

mean quite the opposite. If the next round of multilateral negotiations, despite early promise, gets stalled for the reasons mentioned, then it is quite possible that the United States would decide to shift to the alternative approach of a global nonpolitical free trade area, as outlined above. A U.S. decision to make this change could be accelerated by the EEC's definitive rejection of United Kingdom entry, if the British were then to take a serious official interest in a free trade area including the United States and others.

3. If, however, the next round of multilateral negotiations turns out to be successful, the major trading nations would then be so close to free trade that they could be expected to commit themselves to this objective by a fixed future date, and to create—if and when required—institutions to develop, concert and implement the policies needed to preserve free trade, once attained. In this case, the distinctive characteristics of a free trade area would evolve gradually and tacitly rather than be established explicitly in a formal treaty.

We must also admit the possibility that none of these three developments would occur owing to the unwillingness of a number of important trading nations to reach free trade with the United States. In this case, the chances are that GATT countries would inch ahead together in future rounds, gradually evolving a world trading system that, for want of a better name, might be called a "freer trading area" with significant economic sectors still protected but perhaps with some progress made in reducing nontariff barriers. Even so, the free-trade area concept would still be relevant to describing the ultimate situation that would be approached, although not reached.

Because the free-trade area concept appears in greater or lesser degree relevant to almost every foreseeable development affecting U.S. policy—excepting only prolonged complete blockage of forward movement—it is important for Americans to use the present pause before a new trade policy initiative to acquaint themselves better with its nature, applicability to future tasks, and probable impact on the United States. Specifically, we recommend:

A. An evaluation of the practical experience of the postwar free-trade arrangements among developed countries, especially the EFTA which most closely reflects the spirit and purposes that would animate a scheme involving the United States. Particular attention should be given to four aspects: (i) The difficulties actually encountered within EFTA—compared to those anticipated—from completely eliminating tariffs affecting all nonagricultural products; (ii) the adjustment policies that proved to be most effective; (iii) the ancillary commitments found necessary to assure fair competition; and (iv) how EFTA has dealt with, or has considered dealing with, nontariff barriers and the eventual inclusion of agriculture. The problem of nontariff restrictions promises to figure prominently on the agenda of any future trade negotiations whether for further multilateral tariff reductions or to form a free trade area.

B. Quantitative empirical studies directed to determining the probable impact of a free trade area on a range of aspects affecting the United States. Research programs currently being completed in