indicated they might put into effect whether or not the United States took part. An important precedent in this regard was the unilateral announcement by Australia in 1965 that it intended to apply a system of trade preferences of its own for developing countries.

This, then, was the general situation confronting President Johnson when he undertook to meet with his fellow chiefs of state of the Inter-America System at Punta del Este last April: a trend toward proliferation of discriminatory preferences which our own adherence to the principle of most-favored-nation treatment had done little to check, and an awareness that the Latin American countries, like other developing countries, are anxious to improve their opportunities for access to the markets of all industrialized countries.

After a searching examination and analysis within the executive branch and preliminary consultations with the Congress, the President agreed that he would indicate to the Latin Americans that we are prepared to explore the feasibility of a system of generalized preferences. The President told his fellow chiefs of state:

> We have been examining the kind of trade initiatives that the United States should propose in the years ahead. We are convinced that our future trade policy must pay special attention to the needs of the developing countries in Latin America and elsewhere in the world.
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> We have been exploring with other major industrialized countries what practical steps can be taken to increase the export earnings of all developing countries. We recognize that comparable tariff treatment may not always permit developing countries to advance as rapidly as desired. Temporary tariff advantages for all developing countries by all industrialized countries would be one way to deal with this.
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> We think this idea is worth pursuing. We will be discussing it further with members of our Congress, with business and labor leaders, and we will seek the cooperation of other governments in the world trading community to see whether a broad consensus can be reached along these lines.

The present hearings are very timely since it gives us in the executive branch an opportunity to discuss further with the Congress—as the President promised would be done—how we presently believe the question of trade preferences will evolve in the coming months and years. I wish to stress that the President has committed the United States only to an exploration of preferences to see whether a consensus can be reached. There are many difficulties—both technical and policy—to be overcome if we are to reach a consensus. We also need the advice of Congress and our business and labor leaders as this matter is pursued.

Multilateral discussion of the preference question thus far has indicated two different kinds of approach in order to deal with three interrelated issues: depth of cut, the means to insure that any preferences actually extended would in fact be temporary, and safeguards for domestic interests in the industrialized countries. These are by no means the only outstanding issues but they are, we believe, the really crucial ones.

One approach envisages the establishment of duty-free quotas for preferential imports from developing countries. Under this approach, the industrialized countries would agree to permit the importation of some fixed percentage of domestic production or consumption of products from developing countries on a duty-free basis. This approach contains its own built-in safeguard against excessive adverse