however, consider that obtaining zero duty and thus equality of treatment with domestic producers in developed countries on the vast majority of items of the tariff nomenclature would ultimately—even in connexion with a uniform tariff quota—be more important than getting an across-the-board duty reduction which may remain insignificant as far as the so-called competitive items are concerned and insufficient for stimulating exports in new products.

69. The case for providing for mere tariff reductions presents itself. however, in a different light if it is to be a mere complement to a system based essentially on tariff elimination. When there are serious obstacles to complete tariff elimination for particular items, it is conceivable to envisage that tariff reductions could be regarded as an alternative, provided certain conditions are met that could be defined in advance.

70. While, on balance, tariff zero either in an escape clause or a tariff-quota system will appear to be preferable, a case can be made out for enabling the developed countries to attain this objective only gradually. The fact that the reduction process was stretched out in EEC and EFTA over a period of about ten years and in the United States Trade Expansion Act over five years, contributed considerably to the political acceptability of the respective schemes. Producers would have time to adapt themselves, and the case for excluding items from the beginning would be weakened.

B. The Products on Which Preferences Would Be Granted

(1) THE OBJECTIVE AND THE PROBLEMS INVOLVED IN ATTAINING IT

71. According to the proposal of the developing countries and the working hypothesis of the Group on Preferences, preferences should, in principle, be extended to all manufacturers and semi-manufacturers from developing countries. The wider the product coverage of a prefesential system, the larger would be the field open for investors to choose production lines that could be located in developing countries with a view to exporting toward the developed world. To limit the preferences to those products which are presently produced in developing countries would unnecessarily narrow the scope of the system; past experience shows that various countries have in the last decade made rapid advances from a state of under-development and have started producing and exporting goods which could hardly be foreseen only a few years back. Also to grant preferences only on the presently produced items would concentrate the attention of developing countries on lines of production for which developed countries often fear market disruption and tend to want to exclude from the system in one way or another.

72. However, to include all manufactures and semi-manufactures raises some problems. Every country will indeed have some items which it regards as sensitive and which it would want to except from the preferential system. Even in the Kennedy Round where an across-the-board approach was aimed at, all major developed countries submitted a list of exceptions. Among the products whose inclusion in a preferential system is likely to be called in question, two categories deserve particular attention.

73. It would be of considerable importance to the developing countries that the definition of what are semi-manufactures and manufactures extends as far as possible into the early stage of processing of primary products and particularly of processed agricultural products. Yet, such products are in some cases highly protected partly inasmuch as these processing indutries are obliged to use domestically-produced agricultural raw materials whose high price is partially reflected in a high tariff or other protection on the processed product. In such cases to eliminate completely the duty on the finished product might mean that these domestic processing industries would—for reasons unrelated to the efficiency of their transformation process—be put at a disadvantage with respect to imported goods produced from cheap raw materials. If the processing industries were to suffer as a result of this complete duty abolition, domestic agriculture might also be affected in those cases where a significant share of the agricultural output concerned is taken up by these industries. Developed countries may, therefore, be hesitant to include in the preferential system such products close to the agricultural sector though they may often be of particular importance for the less-advanced among the developing countries.

74. When considering the various possible ways of dealing with processed agricultural products, it might therefore be taken into account that existing trade barriers on these products generally may be regarded as containing both