rising with the degree of fabrication tends to locate processing industries near markets rather than near sources of raw materials, thereby depriving the raw material exporting countries of an important and natural entry into manufacturing.

Despite the appealing characteristics of generalized preferences, this course has a number of weaknesses which should not be overlooked.

First, generalized preferences will be extremely diffuse in their effects. Few countries can expect a sudden surge in demand for their exports as a result of them. No doubt they would provide a fillip to development in some areas, both by providing demand and by generating foreign exchange, but there is no panacea for development here.

Second, the advanced less-developed countries are likely to benefit much more than the less advanced less-developed countries. The former will be in a better position to take advantage of the opportunity provided by preferences.

Furthermore, this advantage will come partly and in some cases largely at the expense of the less advanced developed countries who do not get the preferences. But what rationale can there be for giving Argentine goods preferences over Japanese goods, or Mexican goods over Argentine goods, or Columbian goods over Mexican goods?

Third, the existence of large preferential areas would create a serious impediment to future liberalization of trade, since those enjoying the preferences would have a strong vested interest in retaining high trade barriers among other countries. This phenomenon has already been observed in the Kennedy round, where certain concessions were made difficult by a desire to preserve existing degrees of preference with the EEC.

Fourth, as with foreign aid, there is no guarantee that development will follow the opening of preferential markets or that it will be in the right places. Some less-developed countries will benefit, and some individuals within those less-developed countries will benefit; but they may not be the most important countries from the viewpoint of the U.S. interest in economic development, and they may not be the right individuals for fostering development.

What experience we have had to date does not give great encouragement with respect to the development gains from preferential markets. I speak tentatively here, since more careful study needs to be made of experience to date, but my impression is that the Commonwealth preference system can provide illustrations of almost every case possible—rapid growth with preferences in the British market, rapid growth without important preferences in the British market, stagnation with preferences in the British market. The former French territories have not "taken off" into economic growth despite years of preferential access to the French market and more recently to the entire EEC. I have described this process, and some current parallels from the international scene, in an article in the Yale Law Review, which I will be willing to submit for the record, Mr. Chairman, if you wish.

Chairman BOGGS. We would be happy to make it part of the record, Mr. Cooper; without objection.

(The article submitted by Mr. Cooper appears on p. 231, following his statement.)