

of the suspension of existing preferential systems, as well as that of the special arrangements for the less-advanced countries, presents itself in somewhat different terms if the volume admissible at the preferential rate is, in principle, unlimited and the tariffs are eliminated or if provision is made for volumes limited in advance or for mere tariff reduction.

30. It would therefore appear to be a proper methodological approach first to analyse the various safeguard techniques that can be provided, starting with the escape clause and the limitations to the admissible volume and to the depth of the tariff cuts. The other elements of a preferential system would be examined subsequently, and with respect to each of them it would be shown to what extent the solution might have to differ depending on the safeguard arrangements chosen. According to this methodology one might in theory distinguish three different approaches to general preferences based on largely uniform commitments by all developed countries:

(a) A system based on the escape clause (hereafter referred to as the "escape-clause system"): the assumption is that under this system duties would be eliminated and that there would be no advance limitation of the imports admissible on a preferential basis. Developed countries could, however, resort to an escape clause if certain criteria and conditions are fulfilled. In application of the escape clause, the volume of the imports and/or the scope of the reductions could be temporarily limited when serious injury to producers in the developed countries is caused or threatened.

(b) A system based on tariff quotas expressed in terms of a percentage of consumption, production, or total imports of a particular item (hereafter referred to as the "tariff-quota system"). One assumption is the percentage would be identical for all products for which preferences have to be granted and that duties would be eliminated on an import volume corresponding to the quota. Even if there is no threat or injury to producers, the importing country could impose the m.f.n. tariff on imports exceeding this quota.

(c) A system based on a uniform duty reduction on all items for which preferences have to be granted (hereafter referred to as the "duty reduction system"). The assumption is that under this system the volume would not be limited in advance, but could be limited only if the criteria and conditions for the application of an escape clause are fulfilled with regard to a specific item.

31. Of course, a combination of the three above systems can also be imagined. For instance, it would be quite possible to combine the tariff quota system with an across-the-board tariff reduction rather than with duty-free entry. There are practical reasons why only the three systems mentioned above will be referred to in the subsequent chapters of this report: the developing countries' proposal is an escape clause system with *duty-free entry*. As to the uniform tariff-quota system, one of the main arguments for it is that it would grant duty-free entry to industrial imports from developing countries. As to the reduced duty system, the limitation of the depth of the reductions would already constitute a safeguard for developed countries so that it could in this case less easily be argued that in addition a general tariff quota would be necessary; the reduced-duty system is thus discussed on the assumption that it would be combined with an escape clause only.¹

Part THREE

ANALYSIS OF EACH OF THE ELEMENTS OF A PREFERENTIAL SYSTEM

A. TECHNIQUES OF LIMITING THE IMPACT OF PREFERENTIAL IMPORTS ON PRODUCERS IN THE DEVELOPED WORLD

(1) THE APPLICATION OF AN ESCAPE CLAUSE

(a) *Its operation and advances*

32. In order that reductions of trade barriers agreed upon by an importing country do not lead to serious injury to domestic producers, the country is usually enabled temporarily to suspend the obligations, provided certain conditions are met. Considerable practical experience is available with regard to the

¹It is also possible to envisage a system that combines certain characteristic features both of the escape-clause and of the tariff-quota system, but for simplicity of exposition and analysis, the pure forms of each system are being discussed at this time.