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OVERRATED PREFERENCES

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Overrated Preferences

On March 30 of this year, the Ministerial Council of the European Communities agreed in principle to grant developing countries general tariff preferences on their semi-finished and finished products as well as on some of their agricultural produce.

Thus, almost exactly three years after the World Trade Conference in New Delhi, it looks as if one of its important decisions designed to regulate trade between industrial and developing countries is at long last to be implemented. At that time it was agreed to introduce a generally acceptable system of non-reciprocal and non-discriminatory customs preferences which would prove advantageous to the developing countries. But there are still some difficulties to be cleared out of the way before the developing countries can begin to benefit from these concessions.

There remains the big question of whether the preferences will in fact benefit the developing countries. Doubts on this score are indeed justified. Already voices are being heard questioning whether preferences in their present form are really the "most modern method of export promotion", which some consider them to be.

What these supporters apparently are quite generous enough to overlook is that the arrangement the EEC proposes for the agricultural sector is modest in the extreme. Preferences of this kind are hardly likely to have any great effect on exports

from countries of the Third World. The same applies also to the preferences envisaged for manufactures, for 60 p.c. of the goods belonging to this category are so-called "sensitive" products which are not to be allowed in entirely duty-free.

Even after these preferences have come into force, the European market will be far from wide open. The preferences may at best result in lower prices for the imported goods — provided the importer does in fact pass the price-reductions on to the consumer.

Price-reduction is however still not identical with larger sales. The demand for a number of goods is in any case likely to be limited and hardly capable of expansion. But even where the demand exists, the price is not the only important factor; equally important is to keep the market under constant observation and study its developments. To have any hope of selling one's goods, one must be acquainted with marketing methods and must be in a position to supply large quantities at the agreed delivery dates without any drop in the quality of the goods sold. The exporter must be quick to sense changes in fashion, must advertise his wares, must sell them on terms at least as favourable as those customary in his trade, and, having sold them, he must make sure that he is in a position to render any after-sale services that may be required of him.

The EEC-market in particular is so varied and liable to so many fluctuations that only the most experienced exporters from developing countries will be able to hold their own. A small exclusive circle of experienced men — but not the large crowd of would-be exporters, that alone would be able to procure for their countries the large foreign-exchange revenue they hope for.

The granting of preferences is no solution of the problems confronting the countries of the Third World. Preferential customs duties can be of real advantage only, if the developing countries succeed in refining and diversifying their production to such an extent that their products meet the requirements of the markets in the industrial countries. But this does not mean that the rich nations, having conceded these preferences (and having at long last put them into effect), can now rest on their laurels in the mistaken belief that they have done enough in the way of effective development aid.

The granting of preferences leads of necessity to further measures. The developing countries must be helped to change and extend their structures. Moreover, the industrial countries must themselves adjust their own structural policies in the light of the requirements of the developing countries. In short, the latest gesture of good will is far from being the end of the road.

Dietrich Kebschull