

now become a relevant and realistic goal for U.S. policy. On this assumption, the remainder of this paper considers and compares the two ways open to GATT members to reach an ultimate goal of free trade—the traditional approach of multilateral bargaining in successive GATT rounds, and the establishment of an appropriate form of free-trade arrangement. In assessing their relative merits, two kinds of considerations need to be taken into account. The first are qualitative and analytical, involving comparison of the characteristics of the two approaches and of how they have affected the efforts so far made to implement them. The second set of considerations are quantitative and empirical, consisting of attempts to measure the probable effects of the two methods on the volume and composition of imports and exports; on particular industries, regions and types of enterprises and workers in the countries concerned; and on the general conditions of internal and external equilibrium of these nations.

In this paper, we have scope only for a preliminary assessment of the first kind of considerations, and they would certainly have to be analyzed much more thoroughly than we are able to do here before definitive conclusions about them could be reached. Quantitative estimates of the comparative costs and benefits of the two approaches are equally important but neither the time and personnel nor the empirical data required for such an evaluation have been available. This underscores the preliminary character of the analysis and conclusions in the remaining sections of the paper.

II. TWO PATHS TO FREE TRADE

THE MULTILATERAL APPROACH

Since World War II, the multilateral approach has dominated U.S. participation in negotiations to liberalize trade. These have taken place in six rounds held under GATT auspices, the last and most active being the Kennedy Round. The essence of these multilateral negotiations is universality and nondiscrimination. All GATT members participate in exchanging concessions and do so according to unconditional use of the most-favored-nation (MFN) principle—described in annex A—which dictates that concessions granted to one country are automatically extended to all.

The six GATT rounds have made substantial progress toward free trade, both in the depth of tariff cuts and in the range of products affected. But, unlike a formal free-trade arrangement, the multilateral approach has not committed participants to a defined goal and a fixed program for reaching it. The extent of tariff cuts and other concessions, the breadth of commodity coverage, and how often to stage the periodic rounds—these questions have been settled ad hoc by the participating countries and, indeed, the two former have been key elements in the negotiations themselves.

The outcome of the multilateral approach has, therefore, been unpredictable. It has been animated by initiatives from the most eager countries and from the GATT secretariat. But, in the last analysis, the pace setters have been those major trading nations least willing or able to offer meaningful concessions. The unconditional application of the MFN principle has committed the multilateral approach