ing to exercise to force them to change their policies. I don't see why we shouldn't follow the same policies ourselves. It is the coincidence of material interests that lubricates economic activity.

Senator MILLER. So, the preferences from a rich national with a balance-of-payments deficit should be the same as the preference extended by a rich nation with a balance-of-payments surplus, is that your position?

Mr. PINCUS. No, that is not my position. What I say is that a country with a balance-of-payments deficit should look, among other factors at the balance of payments influence on it of the preferential systems it chooses to adopt. And you can make your preferences by product in such a way as to affect your balance of payments, you can do it by recipient nation in such a way as to affect your balance of payments; you can do it by escape clauses and quotas; and you can do it by many devices that we haven't yet considered.

I think, in essence, the principal point I have made in this testimony is that the Government is perfectly willing to go into negotiations that involve billions and billions of dollars of trade annually, but is not willing to spend a few million dollars a year on electronic computers to find out what the various of balance of payments implications of alternative trading systems are. That is the concern of Congress. It just seems to me to be extraordinarily shortsighted.

Senator MILLER. The reason that prompted my question was your—was where you said preferences should be given from all rich countries to all poor countries. But you didn't necessarily mean that identical preferences should be given, that this should be within the framework of trying to cope with the balance-of-payments deficit on the one hand, or the balance-of-payments surplus on the other.

Mr. PINCUS. That is what my testimony states.

Senator MILLER. Now, to carry that a step further, should these preferences be the same for poor nations with a balance-of-payments surplus as for poor nations with a balance-of-payments deficit?

Mr. PINCUS. Poor nations with a balance-of-payments surplus are a problem that has worried the foreign aid agency in recent times, because it was pointed out to AID, look, you are giving money to countries which are building up their foreign exchange reserves. Now, that to me is not a convincing argument. I am sure one could devise a method to keep all underdeveloped countries' foreign exchange reserves at zero, but I don't see the utility of it. They are not building them up because of some desire to have money in the bank rather than develop the country. These things can be cyclical. One year the price of coffee is high, and at another time it is low.

Senator MILLER. In that case, there would be no distinction that you would make on the preferences?

Mr. PINCUS. I don't see any undeveloped country that I know of—unless you look to Kuwait as a less developed country—which is regularly building up a balance-of-payments surplus.

Senator MILLER. In considering preferences for an undeveloped country, shouldn't one of the factors be its balance-of-payments situation?

Mr. PINCUS. Not in my opinion.

Senator MILLER. Mr. Cooper, you testified as follows: Restrictions