

practice) on products in which Japan and the less developed countries were most competitive. This, however, is only a specific illustration of the general tendency of U.S. tariffs to bear more heavily on labor-intensive manufactures than on other goods. It raises the question whether, even if the most-favored-nation rule is rigorously respected, unequal tariff treatment of different products may not be tantamount to unequal treatment of different countries.

The Prebisch Proposals

Awareness of these difficulties led Raúl Prebisch, in his advance message as secretary-general to UNCTAD in 1964, to envisage something less than a fully generalized system of preferences.²⁰ As he saw it, developed countries could not be expected to give preferential treatment to those industries in the less developed countries that were already fully competitive in world markets, and each country granting preferences might therefore establish a reserve list of such products to be excluded from preferences (but not, he stressed, from most-favored-nation treatment under GATT). Prebisch's case for preferences was, as he said, "a logical extension of the infant industry argument" aimed at enabling the less developed countries to become competitive in manufactures that they could not now export. Both the duration of the preferences (a minimum of 10 years was suggested) and the margin of preference should be great enough to provide adequate incentive for the establishment of new export industries.

Prebisch considered it desirable, but not indispensable, that all developed countries participate in granting preferences. He hoped that they would avoid the crippling complexities of a highly selective country-by-product approach, but recognized that they might insist on an overall quota, and possibly quotas on particular categories, governing the amount of goods to be imported preferentially.

As to the preference-receiving countries, Prebisch recognized that it would not be easy to set any kind of cutoff point above which countries would not be eligible. Among those which were eligible, he felt it necessary to distinguish between the "more advanced" and the "less developed" among them, suggesting for the latter wider margins of preference. This might be reinforced by a special grant of quotas in their behalf and perhaps even by preferential tariff treatment on items which the developed countries had reserved from general preferences.

Australian Preference System

Despite vigorous efforts by the less developed countries at UNCTAD for a declaration of principle in favor of preferences, all that emerged in the final act of the 1964 conference was a decision to set up a committee to consider the best method of implementing such a system and to discuss differences of views on the question of principle. The topic seems destined to figure even more prominently in the debates of the second conference scheduled for 1968. Meanwhile, the only specific action by way of preferences favoring imports from the less developed countries is that taken by Australia under a waiver from the most-favored-nation rule approved by GATT in March 1966. Though staunchly defended by Australia as a manifestation of its willingness to

²⁰ "Proceedings of the United Nations Conference on Trade and Development," vol. II, policy statements, 1964, pp. 35-40.