Kingdom and other EFTA countries, when—as seems probable—their bid for membership in the EEC fails. Provision should be made for associate membership for the Latin American common market, Australia, New Zealand, Japan, and others under clearly defined conditions. Within the framework of this North Atlantic Free Trade Association, we should be prepared to offer less-developed countries unconditional most-favored-nation treatment.

4. Codify the rules and regulations under which government-generated technology is made available abroad. This may require legislation to define and limit the conditions under which the results of government-financed research and development can be transferred.

5. Revise our antitrust laws and our tax laws and regulations so as to permit American business to compete more effectively abroad.

6. Avoid the cumbersome and rigid commodity agreements proposed by the less developed countries, because they will result in uneconomic allocation of resources. Instead, we should encourage them to direct their resources into more productive employment.

Let us now consider the reasons for these recommendations.

Trading Blocs

In the negotiation of GATT, the United States accepted the principle of unconditional most-favored-nation treatment. But in article 24, we agreed to a provision which made possible trade blocs, permitting trade concessions to their members but not to outsiders, a patent violation of the principle of unconditional most-favored-nation treatment. GATT has really blurred the definition of a nation as understood under trade treaties. There are now some nations more favored than others. We must either redefine the meaning of the word "nation," or develop a set of new principles which apply to trading blocs.

In the recently concluded Kennedy Round of trade negotiations, the EEC demonstrated how difficult trade blocs can be in multinational negotiations based on the unconditional most-favored-nation principle. They held up the negotiations for years while they put their own affairs in order. When they finally came to the negotiating table they made it clear that the internal agricultural policy, a highly protectionist one, which they had agreed on while making everybody else wait, was more important than the general liberalization of world trade and was not negotiable.

The importance of the discrimination inherent in trade blocs to the growth and distribution of world trade can be seen in tables 1 and 2. Since the EEC was formed under the Treaty of Rome in 1958 to 1966, world exports by value have just about doubled. The United States increased its exports by about 70 percent. However, the EEC saw its exports, including intra-EEC trade, go up by 130 percent. But, its exports to the rest of the world kept pace at about the world average, doubling during this period, while exports among member countries within the EEC trebled.