

successfully against Canada for its recent huge sales of wheat to China, and this would have enabled us to reduce our balance-of-payments deficit. In sum, the Congress should not make it impossible for the President to take action in regard to trade with Communist China when he deems this to be in our national interest.

SUMMARY

This paper has proposed a new approach for an international trade policy to meet the complex political and economic issues that will confront the United States over the coming decade. It would appear to be impolitic to introduce major new legislative proposals involving controversial foreign trade policy initiatives in 1967 or 1968. During these two years, the President should explore with all other countries (with a view to introducing the necessary legislative proposals to the U.S. Congress in 1969) the possibility of establishing a World Free Trade Association patterned after the European Free Trade Association.

Congress should give the President broad and flexible negotiating authority, permitting such initiatives. The legislation should set forth broad criteria defining the national interest, emphasizing the economic, defense and other international objectives of the nation. Congress should also delegate to the President certain powers in connection with East-West trade designed (1) to open the proposed WFTA to communist countries under certain conditions, (2) to extend or withdraw MFN treatment consonant with the national interest, (3) to extend credits or guarantee private credits for nonstrategic trade, and (4) to consider limited trade with China.

The WFTA, established within the framework of the General Agreement on Tariffs and Trade, would be open to all nations at any time. It should be established at the outset, however, only if a substantial number of the developed countries became founding members. This initial group should include the United States, Canada, the seven EFTA nations (Great Britain, Norway, Sweden, Denmark, Switzerland, Portugal and Austria), and hopefully, Australia, New Zealand and Japan. The EEC should be urged to join as a unit, but WFTA should be formed regardless of whether EEC acceded at the start.

In proposing WFTA, the United States would be following the precedent established in the formation of EEC, EFTA and other regional groupings, of departing from the unconditional MFN principle—a cornerstone of U.S. tariff policy since 1923—in return for achieving substantially free-trade conditions over a broad area within a designated time period. Such conditional (as opposed to unconditional) free trade arrangements are permitted under the rules of GATT.

An International Trade Review Board should be established to define the criteria by which a nation qualifies as a less-developed country; to determine which countries and which industries are eligible for special tariff preferences; and to conduct continuing reviews to ascertain at what point special preferences should be withdrawn from such countries or industries within those countries. The IRTB would be composed of three individuals, one from each of three organizations enjoying great international confidence: the World Bank, the International Monetary Fund and the GATT.

The ITRB should be empowered to grant special tariff preferences subject to certain limitations: (1) preferences should be granted only if all or a substantial number of importing countries are prepared to open their markets to selected products; (2) importing countries should be permitted to exclude certain less-developed countries from the benefits of preferential treatment if the ITRB should determine that such countries were able to compete on relatively equal economic terms with the industries of importing countries; and (3) preferences should be granted for a limited period—perhaps not to exceed ten years and with gradual reductions—and should be subject to review and termination by the ITRB.

It is important that the less-developed countries, for their part, commit themselves to liberalize the flow of goods and capital into their countries and to assure fair treatment for both. Those receiving preferential treatment should be required to report annually to the ITRB on steps taken to fulfill these commitments.

The WFTA, combining the advantages of both multilateralism and regionalism, should have a salutary effect on political, economic and military developments in Western Europe and on relationships among the nations of the Atlantic Community. It should reduce current threats to established patterns of trade result-