preferences can be of interest to developing countries particularly in those cases where they would enjoy free access to otherwise highly protected markets and where therefore the margin of perference is high. Where there are such tariffs, total imports are likely to be small, so that a tariff quota calculated on this basis would also be small. On the other hand, such a system may present some advantages for the reasons listed in the following paragraphs.

60. A tariff-quota system based on total imports may be advantageous for third developed supplier countries. To fix the upper limit in this manner would provide an assurance to the latter countries that the imports from developing countries that would be admitted on preferential terms could not exceed a certain percentage of total imports of a particular item.

61. To express the volume limitation in terms of a percentage of imports may result in some advantage for developing countries in case of further reductions on an m.f.n. basis. While such reductions would reduce the developing countries' margin of preference, they are also likely to lead to an increase in total imports. Though percentage-wise the tariff quota would remain the same, the increase in total imports would lead to an automatic increase of the volume admitted under the quota. Tariff quotas expressed as a percentage of total imports might therefore facilitate a possible increase in preferential imports without hindering further reductions on an m.f.n. basis.

62. Finally, if the percentage is expressed in terms of total imports, it is statistically much more easily ascertainable because in contrast to consumption and production figures, import statistics are available and more reliable. This would also mean that the developing countries could assess more easily the possibilities of the volume admissible under the tariff-quota system being fully taken up; they could, therefore, for instance, agree to discipline the rate of increase of their exports to obviate the formal establishment of a quota.

(3) THE EXTENT OF THE DUTY REDUCTIONS

63. A major justification for granting the developing countries duty-free entry is the existence and possible extension of large multi-national markets in the developed world. A mere duty reduction on a preferential basis would still leave developing countries at a disadvantage in relation to those of their competitors which are producing within these multi-national markets. To obtain equality of treatment with them, imports from developing countries would also have to be admitted duty-free.

64. An additional reason for abolishing duties would be that existing preferential systems provide in many cases for duty-free entry. It would be more difficult to absorb or suspend existing systems if the new preferential system only provided for preferential duty reductions (see section G below for further details).

65. The mere reduction of duties, on the other hand, would cause less concern among producers in the developed countries than would an abolition of duties. Developed countries might therefore be willing to envisage a wide product coverage of the preferential system. Also the case that may be made for general tariff quotas would be weaker than in case of general duty elimination.

66. It might be argued that mere duty reductions would make it easier to present the preferential system as an anticipation of cuts that would ultimately be extended to all countries on an m.f.n. basis. It would presumably be easier, in eventual future negotiations on an m.f.n. basis, to catch up with duty reductions than with outright duty elimination.

67. If the importing countries had only the all-or-nothing choice between eliminating duties or excluding the item from the scope of the preferential system altogether, opportunities for making more limited progress in the form of mere reductions might be lost. If one were to find a way for providing, in lieu of complete exclusion, for preferential duty reductions, it may be hoped that the developed countries would include more of the so-called competitive items within the scope of the preferential system.

68. One may try to compare whether developing countries would have a greater interest in obtaining an across-the-board duty reduction for all items with no advance limitation of the volume, or an across-the-board duty elimination, but linked to a uniform tariff quota fixed in advance. Such a comparison is difficult to make in the abstract, all the more because it will depend on the margin of the duty reduction envisaged and on the relative size of the tariff quota. One may,