a substantial attack on their food problem to lessen their dependence on food imports. But they must also industrialize. While continuing to produce raw materials for the world market and increasing the range of materials they produce, they must expand their industry.

2. *Regional integration.*—The developing countries have tried to develop industry—on a national basis—each country shielding its infant enterprises behind protective walls. The result, by and large, has been high cost inefficient industry with little growth potential. However, by joining together with their neighbors and dismantling the trade barriers among them, they can produce for a wider regional or subregional market. In the larger market, their industry would not be limited as it is today to light consumer goods. They could move in time to more complex intermediate and capital goods. Shielded for a time by their outer tariff walls from the export competition of the advanced countries, enterprises would be exposed to more tolerable competition within the broader regional market and would reach a competitive position in international markets much earlier and more effectively. And not unimportantly, foreign investment would be stimulated to locate within the grouping.

Recognizing the benefits that could come from a continentwide market such as the United States enjoys and spurred by the example of the European Common Market, low-income countries have been moving together to develop free trade areas and common markets.

At the Latin American summit meeting in Punta del Este, the countries of Latin America undertook a commitment of major significance to move forward toward a full Latin American common market. And the United States undertook a parallel commitment to help them with adjustment assistance when the common market gets underway.

We would hope to see similar movements among developing countries in other hemispheres. We believe that regional integration among neighboring less-developing countries that are at roughly the same level of development can be a positive force for economic growth and stability. It can also be a force for political cohesion. The difficulties in such undertakings are formidable, including the resistance of protected enterprises to exposure to increased competition and the concern of each country in the group to get a fair share of new enterprises. The benefits of integration can be realized only if the governments have the political will to push ahead. But if the political will is there, encouragement and support by the rich countries could be quite fruitful.

3. With respect to trade in manufactured goods, the principal point I wish to discuss with the committee is the question of trade preferences for developing countries.

There is nothing very new or startling about trade preferences. We have had preferential trade ties with the Philippines for decades. The extensive network of British Commonwealth preferences dates from 1931. The French and a few other European nations had similar arrangements with African areas for many years. What is new is that the developing countries themselves have recently become dissatisfied with this uneven situation, and with good reason. Neighboring countries of the developing world who frequently produce the same kinds of products face discrimination in developed country markets when one receives a preference and the other does not simply because of the