While all of these UNCTAD proposals have been vigorously discussed *pro* and *con*, none has given rise to so much diplomatic debate and academic dispute as the last—preferential tariffs. The reason is simple. The central conception of the postwar trading world, the keystone of the General Agreement on Tariffs and Trade (GATT), has been non-discrimination in trade, expressed in unconditional most-favored-nation (MFN) treatment. The demand for tariff preferences represents a radical departure from this basic and well-established principle of trade policy.

For this reason, the United States had consistently expressed its opposition to tariff preferences for developing countries. As the concerted UNCTAD offensive grew in mounting pressures, however, the U.S. Government appeared to waver in its firm stand. Finally, at the summit meeting at Punta del Este in April 1967, President Johnson indicated a readiness to *explore* with other industrialized nations the *possibility* of granting *general* preferential treatment to imports of manufactures and semi-manufactures from the developing countries.[3]

NON-DISCRIMINATORY PREFERENCES?

The italics are of more than semantic significance. To consider general preferences to all developing countries by all industrialized nations is one thing; to agree on such a system is quite another. For the central fact in today's trading world is that some developing countries (chiefly French ex-colonies in Africa and British Commonwealth nations) are already receiving preferential treatment from some industrial nations (chiefly those of the European Economic Community and the United Kingdom). Since many of these preferential arrangements are reciprocal, neither the countries receiving nor those granting such preferences are anxious to dissolve these special trading arrangements in favor of generalized preferences by all developed to all underdeveloped countries.

The crux of the preferential problem has been ably stated by a distinguished proponent of measures to assist developing countries as follows: "The reason for the difficulties is simple, obvious, and insuperable. Tariffs are inherently discriminatory between domestic and foreign producers, preferences involve discrimination between categories of foreign producers, and a non-discriminatory system of discrimination is a contradiction in terms."[4]

And yet, despite the "simple, obvious, and insuperable" difficulties, the pressure for tariff preferences is still mounting. In fact, it is likely to reach a crescendo in the months to come because the agreement reached in the Kennedy Round, although greeted with satisfaction among the world's chief trading nations, is viewed with disappointment among the developing countries.

One reason for this disappointment lies in what happened in the Kennedy Round to tropical products. The United States had the authority under the Trade Expansion Act of 1962 to reduce tariffs on tropical products to zero and was willing to use this authority in the Geneva negotiations; the United Kingdom was also willing. But the EEC declined to go along because this would have nullified the existing preferences for its African associate members (mainly the former French colonies). As a result, tariffs on tropical products were merely lowered but not eliminated.

As a result of the disappointing outcome of the Kennedy Round from the viewpoint of the Third World, the years of agitation and frustration since the UNCTAD meeting of 1964, and the hopes aroused by the Punta del Este declaration of April, 1967, it is fair to say that the demands of the developing countries for tariff preferences probably represent the most critical issue in trade policy facing the world today.

THE ARGUMENTS FOR TARIFF PREFERENCES AND THEIR FLAWS

The case for tariff preferences to developing countries is usually based on analogy to the "infant industry" argument for tariff protection. This is the argument that protection for an infant industry in its early stage of development enables it to grow in a sheltered market to a point where it becomes sufficiently competitive to survive in world trade after tariff barriers come down. This has

[3] The exact wording in the "Declaration of the Presidents of America" ("Action Program"), Chapter II, 2, is: "To consider together possible systems of general nonreciprocal preferential treatment for exports of manufactures and semimanufactures of the developing countries, with a view to improving the condition of the Latin American export trade." (The Department of State Bulletin, May 8, 1967, p. 717.)

[4] Harry G. Johnson, *Economic Policies Toward Less Developed Countries*, Brookings 1967, p. 197.