tions on imports from developing countries bring them closer to achieving equality of treatment with producers inside the national or multi-national markets, take into account the fact that they are at a lower level of development, and correct a situation where they have in actual fact disadvantages in comparison with imports from developed countries.

10. The establishment of a preferential system for all developing countries could prevent the proliferation of mutually exclusive preferential systems limited to some developed and some developing countries. The choice at present is not between maintaining m.f.n. treatment and establishing a general preferential system for all developing countries; it is rather a choice between a general system of preferences on the one hand and mutually exclusive preferential systems on the other. If no such general system could be established, it would be difficult to avoid a situation in which these developing countries which now do not enjoy preferences anywhere, would be granted preferences in at least some of the developed countries.

11. Preferences for the developing countries would be a means for correcting the increasingly disadvantageous situation of the developing countries' exports resulting from the formation of ever-increasing regional groupings among developed countries. Among the countries outside these groupings, the developing countries tend to be most vulnerable to such differential treatment since their cost structures and flexibility of production may be less able to absorb the new competitive disadvantages created by the discriminatory tariff margin in favour of the developed partners inside the regional groupings. As a result of such groupings and other preferential arrangements, almost two-fifths of the total imports of manufactured and semi-manufactured products of the developed countries from non-socialist countries are already on a preferential basis, but mainly from other developed countries. If additional developed countries enter EEC, as they have announced their intention of doing or if alternative free-trade arrangements are concluded between countries nonmembers of EEC, then more than half of the developed countries' manufactured and semi-manufactured imports would flow outside the m.f.n. system. In such a situation, it is difficult to assert that countries outside of these groupings are enjoying "most-favoured-nation" treatment. The formal application of the m.f.n. clause to developing countries means, in the conditions of today, granting what is in effect least-favoured-nation treatment.

D. The Doubts Concerning Preferences

12. Doubts have, however, been expressed regarding preferences. It has been stated that after the conclusion of the Kennedy Round, the remaining duties will be so low as not to constitute real obstacles for imports from developing countries.

Preferential margins that could be granted would be trivial and at any rate not sufficient to stimulate the developing countries' industrial exports. However contrary to the initial intentions, the Kennedy Round has in many cases not resulted in 50 per cent reductions of the existing tariffs. More important, the effective tariffs, even after the Kennedy Round, are still very high precisely on those goods which developing countries export and could expand in the immediate future. That tariff margins remaining after the Kennedy Round are still substantial in the eyes of developed countries is shown also by the continued interest of such countries in entering or becoming associated with the EEC.

13. It has been said that developing countries would not be able to stand competition in the highly competitive markets of the developed world, even if they enjoy equality of treatment with domestic producers of the latter. No doubt, for a certain number of goods, requiring considerable technological know-how, developing countries could not compete even if they were granted equality of treatment. On the other hand, there are several examples of developing countries successfully exporting manufactures and semi-manufactures to the developed world in spite of the fact that they have to overcome tariff barriers in these countries. If these barriers were removed such exports could probably be stepped up. Moreover, if firms in developed countries know that they can count on importing freely from developing countries, they would in all likelihood in many cases give serious consideration to establishing in developing countries some manufacturing processes which could be carried out there with cost advantages.

14. It is argued that developing countries should first concentrate on what they themselves could do for promoting their exports before insisting on what