

D. THE VARIOUS INTERDEPENDENT MEANS FOR LIMITING THE IMPACT OF A PREFERENTIAL SYSTEM ON THE DEVELOPED COUNTRIES' INTERESTS

26. Among the preoccupations affecting the negotiability of a system, the most important ones are likely to be, first, the effects of the preferential system upon domestic producers and, secondly, its consequences upon trade relations among developed countries, i.e., with countries to which the most-favoured-nation clause would continue to apply. The first aspect is a familiar one: in all negotiations on the reduction of trade barriers, governments are concerned with the need to avoid undue damage to their country's domestic producers. The second aspect is, however, novel and specific to the establishment of any system of preferences including preferences among members of a regional grouping. Third-country suppliers to the developed countries granting the preferences may be affected because, contrary to what happens in reductions on the traditional m.f.n. basis, the conditions of access for third countries would not improve, but might rather deteriorate. This type of preoccupation may also have to be taken into account when considering the means of improving the negotiability of the system from the developed countries' point of view. It should, however, not be forgotten that the fears of domestic producers in connexion with trade liberalization commitments have in the past in most cases not been borne out by the subsequent developments. As to the interests of third countries, no special measures were provided in their favour when certain developed countries freed trade among themselves within regional groupings. To the extent that third developed countries possess technological superiority and differentiated industrial structures as compared to developing countries, they might be in a better position to offset the new preferential advantages envisaged for the developing countries than may have been the case with respect to the similar advantages granted to developed countries within these regional groupings.

27. For dealing with these preoccupations and safeguarding what developed countries may regard as their essential interests, a variety of means enter into account:

- Narrowing the product coverage;
- Providing for mere duty reductions in lieu of duty abolitions;
- Limiting in advance the volume of imports that would in any case be admitted at the preferential rate;
- Providing for an escape clause that would permit partial or total withdrawal of preferential treatment in case of serious injury to producers in developed countries.

28. Each of the methods listed can be used for limiting unfavourable effects of the preferential system on the interests of domestic producers or third-country nonpreferential suppliers. Moreover, the more the developed countries can rely on resorting to one or other of these means, the less they are likely to need the others. Thus, if the definition of the list of semi-manufactures is very wide and includes for instance the early stages of processing of agricultural primary goods, the more the developed countries might feel that they need possibilities to limit in advance the volume and the depth of reductions. If, on the other hand, the product coverage does not include certain sensitive items, the developed countries are likely to be more relaxed about the advance limitations of volume, the depth of the reduction or the escape clauses. Finally, if the volume is limited in advance or mere duty reductions are called for, the narrowing of the product coverage becomes a safeguard instrument of lesser importance from the point of view of the developed countries. This mutual interdependence of the various possible safeguards has to be taken into account in the discussions and negotiations leading to the establishment of a preferential system. Otherwise, seemingly satisfactory solutions for the interests of the developing countries with regard to one of the techniques may be frustrated by provisions regarding another. For the developing countries to avoid losing on one score what they gain on another, the total picture must constantly be kept in mind and evaluated.

E. THE SAFEGUARD ARRANGEMENTS AS A KEY TO DISTINGUISHING AMONG VARIOUS GENERAL PREFERENTIAL SYSTEMS

29. Not only do the various means of safeguard depend on each other, but also the solutions to be found for the basic elements of a preferential system depend on the kind of safeguard provided for in the system. For example, the question