

there arises the much more difficult question as to what would be a negotiable or acceptable solution. This negotiability or acceptability will to a large extent depend on the manner in which the concrete features of a system take into account the concerns that have been expressed in the previous discussion on this issue (see Part One, section D above). An intimate knowledge and appreciation of each of the participating countries' negotiating problems would facilitate the finding of formulae leading to the establishment of a mutually satisfactory system.

21. When solutions are to be found to all these problems, it is unavoidable that some of the expectations which developing countries have attached to the setting up of a system of preferences will not fully materialize. There is a risk that the ways and means chosen to meet the concerns or special wishes of the participating countries would unduly weaken the effectiveness of the system itself. To avoid this consequence, it will be necessary to reconcile two equally important requirements: on the one hand, of providing for the developing countries substantially better access to the markets in the developed world and; on the other hand, of paying serious attention to the problems of negotiability and acceptability faced particularly by the governments of the developed countries.

#### C. THE PROBLEMS ARISING WITH RESPECT TO EACH OF THE ELEMENTS OF A GENERAL PREFERENTIAL SYSTEM

22. When the system outlined in paragraph 19 above is to become the object of a concrete commitment on the part of the developed countries, the following negotiating problems are bound to arise in relation to each of its elements:

(a) With respect to the aim of granting duty-free access without limitations on volume, assurances will have to be provided to producers in the developed countries to safeguard them against a conceivable negative impact of the system on their essential interests. Various measures can be envisaged for this purpose: should an escape clause be provided for, to be applied only in case of serious injury occurring to producers of developed countries, or should the volume of admissible preferential imports or the extent of the duty reduction already at the outset be limited for all products? Would provision have to be made for the various methods to be applied to safeguard only essential interests of domestic producers or should interests of third-country suppliers of the developed countries concerned also be taken into account?

(b) With respect to the aim of including all manufactures and semi-manufactures, certain items of processed agricultural products in some countries as well as highly protected industrial products including those still under quantitative restrictions, present special problems. Ways and means should be found for including processed agricultural products even where the high trade barriers sometimes reflect the protection granted to the domestic agricultural raw material that has been used. Due account will have to be taken of how to deal with products now subject to quantitative restrictions. Provision may have to be made for enabling individual developed countries to exclude from the beginning certain items from the scope of the preferential system, while at the same time ensuring comparable participation by the various developed countries.

(c) With respect to the aim that all developed countries should grant preferences, the question arises whether the establishment of the system should be made conditional on the participation of all these countries. Furthermore, it must be considered whether all should apply essentially the same system and how account might be taken of differences in the degree of industrialization of these countries and of the special foreign trade régimes of the socialist countries of eastern Europe.

(d) With respect to the aim of granting preferences to all developing countries, the question arises as to which countries are to be regarded as developing. Special consideration will have to be given to the problem of so-called borderline countries.

(e) With respect to the special needs of the less-advanced among the developing countries, the countries concerned should be able to rely on the solutions envisaged, while at the same time the system should not become too complicated to operate for the developed countries.