developed countries could do for them. Accordingly, for example, it is suggested that developing countries will not be able to export, even if they are granted preferences, unless they eliminate internal obstacles to export and adopt sound export policies. Equally, it is said that they would not succeed in penetrating the highly competitive markets of the developed world as long as they feel the need to protect their industries by extremely high trade barriers against products of other developing countries. There is no doubt an important element of truth in these considerations. Benefits of the preferential system would only accrue to those developing countries that take the necessary national action that would make increased industrial exports possible. It is also true that for products which developing countries want to export to the developed world, they must be able to face a certain degree of competition in their own markets. Developing countries would indeed be well advised to pay greater attention to each other's markets because they could sell products there which might have difficulties in penetrating into developed countries' markets.[1] Action in these respects could be taken simultaneously with the introduction of the preferential systems. Moreover, the Trade and Development Board at its fifth session in August/September this year will examine what kind of action programmes developing countries could adopt to further their mutual trade.

15. Preferences are said to create a vested interest on the part of the developing countries against further reductions on m.f.n. basis. These countries might, after the establishment of a preferential system, favour the maintenance of non-preferential import duties in developed countries at the highest possible level. That such a risk exists as indicated by the fact that it has been especially difficult to reduce duties on items on which some developing countries enjoyed special preferences. It would, however, be short-sighted to try, in connexion with the setting-up of a general preferential system, to prevent the developed countries from further reducing the barriers on each other's trade. This might have advantages from the viewpoint of some short-term interests of the developing countries. But the freeing of world trade has been a powerful factor of growth in the developed world, and the retardation of this rate of growth would in turn ultimately have negative effects on the developing countries themselves. Such consequences are, however, not necessarily inherent in a system of preferences. It could be specifically provided that there would be no need to maintain preferential margins in favour of developing countries and that countries granting preferences would be able at any time to extend the duty reductions or eliminations on an m.f.n. basis. When conceived in this way, a preferential system for developing countries would be a step towards the liberalization of world trade as a whole in the sense that first priority would be given to reducing barriers on the imports from those countries that are most in need.

16. It is sometimes argued that only a few developing countries would benefit from the establishment of a preferential system. Inasmuch as only a dozen countries at present account for about 75 per cent of the developing countries' total industrial exports, it cannot be denied that these developing countries will, at the outset of the preferential system, probably enjoy greater immediate benefits. But these industrially more advanced developing countries are, at least in some cases, those where *per capita* income is particularly low or other development problems present themselves with particular acuteness. Moreover, with respect to other measures discussed in UNCTAD (related to primary commodities, financing, regional integration, etc.), less-advanced developing countries can often be expected to gain greater benefits than more-advanced ones, and it is clear that not every developing country can expect to obtain an equal advantage from every policy measure recommended by UNCTAD. This being said, it is possible and necessary to provide, in connexion with the establishment of a preferential sys-

[1] Why trade among developing countries cannot be a subtitute for increased industrial exports to the developed world has been explained in document TD/B/85, Chapter V, paragraphs 5 to 11. These reasons can be briefly stated as follows: first, developing countries experiencing balance of payments difficulties or depending on customs revenue for their national budgets, have greater difficulties in successfully negotiating trade liberalization among themselves than developed countries have. Secondly, even if such agreements are negotiated, the deficiencies of the infrastructural links between developing countries still give a greater advantage to imports from developed countries. Thirdly, it cannot be generally asserted that the markets of other developing countries are less competitive; for indeed, the large international firms of developed countries are very often also present in the markets of other developing countries. Lastly, the purchasing power of other developing countries is often so low that it cannot absorb the output of certain types of industry. To attain sufficient economies of scale, they also need access to the markets of developed countries.