

If developed countries should decide not to grant preferences for unlimited quantities of goods, tariff quotas could be set for limited quantities or for a certain percentage of the domestic market. Imports in excess of these quotas would carry a higher tariff rate. All such quotas should be global, however, and should be applied in a nondiscriminatory manner to all less-developed countries accepted as eligible for such preferential treatment.

While the less-developed countries should receive the benefits of the WFTA trade liberalization program without the requirement of strict reciprocity, they too should be asked to make commitments. They should be invited, and in every appropriate way persuaded, to liberalize the flow of goods and capital into their countries and to ensure fair treatment of both. All less-developed countries receiving preferential treatment should be required to report annually to the ITRB on the steps taken to fulfill their commitments. At the same time, they should be encouraged to form regional free trade associations similar to the Latin American Free Trade Association, so as to derive the advantages of lower trade barriers.

Thus, WFTA would grant all less-developed countries the same privilege of exemption from MFN obligations, and in certain cases even preferential tariff treatment, subject to periodic review by the proposed ITRB. Special treatment of certain countries for historical, political and geographic reasons, such as that accorded the former African colonies by the six members of the Common Market, would be barred.

TARIFF REDUCTION BY SECTORS

Since negotiations for establishing the proposed WFTA will be extraordinarily complex, involving many disparate countries, industries and commodities, provision should be made for reducing duties on particular products or groups of products according to an accelerated time schedule.

It has been suggested that if a substantial proportion of any one industry in the United States and in other nations deemed it to be in its best interest to negotiate a reduction of tariffs to zero among the several countries, this industry could initiate such negotiations through the respective governments without waiting for a full-scale tariff conference such as the Kennedy Round.¹⁰ This approach to tariff reduction was advocated by Eric Wyndham-White, Director General of the GATT, in a speech at Bad Godesberg, Germany, on October 27, 1966. He said:

"It has become apparent in the course of the Kennedy Round that there are certain sectors of the industrial production—characterized by modern equipment, high technology and large scale production, and by the international character of their operations and markets—where there are evident gains to all in arriving, within a defined period, at free trade. As has been seen in the EEC and EFTA, a 'defined period' is extremely important since it provides industry with a clear indication both of the need for adjustment and adaptation to conditions of free trade, and an assurance of a reasonable period in which to make these adjustments. While, initially, the period has to be made sufficiently extensive to provide this assurance to industry, experience in the EEC and EFTA suggests that, in practice, it is likely to be curtailed. Industry tends to adjust more quickly than its fears suggest and once the adjustments are made, there is evident advantage in moving more rapidly to attain the benefits of freedom of trade."

Such special negotiations, of course, would have to be conducted within the broad established rules of the proposed association. They could be conducted among members of WFTA as well as with those nations that did not join WFTA but might want to join in negotiations on the particular product or group of products in question. It should be emphasized that MFN treatment would have to be extended to all WFTA member nations, regardless of whether they were parties to the special negotiations.

The principle of negotiating for complete elimination of tariffs has already been accepted as U.S. policy. The 1962 Trade Expansion Act gave the Administration authority to negotiate to zero on those items for which the United States and the Common Market together accounted for at least 80 per cent of world trade—the so-called "dominant supplier provision." In drawing up enabling legislation for the WFTA, Congress should have less hesitation in broadening the zero tariff authority to cover items for which the United States and all other developed countries (not merely the United States and the EEC) account for at least 80 per cent of Free World exports.

¹⁰ Due consideration would have to be given to U.S. antitrust laws in this connection.