

In addition, there are problems of achieving general reciprocity, since there is unevenness in the offers of the United States as compared with those of some of our major trading partners.

The answers basically lie with the EEC. The Ministers are to meet again early in February. It is our firm hope that they will agree to clear mandates for their representatives so that conclusions may be negotiated in the weeks to come. Time is short. If we see renewed flexibility and adaptability on all sides our hopes for the future of liberalized trade in the free world will be confirmed. The opportunity must not be lost.

TRADE PREFERENCES FOR DEVELOPING COUNTRIES

Regardless of the outcome of the Kennedy Round, the developing countries are very likely to press even more vigorously than before for international answers to their trade problems. The developing countries are urging the developed countries to adopt a one-way, generalized system of trade preferences by all industrialized countries applicable to importation of processed and manufactured goods from all developing countries.

The United States has expressed serious misgivings about such a system and has questioned whether the advantages would really outweigh the disadvantages. Nevertheless, the United States is willing to explore all alternatives respecting this issue and together with senior trade policy officials of the United Kingdom, France, and the Federal Republic of Germany is engaged in a study of trade problems between developed and developing countries.

The aim of this study, which is being sponsored by the Organization for Economic Cooperation and Development, is to formulate constructive and concerted policies for encouraging increased export earnings by the developing countries. Thus far, the group has concentrated its attention on the preference issue and has been examining ways of dealing with the practical problems which would inevitably arise if new preferences were to be extended to the developing countries. The results of these discussions will have an important bearing on the outcome of the United Nations Conference on Trade and Development to be held next year.

EAST-WEST TRADE

A third trade problem urgently requiring our attention is East-West trade.

Two-way trade between the free world and Eastern Europe, including the U.S.S.R., has increased substantially during recent years to about \$12.5 billion in 1965. Over half—\$7.7 billion—of this trade has