tem, for special measures and mechanisms to ensure more effective participation by the less-advanced among the developing countries in the benefits of the system (see Part Three, Section E below).

17. It is pointed out that imports from developing countries might create unemployment in certain branches of industry in developed countries. Apart from the fact that under recent conditions of relative labour shortage in many developed countries, displaced labour could be more advantageously employed in technologically more advanced branches, the changes in industrial production that occur all the time as a result or technological developments are, in most cases, considerably greater than those which might result from imports from developing countries. Developed countries have accepted, in their regional groupings, commitments for the reduction of trade barriers which also caused fears in certain industrial sectors. On account of the gradualness of the entry into force of these commitments, and in view of maintenance of adequate over-all demand and provision for internal adjustment measures, the developed countries were perfectly able to cope with these problems. It is difficult to see why they should not be able to cope with similar problems that might result from imports from developing countries which have such a small share of world industrial exports. Considering the great size of the market in the developed countries, a manifold increase in imports from developing countries can be easily accommodated in the normal growth of the market. At any rate, provision can be made in the preferential system to take account of such problems of domestic producers (see Part Three, Section A below).

18. The establishment of a system of preferences has been said to involve particular disadvantages for those developed countries that are already partly or totally outside the large regional markets which have been formed in the developed world. In particular those countries might be hit that may not qualify as developing countries but that are on a lower level of industrial development than the bulk of the developed countries. No doubt, it can hardly be the purpose of a preferential system for developing countries that the weaker or otherwise handicapped developed countries should bear the main burden of the system. Special measures may therefore be necessary to safeguard the interests of such third-country suppliers, just as care is to be taken that domestic producers are not seriously injured by the establishment of the system. (See Part Three, Section A below.)

Part Two

OUTLINE OF SPECIFIC ELEMENTS OF A PREFERENTIAL SYSTEM

A. The Objective

19. For examining the concrete features of a possible preferential system for industrial exports from developing countries, it is convenient to take as point of departure the system which the developing countries had themselves proposed at the first Conference on Trade and Development and reiterated at the May 1965 meeting of the Special Committee on Preferences. The essential features of this system are as follows: all developed countries should grant, for all manufactures and semi-manufactures toward all developing countries, duty-free preferential access to their markets without limitation on volume. The developing countries recognized, however, that the duration of the preferences should be limited in time and that it should be possible, under certain conditions, for the developed countries to exclude products from the benefits of the system and to apply safeguard clauses. On the other hand, the system should take into account the special needs of the less-advanced developing countries and provide, for those developing countries that presently enjoy preferences in developed countries, advantages at least equivalent to those which are now enjoyed so that these existing preferences can be suspended. Suitable international supervision will have to be provided for. The system summarily described is largely similar to that adopted as a working hypothesis by the Group on Preferences at its first session in August 1966 (see report on the session, TD/B/84).

B. The Question of Negotiability

20. A system along the lines just sketched would no doubt be the optimum solution for enhancing the developing countries' opportunities of exporting industrial products. Once there is clarity about the ideal solution, however,