

system. Arbitrary considerations might also prevail with respect to the selection of the beneficiary countries. Moreover, in order to enable developing countries and "third countries" to gain a clear picture of what they could count on in the future, the essential features of the preferential system applied by the various developed countries should be uniform.

87. Certain differences are, of course, unavoidable and have in fact been considered in the present report as a means for facilitating the acceptability of the system. Thus, in the event that provision is made for initial exclusions, the items excluded by the various countries may be different. There will also be differences as regards the extent to which the various developed countries may extend, on an m.f.n. basis, the tariff cuts granted to the developing countries. At any rate, as long as differences in the application of the preferential systems are marginal and do not compromise certain fundamental principles, it would appear that they would not be incompatible with the general system.

88. Another question arises in connexion with the participation of the socialist countries of eastern Europe in a system of preferences. The socialist countries applying customs tariffs have already taken tariff action in favour of the developing countries. Bulgaria and the USSR have abolished, through preferential action, customs duties on all goods imported from and originating in the developing countries, while Czechoslovakia has suspended on an m.f.n. basis, duties on products of export interest of the developing countries. Though customs duties play an increasingly important role in various socialist countries, in particular in connexion with current changes in the management system, it remains open to question whether tariff concessions granted by socialist countries have effects that can be regarded as equivalent to the establishment of a preferential system by market-economy countries. It may therefore be appropriate to consider additional means for increasing industrial exports from the developing countries to the socialist countries.

89. In order to obtain results that are comparable to those achieved by the market-economy countries in connexion with the establishment of a preferential system, the socialist countries might consider matching the rates of growth of imports from developing countries which the market-economy countries would attain by applying the preferential system. Another approach might consist in a declaration of intent to the effect that the socialist countries would be ready to take an increasing share of manufactures and semi-manufactures in their imports from the developing countries. Socialist countries may also consider aiming at other similar quantitative targets. They may agree to apply the trade policy instruments appropriate to their systems in a way that would achieve such results. Bearing in mind the growing importance of indirect instruments of management of foreign trade in some socialist countries, they might also consider applying these instruments in a way that would create preferential access to imports from the developing countries. Socialist countries might also wish to consider accepting international review of the efficacy of the methods suggested above after a reasonable period of time has elapsed.

D. THE COUNTRIES THAT WOULD BE ELIGIBLE FOR THE BENEFITS OF THE PREFERENTIAL SYSTEM

90. The notion of a preferential system for the developing countries implies that there would be some cut-off point beyond which a country will be considered as developed and therefore not qualifying for enjoyment of the benefits in question. It would, therefore, be ideal if it were possible to agree on objective economic criteria to determining which developing countries should benefit from the system. For reasons further examined below, it is however hardly practicable to arrive at an agreement on such criteria. Procedural solutions may therefore have to be considered as a means to determine the beneficiaries of the preferential system.

91. One possible method might be to take as the point of departure the fact that for a very large majority of potential beneficiaries of the preferential system, there is no dispute as to their belonging to the category of developing countries. The question is, indeed, not whether these countries are themselves developing, but whether other countries should not be added to the group. One might accordingly agree that the group of countries which in their mutual relationships regard themselves as developing should make an initial proposal for the list of beneficiaries and that the developed countries would have an opportunity of adding