

erences present the following problems in connexion with the setting up of a new general preferential system :

(a) In a new preferential system, all developed countries would be expected to grant preferences to all developing countries on a basis of non-reciprocity. It might be difficult to obtain such a decision if some developed countries continued to obtain reciprocal advantages for the preferences which they grant. If developed countries are expected to treat all developing countries alike in trade matters, the developing countries should in turn be expected to treat all developed countries in an equal manner.

(b) It may appear incongruous to stop discriminating against some developing countries in the developed countries, but to continue discriminating against them in favour of developed countries in the markets of developing countries. If there is a case for equality of treatment with producers of the developed world in the domestic markets of the developed countries, there is an at least equally strong case for equal treatment with these same producers in the markets of other developing countries.

(c) The establishment of a general system of preferences would form a proper framework for the elimination of the existing reverse preferences. The developing countries granting such special advantages to developed countries may regard it in their interest no longer to place limits upon their freedom of choosing the most favourable sources of supply in the developed world. Inasmuch as all developed countries in the new system would accept a part of the burden of granting preferences to developing countries, this might be taken as an argument for treating all developed supplying countries alike in the future.

135. In considering the relationship of reverse preferences to a new general preferential system, account must, however, also be taken of arguments that might be put forward against dealing with them at this juncture :

(a) It may be pointed out that the normal trend of events in the last decade has already led to a reduction in reverse preferences. For instance, the extension of the Franc-Zone preferences and licensing procedures to the EEC as a whole is sometimes interpreted as reducing the scope of the problem, and the general whittling down of Commonwealth preferences as indicating that the scope of the problem is diminishing automatically.

(b) It might conceivably also be argued that the developed countries which enjoy such preferences not only grant preferences on industrial products to the developing countries concerned, but also on primary commodities and that they also provide considerable financial assistance. Reverse preferences might be interpreted as constituting counterparts for these special measures.

136. If the conclusion were reached that the problem of reverse preferences bears some relationship to the establishment of a new preferential system, the following solutions may deserve consideration :

(a) It might be stipulated that the reverse preferences and other special advantages would be eliminated or gradually phased out according to a pre-established timetable. Just as within the EEC and EFTA the producers hitherto enjoying protected domestic markets were able to face increased competition partly because a sufficient transitional period was provided for, it may be expected that a similar procedure would yield equally satisfactory results in connexion with the protected markets which some developed country producers enjoy in some developing countries. Moreover, the manifold traditional special links that do not relate to trade barriers would in any case continue and protect the interests of the developed-country producers concerned.

(b) Furthermore, a problem might arise not so much with the continuation of existing reciprocal preferences but on account of the possibility that after the establishment of a general system of preferences, some developing countries might feel induced to grant to some developed countries new reciprocal preferences. At a stage where the developed countries would, by accepting a general preferential system, have taken an important step towards non-discrimination among developing countries, it may appear incongruous if some developing countries were to make moves in the other direction. Accordingly, steps might be taken to declare that no new reverse preferences would be granted and that contrary action would be inconsistent with the continued participation of the developing country concerned in the general system of preferences.