some validity, but the analogy ignores the basic question whether tariff preferences are the best means of achieving access to developed country markets. Moreover, experience shows that supposedly temporary protection has a way of becoming permanent; the same may well happen to "temporary" preferences.[5]

Unquestionably, the chief practical reason why developing countries are pressing for tariff preferences is the belief that they would be politically more acceptable in industrialized countries than foreign aid. This argument assumes that tariff preferences are a form of income transfer from industrial to underdeveloped countries. It implies that preferences are a form of foreign aid—an attempt to use trade policy as a substitute for aid policy. The validity of this argument is questionable because the domestic industries affected by preferences would undoubtedly protest even more vigorously and more effectively than do the general taxpayers against the cost of foreign aid. (See point (6) on page 461).

Another argument often made in favor of preferences is that developing countries have gone as far as they can in import substitution,[6] so that any device to encourage export promotion is desirable. While the former is undoubtedly true, the latter does not necessarily follow. There may well be misplaced or excessive (i.e. uneconomic) export promotion as well as excessive import substitution. To plunge from one to the other may not help matters. Again the argument ignores the question whether preferences are the *best* device to encourage export promotion—which is precisely the point at issue.

Finally, the argument is sometimes made that developing countries *want* preferences and the industrial nations' costs from granting them "would be negligible, whether or not the alleged gains materialize."[7] The latter clause appears to recognize implicitly the dubious nature of the benefits to be derived from preferences by the developing countries. If the impact of preferences on the industrial countries granting them is truly "negligible", it seems likely that the gains to the developing countries would be equally negligible, unless the comparison is in terms of relative GNP. Finally, this argument ignores the costs of tariff preferences to third countries, i.e. the competitors of the developing countries who would be discriminated against by the preferences.

THE CASE AGAINST PREFERENCES

It will be noted that the great emphasis of the arguments for preferences has been placed on the fact that developing countries *want* them, and very little on their economic importance or justification.[8] The leading study of this question by a proponent of preferences concedes, after searching analysis, that—"unfortunately, it is not possible to estimate how much can be done by this means for the less developed countries", and that "if preferences for less developed countries are to be seriously considered, a great deal of theoretical and empirical research needs to be done . . ."[9]

By contrast, the case against preferences is well-documented and extensive. The arguments against preferences may be briefly summed up as follows:[10]

(1) Tariff preferences to developing countries would tend to promote and perpetuate economic inefficiency—as do protective tariffs—by encouraging uneconomic production behind the shelter of preferences. "Infants" thus favored, in other words, never seem to grow up.

(2) Preferences are inevitably least helpful to some developing countries—those least developed—and most advantageous to those in a relatively higher stage of development (e.g. Taiwan, Mexico, the Philippines, India and Pakistan) able to take effective advantage of them. Thus, preferences would help those least who need help the most.

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[5] As a distinguished scholar in this field has observed, "the landscape in all countries seem to be dotted . . . by 60, 80 or even 150 year old 'infants.'" Stanley D. Metzger, *Law and Policy Making for Trade Among "Have" and "Have-Not" Nations*, April 25, 1967, p. 45. (Working paper for the Hammarskjold Forum of the Association of the Bar of the City of New York).

[6] Import substitution is the attempt of developing countries to produce domestically goods formerly imported, with the double objective of improving their balance of payments and speeding up their industrialization. Quite often, however, import substitution has been pushed too far, resulting in uneconomic production, which tends to increase the production costs of *all* goods, including exportable manufactures, thus reducing export earnings.

[7] This and other arguments for preferences are derived from the study of John A. Pincus, *Trade, Aid, and Development*, McGraw-Hill 1967, pp. 198–199. Pincus is an able advocate of the case for preferences.

[8] Stanley Metzger, *op. cit.*, p. 49.

[9] Harry Johnson, *op. cit.*, pp. 205–206.

[10] Most but not all of the arguments are cited by John Pincus, *op. cit.*, pp. 198–199, and restated by Stanley Metzger, *op. cit.*, pp. 49–50.