

The duration of the preferential treatment for the developing countries would therefore be the briefer the sooner the developed countries take the same action on an m.f.n. basis. If such a development could be counted on, there would be no need to fix rules as to the duration because indeed the system of preferences would automatically be phased out.

1221. Another method would be to provide from the beginning that the preferential system as a whole would be terminated after a number of years determined in advance. It would not be easy to choose an appropriate period to meet the various considerations arising from the need to limit the duration of the system. A period of ten years for the duration of the whole scheme would, for instance, be too short, particularly in the less advanced developing countries, to allow the building-up of new production capacity for exports and to permit the industries concerned to maintain themselves in foreign markets under m.f.n. conditions. Many developing countries might then never be able to enjoy the advantages of the system to any substantial extent. Industries established in the second part of the ten-year period would enjoy the benefits of the system for a few years only. On the other hand, to decide at once that the system as a whole would remain in force for a longer period might increase resistance against its adoption. Yet, if the objective is to build up diversified trade for all developing countries, the scheme of preferences would have to continue till most countries were able to effect significant changes in their trading patterns.

122. In order to take into account these partly conflicting considerations, an intermediate solution might deserve special consideration. Thus, provision might be made for review of the preferential system at the end of a ten-year period. Certain guidelines applicable to the review could be established at once. One of these could be to determine whether the beneficiary countries could continue to be regarded as belonging to the category of developing countries and whether the products benefiting from the preferences were still in need of them. The guidelines could also provide that the question of excluding the more advanced developing countries, or at least some of their sufficiently competitive products, would be considered. A developed country not satisfied with the results of the review could if it wished withdraw from the system. Its withdrawal would, however, have to be subject to certain conditions so as to ensure that no undue injury was suffered by newcomers among developing countries and to take into account the interests of those less-advanced developing countries that would have been unable to benefit from the system. It may, for instance, be provided that preferences which have been taken advantage of before the end of the ten-year period would continue in force for a certain additional period. This would facilitate the planning of investments in developing countries and would grant them a sufficient period during which they could count on free access to the developed world. At any rate, the longer the period for which the developed countries are ready to apply a preferential system, the greater advantages can be derived by the less-advanced developing countries, particularly if at the end of the ten-year period an effective review procedure is provided for.

#### G. THE RELATIONSHIP OF A NEW PREFERENTIAL SYSTEM TO THE PREFERENTIAL ARRANGEMENTS NOW EXISTING BETWEEN SOME DEVELOPED AND SOME DEVELOPING COUNTRIES

##### (1) THE OBJECTIVE

123. It is generally recognized that when establishing a system of preferences for manufactures and semi-manufactures for all developing countries, account must be taken of the advantages which some developing countries already enjoy, with regard to these products, in certain developed countries. These latter developing countries can hardly be expected to consent to give up their advantages if the new preferential system does not grant them at least equivalent advantages compared to those which they presently possess. Any loss of trade in existing markets of manufactures and semi-manufactures would have to be outweighed or at least matched by the possible gains to be made from preferential entry into other markets. These considerations are of particular importance for the developing countries belonging to the Commonwealth preferential system, since they export substantial amounts of manufactures under preferential conditions. As to the countries associated with the European Economic Community, particularly under the Yaoundé and Lagos Conventions, the share of semi-manufactures and manufactures in the preferential imports of the Community is much smaller, but