

Mr. Baldwin was talking about, because each one would not only do what was easiest for him, but he would tend to ask a special quid pro quo, which would tend to make the whole system a complicated one in which the advanced countries would in effect, if not always in form, be looking for special preferences in the undeveloped countries. Indeed, the Common Market did that in their agreement with Nigeria, something I think we should have objected to more strongly than we did.

The other weakness of the flexible approach, it seems to me, is that would be one more factor making the preferences less valuable to the developed countries than people would like to think. It is precisely at the places where important trade gains could be made that preferences will not be given because of competition with the domestic producers.

But I would like to go back to the point that you started with, Senator Javits, leaving aside now the merits or demerits of preferences. If for whatever reason, political or otherwise, the United States were to go into some form of preferential arrangement for some or all less-developed countries, I think we should not think of it as "abandoning MFN." We should think of it rather as a controlled departure from the principle of the most-favored-nation. And if this sounds cynical, I can only suggest that we have had such a controlled departure in the case of Western Europe during the dollar shortage. There were a lot of people in this country that thought that GATT and the ITO were really frauds because the exceptions were more important than the rule. Those exceptions permitted people in balance-of-payments difficulties to discriminate against us primarily. But if we had not had the basic agreement on the equal treatment principle, we should now still be trying to get back some of the things that we got automatically from 1958 on when European currencies became convertible. I would think that any experiments in preferences for less-developed countries, on a hemispheric basis or otherwise, ought to be subject to the other side of what Mr. Pincus talked about, which was the stress on certain broad principles of generality, of temporary limitation, and things of that sort. I think under such rules one can reduce the risk of complete erosion and destruction of the world trading system and a better control the departure from the principle of equality.

Senator JAVITS. Mr. Pincus, do you want to get into this, too?

Mr. PINCUS. I think that the remarks made by the other witnesses today are quite correct, by and large. I am simply approaching it from a slightly different viewpoint. I think Mr. Diebold's comments are correct in talking about the control of departures from MFN. The point about quotas made by Mr. Baldwin is ill taken. Those are tariff-free quotas. They are not quotas as to the total amount of imports that one takes. In other words, 10 percent of what you send me I will allow in duty free, but that doesn't mean that I stop importing the rest at the MFN rate. So, I don't see the relevance of his point.

The second point that I would make is that the preferences offered by advanced countries to underdeveloped countries are by their very nature not going to allow changes in the system of world trade, because domestic producers in the rich countries don't want vast changes made in the domestic structure of production.