world security and prosperity. At the outset I think it important to state that they are "outward looking" international business corporations with worldwide operations; therefore, they have a stake not only in the growth and vitality of our own country but in that of other free world countries as well.

NEW FACTORS INFLUENCING THE INTERNATIONAL ECONOMY

New forces and conditions have emerged in the world since the reciprocal trade agreements program was adopted, particularly since World War II, which require a review of U.S. foreign economic policy. The most important of these factors are:

1. The grouping of important trading partners of the United States into blocs; for example, the European Economic Community (EEC), the European Free Trade Association (EFTA), and the Latin American Free Trade Area (LAFTA) which is to be merged into a Latin American common market, and other similar plans stirring in the Pacific, even in Africa, requires a reassessment of the basic premises of U.S. foreign economic policy.
2. Communist countries have ambitions to become major factors in world trade and investment under the principle of competitive coexistence, and they have asked for unconditional most-favored-nation treatment.
3. There is a rise of economic nationalism in the world which has hampered efforts to liberalize trade.
4. The important role that international corporations have come to play in world trade and investment is a new phenomenon, not yet clearly understood.
5. The importance of advanced technology and the conditions for its transfer in the course of world trade and investment are receiving worldwide attention and must be considered in any future trade policy.
6. The character of U.S. trade, both imports and exports, has changed radically since World War II, and the significance of this change for future trade policy needs serious study.
7. The demands of less developed countries for trade concessions from the developed countries pose new problems.
8. U.S. balance-of-payments deficits and their relation to trade policy have not received adequate attention.

SUMMARY OF CONCLUSIONS

Our analysis of the meaning of these changed conditions and emerging trends leads us to the suggestion that the United States should:

1. Adopt a conditional most-favored-nation policy in relation to developed countries and trading blocs, East and West alike.
2. Seek review and amendment of some of the basic postwar agreements, such as GATT, to conform with current realities.
3. Proceed with the organization of a North Atlantic Free Trade Association, starting with Canada, and later extending it to the United