In theory, preferences in Northern markets benefit the South more than free trade, because they confer a price advantage over competitors. This advantage could be offset if the grant of preferences were tied to restrictions on entry. In any event, the benefits of preferential systems are likely to be important only to the semiindustrial countries in the short run. These short-run increases in LDC exports might be of the general order of $1 billion annually under a system of one-way free trade, if existing quantitative restrictions are maintained.

In the long run, preferences should help shift world location of processing industries toward the raw material sources, encourage greater domestic and foreign investment in industry, and promote a greater awareness of trade opportunities. Not even the roughest guess of the size of these effects is possible.

The case for preferences is in large part political, because they involve, among other elements, a transfer of resources and adjustment costs to Northern producers. If the North wants to be associated with the South and influence its policies, encouragement of trade ties can have its uses, at modest cost. Conversely, the refusal to grant preferences, unless it is accompanied by some other form of aid, does nothing to reduce North-South tensions. This is an important consideration for the United States, which is still saddled with its somewhat negative UNCTAD record. Unfortunately, its stand on preferences remained unaltered, despite strong pressures from other OECD countries and LDC's at the 1966 meetings of the UNCTAD preferences committee. Ultimately, U.S. policy will be forced to change, as already foreshadowed by President Johnson's statement at Punta del Este in April 1967. However the prolonged delay probably benefits neither North nor South. The system proposed by other OECD countries was objectionable because it was based on tariff quotas, which are all too likely to be used as tokens of preferential treatment with little real effect. Nonetheless, the U.S. refusal to agree to any scheme can hardly be viewed as a constructive alternative.

It is one thing to affirm, as I have, that political and economic advantages could stem from preferences, and quite another to claim either that the benefits would be vast, or the pitfalls negligible. There is no evidence to support the view that the economic transformation of the South awaits only the infant industry effects of preferences. Nor can the view be dismissed that the use of preferences is likely to be either as an instrument of trade restriction, somewhat in the manner of U.S. sugar legislation, or as a token gesture that will arouse more resentment than support in the South. But new policies normally have their risks, and these are no different. In this case, the political risks seem more modest than the gains.

Finally, each underdeveloped country is a special case, and each will develop differently. Whether Northern policies are enlightened or not, some of today's poor nations will inevitably prosper, while others, by comparison, will seem to stagnate. In a century-long perspective there will be countries that will far surpass a tenfold growth of per capita income, and others that will not even be close. This in turn will raise new questions of international equity and perpetuate old ones. Arbitration of these discords will be the task of another era. The success of contemporary generations in attacking poverty will be measured by how much or how little its descendants need be concerned with the issues I have analyzed here.