exports in a few developing countries in no way means that less-advanced developing countries could not take advantage of a preferential system if one were established. Certain industrial exports for instance in the field of further processing of raw materials (such as ores, bauxite, crude oil, woods), could take place from countries regardless of whether or not they have a broad industrial base. Similarly, canning industries, further processing of fishery products and even the production of certain chemical specialities may be located in less-advanced countries. Some may even find opportunities by importing the raw materials needed and processing it. Such possibilities may exist particularly for those less-advanced countries that are geographically close to developed countries or to transport routes toward them. Quite generally the less-advanced countries have a longer-term interest in building up a sound industrial pattern on the basis of the most effective utilization of their resources, which in turn requires an open access to the world markets. For such reasons it would be a mistake to believe in a general manner that the less-advanced countries have a lesser interest in the establishment of a preferential system than the more advanced ones.

(2) PITFALLS TO AVOID

96. While the need is evident for making a maximum effort in favour of the less-advanced developed countries in connexion with the setting up of a preferential system, the ways and means for doing so deserve special attention.

97. Particular care should be taken to ensure that the means chosen would not be such as to damage the usefulness of a preferential system for the developing world as a whole. A typically inadequate method would, for instance, consist in generally providing preferential free entry only to the imports from the less-advanced countries, and refusing it to the more-advanced developing countries. This might in fact mean that those developing countries that would have goods to export would not be able to compete on equal terms with domestic producers, whereas those which would be granted this equality of treatment would for some time have few goods to export.

98. Care should also be taken that the special measures for the less-advanced developing countries should not create considerable administrative complications in the developed countries. In the present period where the trend in some developed countries is toward a simplification of the formalities, unduly complicated mechanisms might increase the objections against the setting up of a system of preferences. The introduction of a three-column-tariff (one for m.f.n. treatment, one for the preferences for the more-advanced and one for the less-advanced countries) or the setting up of special quotas for the less-advanced and other quotas for the more-advanced countries might be regarded as such undesirable complications. Largely for practical reasons there seems to be an understanding in developed countries that trade policy measures, in contrast to financial aid which can be better directed, are instruments which by nature do not allow excessive differentiation between countries.

99. Lastly, the approach chosen for dealing with the question of the less-advanced countries should not be such as to complicate and delay the establishment of a system of preferences. This would probably be the case if there was an attempt to reach agreement on a definition or list of these countries. Of course, it would be ideal if objective criteria for determining which are the less-advanced developing countries could be established. One such criterion in defining developing countries might evidently be the level of *per capita* income. However, reliable data on national income are not available for a good number of countries. Moreover, the use of exchange rates to convert national accounts estimates frequently biases inter-country comparisons. Such limitations apart, it is clear that *per capita* income can hardly be the sole criterion of the level of development. In some cases high *per capita* income coincides with what might be considered a relatively low level of development, as measured by other indicators. Accordingly, *per capita* income would have to be combined with other indicators of development, such as the size of the manufacturing sector, the degree of export diversification, the level of infra-structure, etc. However, once several indicators are to be taken into account, weights have to be assigned to each, which is a far from easy task. In all cases a decision has to be taken as to the cut-off point in each indicator below which the country would qualify as developing. It would also be difficult to decide whether the more advanced category should include only those relatively few countries that presently account for the bulk of industrial exports from developing countries or whether it should include all countries,