establish different quotas for each individual commodity. After a while I think you would get into an extremely elaborate system of quotas that will be difficult to administer, and that would lead to increasingly bitter haggling among the developed countries and the less-developed countries. I think, as in the case of the cotton textile agreement, there would be a severe backlash of ill feeling against the United States.

I don't think in the long run it is going to help the less developed countries more than a moderate amount. The problem just isn't one of simply granting small preferences. This growth difficulty arises to a considerable extent from their own elaborate import substitution policies that many countries are undertaking to an excessive degree and which results in excess capacity and high prices on commodities that could be export products, in an attempt to handle their expansion of exports themselves.

We also have some evidence that the Commonwealth preferential system, which was introduced in the early 1930's, did not have much effect on commodities where the tariffs were not too high—as will be the case for many commodities at the ed of the Kennedy Round. We have also found in that experience that the effects were rapidly dissipated. By the end of the 1930's non-Commonwealth countries had caught up and restored their historical shares in the British market.

Thus, I think we are going to get all the drawbacks in terms of the political backlash, and yet not any great economic benefits.

Another point I want to make is that it will begin, I think, to lead to the destruction of our whole principle of free multilateral trade. As you get these quota arrangements applied to less developed countries, you are certainly going to get pressures in the United States to apply them against other developed countries. Why shouldn't you apply a quota against Japanese goods and not just Indian goods? In the long run the less developed countries are going to suffer because of type of extension of quantitative restrictions.

Senator JAVITS. Would the answers be any different if we talked about abandoning the MFN principle with a Latin American Common Market on the same theory that the European Economic Community gives preferences to the former associated countries?

Mr. BALDWIN. I don't think it would make much difference.

Senator JAVITS. It would be the same?

Mr. BALDWIN. These special regional preferences are actually worse than the general ones.

Mr. DIEBOLD. Most of what I originally intended to say was said by Mr. Baldwin and Mr. Cooper. I share very much their view on the preference issue generally. I won't repeat what they have said, but I think there is a problem in the approach that Mr. Pincus was suggesting, because I find a conflict in tendency between some of the things he said.

On the one hand he said we ought to be flexible so that countries could exclude from the preferences those things that they wished to. The aim is to get more done than if we insisted that the United States and every one else do the same thing. I think that is an attractively realistic idea in many ways. But my fear is that, particularly in the case of preferences, it would be one more element in the kind of erosion