

future of trade barrier reductions among the industrialized countries themselves. As you all know, the future pattern of our trade relations with the industrialized countries of Western Europe is difficult to predict with any certainty. We have of course given our full support and encouragement to the European Economic Communities and, as the President stated last October, we look forward to a strong, united Europe—with Great Britain a part of it. We thus hope the British will succeed in their current efforts to join the European Communities. We are also aware that if the British effort succeeds, it is likely that a number of other European countries will join the Common Market or possibly associate with the Communities in some manner or other. The precise geographic dimensions and form of membership or association by the various European countries simply cannot be predicted at this stage. It is clear, however, that as trade barriers are reduced among a major grouping of European countries without the benefits of such reductions being extended to the United States, our own competitive position in this enlarged market will be adversely affected. We have accordingly felt that it will be necessary at some stage in the not too distant future—albeit after the Kennedy Round reductions have been digested—to visualize further reductions to the mutual benefit of both the United States and Western Europe, and the other major trading countries of the industrialized world. This is one reason why we have been giving close attention to the feasibility of establishing some kind of meaningful link between the establishment of a possible temporary preference scheme and the future reduction of barriers among the industrialized countries as a whole.

Another major policy issue involved in the preference question is what is to be the disposition of existing preferential arrangements. As I mentioned earlier, there are many such arrangements currently in force with the notable exception of Latin America. Latin America has been particularly critical of this situation and this, indeed, was a contributing factor to the President's decision at Punta del Este to commit us to an exploration of the feasibility of a generalized system of preferences. It has been our thought that we could develop a scheme which would subsume the existing preferences enjoyed by particular developing countries in particular markets. Some difficulties have come to light on this point, however, and we may succeed in only partially achieving our objectives. For example, the developing countries of the Commonwealth and the African countries associated with the European Communities all enjoy duty-free access to these respective markets. If a generalized preference scheme does not take the form of duty-free entry, existing beneficiaries might feel they are obtaining lesser benefits than they now have even though this point is debatable.

There is also the question of reverse preferences, that is the preferences currently enjoyed by some industrialized countries in the developing countries to whom they accord preferential treatment. We for our part have made it clear that such arrangements must be terminated as part of any generalized scheme since we do not consider it reasonable that the United States should be expected to accord preferred treatment to developing countries discriminating against U.S. exports. These arrangements, moreover, convey no benefits to the developing countries who are denied the opportunity to buy in the most favorable market.