Therefore, any system, any preferential system adopted will necessarily be limited in its effect. My arguments for it are essentially two, and I think they are basically political, although phrased in economic terms. One is that I believe that a series of preferential systems are in the cards. Now, if the United States wants to stand back from that, it is their privilege. I just happened to think it is a poor idea to stand back from it.

The preferences system actually adopted by the OECD countries in concert or separately will certainly be such as to have a rather small impact on the actual structure of the production in the developed countries, but they may have the very important effect of doing exactly what some of the earlier speakers said, turning these people's eyes away from high cost import substitution and toward the fact that there is a world market in which they now have at least some feelings as being the victims of discrimination.

Senator JAVITS. Now, to followup that, is that your prescription for the optimum proposition you can offer UNCTAD, what you have just stated?

Mr. PINCUS. On this matter, you mean?

Senator JAVITS. That is what UNCTAD is all about.

Mr. PINCUS. It is about other things. It is about commodities agreements and supplementary finances, the whole bunch of things.

Senator JAVITS. Let's stay on this matter.

Mr. PINCUS. I think I can answer it a little indirectly. One could say to the UNCTAD countries, no preferences. That is what we said in 1964.

Senator JAVITS. Go ahead.

Mr. PINCUS. In 1964 we said we were willing to study the subject. And we studied it. In the spring of 1967 at Punta del Este statements were made that implied a change in our position, I believe. I certainly took the inference that the U.S. Government would back some kind of a general preference system. And this is our present stance in our OECD discussions with other rich countries.

Now, I think from what little I understand of the political economies of most countries, that such a system has two purposes. One is to give the underdeveloped countries not only something that they want, but something that may actually have a beneficial effect on their world economic view.

The second is to do a minimum of "damage" to the interests of the domestic producers in the developed countries. In order to do that, you have to walk a tightrope.

Now, if you are asking me whether walking that tightrope is the only likely stance I can think of in the preferential line, the answer is "Yes."

Senator JAVITS. Gentlemen, just one other question. What do you think of these commodity agreements? Do you like them, or don't you like them?

Now, we have got a new one now coming up as of the result of the Kennedy Round. And there are others being negotiated. On the whole, have they performed, and do you favor this as a policy of the United States?