

tageous bargain. Nonetheless, any such potentially beneficial agreement would run counter to the most-favored-nation principle as enunciated in GATT, unless such a bilateral dismantling of trade barriers were part and parcel of a formal process to establish a free trade area.

With most countries in Western Europe and Latin America now members of regional trade blocs, I think it is essential that we reconsider the feasibility of working toward regional free trade arrangements of our own. Thus, I would urge this distinguished subcommittee to take a fresh look at Canadian-United States trade relations, with a view to establishing a Canadian-United States free trade area. Such a plan might in time include other countries as well—Great Britain, for one, if Common Market membership should again prove elusive, and Mexico once her industry was able to compete on an equal footing in the North American market.

The most far reaching change in world trade patterns in the post-war period has been the emergence of regional trading blocs—EEC and EFTA in Europe, LAFTA and CACM in Latin America. For both political and economic reasons, we have consistently supported the formation of these regional groups—and these groupings have contributed immeasurably to the economic strength and stability of the free world. At the same time, however, it is important to recognize that the formation of regional blocs of which we are not a part tends to reduce the international competitiveness of U.S. exports, that negotiations become more difficult when trading blocs are involved, and that the principle of most-favored-nation treatment is a suitable vehicle for reducing trade barriers only so long as all countries are willing and able to make reciprocal concessions. Canada and the United States may no longer be able to expand their trade outside North America as rapidly as they have in the past. Under these circumstances, it is my view that we must seriously reexamine whether Canada and the United States should not move toward establishment of a free trade area of their own.

As I see it, the Kennedy Round's success was an encouraging outgrowth of our pursuit of multilateral and reciprocal tariff reductions over three decades. But while tariffs have come down substantially, numerous nontariff barriers remain as serious hindrances to trade expansion. Their reduction and eventual elimination require a somewhat different approach to international trade negotiations, as do the issues of tariff preferences for the developing countries and future patterns of Canadian-United States trade.

I am strongly convinced that we should continue to be a firm supporter of GATT; but while giving it our full backing, we can still accomplish some of the other objectives I have outlined. At this stage in the continuing process of trade liberalization, tariff preferences and regional arrangements may well prove the most effective route to further progress.

Chairman Boggs. Thank you very much, Mr. Rockefeller and Mr. Ball.

I would like to ask Mr. Rockefeller one question.

In your statement you suggest that the governments of industrial nations get together and grant tariff preferences to all less-developed