104. In case of a tariff-quota system, the effect on less-advanced countries would be different depending on the mode of operation chosen. (See paragraphs 39–43 above.) According to the variant examined under paragraphs 40 and 41 above, the country that would take up more than a certain uniform percentage of the tariff quota would be excluded from it, as soon as the tariff quota was filled. Since presumably for many items the less-advanced countries are unlikely to reach this percentage share of the tariff quota, this exclusion procedure might constitute an advantage for them. But the real question would be whether they could exploit this advantage by starting production lines with a view to exports. The automatic exclusion procedure presents, however, a particular problem because less-advanced developing countries usually have only very few potential industrial export products. Precisely these few industrial exports would risk exclusion, whereas countries with a broader industrial base could benefit from the quotas existing with respect to their other products. Automatic exclusion, even in the absence of a serious injury, when the tariff quota is reached, might therefore damage the interests of these developing countries which for some time to come will have to concentrate their export efforts upon a few products.

105. For these reasons, it may in actual fact be more advantageous to the less-advanced developing countries if the variants of the tariff quota system listed under paragraphs 42 and 43 above were considered. Provision that a certain percentage of the tariff quota would always be reserved for newcomers would ensure that the traditional suppliers do not take up the whole quota. This safeguard may be combined with the review procedure mentioned below.

(5) A PERMANENT MECHANISM FOR REVIEWING THE WORKING OF THE SYSTEM FROM THE POINT OF VIEW OF EQUITABLE SHARING OF BENEFITS

106. Provision may also be made for a permanent mechanism that would follow and review the workings of the preferential system and assess at regular intervals whether the system is yielding advantages to all developing countries or only to a few. The existence of such a permanent mechanism would ensure the less-advanced countries which would not have benefited from the system that their interests will not be lost sight of. It could constitute an instrument for adapting the system in accordance with the needs that may arise. In particular it could be provided that within UNCTAD the developed and developing countries would arrange for special measures to be taken in favour of those countries which after a given period of time would not have been able to take advantage of the preferential system for starting or intensifying industrial exports. These special measures should preferably consist in promoting and financing investments in the countries concerned (see paragraph 109 below).

(6) THE QUESTION OF PREFERENCES BY THE MORE-ADVANCED COUNTRIES FOR THE LESS-ADVANCED

107. The question also arises whether the responsibility for taking action in favour of the less-advanced countries should rest only on the developed countries or whether the more-advanced developing countries should also contribute to the benefits of the less-advanced ones in connexion with the scheme of preferences.

108. Among the forms of action that more-advanced countries might want to envisage would be to declare their willingess to grant preferences to less-advanced developing countries. In favour of such a declaration it may be argued that the more-advanced developing countries are likely to gain more from a system of preferences set up by the developed countries: by opening their own markets to the less-advanced countries, they might, however, help in attaining a more effective participation of the less-advanced countries in the benefits emerging as a result of the establishment of a preferential system. Moreover, it may be considered that in the case of some products, at least the less-advanced developing countries might have better chances of penetrating into the relatively less competitive markets of the more-advanced developing countries than into the markets of the developed world.

109. The practical implementation of this idea would, however, not be easy. The developing countries would have to face the difficult task of identifying the less advanced ones among them. Such an agreement may, however, be reached more