 5.6% in 1962 to 16.7% by 1968. Figuring decisively into the influx of imports were high U.S. prices, which had caused Kennedy's celebrated confrontation with industry leaders in 1962. Britain and the European Coal and Steel Community (ECSC), which represented the EEC, also suffered from various

problems, including overcapacity, weak demand, inefficient organization, and costly raw materials.[24]

Protectionism in steel was dangerous. In reality, moderate tariff levels were not as big a problem as export subsidies and tax policies. Yet a failure to cut duties, which ranged from 9% in the ECSC and U.S. to 15% in Japan, could instigate withdrawals in other areas at the Kennedy Round. America entered the talks at a disadvantage. The country had bound, or fixed through previous negotiations, its steel tariffs, unable to raise them without compensating other nations. British and ECSC duties were unbound, could rise against cheap Japanese exports, and force Tokyo to turn increasingly to the U.S. market.

The ECSC posed a problem. The Six offered tariff cuts of 50%, but from the rate of 14% that existed before the formation of the ECSC, not the 7% level in effect prior to the industrial tabling exercise in November 1964. Aiming not to reduce duties at all, Britain viewed this ploy as a convenient excuse to stall the steel sector talks. America opposed this policy, seeking fairer trade.

Progress in this sector ensued because of U.S. prodding. Herter proposed to "target" tariff rates, in which each steel product would be afforded adequate protection. The target plan essentially sought a harmonization of duty rates, not so much lower rates but similar and more acceptable levels. Compelling Britain to take a more

productive role in the sector, the scheme also provided an impetus for unifying the EEC common external tariff in steel, helped America bring its higher duties in line with more average rates, and quieted domestic protectionist criticism. In short, the target plan addressed all sides of the steel trade issue in an equitable way. The plan's success depended on intensive talks in early 1967.[25]

Of prime concern also to Washington was the cotton textile sector. Negotiations centered on reducing tariffs and renewing the Long-Term Cotton Textile Arrangement (LTA), due to expire in September 1967. GATT Director and Cotton Textile Sector Group Chairman Wyndham White had recommended this linking of tariff cuts with a more liberal implementation of the LTA.

Despite the proliferation of bilateral protectionist quotas under the Arrangement, Asian exporters accepted its renewal. An alternative to the LTA might be unilateral restraints imposed by importers. In addition, low-cost nations such as Pakistan, India, and Korea, and the UAR had recently taken over markets previously held by Japan and Hong Kong. Thus, these latter two now had a stake in the LTA status quo because it guaranteed them a fixed share of U.S. and European markets without having to compete against the "newcomers". Nevertheless, exporters demanded liberalization of the LTA and more access in bilateral trade and warned that the response to their demands would

greatly affect whether they approved of the Kennedy Round.[26]

Generally satisfied with the LTA, the Six recognized their obligation to permit more imports into their markets. America pressured the EEC toward this end, believing that Europe's overprotected market unfairly diverted Asian textiles into the United States. The Common Market preferred to cut tariffs rather than grant more access, but America hoped to win the Six over to Wyndham White's linkage of the LTA to tariff cuts.[27]

Not only did Washington want Europe to buy more textiles, but it sought to renew a basically unchanged LTA, which had helped open up the EEC in the first place and slowed American imports. The LTA had also relieved the White House from domestic pressure from producers, who enjoyed rising profits in the mid-1960s. These boom times strengthened the administration's resolve against including synthetics and wool in a quota agreement, despite the insistence of textilemen and Congress.[28]

Meanwhile, the fact that the textile industry had enjoyed economic success and the U.S. had imposed restrictions using the LTA more than any other nation made America vulnerable to attacks from exporting nations. The U.S. still took in a large share of LDC cotton goods; by 1967, imports had risen more than 30% since 1962 and were 9.5% of domestic consumption when they had been 7.2% five

years before. On the other hand, Washington recognized its weak bargaining position; without a renewal satisfactory to the LDCs, the latter might withdraw from the Arrangement and render it ineffective. The "price" America was willing to pay for an extension of the LTA for five years was a more liberal import policy, particularly increased bilateral quota ceilings and growth rates and lower tariffs.[29]

Many LDCs rejected a renewal of the LTA before being granted tariff cuts at the Kennedy Round. As a result, the U.S. sought bilateral agreements which promised an increase of LTA quotas for the LDCs <u>after</u> its extension. This "policy of encirclement", wrote congressional advisor Thomas Curtis, won Japanese and then LDC consent to its two-fold scheme. Unfortunately, the EEC could not agree on a common textile policy - the Six bargained separately on the LTA but collectively on tariffs - and they had problems reaching bilateral accords with exporters. To the irritation of the LDCs and the United States, the Common Market delayed the LTA renegotiation until March 1967.[30]

The focal point of the industrial negototiations was the chemical sector and the tariff disparities between U.S. and British duties and the more moderate EEC rates. At issue was the American Selling Price (ASP), the system of customs valuation which increased duties well above the actual value of four products: canned clams, wool knit gloves,

rubber footwear, and certain synthetic organic chemicals. Actually, the ASP was relatively insignificant in trade terms, applying to only 108 of over 800 U.S. chemical tariffs and $43 million of the total $958 million of chemical imports. But the ASP became the EEC's "cause celebre" in Geneva because it was so blatantly protectionist.[31]

Leading the attack, the Six insisted that the elimination of the ASP was a precondition for lowering barriers to U.S. chemical exports. Britain concurred, as did Japan for the sake of its footwear exports. France and West Germany argued that synthetic organics were critical since they suffered a trade deficit with America in this category. Prized by U.S. protectionists, the ASP was also a useful counterweight against American efforts to reduce CAP farm barriers. As U.S. ambassador to the EEC J. Robert Schaetzel reported, the ASP was an emotion-charged element at the Kennedy Round, though European "preoccupation [was] substantially unrelated to the facts."[32]

Schaetzel believed the EEC exaggerated the effect of the ASP because the system covered an inconsequential amount of trade. Yet the anachronistic ASP had outlived its usefulness. U.S. chemical exports had risen by nearly two-thirds between 1962 and 1967, from $1.8 to $2.8 billion, and totaled 9% of America's total sales abroad. Meanwhile, imports increased 20%, from $765 to $958 million. With a

three-to-one ratio of exports to imports, the industry did not merit protection. But industry resistance to the principle of comparative advantage frustrated the administration. White House aide and trade advisor Francis Bator noted that though the ASP applied to only a tiny fraction of American imports, it was a "protectionist gimmick entirely out of line with our liberal trade posture".[33]

Producers and their congressmen defied the administration's fair-trade strategy. Led by Congressman Peter Rodino (D-NJ), large delegations on Capitol Hill lobbied the President against abolishing the ASP at the Kennedy Round. By 1967, 134 House members and 17 Senators from 12 big industrial and Southern states had written Johnson, and 40 legislators, mostly from New England, exerted similar pressure on behalf of the footwear industry. Though there was no support for it in the House Ways and Means Committee, noted STR deputy William Roth, the Senate Finance Committee wanted the ASP retained "for its own sake". The system was the "trickiest political issue", he said.[34]

In June 1966, the Senate adopted a resolution sponsored by Abraham Ribicoff (R-CT) and 12 others demanding that NTBs such as the ASP should not be negotiated without the consent of Congress. Legally, they argued, the TEA did not authorize bargaining over the ASP at the Kennedy Round.

This position also seemed fair to Congress; Kennedy had privately pledged in 1962 to retain the ASP. But in order to boost U.S. chemical exports and above all, conclude the GATT talks, Johnson wished to work out a difficult compromise with the EEC to abolish the system.[35] The ASP had become a "cause celebre" on both sides of the Atlantic.

These domestic problems affected U.S. bargaining with the EEC. Most important, the GATT members based negotiations at the Kennedy Round on reciprocity. The Common Market, however, had yet to offer concessions on chemicals. In fact, the Six flatly rejected a U.S. proposal to convert ASP tariffs to ad valorem rates and then proceed with 50% linear cuts, responding instead with a long list of exceptions and disparities regarding chemical duty levels. Still, the EEC held the bargaining advantage since it imported from America a much greater amount of chemicals than it exported.[36] Europe required an acceptable deal.

The turning point came with America's two-package plan, labeled "decoupage", meaning "cutting apart". The U.S. separated tariff cuts from the ASP because the latter's elimination required congressional consent. By tying the two together, the entire Kennedy Round agreement would be cancelled in the event Congress refused to annul the ASP. Thus, the U.S. insisted on reductions of EEC chemical tariffs in return for American cuts. Then, Johnson would

abolish the ASP in exchange for EEC concessions of equal value on NTBs such as road taxes.[37]

Decoupage was a compromise that met European demands to end the ASP and America's aims of lowering barriers to chemical exports. As Bator explained, because the EEC - and especially France - had made such a big deal about the ASP, the U.S. could now use it as a bargaining chip for more than it was really worth. By the end of 1966, however, only Switzerland and Britain had responded with offers in line with the decoupage package. As in the other industrial sectors and in agriculture, a chemical deal would be thrashed out during the Kennedy Round "crisis" period in Spring 1967, as the participants tried to reach an agreement before time ran out on the TEA.[38]

Heading into the final stages, the Kennedy Round took on much significance for Johnson in terms of alliance politics, diplomacy, and the balance-of-payments. Within the alliance, relations were shaky with de Gaulle. The general had stepped up attacks against U.S. investment in Europe, hurt the dollar by instigating another gold run, and criticized the Vietnam War. By March 1966, he began the French withdrawal from NATO that rocked the alliance. In May 1967, he vetoed British membership in the EEC for the second time because he still believed that London was tied too closely to Washington. France also led efforts to

counter U.S. "imperialism" by denouncing the cultural and economic "Americanization" of Europe.[39]

Another blow to transatlantic links was Johnson's preoccupation with Vietnam and domestic programs. Many Europeans accurately pointed out that Johnson neglected their region as he focused increasingly on Southeast Asia. Only West Germany lent full support to the intervention in Vietnam. Many agreed with German politician Kurt Birrenbach that the President's concern with Great Society economic programs showed that Johnson had a lessened interest in entanglements in Europe. Johnson denied the charge but acknowledged that he had a real public relations problem in Europe.[40]

Above all, Washington noted by this time the EEC's power to shape Atlantic policy. Secretary of the Treasury Henry Fowler, for instance, feared that France would use the EEC either to expel the U.S. from Europe or diminish American strength in the area. A National Security Council report suggested that the heated controversies in the alliance demonstrated Europe's desire for a "voice" in world affairs, and stemmed from the region's integration "fed by increasing European strength".[41] Such a trend came at the expense of the United States.

In response, the U.S. saw no reason why the EEC could not contribute more of its fair share to alliance commitments. Vice-President Humphrey and Senators George

McGovern (D-SD) and Stuart Symington (D-MO) were among the rising chorus of officials who attacked Europe's reluctance to shoulder more of the aid and military burden. Bator reminded the President that the U.S. payments deficit could be converted into a surplus with a scaling back of defense expenses. Johnson acknowledged that a "showdown" with Congress was in the offing if EEC protectionism prevented from paying part of its share with revenue earned from higher exports to the allies.[42]

The persistent payments deficit warranted the decade-long stress on freer trade and equitable burden-sharing with Europe. Reaching a high of $6.8 billion in 1964, the merchandise trade surplus fell to $4.95 billion the next year and by 1966 was $3.81 billion. Because of voluntary restraints on capital outflows, limits on dollar sales by the Federal Reserve Board, and export expansion efforts, however, the declining trade surplus at first did not worsen the payments deficit. Thus, in 1965, these measures created the first quarterly payments surplus since 1957, reduced the deficit to $1.3 billion from the $3.1 billion of 1964, and virtually halted the gold drain.

Yet during the next few years, these encouraging trends faded. Inflationary pressures caused by Great Society programs and the rising costs of Vietnam from 1965 to 1967 caused imports to grow by 12%, while exports trailed at 7.7% because many other nations cooled down their economies

with deflationary policies. Also, by 1966, Johnson's elaborate bureaucracy established to promote exports ceased meeting and thereby contributed to the deteriorating trade balance. By 1967, the trade surplus dipped slightly to $3.8 billion. The payments deficit rose again above $3 billion and prompted another run on gold.[43]

Trade with the EEC, moreover, did not help the deficit, and gave the administration reason to demand a greater European contribution to NATO and aid programs. In 1964, America enjoyed a $2.28 billion edge in trade with the Common Market, but this advantage steadily declined in the ensuing years. By 1967, the surplus had been halved and by 1968, it was a mere 41 million. EEC imports from America grew 5.2% from 1964 to 1966, but its exports across the Atlantic jumped nearly 20%. In addition, Europe was a much more important customer for U.S. goods than vice versa. For instance, the Six bought 18.2% of total American exports in 1965 and sold only 7.1% of their goods. The critical EEC market, America's declining trade surplus, and Europe's higher industrial output relative to U.S. production showed the Common Market to be a competitive power that could be expected to assume its fair share of alliance commitments.[44]

A good start in this direction, believed the U.S., would be Europe's willingness to liberalize trade. For his part, Johnson had initiated a determined campaign to beat back

protectionism during the mid-1960s. Only two of the eight products under the escape clause in 1962 remained under protection by January 1967. Included was the sheet glass restriction, which induced the EEC to free U.S. chemicals from the retaliatory limits imposed in June 1962.[45] But this trade cooperation seemed a rare positive note in the increasingly discordant U.S.-EEC trade relationship.

Proponents of free-trade in the United States doubted that trade liberalization would enhance this relationship. In a hearing on the Kennedy Round in 1966, for instance, Chairman Leonard Farbstein (D-NY) lamented that the hopes inspired by Kennedy for Western unity through tariff reductions had not come to much. "On the face of it, in view of the apparent setbacks to our political and military policies in Europe in recent years", he said, "we seem to have misjudged the impact that [the TEA] would have" on Atlantic relations.[46] The reason for this failure, Secretary of State Rusk informed the President, was the shift in the balance-of-trade power to the Common Market.[47]

U.S. ambassador Schaetzel pointed out more negative than positive factors in assessing EEC trade policy. Economic problems in France, West Germany, and Italy in late 1966 might discourage movement toward opening their markets to competitors. A deal in agriculture could "be pulled off" but only if the administration prevented "irate farm interests and legislators" from disrupting the

negotiations. In any event, he pleaded for Herter to end his "bouts of dark gloom and excessive anti-Common Market bias" developed over years of dealing with the Six.[48]

But in general, U.S. officials were not sanguine about persuading the EEC to lower trade barriers as the Kennedy Round headed for its finish. The ouster from power of Erhard in West Germany in November 1966 took away a free-trade champion in the Common Market. George Ball complained that EEC policy appealed to "the lowest common denominator" of trade liberalization, particularly in the agricultural sector. Herter, just months before his death in December 1966, remained only "guardedly optimistic" about success at the Kennedy Round. Congressman Curtis' positive outlook in December had faded by mid-January 1967 as crises in the industrial and farm sector loomed.[49]

Mounting problems in Geneva provoked criticism at home. Senators Long of the Senate Finance Committee and Minority Leader Everett Dirksen (R-Ill.) censured the White House for its overly-generous trade policy, and Vance Hartke (D-Ind.) called the TEA a "colossal failure". Several experts predicted that the Kennedy Round would be a bad bargain for the United States and forecast an average tariff cut of 15% to 18%, a far cry from the TEA's 50% goal. In response, William Roth, the new STR, pledged that any imbalances in offers would be eliminated to assure reciprocity. If not possible, the U.S. would reject the final agreement.[50]

Yet by February 1967, there were hopeful signs. Johnson's rollback of sheet glass and watch duties sparked praise from the EEC and Switzerland and boosted morale at the Kennedy Round. When America found that its total industrial offers would result in a $2 million deficit, the country prepared a withdrawal list to ensure reciprocity. Though justified, the action could have undone the negotiations if not for the EEC's refusal to submit a similar withdrawal list. Thus, opting instead to improve their offers, the Six showed a willingness to bargain on the "big issues". In order to leave time for an assessment of the final package before 30 June, Roth set an informal deadline for the end of March for an agreement on the remaining points.[51]

When this date passed, however, the Kennedy Round entered a "crisis" stage lasting from April to June 1967. When Roth flew to Geneva to take charge of the U.S. delegation, the President set up a secret, inter-agency "Command Group" to give the STR "appropriate backstopping" at home and Johnson an "open shot" to make fair, critical decisions. Directed by White House aide Bator, the group consisted of an STR deputy and high-ranking State, Commerce, and Agriculture Department members, and communicated under the code name LIMDIS-POTATOES. This elaborate structure sounded "like a battle plan", wrote Bator to Johnson, but the Kennedy Round would face such a

"crunch" in the coming weeks that it required close attention, "cool nerves, and fine negotiating judgment to pull it off". Concluded Bator, "not only five years of work, but your entire trade policy is at stake".[52]

Though the crisis centered on U.S.-EEC bargaining over agriculture and chemicals, the U.S. managed to forge bilateral arrangements with the EFTA, Canada, and Japan. With the Outer Seven, America came out on top in agriculture and about even on industrial items cut by the linear cut method. Canada, which did not negotiate according to the linear procedure, also received an equitable deal. Ottawa granted concessions on imports from the U.S. amounting to $1.4 billion, while America cut tariffs $1.25 billion. A balanced deal in the farm sector and the anti-dumping code, both of top priority interest to Canada, boosted its trade with the United States.

The U.S.-Japan bilateral talks resulted in 30-35% tariff reductions, but this trade relationship underwent great strain. Japan's long list of exceptions and insistence on negotiating VERs before it lowered duties placed Washington at a disadvantage. Experts judged that a discrepancy of $500 million to $1 billion in offers existed in Tokyo's favor. America consequently withdrew offers in the cotton textile and steel sectors to correct this imbalance. Nevertheless, the U.S. still came out on the worst end of

the deal, and last-minute haggling only generated more ill feeling on both sides.[53]

Discussions with the Common Market yielded a mixed bag of successes and failures. By early May, America's frustration with the lack of progress on the "big issues" forced Roth to issue another deadline of May 9, after which he would return home if no agreement was reached. Causing particular irritation was the EEC's submission of a list of withdrawals based on tariff disparities, the major point of conflict that had hung over the negotiations since 1963-1964. Blumenthal abruptly laid the matter to rest by reminding the Europeans that no rules on disparities existed and threatened counter-withdrawals if the Six invoked the list.[54]

Still, negotiations proceeded in the five industrial sectors. There were substantial cuts in the pulp and paper sector but disappointing results in the aluminum talks. Both sectors were of only secondary interest to the United States, unlike discussions in steel, cotton textiles, and chemicals.[55]

America's proposal of steel target rates, though leading to some improvement in offers, eventually fell by the wayside in early 1967 because others believed that the projected tariff levels were too low for suitable protection. Yet in the end, each nation lowered tariffs to a level in which all duties would be matched equivalently.

In sum, Japan and Britain cut more than the EEC and United States.

The average overall cut in the sector was 37%, a solid achivement. Washington won reductions on its key steel exports, with ECSC concessions covering 90%, or $709 million, of U.S. shipments to the Common Market. Nearly 70% of these cuts reduced tariffs from 25 to 49%. The subsequent outcry for quotas from the U.S. steel industry clearly marked the extent of American concessions. Partly as a result of the Kennedy Round accord, steel imports rose from 11.4 to 17.9 thousand tons from 1967 to 1968, a 63% increase.[56] Despite its slightly higher tariff levels, America was a fair-trader in steel.

In textiles, the participants extended the LTA for three years after considerable argument between the EEC and the LDCs and Japan in bilateral talks. Thus, America prevailed; the LTA was not liberalized but importers cut tariffs at the Kennedy Round by 21% and agreed to a one-time bonus quota. The U.S. lowered its synthetic duties 24% and 37% on yarn, but only 18% on fabrics, 6% on apparel, and a mere 5% on wool due to domestic pressure (though the average wool cuts in the sector were 2%).

In sum, U.S. textile tariffs fell 15% while the EEC's declined 20%. Though the LDCs complained about the agreement, there was no better alternative. Besides, cotton textiles soon diminished in trade importance for the

Third World, replaced by man-made fabrics. The administration had managed to stave off pressure from the industry and mild prodding from Congress for the inclusion of all fibers in the LTA and for no tariff cuts at all on textile duties. Above all, U.S. imports in all materials rose until 1972.[57] America certainly strained the bounds of fair-trade in textiles, but was as reasonable as possible considering trends of rapid growth of LDC exports, European protectionism, and domestic political pressure.

The chemical sector remained the toughest area of bargaining on industrial tariffs. By the end of April 1967, the sector had stalled on the two-package decoupage proposal. America insisted on unconditional cuts by the EEC on most chemical products while Europe tied reductions to the elimination of the ASP. The Six were unyielding on this aim, rejecting a suggestion by Wyndham White that each party cut tariffs 20% at the Kennedy Round and an additional 30% once the ASP was abolished.[58]

Noting that European demands would result in an unbalanced deal clearly to America's disadvantage and contradictory to the TEA's intent of attaining reciprocity at the Kennedy Round, Washington played "chicken" with Europe in the chemical sector. Above all, the administration feared that the EEC made implementation of the entire Kennedy Round agreement dangerously contingent on congressional action on the ASP. Roth warned in May

that the ASP issue could be a "stopper" to the conference.[59]

Wyndham White broke the deadlock at the final "marathon" meeting of the Kennedy Round on 15 May 1967. His compromise entailed American cuts of 20% on its low duties, while the EEC reduced its high tariffs by 20% (instead of 30%), and Switzerland and Japan maintained their initial reduction offers. Under a separate agreement using the decoupage approach, the U.S. would eliminate the ASP, convert duties under the system to normal valuation, and then reduce low-tariff goods by an additional 30%. Then, the Common Market would reciprocate by cutting its high tariffs another 30% and grant concessions on some NTBs.

The final package benefited America by promoting the law of comparative advantage. Taking both the initial tariff and ASP agreement together, the average cuts were 46-49%, nearly meeting the TEA goal. The U.S. was the victor, whether each package, the combined settlement, or bilateral trade is considered. Since its imports were small relative to exports, the country gained by granting $314 million in concessions and receiving $796 million from others. Though its dye industry might be jeopardized by the elimination of the ASP, the U.S. would enjoy rising exports starting in 1968.[60] Unfortunately, to the administration's disgust, Congress later refused to repeal the ASP and America appeared as a selfish trader in chemicals.

The Common Market, however, was unyielding in agriculture, arguing that a similar effort in farm trade liberalization as in industry was untenable. In the non-grain sector, the Six led others in offering duty cuts amounting to $238 million, or half the U.S. exports available for reductions. On trade coverage alone, the U.S. came out ahead and cut farm tariffs less than others. But CAP variable levies items were of major interest, on which no worthwhile concessions were obtained. Thus, the non-grain sector resulted in only a minor degree of success.[61]

The EEC was the main reason for the disappointing finish. In addition to the small overall concessions, there was little progress in the dairy and meat sector because of the CAP in the former and the combined restrictions of the Six and Britain in the latter. American fruit growers, moreover, criticized the EEC's token offers. Nevertheless, Johnson rejected Freeman's request at the end of the talks to withdraw America's offer on canned hams as a means to balance the agreement, realizing retaliation was senseless.[62] Overall, the Common Market discouraged trade liberalization in the non-grain farm sector.

The U.S. hoped for a more positive outcome in the cereals sector, where exporters and importers had begun negotiating an International Grains Agreement (IGA) in

February 1967. Yet EEC rigidity undercut these expectations. Exporters realized that the Kennedy Round offered their last chance for some time to secure an acceptable aggreement from the Six on sharing in the future growth of the EEC market, price levels, and food aid. Problems persisted, however, in all three areas.[63]

The Common Market flatly rejected the access commitment. Washington tried to fix the Common Market's self-sufficiency ratio at 87% by pressing for a quota for outside producers to apply to the remaining 13% of the EEC grains market. Refusing this guarantee, the Six blocked America's primary objective at the IGA talks.

Price policy remained a major difficulty. Agreement by Canada, Australia and the United States on global wheat prices seemed likely after much haggling. They set a minimum price of $1.70 to $1.75 per bushel, but this level ended up being too far above actual market prices in subsequent years. A stalemate ensued over EEC demands for a minimum feed grains price, which was the key U.S. export interest. Such price supports, determined by the margin of support proposal, would curb American exports of corn, sorghums, and other feed grains.[64] Another impasse ensued.

Washington initially had advocated an annual 10 million ton donable food commitment as a means of keeping the EEC's surplus grains off commercial markets and establishing fairer levels of aid burden-sharing among exporters.

America hoped the Common Market would provide one-quarter of the aid, while the U.S. would donate 40% and other participants the remaining 35%. By Spring 1967, however, the STR lowered the commitment to 4-6 million tons, though the EEC pressed for 3 million. Japan, as a grains importer, wished to give a small share or a cash equivalent.[65] Again, American objectives were in jeopardy.

The deadlock of May 1967 naturally provoked criticism at home. The Farm Bureau and wheat growers continued to resist the marketing arrangement. Most other farmers backed U.S. efforts, but pressed for an acceptable grains deal becuase there would be "nothing more disastrous than having to face a closed door in Europe, carrying on the Vietnam War, and trying to give aid to all the underdeveloped of the world", cautioned James Patton, leader of the National Farmers Union.[66] That is, a healthy payments balance rode on a fair-trade settlement in the IGA.

In effect, the administration began to modify its policy on grains by applying the fair-trade doctrine. Ambassador Schaetzel wrote from Brussels that the "nasty issue" of agriculture could be resolved <u>only</u> if American farmers awoke from their "dreamland" of believing that other nations should trade according to the law of comparative advantage. The EEC's denial of access guarantees demonstrated the inapplicability of this principle. White

House aide Bator also urged the President to ignore pressure from Freeman to withdraw from the Kennedy Round if the EEC remained obstinate on the IGA. Washington still insisted on equitable deals in both the industrial and farm sector, but increasingly realized a compromise in grains was in order.[67]

After the Command Group met and digested several LIMDIS-POTATOES secret communications from the STR office in Geneva, the administration settled on a compromise which gave in to EEC policy. America dropped its demand for access guarantees in return for the Common Market dropping the feed grains support price. Actually, this strategy had been developed some months before, but as the IGA reached a crisis stage, the Command Group had notified the President of his options.[68] The plan succeeded in breaking the deadlock in the cereals sector, though in general not to the advantage of the United States.

The grains deal, which 52 nations later endorsed in Rome in August 1967 as the three-year IGA, reflected U.S. concessions. The minimum wheat price level was still too high to encourage efficient trade. The food aid commitment fell short of America's initial 10 million ton amount and the sharing percentage. The annual contribution was set at 4.5 million tons, with the U.S. supplying 42%, the EEC 23%, Canada 9%, and the other nations the remainder. Above all, the U.S. failed to obtain an adequate self-sufficiency

ratio or access guarantees in the Common Market. America retreated in the grains sector, abandoning its key positions in the face of EEC pressure.[69]

As later trade showed, the IGA did not help American grains exports in European markets. The deal immediately seemed a failure, as wheat prices tumbled well below the IGA minimum in 1967 and 1968 and distorted trade. The high minimum price also hurt U.S. wheat sales by reducing the cost of the French and the CAP export subsidy and stimulating production in the LDCs, thus decreasing American wheat, flour, and rye sales. The absence of access commitments also reduced American feed grains in Europe. By 1969, these exports were less than half the sales registered in 1966. In any event, the IGA did attempt to rationalize trade in cereals, began a food aid program, and above all, eased the way to a conclusion of the Kennedy Round.[70]

Despite the agricultural imbalance, Johnson authorized Roth to approve the GATT accord on 15 May 1967 after Bator had warned that without U.S. consent, the other nations would resort to "jungle warfare" and "spiraling protectionism with parliaments holding the whip hand".[71] The President might "take some heat" from domestic farm, textile, and chemical interests. But the bargain was fair enough in economic terms and surely not worth provoking a diplomatic backlash after four years of difficult talks.

After some last-minute adjustments to accommodate the EEC, the contracting parties signed the Kennedy Round agreement just hours before the TEA expired on 30 June 1967.[72]

On the one hand, the results were impressive. The GATT members not only negotiated in certain difficult areas but forged an agreement that promoted closer relations. Specific successes included the chemical package, the IGA aid program, and the Anti-Dumping Code as well as an initial stab at NTBs. Most experts, the American and European press, the Johnson administration, and GATT officials lauded the Kennedy Round as the "highwater mark of international trade cooperation", the "most successful trade negotiations in history", and an "historic compromise".[73]

The Kennedy Round encompassed $40 billion in trade, more than eight times that of the Dillon Round. The major industrial nations cut tariffs on manufactures by an average of 35% on $25.7 billion out of a total $37 billion dutiable imports. Two-thirds of these reductions were by 50%. Lowered to an average of 9%, industrial tariffs were rendered virtually meaningless. Tariff disparities were also no longer an issue; only .8% of U.S. duties were above 30%, when once 7.5% were higher. And, the tariffs of both the EEC and EFTA ended up half of the level existing before they formed into blocs. Above all, no nation gained

inordinately over another; the accord was balanced and reciprocal.[74]

American industrial tariffs alone came down 64% when the most significant GATT round in 1947 had resulted in a 54% decrease and an overall cut by all participants of 20%. Granting concessions on $6.4 billion worth of manufactured imports, and $2 billion to the EEC, the U.S. received in return reductions on $6.7 billion of its exports, and $2.7 billion from the Six. Only Japan got more concessions than it gave to America. The largest cuts were in advanced technology items; transportation equipment, machinery, and chemical, all beneficial to America.[75]

On the other hand, parts of the agreement revealed little progress toward trade liberalization. The record for the LDCs was meager. They had initiated an "Action Program" to stimulate exports by reducing or eliminating quotas and tariffs which restricted access to the North. Though the U.S. granted concessions amounting to $900 million, it resisted joining the emerging consensus for tariff preferences, and its advocacy of the LTA hurt Asian producers. Tropical products were also losers despite the special authority in the TEA. Though GATT delegate John Evans asserted that the LDCs profited from the agreement, they thought it was a bust. Even Wyndham White singled out the gains for the poor nations as too modest.[76]

STR Roth cited the small cuts in aluminum, steel, and cotton textiles and the EEC's unwillingness to lower barriers to a few high-tech goods, such as business machines, as disappointments. Some of them were setbacks for the United States. In the latter field, electronics tariff cuts were minor, which both hurt U.S. exporters and helped domestic producers in curbing imports from Japan. However, excluding mineral fuels, U.S. exports would gain $541 million while imports would rise $537 million, just a $7 million surplus in the non-farm sector. Without the repeal of the ASP, however, the export increase would drop to $487 million, thus netting America a <u>loss</u> in trade from the Kennedy Round.[77]

The equivalent depth of reductions and broad coverage of the industrial sector did not occur in agriculture, which was the biggest defeat for U.S. objectives. Though the volume of trade subject to tariff reductions was four-to-one in America's favor, the average duty cuts were 20%, while industrial tariffs were reduced 35%. The CAP prevented cuts on a host of U.S. exports, including grains and poultry, and Washington won no access guarantees to assure future levels of farm sales.[78] The EEC blocked the fair-trade doctrine in agriculture.

This setback spurred a dangerous reaction against the EEC and free-trade in general. Freeman and the USDA tried to put the best face on the agreement, calling it a "modest

success" in which U.S. aims had been realized "to some extent". Yet the "lessons" of the Kennedy Round were largely negative. Freeman learned that no longer could America hope to lower European farm trade barriers by invoking the benefits of free-trade.

Instead, he detected a divergence in philosophy concerning commerce in the agricultural sector. Nations such as the United States traded according to the law of comparative advantage, while the EEC adhered to the law only in certain cases, and the LDCs produced to exist. These approaches created a "disturbing" conflict which undergirded the problems at the Kennedy Round and boded ill for future American export prospects.[79]

U.S. farmers agreed. Major exporters within the farm bloc, such as the Farm Bureau and big grain dealers, opposed the IGA partly in principle against state-run marketing agreements and partly because it curbed liberal trade. Above all, they realized that their exports were left completely "at the mercy" of EEC policy. Since the Kennedy Round failed to obtain meaningful concessions on CAP variable levy items, claimed the Farm Bureau, the results were moderate, "at best".[80]

Opinion on Capitol Hill concurred. Senator Frank Carlson (R-KS), the key farm-state member on the Finance Committee, reserved judgment on the overall package but criticized the IGA. On behalf of the House Republican Task

Force on Agriculture, Congressman Odin Langen (R-Minn.) called the Kennedy Round a "failure", blasted the administration's negotiating behavior, and joined other legislators in declaring that the American farmer had been "sold out" in Geneva.[81]

In the industrial sector, opinion ranged from disgust to lukewarm views. Textilemen recorded their "deep disappointment" that the LTA renewal did not include all fibers, while chemical interests agreed with protectionist O.R. Strackbein that the ASP package was a "time bomb loosed against the American economy."[82] Most exporters were only mildly optimistic, expecting a boost in sales but doubting the gains would be drastic. A number of businessmen predicted little impact from the results, either because NTBs placed more significant restrictions on their products or because exports were of little importance and concern relative to the domestic market. The Wall Street Journal reported that the business community had greeted the Kennedy Round with "fear, hope, confusion - and a big yawn".[83]

Besides the expected denunciations from protectionists, Congress unleashed a broad-scale attack against the agreement and Johnson's trade policy. Of particular concern was the proposed elimination of the ASP and its effect on chemical and footwear imports. Though most legislators promised at a congressional briefing by the

administration to reserve judgment, many were disturbed by the Kennedy Round results. Senators Pastore and Ribicoff and Congressman Gerald R. Ford (R-MI), for instance, questioned why America had granted concessions in vulnerable import sectors such as textiles, chemicals, and steel.[84]

This sort of disgruntlement erupted soon afterwards in a backlash against free-trade that, to a large extent, determined U.S. trade policy over the next decades. By the end of 1967, no fewer than 729 House bills and 19 in the Senate proposed quotas on over 20 imported goods. At one time, remembered White House aide DeVier Pierson, 97 of 100 Senators had endorsed one or more of these bills. Senator Vance Hartke (D-Ind.) explained that the Kennedy Round had been the equivalent of "unilateral disarmament" by the United States. Until the administration grew tough at negotiations, he announced, Congress would "insure that trade is fair" by matching foreign NTBs with America's own.[85]

The last 18 months of the Johnson presidency witnessed a full-scale effort by the administration <u>not</u>, ironically, to consolidate the gains of the Kennedy Round but to defend the agreement against protectionists. Free-traders such as Senator Jacob Javits prepared to "do battle" against protectionism, but the opposition was strong. For instance, Chairman Long of the Senate Finance Committee

joined forces with Congressman John Dent and other restrictive traders in denouncing the Kennedy Round and pushing for quotas.[86]

The first major movement in this direction came in July 1967, when Long ordered a study of the steel industry's import problem and then took the opportunity to denounce EEC barriers to U.S. exports when he began hearings on quotas in October. The STR office reported mounting protectionist sentiment in both political parties' leadership and in key committees on Capitol Hill. The push for quotas became so pervasive that the EEC, Canada, Japan, Britain, the Nordic nations, and most of the Latin American countries expressed concern.[87]

The quotas proposed in 1967 and 1968 applied to many items, but the major ones were for steel, oil, and textiles. An Omnibus Quota Law, following the procedure of the Meat Act of 1964, would also trigger quotas on any imports that reached a certain level. Senator Ernest Hollings (D-SC) introduced the textile quota, but Wilbur Mills also proposed to "improve" the LTA by tying import increases to U.S. consumption. Oil-state legislators sought to freeze the 12.2% limit of the Kennedy-Kerr agreement into law and steel interests suggested a quota. Free-traders were alarmed. John Hight of the Committee for a National Trade Policy proclaimed that the bills amounted

to a "trade policy crisis greater than any in the last 30 years".[88]

The administration reacted with firmness out of a defense of the Kennedy Round accomplishments and as free-traders. Treasury Secretary Fowler told Long that engaging in a "quota war" was a "fool's game", especially for a nation that enjoyed a large but shrinking trade surplus. Quotas only caused retaliation. Bator echoed this response, writing the President that "an export-surplus nation can't win a serious war of import restrictions - it has too much to lose.[89]

Johnson agreed, and would not permit the drive for trade liberalization, the gains of the Kennedy Round, and efforts to improve the payments balance be destroyed by protectionism. He feared an "economic cold war" in which "everybody stagnates". Thus, not wishing to invite "massive retaliation" from abroad, Johnson declared that the quota bills would not "become law as long as I am President and can help it".[90]

Yet this courage exacerbated a tricky legislative problem for the President. He sent a two-year extension of the TEA to Congress in 1968, including an elimination of the ASP and liberalization of the adjustment assistance provision. The latter had been an "abysmal failure"; to date, not one of the several petitioners had qualified for relief because the criteria were too rigid. A revision

would not pose a problem on Capitol Hill, but the ASP issue would. The situation in Congress was "very rough', reported aides, and even "dismal" because of complete lack of Democratic leadership for free-trade in the Senate. The Kennedy Round and the sinking trade surplus had taken its toll on enthusiasm for trade liberalization. Vietnam and inflation had instilled similar frowning on any other major endeavor by the Johnson administration in 1968.[91]

Thus, the TEA did not enjoy the upbeat atmosphere like its predecessor in 1962. At hearings before the House Ways and Means Committee, it became apparent that the ASP posed as an insurmountable obstacle. The threat of protectionist riders attached to the bill prompted Mills to delay reporting it out until it was "clean". But by July, many members of his committee opposed another free-trade initiative, as they watched the trade surplus plummet to $611 million, the lowest level since 1955.

Aide DeVier Pierson reported a "Mexican stand-off" in the House; both the trade bill and quotas were stalled. In the end, the White House opted for the TEA's death (and the retention of the ASP) in the committee for defeat of the quotas, including the "big boys" of textiles, steel, and oil.[92] A brand of inter-branch accommodation which essentially nullified a new policy, the deal drew the curtain on the trade initiatives of the 1960s. The Kennedy Round, the "high-water mark" of free-trade, had unwittingly

opened the door to protectionism and initiated a less liberal phase in America's trade history.

The political fall-out after the Kennedy Round signified its success in liberalizing trade, but it also pointed to America's inability to cope with competition from abroad. Once the country directed the trade regime, but by the late 1960s America had turned inward and vacated the leadership role to the EEC. Europeans increasingly feared that the U.S. might withdraw "into its shell" and loosen its economic and military commitments in the alliance and around the globe. The EEC, by 1968, stepped up efforts to prevent such an occurrence by campaigning against U.S. protectionism.[93] The administration was at a loss to reassert American command over the international trade regime.

More than any other sign, the balance-of-payments deficit indicated this impotency. The problem reached crisis proportions in 1968; the collapse of the British pound, the large outflow of dollars for Vietnam, and the ensuing run on gold spelled disaster. Remedies included imposing mandatory controls on capital outflows, consideration of a tourist tax, and import surcharges, and negotiations for allied offset payments to help fund American troops abroad.

Johnson also concentrated on boosting exports, but to no avail. Much to his frustration, Americans still neglected

overseas markets - exports averaged only 4% of the GNP from 1963 to 1968. The Commerce Department complained about "export-lazy" beer, machinery, clothing, lumber, and even auto industries; the U.S. trade performance remained "far from reassuring". The push for quotas and the still-born TEA of 1968 only aggravated the problem. Worsened by the declining trade surplus, domestic inflation, and the crumbling monetary system, the persistent deficit eventually led to more drastic, and restrictive, measures by the Nixon administration in 1971.[94]

The Kennedy Round was partly responsible for the nagging deficit and the American abdication of leadership over the trade regime. Especially after the EEC crisis of 1965, and even before, the talks had lost their luster and grandeur. No longer thought of as part of a grand design for the Atlantic community and global commercial order, the GATT conference became a zero-sum game, in which one side gained at the other's expense. This attitude carried over into the post-Kennedy Round period, particularly in the United States.

The Kennedy Round was a success in terms of freer world trade and global relations. Large tariff cuts in manufactures, the grains agreement, and a serious look at NTBs were only some of its achievements. The talks permitted closer bonds between the EFTA and the Common Market and enhanced Japan's status as a major industrial

trade partner. Considering the disturbances in the alliance caused by Charles de Gaulle, moreover, the Geneva accord "provided a sort of comforting continuity and momentum toward agreement in at least one area" of Atlantic relations, wrote congressional advisor Curtis and his aide.[95] "No monument to partnership", contended William Diebold in 1972, the Kennedy Round nevertheless was a "landmark" in U.S.-EEC relations.[96]

Most observers also believed that the negotiations were a triumph for the European integration movement. Gaullism failed to obstruct the EEC's participation in the talks or dismember the Common Market. Instead, the Six worked as a "unit" and thereby strengthened the concept of regional consolidation. Washington even asserted that this "growing maturity" tightened the bonds of the Atlantic community for the benefit of all traders.[97] Without a doubt, however, the EEC's solidarity made it a tougher bargainer and more resistant to U.S. trade aims.

EEC policy prevented the White House from making good on the promises made in 1962 of bringing benefits for the U.S. economy through trade negotiations. The rout suffered by American agriculture at the hands of the EEC, Gaullism, and concessions in the industrial sector made Kennedy's prediction of domestic economic prosperity, reduced unemployment, and an intimate Atlantic partnership seem

overblown by the end of the decade. European bargaining in Geneva blocked the TEA's effectiveness.

Most significant, the rise of U.S. imports at a rate much higher than exports may be blamed to a large extent on American concessions in Geneva. The Kennedy Round might have been good for the trade regime, but it was "too much of a good thing" in the eyes of many American producers. In part, it caused the country's first trade deficit in the postwar years in 1971.[98] Indeed, the talks were not so good for the U.S. trade balance.

In short, an assessment of the Kennedy Round results and subsequent reaction in the U.S. gives more credence to the comparative-advantage than the hegemony school argument. The latter school's viewpoint was validated in specific sectors. For instance, Washington forced and won a revision of the restrictive LTA, gained in the critical chemical sector (especially by not repealing the ASP), and looked forward to continued growth of many capital-intensive exports. America's sheer size and share of the world trade volume enabled it to determine much of the final outcome in its favor.

Without a doubt, moreover, the country grew more selfish after the talks. The quota bills, defeat of the TEA, and reversal of organized labor from its erstwhile support for free-trade to protectionism demonstrated this behavior.[99] In addition to retaining a trade edge in key industrial and

farm sectors, the United States also held a positive overall world trade balance and an edge with the EEC, though both surpluses were dwindling. A flagging giant, America was still a dominant force in the trade regime and acted as a hegemon, argues the hegemony school.

Yet the facts of the Kennedy Round do not fully bear out the hegemony view. First, the final product fell short of the goals set by the TEA. America's supposed hegemonic interests would be served by 50% tariff reductions in the industrial sector, a diversion from the U.S. to Europe of the tropical commodities of Latin America, and assured and growing access into European agricultural markets. Though many duties on manufactured goods were set at or came close to the 50% aim, America achieved none of these objectives at the Kennedy Round.

Second, Washington's efforts in the name of free-trade had unintended, often the opposite, effect of the initial objectives in 1962. The U.S. lowered its own import barriers and touched off a protectionist backlash. And, in its pursuit of trade liberalization for the sake of national security, postwar tradition, or even a much-needed victory to offset the Vietnam, monetary, and domestic political and economic quagmires, the administration forged an agreement which hurt U.S. trade interests. The trade surplus plunged into a deficit by 1971 for the first time in the twentieth century.

Third, the Common Market prevented America from acting as a hegemon. The EEC wielded much, and perhaps more, leverage than its counterpart across the Atlantic. As T.K. Warley points out, the American assumption that Europe's interest of reducing tariffs on manufactured goods gave the U.S. equal leverage to bargain down EEC agricultural barriers was wrong. Washington was "defeated on grounds of its own choosing" in the farm sector by European resistance. In the end, the U.S. was unwilling to halt the Kennedy Round, but its primary objectives of equalizing industrial with agricultural concessions had failed.[100]

For these reasons, but mainly the latter, the comparative-advantage school's counter-argument that the U.S. did not and could not behave as a hegemon seems plausible. For the first time since before the war, Europe came to the bargaining table equal in stature and nearly equal in trading strength to the United States. The United States had to reckon with a fully-blossomed "New Europe", and, in the final tally, the EEC won <u>its</u> aim of lowering industrial tariffs while maintaining agricultural barriers. To an extent, Europe redefined the fair-trade doctrine to suit its interests. Clearly, as U.S. officials and producers gradually came to realize, America could "no longer call the tune" at trade negotiations.[101] Atlantic community plurality was established fact.

[1]State Department History; Curtis and Vastine, The Kennedy Round, 90; Preeg, Traders and Diplomats, 89-90, 93; Christian Herter, "The Kennedy Round: Progress Report", Department of State Bulletin 53 (5 July 1965): 33-34; William Roth to Senator Jacob Javits, 13 July 1965, Kenneth Auchincloss, box 5, Herter papers.

[2]Bohlen to the Secretary of State, 2 February 1965, France-Vol. V-Cables, 12/64-2/65, box 170; Bohlen to the Secretary of State, 28 April 1965 and 16 June 1965, France-Vol. VI-Cables, 2/65-6/65, box 171, NSF-LBJ.

[3]Bohlen to the Secretary of State, 1 April 1965, France-Vol. VI-Cables, 2/65-6/65, box 171, NSF-LBJ.

[4]Bohlen to the Secretary of State, 1 April 1965, France-Vol. VI-Cables, 2/65-6/65, box 171, NSF-LBJ; Preeg, Traders and Diplomats, 94, 147-148.

[5]Orville Freeman to the President, 1 February 1965, TA/1/1/65-9/30/65, box 2, WHCF-LBJ; Memorandum of Conversation between Christian Herter, President Walter Hallstein, and John Tuthill, 1 February 1965, Trips-Geneva-1/65-2/65, 1/27/65-3/11/65 and undated, box 16; Memorandum of Conversation, 9 February 1965, Department of State Memoranda of Conversations-10/5/64-9/30/66, box 15, Herter files.

[6]Hubert Humphrey to Christian Herter on conversation between Humphrey and Sicco Mansholt, 4 March 1965, attached to William Roth to Hubert Humphrey, 8 March 1965, Public

Advisory Committee for Trade Negotiations-1/6/65-11/1/65 and undated, box 14, Herter files.

[7]Department of State History, vol. 1, chp. 9; Christian Herter to the President, 19 January 1965, Tabs 7-16, box 52, NSC Kennedy Round History; Congressional Record-Senate, vol. 111, pt. 3, 25 February 1965, Senator Herman Talmadge (D-GA), 3557-3558; W. Michael Blumenthal to Christian Herter, 15 December 1964, Ambassador W. Michael Blumenthal-6/19/63-8/28/64, box 7, Herter files.

[8]State Department History, vol. 1, chp. 9; Curtis and Vastine, The Kennedy Round, 51-53.

[9]USDA History, vol. 1, chp. 3; Preeg, Traders and Diplomats, 94, 151-155; Curtis and Vastine, The Kennedy Round, 53-58. The main exporters were the U.S., Canada, Argentina, Australia while the main importers were Norway, the United Kingdom, Denmark, Switzerland, and Japan. The EEC was both a main exporter and importer.

[10]Preeg, Traders and Diplomats, 111-112; State Department History, vol. 1, chp. 3; Memorandum of Conversation between Christian Herter, Belgiam Foreign Minister Paul-Henri Spaak, and Belgian Ambassador to the U.S. Louis Scheyven, 22 October 1965, Memoranda of Conversations-7/29/63-4/21/66, box 10, Herter files.

[11]John Newhouse, Collision in Brussels: The Common Market Crisis of 30 June 1965 (London: Faber and Faber, 1967), 45, 67-68, 123-124; Memorandum of Conversation with

Heiman van Blankenstein, Economic Ministry, Netherlands, 24 January 1966, Department of State Memoranda of Conversations-10/5/64-9/30/66, box 15, Herter files.

[12] State Department History, vol. 1, chp. 9; Preeg, Traders and Diplomats, 114-115.

[13] Blumenthal in McGeorge Bundy to the President, 17 August 1965, attached to Francis Bator to the President, 17 August 1965, TA Trade Agreements (64-65), box 91, Confidential files. See also John Schnittker [USDA] Oral History, Lyndon B. Johnson Library, Austin, Texas (hereafter cited as Schnittker Oral History), tape 1, 18.

[14] Preeg, Traders and Diplomats, 115; Herschel Newsom [Grange] to Harry McPherson, 16 September 1965, TA1/1/1/65-9/30/65, box 2, WHCF-LBJ; William Roth, Discussions with Congressional Advsisors, 17 August 1965, TA Trade Agreements (64-65), box 91, Confidential files; State Department History, vol. 1, chp. 3; Christian Herter to the President, 13 September 1965, Agriculture and European Economic Community (EEC), box 5, Herter files, the U.S. also withheld $350 million on meat and dairy products pending action by a special sector group.

[15] "Tariffs: 'Ghastly Problem'", Newsweek 66 (20 September 1965): 80; Congressional Record-House, vol. 111, pt. 15, 16 August 1965, William Bray (R-Ind.), 20498; Preeg, Traders and Diplomats, 117, quote of Andre Naef, Tribune de Geneve.

[16]Newhouse, Collision in Brussels, 149-157; "The Goal in Sight", The Economist 219 (14 May 1966): 696-698; Preeg, Traders and Diplomats, 124-125.

[17]State Department History, vol. 1, chp. 3; Orville Freeman to the President, 1 August 1966, Agriculture and European Economic Community (EEC), box 5, Herter files.

[18]Schnittker Oral History, tape 2, 36; Memorandum of conversation, State Department, 27 February 1965, Department of State Memoranda of Conversations-10/5/64-9/30/66, box 15; Memorandum of Conversation between the STR and fruit growers, 20 September 1966, Agriculture and European Economic Community (EEC), box 5, Herter files; Curtis and Vastine, The Kennedy Round, table 6, 30; 12 Senators of Agriculture Committee to the President, 3 October 1966; Statement of Position-U.S. National Fruit Export Council, adopted 20 September 1966, TA/10/26/66, box 4, WHCF-LBJ; Congressional Record-Senate, vol. 112, pt. 14, 4 August 1966, Sparkman, 18328.

[19]Francis Bator to the President, 4 August 1966, International Economy, box 76, Aides Files-Bill Moyers, Lyndon B. Johnson Library, Austin Texas (hereafter cited as Moyers files); Christian Herter to the President, 27 January 1966, box 441.2 (103) ER:Pt. 1, U.S.-EEC files; William Roth to the President, 2 August 1966, Tabs 17-24, box 52, NSC Kennedy Round History; James Patton [NFU] to Christian Herter, 5 October 1966; Reuben Johnson to Tony

Dechant, 14 October 1966, box 2, Series IV, General Subject Files, NFU papers.

[20]Christian Herter to Dean Acheson, 10 May 1966, (197), box 16, Papers of Dean Acheson, Manuscripts and Archives, Sterling Memorial Library, Yale University (hereafter cited as Acheson papers). See also "Kennedy Crunch". The Economist 221 (22 October 1966): 374; Christian Herter to Senator Russell Long, 9 December 1966, Chronological File-12/66-1/67, box 4, Herter files.

[21]Curtis and Vastine, The Kennedy Round, 205-208; Christian Herter to the President, 11 October 1966, Tabs 17-24, box 52, NSC Kennedy Round History.

[22]W. Michael Blumenthal to William Roth, 1 June 1965, Cables-W. Michael Blumenthal-4/12/63-7/26/65, box 7, Herter files. See also Administrative History of the Department of Commerce, box 2, Lyndon B. Johnson Library, Austin, Texas (hereafter cited as Commerce Department History); The U.S.-Canadian Automotive Products Trade Agreement, attached to Matt Nimetz to Joe Califano, 3 April 1968, SP 2-3/1968/TA Trade Message Back-up II; Lyndon Johnson to Speaker John McCormack, 31 March 1965, LE/TA6/A, box 156, WHCF-LBJ, the auto agreement rationalized the auto market and was a major triumph for Johnson. The deal helped trade; car companies and consumers on both sides of the border benefited. The U.S. retained a large, but shrinking, auto trade surplus, as its exports did not keep pace with the growth of imports

from Canada nor the rise in Canadian production, which surpassed U.S. output by 1967.

[23] Curtis and Vastine, The Kennedy Round, 186-201; Preeg, Traders and Diplomats, 97-102; Memorandum of Conversation between the STR and Reynolds, Alcoa, and Kaiser [aluminum companies], 14 January 1965, Memoranda of Office Conversations-7/29/63-4/21/66, box 10, Herter files.

[24] Curtis and Vastine, The Kennedy Round, 129 (table 16), 127-131, 136; Preeg, Traders and Diplomats, 103.

[25] Preeg, Traders and Diplomats, 103; Curtis and Vastine, The Kennedy Round, 138-141; State Department History, vol. 1 chp. 9; Country Committee I (EEC) to Trade Staff Committee, 26 August 1964, Bernard Norwood-6/20/64-8/26/64, box 12; Memorandum of Conversation between ECSC leaders and the State Department, 8 October 1964, Department of State Memoranda of Conversations-10/5/64-9/30/66, box 10, Herter files.

[26] State Department History, vol. 1, chp. 3; Aggarwal, Liberal Protectionism, 102-103; Curtis and Vastine, The Kennedy Round, 171; Preeg, Traders and Diplomats, 108.

[27] President's Cabinet Textile Advisory Committee Meeting, 24 August 1965, FG 729-Presidential Committee to Study Current Problems of Textiles Industry, box 40, Confidential files.

[28] Aggarwal, Liberal Protectionism, 98-99; Stanley Nehmer to Francis Bator, 29 September 1965, TA Trade Agreement (64-65), box 91, Confidential files; Francis Bator to the President, 2 February 1966; Memorandum on Meeting of the Cabinet Cammittee on Wool Textiles, 24 September 1965, Francis Bator Memos, box 1, NSF Name File-Francis Bator, Lyndon B. Johnson Library, Austin, Texas (hereafter cited as Bator Name file); Oral History of Alexander Trowbridge, Lyndon B. Johnson Library, Austin, Texas (hereafter cited as Trowbridge Oral History); Resolutions Adopted by Members of the American Textile Manufacturers Institute, 26 March 1966, folder 1586, box 140, NACM-NTA papers.

[29] Curtis and Vastine, The Kennedy Round, table 26, 163; Review of United States Policy for Bilateral Cotton Textile Agreements, 16 March 1965, FG 729-Presidential Committee to Study Current Problems of Textile Industry, box 40, Confidential files.

[30] Curtis and Vastine, The Kennedy Round, 175; Aggarwal, Liberal Protectionism, 104-106.

[31] Preeg, Traders and Diplomats, 108-110.

[32] J. Robert Schaetzel to Dean Acheson, 5 December 1966, (356), box 28, Acheson papers. See also Curtis and Vastine, The Kennedy Round, 117-118; Preeg, Traders and Diplomats, 129.

[33] Francis Bator to the President, 21 February 1967, Tabs 17-24, box 52, NSC Kennedy Round History. See also Curtis and Vastine, The Kennedy Round, 101-102.

[34] William Roth to the President, 15 February 1967, Tabs 17-24, box 52, NSC Kennedy Round History. See also Henry Wilson letters in 1967 to congressional delegations, folder TA6/chemicals, box 14, WHCF-LBJ; Letters on Behalf of the Benzenoid Chemical Industry, undated, Tariffs-Misc., box 22, Aides Files-DeVier Pierson, Lydon B. Johnson Library, Austin, Texas (hereafter cited as Pierson files).

[35] Preeg, Traders and Diplomats, 128; Pastor, Congress and the Politics of U.S. Foreign Economic Policy, 120-121; Congressional Record-Senate, vol. 113, pt. 2, 3 February 1967, Russell Long, 2435.

[36] Preeg, Traders and Diplomats, 171-172.

[37] Curtis and Vastine, The Kennedy Round, 119.

[38] Francis Bator to the President, 21 February 1967, Tabs 17-24, box 52, NSC Kennedy Round History; Curtis and Vastine, The Kennedy Round, 118-119.

[39] Grosser, The Western Alliance, 209-226; Background Paper, UK Policy Towrd the EEC, Visit of UK Foreign Secretary George Brown, 10 October 1966, UK Visit of George Brown-10/14/66, box 215-216, NSF-LBJ.

[40] Hoffmann, Gulliver's Troubles, 290; Grosser, The Western Alliance, 237-243; Kurt Birrenbach to Dean Acheson, 2 February 1965, (36), box 3, Acheson papers; Summary Notes

of 569th NSC Meeting, 3 May 1967, NSC Meetings-vol. 4, Tab 51-5/3/67, box 2, NSC Meeting File, Lyndon B. Johnson Library, Austin, Texas.

[41]Problems ahead in Europe and attached Summary Notes of 569th NSC Meeting, 3 May 1967, NSC Meetings-vol. 4, Tab 51-5/3/67, box 2, NSC Meeting file.

[42]Summary Notes of 569th NSC Meeting, 3 May 1967, NSC Meetings-vol. 4, Tab 51-5/3/67, box 2, NSC Meeting file; Francis Bator to the President, 16 June 1966, Francis Bator Memos, box 1, NSF Name file.

[43]Spero, _The Politics of International Economic Relations_, 38; Administrative History of the Council of Economic Advisors, box 1, chp. IV, Lyndon B. Johnson Library, Austin, Texas (hereafter cited as CEA History); Statement by the President Outlining a Program of Action to Deal with the Balance of Payments Problem, 1 January 1968, U.S., President, _Public Papers of the Presidents of the United States_ (Washington, D.C.: Office of the _Federal Register_, National Archives and Record Service, 1970), Lyndon B. Johnson, 1968-1969-I, 8-9 (hereafter cited as _Public Papers, 1968-1969-I_ or _II_).

[44]Feld, _The European Community_, 186; EEC Commission, _10th General Report on the Activities of the Community_, 1 April 1966-31 March 1967 (Brussels, June 1967), 303; UN, _Economic Survey of Europe in 1971, Pt. 1: The European Economy from the 1950s to the 1970s_ (New York, 1972), 6.

[45]"The Johnson Trade Policy", Department of State Bulletin 54 (30 May 1966): 857-858; Administration's Record on Escape Clause Actions, [1967], Tariffs-Escape Clause Actions, 10/12/67, box 22, Pierson files.

[46]U.S., House Subcommittee on Foreign Ecomic Policy of the Committee on Foreign Affairs, The Foreign Policy Aspects of the Kennedy Round, 89th Cong., 2nd sess., 1966, 1 (hereafter cited as Aspects of the Kennedy Round Hearing).

[47]Secretary of State Dean Rusk to the President, 11 February 1967, Francis Bator Memos, box 1, NSF Name file.

[48]J. Robert Schaetzel to Dean Acheson, 5 December 1966, (356), box 28, Acheson papers.

[49]Grosser, The Western Alliance, 232; Aspects of the Kennedy Round Hearings, Ball, 6-7, Herter, 66; Congressional Record-House, vol. 113, pt. 1, 19 January 1967, Curtis, 1052.

[50]Preeg, Traders and Diplomats, 159-161.

[51]Preeg, Traders and Diplomats, 131-133, 142, 164-168; Curtis and Vastine, The Kennedy Round, 91-92.

[52]Francis Bator to the President, 18 April 1967, Tabs 25-53; The Kennedy Round Crisis, [April-June 1967], Tabs 1-6, box 52, NSC Kennedy Round History, the Command Group included Bator, Undersecretary Eugene Rostow and Assistant Secretary Anthony Solomon of the State Department, Acting Secretary of Commerce Alexander Trowbridge, USDA Undersecretary John Schnittker, and John Rehm of the STR office.

[53] Alexander Trowbridge, Memorandum for the File, 21 April 1967, Tabs 25-53, box 52, NSC Kennedy Round History; Preeg, Traders and Diplomats, 184-188.

[54] State Department History, vol. 1, chp. 3; Francis Bator to the President, 1 May 1967, Tabs 25-63, box 52, NSC Kennedy Round History.

[55] Curtis and Vastine, The Kennedy Round, 190-191, 200-201.

[56] Curtis and Vastine, The Kennedy Round, 129, 142-143.

[57] Aggarwal, Liberal Protectionism, 107-109, 113; Conference with Senator Pastore from William F. Sullivan, 18 January 1967, folder 1702, box 147, NACM-NTA papers; Curtis and Vastine, The Kennedy Round, 174-175; DeVier Pierson to the President, 8 April 1967, TA6/T, box 24, WHCF-LBJ.

[58] Preeg, Traders and Diplomats, 180-182.

[59] Francis Bator to the President, 1 May 1967, Tabs 25-53; The Kennedy Round Crisis, [May-June 1967], Tabs 1-6, box 52, NSC Kennedy Round History; Preeg, Traders and Diplomats, 189-192.

[60] The Kennedy Round Crisis, [April-June 1967], Tabs 1-6, NSC Kennedy Round History; Preeg, Traders and Diplomats, 194; Curtis and Vastine, The Kennedy Round, 101, 120-121.

[61] Preeg, Traders and Diplomats, 150; Evans, The Kennedy Round in American Trade Policy, 291-292.

[62]Curtis and Vastine, The Kennedy Round, 47; 18 Senators to the President, 19 April 1967, TA/10/26/66, box 4, WHCF-LBJ; Kennedy Round Crisis, [April-June 1967], Tabs 1-6, box 52, NSC Kennedy Round History.

[63]Tubby [Brussels] to the State Department, 26 April 1967; Alexander Trowbridge, Memorandum for the File, 21 April 1967, Tabs 25-53, box 52, NSC Kennedy Round History; Preeg, Traders and Diplomats, 154-155; USDA History, vol. I, chp. 3.

[64]Kennedy Round Crisis, [April-June 1967], Tabs 1-6, box 52, NSC Kennedy Round Crisis; Curtis and Vastine, The Kennedy Round, 58.

[65]USDA History, vol. I, chp. 3; Curtis and Vastine, The Kennedy Round, 57-58; Conversation between W. Michael Blumenthal and Henri Corson [French Economics and Finance Ministry and GATT delegate], 21 April 1966, Memoranda of Office Conversations-7/29/63-4/21/66, box 10, Herter files.

[66]James Patton to Tony Dechant, 11 April 1967, box 3, Series III-General Subject Files, NFU papers. See also USDA History, vol. I, chp. 3.

[67]J. Robert Schaetzel to Dean Acheson, 2 April 1967, (357), box 28, Acheson papers; Francis Bator to the President, 28 April 1967, Tabs 25-53, box 52, NSC Kennedy Round History.

[68]Schnittker Oral History, Tape 2, 35.

[69]USDA History, vol. 1, chp. 3; Curtis and Vastine, The Kennedy Round, 58-59; Evans, The Kennedy Round in American Trade Policy, 271.

[70]Curtis and Vastine, The Kennedy Round, 30, 58-61; State Department History, vol. 1, chp. 9.

[71]Francis Bator to the President, 10 May 1967, Tabs 54-96, box 52, NSC Kennedy Round History.

[72]Kennedy Round Crisis, [April-June 1967], Tabs 1-6, box 52, NSC Kennedy Round History; Preeg, Traders and Diplomats, chp. 12. The EEC found the accord unacceptable because U.S. withdrawals relating to Japan had unbalanced the agreement to America's favor. The appraisal was exaggerated, but the STR restored and recalculated some concessions. Another hitch was Japan's resistance to the food aid commitment. The U.S. permitted Tokyo to substitute other forms of aid for grains.

[73]Curzon and Curzon, "The Management of Trade Relations", 176; Harald Malmgren, International Economic Peacekeeping in Phase II (New York: Quadrangle Books, Atlantic Council of the United States, 1972), 16; La Metropole, Belgium, reaction de la presse apres la conclusion du Kennedy-round, 16 May 1967, [shelf], Delegation of the Commission of the European Communities, Washington, D.C. See also "Kennedy Round Agreements Signed at Geneva", Department of State Bulletin 57 (24 July 1967): 96-100; President Lyndon Johnson, STR William Roth,

Secretary of Commerce Alexander Trowbridge, "The Kennedy Round: Proud Chapter in the History of International Commerce", Department of State Bulletin 57 (31 July 1967): 123-130; Special Message to the Congress Transmitting the Multilateral Trade Agreement Concluding the Kennedy Round of Trade Negotiations, 27 November 1967, U.S., President, Public Papers of the Presidents of the United States (Washington, D.C.: Office of the Federal Register, National Archives and Record Service, 1968), Lyndon B. Johnson, 1967-II (Washington, D.C., 1968), 1072-1074 (hereafter cited as Public Papers, 1967-I or II); Preeg, Traders and Diplomats, 202-203.

[74]Preeg, Traders and Diplomats, 12, 214, 237; Evans, The Kennedy Round in American Trade Policy, 281-282. Curtis and Vastine, The Kennedy Round, 227, give positive appraisals of the Kennedy Round, claiming reciprocity and tariff cuts were satisfactory. Preeg, 260, agrees that the accord was neutral though weighted in favor of America in relation to Europe and Japan in tariff bindings, the effects of food aid reducing EEC cereals in commercial markets, and non-grain commodities. Evans, 294-295, is tepid; "in spite of much backsliding, the Kennedy Round did achieve a modest step in the direction of introducing multilateralism into tariff negotiations. But it fell short of a clean break with other restraints imposed by the heritage of over thirty years of tariff bargaining."

[75]Preeg, Traders and Diplomats, 257-258. Concessions nu the U.S. on manufactures totaled $4.9 billion to "linear" countries and $1.5 billion to Canada. The U.S. received in return $5.4 billion and $1.3 billion respectively.

[76]Evans, The Kennedy Round in American Trade Policy, 250-251; Preeg, Traders and Diplomats, 203, 259; State Department History, vol. 1, chp. 9; Curtis and Vastine, The Kennedy Round, 221-223.

[77]Preeg, Traders and Diplomats, 245-247, 257; U.S. Joint Committee of Congress, Subcommittee on Foreign Economic Policy, The Future of U.S. Foreign Trade Policy, 90th Cong., 1st sess., 1967, Roth, 44 (hereafter cited as Future of Trade Policy Hearings).

[78]Preeg, Traders and Diplomats, 251, 258; Evans, The Kennedy Round in American Trade Policy, 392.

[79]Schnittker Oral History, tape 2, 34; USDA History, vol. I, chp. 3; "The Kennedy Round: Proud Chapter in the History of International Commerce", Department of State Bulletin 57 (31 July 1967): 132-134.

[80]John C. Obert to Lloyd Hackler, 21 July 1967, TA4-10/19/66-12/31/67, box 5, WHCF-LBJ; USDA History, vol. I, chp. 3; Curtis and Vastine, The Kennedy Round, 60-61; "Wheat Trade Convention Could Restrain U.S. Exports", American Farm Bureau Newsletter 47 (22 January 1968): 15; "Foreign Trade and U.S. Agriculture", American Farm Bureau Newsletter 46 (7 August 1967): 26.

[81]Congressional Briefing on the Kennedy Round, 16 May 1967, Tabs 54-96, box 52, NSC Kennedy Round History; Congressional Record-Senate, vol. 113, pt. 11, 6 June 1967, Carlson, 14735; Congressional Record-House, vol. 113, pt. 17, 14 August 1967, Langen, 22484; Congressional Record-House, pt. 10, 16 May 1967, E.Y. Berry (R-SD), 12817.

[82]Baldanzi [United Textile Workers] to the President, 1 August 1967, TA1/10/26/66, box 4, WHCF-LBJ; Strackbein in Preeg, Traders and Diplomats, 197.

[83]"Tariff-Cut Reactions", Wall Street Journal, 24 May 1967, 1.

[84]Congressional Record-House, vol. 113, pt. 10, 17 May 1967, John Dent, 13112; Congressional Briefing on the Kennedy Round, 16 May 1967, Tabs 54-96, box 52, NSC Kennedy Round History.

[85]Senator Vance Hartke to Tony Dechant, 28 November 1967, box 3, Serves III-General Subject Files, NFU papers. See also Commerce Department History, box 2; DeVier Pierson Oral History, Lyndon B. Johnson Library, Austin, Texas (hereafter cited as Pierson Oral History).

[86]Future of Trade Policy Hearings, Javits, 7. The two sides squared off as the Kennedy Round ended. Free-trader Hale Boggs began the Future of Trade Policy hearings while Dent opened hearings like those in 1961; U.S. House General Subcommittee on Labor of the Committee on Education and Labor, Impact of Imports on American Industry and

Employment, 90th Cong., 1st sess., 1967. See also summary in Dent memorandum, Kennedy Round Failure, 5 November 1973, box Trade-Tariffs-GATT, Dent Collection.

[87] Curtis and Vastine, The Kennedy Round, 143-144; U.S., Senate Finance Committee, Import Quota Legislation, 90th Cong., 1st sess., 1967, Long, 2-3; John Rehm [STR] to Ted Van Dyk [assistant to the Vice-President], 15 May 1967, Tabs 54-96, box 52, NSC Kennedy Round History; Nicholas Katzenbach, "Protectionism - Policy of Retreat", Department of State Bulletin 57 (20 November 1967): 687; European Community, "Relations with the United States", 2nd General Report on the Activities of the Communities, 1968 (Brussels-Luxembourg, February 1969), 376-378.

[88] John Hight to Reuben Johnson, 22 November 1967, box 3, Series III-General Subject File, NFU papers. See also House Bills and Senate bills, 16 November 1967, Trade-General-Quota Bills, box 47, Aides Files-James Gaither, Lyndon B. Johnson Library, Austin, Texas; William Roth, "The Protectionist Counter-attack on Trade Liberalization", Department of State Bulletin 58 (24 June 1968): 834-840; CEA History IV, box 1; Harry Rothschild [Powerline Oil Co. to the President, 18 October 1967, LE/TA6 (N-R), box 152; Agenda, undated, Sp 2-3/1968-TA Trade Message, Back-up Material III, box 157; Wilbur Mills to the President, 11 September 1967, LE/TA6 (T-Z), WHCF-LBJ; Statement by the President, 4 October 1967, Textiles-Letter from the Vice-

President-October 5, 1967, box Textiles-General, Pastore papers. The Senate Finance Committee had also considered nullifying the Anti-Dumping Code.

[89]Francis Bator to the President, 16 March 1967, Francis Bator Memos, box 1, NSF Name file. See also Henry Fowler to Senator Russell Long, 18 October 1967, LE/TA6, box 155, WHCF-LBJ.

[90]Remarks to the Delegates to the 1967 Consumer Assembly, 2 November 1967, Public Papers, 1967-II, 984-985. See also Francis Bator to the President, 15 May 1967, Tabs 54-96, box 52, NSC Kennedy Round History; Trowbridge Oral History, tape 2, 21.

[91]Special Message to the Congress: "Greater Prosperity Through Expanded World Trade", Public Papers, 1968-1969-II, 648-665; Frank, Foreign Trade and Domestic Aid, 55-57; John Hoving to William Roth, 27 June 1967, SP 2-3/1968/TA Trade Message Back-up Material IV, box 130; DeVier Pierson to the President, 5 December 1967; Barefoot Sanders to Joe Califano, 28 March 1968, box 155, WHCF-LBJ; Memorandum from Henry Wilson, Trade Legislation for 1967, undated, Wilson-Trade, box 16, Aides Files-Henry Wilson, Lyndon B. Johnson Library, Austin, Texas.

[92]U.S., House Ways and Means Committee, Foreign Trade and Tariff Proposals, Pt. II, 90th Cong., 2nd sess., 1968, chemical associations and firms, 5629-5636, footwear companies, 5641; William Roth to the President, 7 June

1968; Harry McPherson to the President, 28 August 1968, TA 5/10/68-8/29/68, box 1; DeVier Pierson to the President, 11 July 1968, LE/TA6, box 155, WHCF-LBJ; Pastor, Congress and the Politics of U.S. Foreign Economic Policy, 121-122; "Trade Expansion, Protectionist Moves Both Blocked", Congressional Quarterly-Almanac 24 (1968): 729-733, congress also defeated Johnson's bill to expand East-West trade. See also Hubert Humphrey to Senator John Pastore, 18 September 1968, Textiles-Imports-Exports, 1965-1971, box pastore-General Files-Textiles (1 of 3); Richard Nixon to Senator Edward Brooke, 21 August 1968, Telegram, Richard Nixon to Senator Edward Brooke, box Textiles General, Pastore papers; "International Trade Planks of Platform are Compared", American Farm Bureau Newsletter 47 (23 September 1968): 155; Gerald M. Meier, Problems of Trade Policy (New York: Oxford University Press, 1973), 102-103, quotas entered the 1968 presidential race; both candidates pledged to clamp down on textile and imports in general.

[93]J. Robert Schaetzel to Alice and Dean Acheson, 17 November 1967, (357); Sergio Fenoalta, "Rebuilding the Atlantic Alliance", La Nazione, 24 December 1968, (358), box 28, Acheson papers; Nicholas Katzenbach to the President, 5 February 1968; Talking Points with President Jean Rey, Commission of European Communities-Visit of President Jean Rey-2/7/68, box 45-57, NSF-LBJ; Curtis and Vastine, The Kennedy Round, 232.

[94] Trowbridge Oral History, tape 2, 4; Edward R. Fried Oral History, Lyndon B. Johnson Library, Austin, Texas, 4-9; David P. Calleo, The Imperious Economy (Cambridge, MA: Harvard University Press, 1982), 56-58; Harald Malmgren, Trade Wars or Trade Negotiations: Non-Tariff Barriers and Economic Peacekeeping (Washington, D.C.: The Atlantic Council of the United States, 1970), 4-5; Statement by the President Outlining a Program of Action to Deal with the Balance of Payments Problem, 1 January 1968, Public Papers, 1968-1969-I, 8-12; Letter to the President of the Senate and to the Speaker of the House urging Actions to Increase American Exports, 20 March 1968, Public Papers, 1968-1969-I, 417-418; Historical Statistics of the United States, Pt. II, 887; Eugene Braderman to Anthony Solomon, 10 July 1968, Export Expansion, box 7, Aides Files-E. Ernest Goldstein, Lyndon B. Johnson Library, Austin, Texas; Chartener to Simpich [Commerce Department], 29 July 1968, TA-5/10/68-8/29/68, box 1, WHCF-LBJ. See Solomon, The International Monetary System, 186-187; Shonfield, "International Economic Relations", chp. 3; Spero, The Politics of International Economic Relations, 53-55, for the collapse of the Bretton Woods system and Nixon in 1971.

[95] Curtis and Vastine, The Kennedy Round, 231.

[96] William Diebold, Jr., The United States and the Industrial World, 39.

[97] Eric Wyndham White, "Stimulating Worldwide Trade" in Building the American-European Market: Planning for the 1970s, ed. Gene E. Bradley, 198; Remarks Upon Signing the Kennedy Round Trade Negotiations Proclamation, 16 December 1967, Public Papers, 1967-II, 1148; "The One That Didn't Get Away", The Economist 223 (20 May 1967): 767; State Department History, vol. 1, chp. 3; Preeg, Traders and Diplomats, 196, 197ff.

[98] Pastor, Congress and the Politics of U.S. Foreign Economic Policy, 117.

[99] AFL-CIO Resolution on International Trade, October 1969; Elizabeth Jager to Andrew Biemiller, 2 May 1969, box 20, AFL-CIO Department of Legislation, Meany Archives. See also Malmgren, Trade Wars, 9.

[100] Warley, "Western Trade in Agricultural Products", 387. See also Preeg, Traders and Diplomats, 262.

[101] Isaiah Frank, "The Economic Constraints" in America and the World: From the Truman Doctrine to Vietnam, eds. Robert E. Osgood et al. (Baltimore: The Johns Hopkins University Press, 1970), 249.

CHAPTER 8

CONCLUSION

John F. Kennedy hoped that free-trade would reinvigorate the domestic economy, balance international payments, and unify the West. Indeed, trade increased in dimensions not recorded since the Cobdenite era one hundred years before. America's push for liberal trade was responsible for this growth and a stronger alliance. Yet the days of U.S. leadership, and certainly predominance, over the global trade regime were numbered. When Kennedy was in the White House, "American liberal capitalism still seemed capable of mastering any challenge . . . ."[1] The falling trade surplus, an ailing economy at home, financial crises, the Vietnam War, and internecine conflicts among the allies destroyed this confidence by 1968.

Indeed, Congress turned hostile to the Kennedy-Johnson trade program. In 1973, at hearings on the successor to the Trade Expansion Act, Senate Finance Chairman Russell Long declared that the "history" of the TEA had been unfavorable. America had counted on trade partners and its own negotiators to strike an equitable bargain for all participants through GATT. The end result, though, was the first U.S. trade deficit since 1894, a huge payments deficit, and a more protectionist EEC.

Not only was "the bloom off the rose of the 'Atlantic partnership'", Long said, but the U.S. objected to being

the "least favored nation in a world full of discrimination". He pledged that "the next decade of our trading relations will be different from the last" after Congress passed tougher, more restrictive legislation.[2] The very name of the bill, the Trade Reform Act, indicated the swing U.S. opinion had taken from a decade earlier when the country accepted trade expansion.

Kennedy's dream of promoting prosperity and allied unity by an Atlantic partnership seemed fanciful only six years after he had announced his Grand Design. Despite Johnson's vigorous defense of liberal trade, no longer did Washington appear as the generous leader of the alliance. Tired of giving allies a "free ride", Congress considered withdrawing troops from Europe and passing retaliatory trade legislation to counter EEC restrictions and balance the payments account. Observers at home and abroad feared that America stood on the brink of isolationism after a thirty year hiatus.[3] The momentum toward trade liberalization had halted, closing a chapter in American postwar trade history.

In order to determine the factors which caused this transformation and the role of U.S. power in the global arena, this study examined the trade policy at four levels-of-analysis: international, governmental, societal, and individual. The examination concentrated on two inter-related objectives: understanding the trade policy

decision-making process and analyzing the effects of U.S. policy on the international trade regime. Though some questions remain partially or fully unanswered, enough evidence exists to draw conclusions.

Four models provided the test cases for the decision-making structure. Bureaucratic politics was not sufficient to explain policy evolution and implementation. One reason was that Executive branch agencies were not loci of decision-making during the passage of trade bills. Though internal discussion occurred over the scope, content, and timing of the Trade Expansion Act, the bureaucracy did not play nearly as important a role in the policy process as the President and Congress. Interdepartmental turf wars were not a decisive factor in formulating trade policy.

Compromises for settling bureaucratic fights were not needed because administration members essentially held the same views on trade. The model applied more to the Kennedy Round, especially when the Department of Agriculture lobbied for a tougher stance against the EEC but was beaten back by everyone else. Even in this case, there was conflict only over tactics; the STR and State Department agreed with Freeman about CAP restrictions, though they were not as vociferous in their complaints. With only minor deviation, the entire bureaucracy advocated trade liberalization and an equitable settlement at the GATT

talks. This unified view stemmed from presidential influence.

Analysis at the individual level revealed the irrelevance of the bureaucratic politics model and the applicability of interest intermediation. Simply put, the president, congress, and to a lesser extent interest groups decided trade policy. Since 1934, the White House has consistently advocated liberal trade. Kennedy's internationalist bent and pre-war observations of the effect of protectionism on the world economy confirmed his free-trade views. His successor became an adherent by suffering under high tariffs imposed by the industrial East. Johnson's populist strain meshed easily with Kennedy's internationalism, particularly since both were New Deal Democrats and supporters of the Reciprocal Trade Act.

Cold war exigencies sustained both presidents' support after 1945. The need to strengthen Europe and Japan and build a prosperous alliance capable of stabilizing the West through freely exchanged goods and services, attracting LDCs, and fending off Soviet aggression were the paramount concerns of both presidents. The rest of their administrations, and much of Congress, agreed that security undergirded the need for liberal trade. Thus, there was no contention over the basic lines of policy advocated for the trade regime by the United States.

At first glance, a conflict between this free-trade ideology and practical politics seemed natural and unavoidable for the two presidents. To be sure, Kennedy expended much political capital on his trade program. Yet the fair-trade doctrine rationalized a deviation from liberalism, dealt effectively with protectionists, and at the same time promoted lower tariffs. Neither president was a doctrinaire free-trader in the State Department mold. Both were savvy politicians who knew how and when to accommodate powerful private interests and their reresentatives on Capitol Hill. Free-trade ideology guided the presidents; fair-trade political strategy fulfilled their objectives.

This critical political element puts in doubt the model of corporatism. This synthesis describes how efficient exporters exploited their partnership with government by minimizing interest group conflict and channeling benefits their way. No doubt Kennedy advocated the TEA with these interests in mind. He expected them to take advantage of trade opportunities in the EEC, expand exports while limiting investments, and thereby add to the trade surplus. The Kennedy Round reaped advantages for these capital-intensive producers, though less than initially hoped for in the agricultural sector.

Decision-making did not function along corporatist lines. For instance, the Committee for a National Trade

Policy, the free-trade lobby of Big Business, only provided information and promotional assistance for the TEA campaign. The administration did not bring the CNTP into the White House for policy discussions, though many Kennedy and Johnson officials were former members. Also, Kennedy was often at odds with these free-traders, particularly when he placated protectionists with special programs and import restrictions. The private sector was a large factor, but was outside the actual policy process.

Nor did the evidence show that a private-public partnership of class alliances or combinations with similar ideological or economic aims existed in the trade regime. Such an arrangement might be found in the investment, financial, or aid spheres, all of which were subject to control by elite segments of the government and the private sector, such as bankers, insurance companies, or multinational firms. The OECD fostered global cooperation and attempted, as Charles Maier notes, to "de-ideologize" the marketplace and ensure that economic efficiency prevailed over divisive political squabbling.[4] But not in trade. On the contrary, competition among national economic groups occurred at the Kennedy Round, and brought politics into the negotiations. Gaullist efforts to promote French agriculture and the interests of the Common Market over American objectives, in addition to disrupting the talks for nearly a year, were the most dramatic

examples of political issues entering discussions over trade. Many rising exporters were stymied by domestic interests on both sides of the Atlantic. For instance, De Gaulle and the EEC Commission prevented efficiently-produced U.S. food goods from free entry into European markets and thus denied American Big Agriculture its major objective. Congress refused to repeal the ASP, to the detriment of foreign chemical concerns.

Sector agreements in industry would seem prime candidates for the corporatist model. Yet in textiles, America forced a deal not only on the LDCs but on the Europeans, while steel and chemicals were subject to private and political pressure back home and limited in many cases by protectionism. Trade did not appear to be peacefully carried out by international firms, as corporatists assume, but constrained by domestic interest groups and the diplomatic aims of foreign heads-of-state.

Skepticism also arose over the corporatist argument because a consensual relationship among private interests was hard to find in many cases. The American economy was so diverse that a unified outlook was frequently non-existent even in the export sector. The growing trade surplus, large industrial plant and farm resources, and efficient productive capabililities indicated that the U.S. should be a country eager to sell abroad. Debate over the TEA showed otherwise.

In essence, the U.S. remained anineffective trader, sending overseas only 4% of its GNP throughout the 1960s and buying about the same amount. American business interests were indifferent or opposed to foreign trade. Even many farmers, who were the best exporters, inclined toward protectionism or selling in the domestic market. Ostensible corporatist industries such as electronics and chemicals were dominated by import-competing, protectionist elements. Big Labor's advocacy of free-trade depended largely on adjustment assistance; when this aid proved ineffective, the AFL-CIO switched to the protectionist camp. Such apathy, opposition, and diversity undercut the corporatist argument.

These various attitudes and the influence of protectionist import-competitors gave credence to pluralist models of decision-making. Based on the notion that the American economy was rife with competition and conflict, pluralism points to a triangular relationship of interest groups, Congress, and the White House in trade policy decision-making. Politics plays a prominent role and indeed, was the determining factor in the 1960s.

Though the RTA gave the president greater autonomy in trade, he still had to win authority from Congress through legislation. Congress never surrendered control over policy during the postwar years. On the whole, legislators did not restrict the president, but established procedural

safeguards to protect vulnerable interests from import injury. The White House acquiesced by the fair-trade approach.[5] The Kennedy tactics on textiles, lumber, oil, carpets and glass - and in export sectors such as chickens and chemicals - reflected this process. Thus, domestic politics, more than economic factors, determined decisions on many sectors in foreign trade.

The TEA campaign revealed that the inter-branch rather than the bureaucratic and regulatory politics model applied to the decision-making framework. The latter paradigm made Congress too malleable in the hands of private interests; if logrolling was prevalent, how did such a free-trade bill ever pass Congress? The presidential-congressional accommodation exposed how the White House wielded the fair-trade doctrine to preserve its liberal trade policy, while legislators cast votes for the TEA after protecting, or getting credit for protecting, their constituents.

Thus, Executive-Legislative branch bartering prevailed. Textile legislators won the seven-point program, refused to bow to pressure from voters for quotas, and many supported the TEA. The six-point lumber plan was enough for Northwestern politicians, and they did not press overly hard for import limits from Canada. The oil deal satisfied interest groups, yet only came to fruition when Kennedy bargained with Senator Kerr. And, even ardent protectionists voted for the TEA after Kennedy raised

tariffs on carpets and glass. The President horse-traded protection for TEA votes, and Congress obliged.

The validity of the inter-branch model was further borne out on the liberal trade side. Kennedy accommodated chicken-state legislators when they threatened to vote against the TEA. He wrote Chancellor Adenauer of his concern and later started in motion the policy that eventually led to the Chicken War. Until he realized that Common Market obstinancy made pleas against European protectionism hopeless, Johnson also plugged away for a liberalization of the CAP at the Kennedy Round. But above all, presidential appeals for free-trade as a weapon in the cold war attracted support from Congress.

In effect, Congress listened to Kennedy's constant reminder that the TEA served national security, and continued to support liberal trade for this reason even after the Kennedy Round disappointments. At the heart of the trade program were worries about affording U.S. military and aid commitments. A trade surplus would help provide funds to maintain these expenditures, especially as the country fought a seemingly losing battle against its international payments deficit. Free-trade would also prevent the alliance from disintegrating into hostile trade blocs, susceptible to Soviet influence, while a prosperous capitalist system would lure poor nations to the Western side. Kennedy's Grand Design promoted profits for

Corporate America, but not merely to enhance the economic status of efficient producers, as corporatists ultimately imply. Anti-communism lay at the basis of export expansion and liberal trade.

The administration realized that placing its free-trade drive in the context of the U.S.-Soviet conflict would be effective since cold warriors existed in great numbers on Capitol Hill. An inter-branch accommodation was ready-made. Naturally, many legislators cast votes for the TEA because it was part of a long line of traditional U.S. trade policy, combatted potential depressions, and helped export interests. But remarks by the free-trade bloc during 1962 showed that economic gains were not an end in themselves but an integral building block for Western defenses against communism. The appeal of the Grand Design made the presidential relationship with Congress much smoother.

Still, these leaders were elected officials, concerned about satisfying constituents. Thus, legislators looked to the President for help in protecting certain producers. Similarly, the President, hoping to pass the TEA, viewed Congress as the most important factor. Less certain was the extent to which presidential elections concerned Kennedy and Johnson, although conjectural evidence pointed to a natural concern for the effects of trade policy in overcoming political weaknesses in selected regions. In

any event, inter-branch bargaining demonstrated a pluralist arrangement in U.S. trade policy.

Domestic political deals permitted liberal trade agreements. Despite some protectionist deviations for vote-getting purposes, the U.S. preserved the openness of the trade regime. Fair-trade was responsible for this liberalism, as the structure of GATT permitted trade expansion as long as national commercial interests were not demonstrably injured. Although the regime underwent considerable strain after the Kennedy Round, the contracting parties did not form into restrictive blocs. The persistence of freer trade and gradual, reciprocal, and equitable tariff cuts based on the non-discriminatory most-favored-nation rule was a triumph for American trade policy.[6]

That the U.S. succeeded was remarkable, considering the turn inward prompted by its declining trade standing. Regardless of its military superiority during the 1960s, the United States had fallen from the zenith of power. The country was no weakling, unable to meet competition from Europe and Japan. America still bought and sold in more volume than any nation, and its GNP was only slightly less than all others' output combined by 1971.[7] In addition, America held much leverage over the trade order. The country was not as reliant on exports and imports as its

trade partners, and held the lure of its large market over their heads.

Indeed, scholars debate whether U.S. "hegemony" dwindled in terms of capabilities. Historian Paul Kennedy claims that the decline in America's relative wealth, output, and trade was inevitable from the 1960s on, as Europe and Japan recovered from the war. But the U.S. was not producing less, others just made more. America in the trade regime, however, was not the hegemon defined by Immanuel Wallerstein as being when "one power can largely impose its rules and its wishes . . . in the economic, political, military, diplomatic, and even cultural sense".[8] America did not follow this course at the Kennedy Round, quite simply because it lacked the capability.

Without a doubt, the period 1960 to recent times suggests a drop in American fortunes. The ratio of U.S. national income to the total of all market economies' incomes fell from 1960 to 1970, as did its share of world production of petroleum, steel and iron ore, and wheat. From 1960 to 1980, America's production as a percentage of the global GNP plummeted from 34% to 22%, while the EEC's rose from 18% to 22% and Japan's from 3% to 10%. As Stephen Krasner writes, the U.S. was not a second-rate country but "became more like a normal nation-state. No longer does American power dominate in virtually every

issue-area. No longer can the U.S. simply impose its will on others."[9]

The same held true in trade. America's merchandise trade of $6.8 billion in 1964 had turned into a deficit of -$2.2 billion in 1971 and -$6.4 billion the next year. The few surpluses in succeeding years were aberrations; after 1976, the trade deficit was never higher than -$31 billion afterward and plummeted to -$125 billion or more during the latter half of the 1980s. The balance-of-payments predictably followed suit. In 1962 it had been -$3.6 billion. Ten years later it declined to -$11.2 billion and then took off into the huge debts of the 1980s, even as military spending fell. Higher oil prices had much to do with the deficit. But the structure of trade, established partly by the concessions granted at the Kennedy Round and the rising strength of Europe and Japan, was largely responsible.[10]

The Common Market and Japan outpaced U.S. trade. EEC and Japanese exports of manufactured goods grew faster than American sales between 1967 and 1980. In addition, the Six's share of world exports fell during the same period to 28% (but only 34% counting the enlarged nine-member Community). Japan's portion rose to 7.1%. The U.S. share was 12.1%, a drop-off from the 19.3% of 1967. Also, while America's trade and payments deficit grew to tremendous proportions, the enlarged EEC enjoyed surpluses on both

accounts until 1984, when it went into the red. Japan recorded deficits in trade but booming surpluses with the United States, especially in the 1980s.[11]

Bilateral trade hurt the American merchandise trade account. America ran a growing deficit with Japan from 1965 onward, rising from -$1 billion to -$5.3 billion in 1976 and -$54.4 billon by 1986. The U.S. surplus with the EEC fell to $28 million by 1972 but rose to large surpluses throughout the 1970s. Yet, the edge was not large enough to overcome the overall trade debit with Japan, other Asian and African nations, Canada, and West Germany. And, by 1983, America suffered a deficit of -$1.3 billion with the Common Market which grew to -$17.4 billion two years later.[12]

These figures reflect on American power beyond the 1960s. On the surface, the trade surplus with the Common Market demonstrated that Washington did not suffer from the Kennedy Round. But this conclusion ignores the fact that America's overall trade balance was in deficit throughout most of the post-Kennedy Round years. It also neglects the overall payments deficit which all postwar presidents failed to reverse.

This problem had reached serious proportions by the end of the Eisenhower presidency, and though Kennedy and Johnson managed to reduce the deficit periodically, their successors could not prevent it from growing out of

control. Domestic inflation, oil prices, and international monetary breakdowns were partly responsible. But a main reason for the deficit was that America still funded a large bulk of military and economic assistance, while the allies financed much less. This situation cut into the U.S. trade surplus with Europe and only worsened the account with Japan. America paid dearly for its leadership over the Western alliance, which benefited its trade competitors.

Therefore, Kennedy and Johnson demanded trade liberalization in order to expand U.S. exports, which in turn would help pay for allied defenses and development programs in the less-developed countries. Their administrations pressed diligently for fair-trade based on comparative advantage, especially with the EEC. Europe, however, was building the Common Market, protecting this new organization by tariffs and the CAP. European integration conflicted with the American for freer trade, and Washington was largely the loser.

Trade in agriculture indicated this pattern. U.S. exports of grain, poultry, and other variable levy items dropped by 47% after 1965 when the CAP was fully implemented. Non-levy commodities such as oilseeds and fruits and vegetables rose, but only due to increased consumption within the Six. In short, American farmers were unable to retain their historical share of the EEC

market as their portion fell from 13.5% to 10.7% by the last half of the 1960s alone.[13] Europe essentially snubbed American pleas for liberal trade in agriculture.

Not only did the Common Market decline in importance for American sales, but Europeans also began to compete with the U.S. in food trade. The world's largest poultry importer in 1962, the EEC became the largest exporter by 1982. It also gained ground on U.S. grains sales. Not surprisingly, America's agricultural surplus with the Common Market gradually sank throughout the 1970s and 1980s.[14] The EEC success story in building its farm system had deleterious effects on U.S. trade.

Europe's ability to confront American trade aims successfully showed at the very least that Kennedy and Johnson overplayed their trade cards. Both promised benefits from mutual tariff cuts with the EEC, especially in sectors in which U.S. efficiency was prevalent, like agriculture. Yet they misjudged, and were politically naive to boot. They took into consideration neither the domestic restraints on European officials, the effectiveness of Gaullist obstructionism, nor the fact that the EEC would logically resist dismantling the CAP while it was still under construction.[15] For starters, Washington led U.S. farmers down a path of inevitable disappointment.

In effect, the Grand Design, though plausible and unselfish, was unrealistic for Europe at the time. De

Gaulle was the extreme manifestation of Common Market resistance to U.S. policy. But the EEC Commission naturally placed the building of the Community's infrastructure before the forging of an Atlantic partnership. Europeans also worried about the effects of the dominant supplier provision, which might dilute the EEC and bring in an overwhelming flood of American goods. Agreeing with the diplomatic intention of the Grand Design, they chafed uncomfortably at its threat to their integration process.

The Common Market also had legitimate reasons for its restrictive policy, especially in agriculture in which employment was much higher than in America. In other words, Washington was not an innocent victim of European ruthlessness, suffering at the hands of EEC protectionism and Gaullist political antics. Most of the Six were as globally- and liberal-minded as America. Furthermore, the U.S. pursued its interests as doggedly as the Europeans, seeking an edge in the industrial and farm sectors.[16]

The Kennedy Round boiled down to a test of wills among the Atlantic powers. The talks became a "contest between European and Atlantic ideas", wrote Harold van B. Cleveland, and not surprisingly, the EEC stressed the former.[17] In the final analysis, trade liberalization "revealed an unexpected depth of trans-Atlantic economic tension", argued David Calleo.[18] Waning U.S. leadership

failed to enhance alliance solidarity in the 1960s. The Grand Design disappeared, unrealized.

This very failure, however, signified that America was not a hegemon in the international trade regime, and thus validated the comparative-advantage school's argument that U.S. leadership brought gains for all traders. In Geneva, the EEC largely won the big battle over agricultural barriers, while all linear nations stood to gain in the industrial sphere. As an example of hegemonial muscle-flexing, wrote Andrew Shonfield, the Kennedy Round "was a curiously unsatisfying one for [America,] the hegemonial power." In the longer-run, the U.S. trade and global economic position grew weaker while other nations and the trade regime enjoyed rising prosperity.[19]

Scholars have described the U.S.-European relationship in the immediate postwar period as one of "consensual American hegemony", in which Europe accepted Washington's leadership as a necessity for economic recovery and national security but did not lose its identity or overall policy objectives. Michael Hogan, for instance, described the "considerable degree of autonomy" enjoyed by Europe under the American-led Marshall Plan.[20] A decade after this aid program ended, Europe had converted this autonomy into sheer power under the aegis of the Common Market.

Since the formation of the EEC, the Western trade order had become more pluralistic and power more equitably

distributed, in large part due to American policy. Washington responded to the EEC by attempting, according to Joseph Kraft, to plug "into the dynamism of Western Europe and the Common Market: the Old World called in to redress the balance of the New".[21] The open and flourishing trade regime attested to the success of this approach. Yet by the late 1960s, U.S. officials questioned whether their support for the Common Market monolith had been in America's best interests. Former White House aide Francis Bator wondered if the alliance could "avoid the risk of an economic cold war between a growing EEC and ourselves".[22]

Europe's impressive capabilities in the trade regime fulfilled an important U.S. postwar objective. Ironically, the EEC emerged as a fierce competitor. Thus, justifiably content that its leadership had made European recovery complete, America nonetheless eyed the future with apprehension by the late 1960s. The country continued to trade, but could not forestall its fading economic fortunes that President Kennedy had warned about in 1962. At the time, he did not realize that the American retreat had already begun.

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[14] Ginsberg, "The European Community and the United States", 179.

[15] Warley, "Trade in Agricultural Products", 388. See also Calleo, The Imperious Economy, 16.

[16] Shonfield, "International Economic Relations", 26-39.

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