Basic to the GATT is the principle of unconditional Most-Favored-Nation treatment, which specifies that all tariff concessions negotiated between any members shall be extended to all other GATT members on the same basis. U.S. tariff policy has been based on this principle of almost universal MFN since 1923.

The GATT has proved to be extremely adaptable to new developments.[3] Under Article XXIV, free trade areas, such as EFTA and the Latin American LAFTA, and common markets, such as the EEC and the Central American CACM, have permitted as exceptions to the Most-Favored-Nation clause.[4] GATT's flexibility in response to changing conditions of politics and trade has been achieved both by unanimous decision of the membership to amend the agreement (a form seldom employed) and by the waiver provision of Article XXV–5, which empowers the membership by a two-third vote to waive any obligation in the agreement and set forth conditions of ratification for any such waiver.[5]

In proposing a World Free Trade Association the United States would be following precedent as established in EEC, EFTA and other regional groupings, whereby departure from the unconditional Most-Favored-Nation principle is authorized in return for achieving substantially free-trade conditions over a broad area within a designated time period. This is a compromise—a second choice to our traditional MFN policies—but one that has received GATT endorsement and now is generally accepted among Free World trading nations. It should permit an important measure of progress toward a major policy goal of trade expansion.

The proposed WFTA should provide, as permitted under GATT rules, a plan whereby certain countries would be empowered to lower their tariffs according to a slower time schedule than other countries, either for all of their trade or for the trade of certain of their industries which might not be able, without causing serious economic hardship, to adhere to the overall WFTA uniform time schedule for the complete abolition of duties. This would seem to be consistent with policies approved in previous GATT Ministerial Resolutions and in particular with GATT's avowed determination to exercise a firm influence toward helping less-developed countries to expand their exports. Precedent for such exceptions is found in the rules of EFTA, which permit Portugal to apply alternative and more favorable rates of reduction of import duties on certain categories of products and according to a different time schedule than that required of the other EFTA countries.[6]

There may well be difficulties in this proposal, including the potentially divisive implications of such an arrangement. Nevertheless, the initiative should be aimed at the widest possible membership, and should always be open-ended. It should not be undertaken at all unless the subscribing nations comprise a significant sector of GATT's industrialized membership. The determination of these countries to carry out such a program would present a powerful incentive for other nations to join.

The time period during which tariffs would gradually be reduced to zero should be flexible, so as to accommodate the different stages of development of

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[3] The GATT was founded in 1948 and its membership now includes 70 Full Contracting Parties plus 14 other countries in some stage of accession (as of November 1, 1966). GATT includes all the industrialized nations of the West except Ireland; as well as Japan, Australia and New Zealand. Fifty-one developing countries are full or partial members, including India, 9 Latin American and Caribbean nations (notably Brazil, Argentina and Chile), and 29 African countries. Two communist nations, Czechoslovakia and Yugoslavia, are Full Contracting Parties, and Rumania has made special arrangements. Poland's request to become a full member has been backed by most Western trading countries. All of these 84 nations subscribe to GATT rules and regulations in their trading relations.

[4] Article XXIV recognizes that the closer integration of national economies is a desirable objective and that a customs union or free trade area may serve to facilitate trade between the participating countries while not raising barriers against the trade of others. Accordingly, the Agreement permits violation of the MFN standard only when the scheme takes the form of a free trade area or customs union (or an interim arrangement leading to either) with certain characteristics: (a) complete, not partial, elimination of trade restrictions among members, and with commodity coverage accounting for "substantially all the trade" among its participants; (b) no increase in the restrictiveness of trade barriers against nonmember countries; and (c) a definite plan and schedule calling for the complete elimination of duties within a "reasonable length of time." Where a free trade project fails to meet these standards, a waiver must be granted by two-thirds of the GATT members. The difference between a free trade area and a customs union is that the countries forming a free trade area are not required to adopt a common external tariff.

[5] Such a waiver was granted when the United States and Canada concluded their bilateral agreement on free trade in automobiles and auto parts in 1965.

[6] In general, the EFTA agreement allows Portugal to proceed to the elimination of duties on certain products at half-speed until 1970, by which time these duties must be reduced by 50 percent; according to the overall EFTA timetable, virtually all other duties on industrial products among EFTA members were abolished January 1, 1967.