the member countries and the vulnerabilities of special industries. In order to maximize the growth of world trade with a minimum of dislocation to domestic industries in each country, the schedule for the reduction of tariffs to zero might be set at ten or fifteen years or longer, with a consequent 10 per cent or even lower annual reduction. Special provisions might be proposed to specify no reduction of less than one percentage point per year, and to encourage total removal of duties of 5 per cent or less. Somewhat similar provisions are already included in the current U.S. Trade Expansion Act.

WFTA should also urge its members to adopt adequate adjustment assistance provisions to cushion the economic dislocation that might be caused by increased import competition. It is interesting to note that companies and unions in EEC and EFTA countries have made very little use of the adjustment assistance provisions embodied in their respective treaties, although tariffs on industrial goods have been almost completely eliminated on internal trade within the two groups.

The proposed WFTA should provide for continuing negotiations, after adoption of the agreement, on all nontariff barriers—for example, border taxes, domestic purchase requirements (whether official policies such as "Buy American" requirements in the United States, or unofficial practice as in most other countries), customs evaluation methods, labeling requirements, technical regulations, and the like.

It is important to stress that the new Free Trade Association should be established within the framework of the GATT. Any changes in present GATT rules that may be necessary or desirable under the new initiative could be submitted to the GATT membership for approval, either through amendments to the GATT agreement, or, preferably, under the waiver procedure noted above.

Preferences for the Less-Developed Countries

Special treatment for the less-developed countries will be a basic feature of the proposed WFTA. The GATT has already made such a provision in a Protocol and a New Part IV section on trade and development adopted and incorporated in its new charter of February 1965. In essence this section states that complete reciprocity by the less-developed countries is not required when tariff and trade barriers are reduced or eliminated under MFN agreements of the other GATT members.

The U.S. Congress has also recognized the special status of the less-developed countries. The 1962 Trade Expansion Act provides for elimination of U.S. tariffs on tropical products which are of prime concern to them and which are not produced in substantial quantities in the United States. It exempts these reductions from the five-year staging requirements so that the total agreed reduction in duties is effective immediately.

The less-developed countries, on their part, have been seeking preferential treatment for exports through the United Nations Commission on Trade and Development (UNCTAD).[7] The United States in particular has opposed such preferences as violations of traditional MFN policy. Analyses of trends in international trade during the last thirty years show that preferences are of value only when the exporting country exports goods (1) which are not produced in the importing country, or produced in quantities insufficient to meet the total demand of the importing country; or (2) which it produces more economically than the importing country can.[8]

If preferences could be granted to certain selected exports of major importance to the less-developed countries, to enable these exports to compete with similar products of industrialized nations without causing market disruption, the result would be as valuable to developing economies as granting overall preferences on all their exports. Equally important, developed countries would no doubt be more amenable to negotiating preferences under such conditions.

Since it appears that relatively few of the less developed countries will have the confidence to forgo protectionism at their present stage of development, the staged concessions industrialized members would grant to each other under the

---

7 UNCTAD, which first met in 1964, has a membership of 119 nations, including 77 developing countries.

8 For example, for many years India enjoyed substantial benefits as a result of the Imperial Preference system in trade with Great Britain on primary products and certain light consumer goods such as cotton and jute textiles and leather, which India could produce more efficiently than could British producers. Despite preferences, however, Indian exports to the United Kingdom of all other manufactured goods—bicycles, electric motors, electric fans and the like—remained negligible.