

## TABLE OF CONTENTS

PREFACE	vii
ABBREVIATIONS FREQUENTLY USED	xv
I. THE SETTING	3
II. DISCRIMINATION FOR BALANCE OF PAYMENTS REASONS	22
Introduction	22
The Problem Foreseen	23
The Arrangements Made	26
The Benefits Achieved	32
Some Costs Paid	36
The "Incidental Protection" Problem	43
Discrimination Imperials Achieving Convertibility	48
Discrimination Needed to Maintain Convertibility?	49
Why Did It Take So Long to Abandon Discrimination?	53
Conclusions	60
III. DISCRIMINATION AS A STEPPING-STONE TO NON-DISCRIMINATION: TEMPORARY REGIONAL ARRANGEMENTS	67
Introduction	67
The Sterling Area Dollar Pool	67
European Payments Union—OEEC Trade Liberalization Scheme	75
Origin of the Arrangements	75
Major Characteristics of the Scheme	78
Improvements Over Earlier System	80
Effects on Hard Currency Earnings?	84
Two Critical Episodes	91
German Deficit and Inflation Issue—Belgian Surplus and Forced Regional Balance Issue	
Mounting Costs of Discrimination	97

*CONTENTS*

EPU Abandoned as Costs Mount, Benefits Decline	102
The Search for a Place of Retreat	104
Conclusions	110
Note on International Monetary Fund-European Payments Union Relations	113
IV. DISCRIMINATION AND PERMANENT REGIONAL ORGANIZATIONS, 1	120
Introduction	120
The European Coal and Steel Community	125
Conditions Imposed for Agreeing to Discrimination	127
Impact on Exports	130
Impact on Imports	135
Common Markets and Free Trade Areas	139
Rationale	145
Major Areas of Nonmembers' Concern	155
The Level of Tariff Barriers Against Nonmembers	159
Introduction	159
Minor Issues for Free Trade Areas	161
Initial Attack on EEC's Proposed Common External Tariff	164
Community Makes Modest Concessions	169
Major Assault Mounted: Kennedy Round	175
Some Preliminary Conclusions	181
V. DISCRIMINATION AND PERMANENT REGIONAL ORGANIZATIONS, 2	189
Introduction	189
Balance of Payments Difficulties and the Discriminatory Use of Quantitative Restrictions	189
The Problem Foreseen	190
Issue Left "en suspense"	191
No Great Conflicts—Yet	195

CONTENTS

Exceptions to Intra-Area Free Trade	197
EEC Common Agricultural Policy	198
MAJOR PROVISIONS AND EARLY WORRIES—Third Country Fears Receive Support—Issues in Negotiating for Greater Access	
EFTA Arrangements Create Few Issues	217
Exceptions Extensive but Tolerated in LAFTA	219
Size of Region and Prior Preferential Arrangements	222
Existing Preferences a Major Obstacle to Forma- tion of Europe-wide Bloc	222
Existing Preferences Small Problem for EFTA	231
Major Problems Flow from Associating Overseas Territories with European Common Market	233
Third Countries Fear Effects on Trade and Investment Studies of Effects Inconclusive: International Friction Mounts	
Bilateral Efforts to Limit Adverse Effects	
Discrimination Reduced in New Convention of As- sociation	
Some Tentative Conclusions	
Conclusions	262
VI. DISCRIMINATION AS A TOOL FOR PROTECTION	271
Introduction	271
Policy Toward Japan	272
Political and "Unfair Practices" Issues	272
Low-Wage Issue	274
Variations on Low-Wage Theme	276
The Matter of "Safeguards"	281
Japan Gains Qualified Admission to GATT Club	283
Facts Challenged; Principles Stressed and Costs Cited	288
Some Pragmatic Solutions: "Sensitive" Goods and "Voluntary" Export Restraints	293
Avoidance of Market Disruption Policy Emerges	300
First Formalized Market Disruption Agreement: Cotton Textiles Arrangement	307
Conclusions	317

*CONTENTS*

VII. DISCRIMINATION TO FACILITATE ECONOMIC DEVELOPMENT	323
Introduction	323
Early Post-war Precedents	324
Other Forces at Work	336
Shortcomings of Established Commercial Policies	341
The Case for Preferences from Developed to Developing Nations	343
Initial Response, Reservations, Doubts of Developed Nations	347
Less-Developed Countries Not Impressed	358
Selective and Negotiated vs. General and Automatic Issue	360
Differences Emerge Among Preference-Receivers	364
World Trade Conference Recommendations	370
Preferences Among Developing Countries	374
Some Tentative Conclusions	376
VIII. SUMMARY OF FINDINGS AND CONCLUSIONS	385
INDEX	399