

to put together a grouping that promises the United States substantially greater advantages than might be obtained from a global reduction of trade barriers on a nondiscriminatory basis.

A possible exception to the generally negative conclusion to which these two arguments point is the idea of some closer association between the United States and Canada. The two economies are already extraordinarily intertwined and a surprising amount of their trade is free of barriers. The idea of completely eliminating tariffs between them is an old one on which Canadians have blown hot and cold and in the end always rejected. Now there are again stirrings on this subject north of the border but what will come of them is not clear. Since both the greatest gains and the greatest disturbances of any major step toward trade integration between the two countries would be Canadian, I suggest that the proper posture for Americans is to wait and see and be prepared to talk about ways and means and goals if the Canadians should make up their minds that closer trade integration with the United States is something they want.

The growth of regionalism and foreign preferential groupings has made some Americans wonder if the United States should abandon the principle of equal treatment which has been a basic element of our trade policy. Exceptions, waivers, and violations of the most-favored-nation clause have been cited to strengthen the case. Perhaps the greatest stimulus of all to such thinking was the fear that the Kennedy Round would be spoiled by the refusal of one major partner to agree to terms acceptable to all the others. Although that hazard has been passed, it remains true that the most-favored-nation principle can sometimes slow progress in liberalization to the speed acceptable to a single major trading nation. Nevertheless, in spite of all these considerations it would be unwise to deprecate or depreciate the principle of equal treatment, much less to jettison it. What substitute is there for it in the rational ordering of world trade? Economists can show that some mixture of discriminatory arrangements can maximize welfare in certain circumstances, but can they turn their analysis into effective policies? Discrimination may benefit any given number of countries at one time or another, but to give nations freedom to discriminate is unlikely to produce the greatest benefit for all. Since a guiding principle is necessary to shape a world trading system it is hard to see what rule can apply generally except that of equality.

Even massive departures from a rule need not destroy it if they have an orderly basis. One proof of GATT's worth was its flexibility in permitting European discrimination against American goods when dollars were short and pressing them to restore equality when their currencies became convertible. The less-developed countries are now being permitted many departures from the rules that are being applied to other countries, and with good reason, but it is equally sensible to work out a way for them to come back to normal standards as their situations improve. One of the aims of liberalizing East-West trade is to bring at least some of these countries into an easier relation with others in the world trading system. Replacing the bilateralism now prevalent in East-West exchanges with some kind of multilateralism would benefit Eastern and Western countries alike. As an organizing principle for world trade equal treatment remains of fundamental importance. In its practical effects it is an important—if imperfect—safeguard against discrimination directed against the United States.