

erally agreed that this would be a temporary phenomenon, designed to give them the opportunity to industrialize and to become more competitive.

Another element which has led people to consider the possibility of a general system of preferences is that since the formation of the European Economic Community and its association with certain African countries, there has been a proliferation of special arrangements. Countries like Nigeria have obtained similar association arrangements with the EEC, and other countries in Africa and elsewhere have been seeking special treatment. We have considered that this is an undesirable development, both in political and economic terms this kind of closed north-south relationship, we think, is not the most desirable way to organize either international trade or international political relations. And the two are closely related.

For this reason the idea of a generalized system which would overtake and perhaps subsume the existing arrangements, including those within the Commonwealth, presents some advantages. Again, if the United Kingdom application for admission to the Common Market is successful, some of the additional problems relating to the Commonwealth and the treatment of Commonwealth trade in the United Kingdom can perhaps be dealt with in the wider context of generalized preferences.

These are some of the reasons, then, why both the developing and industrial countries are giving serious consideration to seeing whether a system of generalized preferences can be worked out.

As far as the Latin American countries are concerned with whom we have special relations and special concern, they have been left out of all the existing special systems. As far as their trade with the United States is concerned, they receive the same treatment, for example, as African countries. On the other hand, in Europe their exports, such as coffee and cocoa, are discriminated against. For this reason they have sought either special arrangements between the United States and Latin America, or sometimes they have talked about a system of "defensive" preferences which could be negotiated off against the European-African system.

In any event, underlying these various trade policy and political issues has been the basic factor that economic growth in the developing countries has not really been adequate, and that increasing foreign trade is one of the key elements in trying to increase the level of economic activity in the developing countries.

In terms of primary products, the possibilities for exports are not growing, due to the well-known problems of the growth of synthetics, the fact that the industrialized countries themselves are producing more of the same raw materials, and that the demand itself is not very dynamic.

I think everybody has agreed that the only real long term solution to the problem of economic development is the growth of trade of the less developed countries and that this must take place in the field of manufactured and semimanufactured products.

At Punta del Este President Johnson took us perhaps a step further in our consideration of the preference issue by saying that he would undertake to consult with the other industrialized countries to see