

empty congressional prerogatives to set U.S. trade policy. A free trade area, however, would permit U.S. trade policy toward nonmembers to be determined as it now is. In addition, the absence of a common external tariff and a common commercial policy makes it possible to have an arrangement with a minimum need for policy integration among the members and with less extensive adjustment problems than in a customs union. Between the two forms of free-trade arrangement permitted by the GATT, therefore, the free trade area appears to be the only practicable choice for the United States.

Experience to date among industrialized countries shows that achieving a stable free-trade situation that provides fair competition requires more than merely abolishing tariffs and quotas. Participants must also take steps to control the discriminatory effects of nontrade regulations and practices affecting freely traded products. In addition, they may wish—as does the EEC—to coordinate certain of their national economic policies that significantly affect comparative production costs, for example, taxation and social welfare, energy and transportation, etc. A group of countries desiring to reach full economic integration and eventual political unification, as did the EEC, will aim to go even further in developing joint policies and arrangements, such as a common currency, a single capital market, etc. But, it is realistic to assume that even the simplest free trade area—one leaning over backwards to limit economic integration—will, as did the EFTA, find it necessary to set some “rules of competition” to prevent frustration of the benefits expected of free trade.⁷ Such a relatively nonintegrated free trade area would probably also have to develop mechanisms for harmonizing members’ domestic economic conditions so as to enable participants to avoid or, if not possible, to deal jointly with, severe problems of internal and external imbalance by means other than the reimposition of restrictions on imports and exports.

Taking together the distinction between the two forms of free-trade arrangement permitted by the GATT, the GATT rules and the practical requirements governing them, and assuming that the United States will continue to adhere to the GATT and that the Congress will maintain its role in determining U.S. trade policy, we conclude that: *A free-trade arrangement involving the United States would have to take the form of a free-trade area in which participating countries would, over a specified time period, completely abolish barriers affecting virtually all mutually traded products, and set other rules to coordinate policies as may be found necessary to provide fair competition for the commodities being freely traded and to preserve free trade despite the changing internal and external conditions of its members.*

POSSIBLE CHARACTERISTICS OF A FREE-TRADE AREA INCLUDING THE UNITED STATES

This basic definition notes only the most general features of a free-trade arrangement involving the United States. There still remains a wide scope for choice as to its specific characteristics. An illustrative

⁷ For an account of how EFTA approached these questions, see “Building EFTA, A Free Trade Area in Europe,” prepared by the EFTA Secretariat (Geneva: December 1966) pp. 100–120; and J. S. Lambrinidis, “The Structure, Function, and Law of a Free Trade Area: The European Free Trade Association,” (New York: Praeger, 1965) pp. 117–158. As applicable in a hypothetical free trade area involving the United States, the whole range of ancillary commitments to tariff elimination are discussed in “A Possible Plan for a Canada-U.S. Free Trade Area,” op. cit., pp. 33–41.