

certain countries which in their view belong also to the category of developing countries. If the developed countries cannot agree on which countries to add, there might be some differences in the list of beneficiaries, but this would, however, be marginal because the bulk of the beneficiaries would not be subject to any difference of opinion. While this method would have the disadvantage that non-economic criteria might enter into account when establishing the initial list, there would be a corrective in the form of the possible additions.

92. In approaching this matter, it may be recalled that there are only relatively few countries in respect of which their categorization as developing or not would be likely to raise any questions. But many of these potential borderline countries would seem to have a particularly important stake in being included or excluded from a preferential system. Indeed, they often produce goods that are generally furnished by developing countries. Therefore, if these countries are included among the beneficiaries of the system, they would be likely to gain considerable advantages, in particular since they are often geographically close to the developed countries' markets and sometimes already possess substantial industries. At the same time, if these countries were not included in the system, the similarity of their production lines with those in developing countries benefiting from the system might often lead to their suffering particularly from the resulting trade diversion. Solutions might be looked for in the following directions: if these countries were excluded from the system, the question of guarantees against trade diversion would be very important to them (see paragraphs 37, 48 and 60 above); special guarantees might even have to be envisaged for them in such an eventuality. On the other hand, to substantiate their desire to be included in the system, these countries might consider offering to the developing countries special guarantees with regard to control of their exports in cases where they would otherwise tend to take up a major share of preferential imports from developing countries. Taking into account such practical considerations, it should be possible to find mutually satisfactory solutions along pragmatic lines.

93. Some thought might also have to be given to what extent the participation of some borderline countries in integration schemes with developed countries could be reconciled with others benefiting from a preferential system for developing countries. On the one hand, they may possess, compared to the developing countries as a whole, considerable advantages on a multi-national market, but on the other hand they would have to share some of these advantages with the developing countries if a general preferential system were established. The considerations evoked with regard to the question of the suspension of existing preferential systems for manufactures and semi-manufactures (see Section G below) may have some bearing upon this problem. Similar questions will arise in connection with the non-independent territories of various developed countries which are often treated on a preferential basis or as if they belonged to the home market of the developed country concerned.

E. PROVISIONS FOR THE LESS-ADVANCED AMONG THE DEVELOPING COUNTRIES

(1) GENERAL CONSIDERATIONS

94. When attempting to evaluate the potential benefits of a preferential system for developing countries' industrial exports, there is the striking fact that at present some seventy-nine developing countries contributed only about 6 per cent of the over-all exports of manufactures from the developing countries. It would, therefore, appear that the establishment of a preferential system would, at least in the initial stages, bring immediate benefits only to a small minority of developing countries. These would be the countries that have already an industrial base and that may already be carrying out such exports to the developed world. The preoccupation with industrialization is, however, not only of concern to these few developing countries. The industrially less-advanced developing countries have a special need to escape from the consequences of an over-dependence on exports of primary goods and to avoid the risks of an industrialization process that would be based only on import substitution. The group of the developing countries has, therefore, put forward the idea that special measures should be envisaged to ensure that relatively less advanced developing countries can participate effectively in the expected benefits of a general system of preferences.

95. Before examining the special measures that might be adopted in this connexion, it is necessary to recall that the high present concentration of industrial