

Over the same period, imports of the United States doubled. Those of the EEC increased by 2.3 times. Here again, however, EEC's imports from the rest of the world grew at about the world rate, while imports from member countries trebled.

It is clear that the discriminatory arrangements possible in such a trade grouping make it possible to increase trade among the members while restricting the ability of those outside to compete.

We will not be able to deal effectively with such trading blocs as the EEC under the unconditional most-favored-nation principle. Letting them have the advantage of every concession we make to any other member of GATT leaves us with no basis for bargaining hard on important items of discrimination. We will have to come to bilateral negotiations with such groups on a conditional most-favored-nation basis if we are to hold our own.

#### EAST-WEST TRADE

The growth of trade between the Communist countries of Eastern Europe and Western Europe and Japan, and the clearly demonstrated interest of all the parties to see it increase further, make it obvious that we must anticipate the time when Communist countries become important factors in world trade and, perhaps, on a one-way basis, investment as well. They have expressed an interest in normalizing trade relations with the United States: they ask access to our markets on an unconditional most-favored-nation basis; they want to buy up-to-date U.S. technology; they want access to U.S. credit sources. Our Government has responded favorably on many occasions.

It is to be hoped that conditions may so develop that these goals can be realized. In its proper context we shall have some suggestions along these lines. But here we must consider the implications for U.S. trade policy of such developments.

I am aware of the fact that the administration is recommending "conditional" most-favored-nation treatment for these countries, subject to bilateral trade agreements for short durations, renewable and cancellable for cause. But this does not meet their real desire for non-discriminatory treatment.

Ultimately we must universalize our trade policy. But it is not feasible to extend unconditional most-favored-nation treatment to State-controlled economies.

They need not resort to tariffs or other indirect devices to control imports nor worry about cost of production in exports. It is difficult to envisage how, in such States, industrial property rights or investments, should they be allowed, could be protected, since the citizens of these countries have such limited rights in these matters. The only effective means of protection will lie in our ability to bargain hard, and if need be, to withdraw concessions. This could not be readily done under the unconditional most-favored-nation principle. Here again, we must resort to bilateral negotiations under the conditional most-favored-nation principle, with emphasis on reciprocity.