

factures and semi-manufactures. All that could be expected is the suspension of the relevant parts of these systems or, as the case may be, their adaptation with a view to eliminating features that would be incompatible with the new system. In other terms, it may be necessary that for some time the new and the existing systems would have to co-exist and that some rules for this purpose might have to be evolved. An examination is made below of how the relationship between the new system and the existing systems would present itself in the case of an escape-clause system and in the case of a tariff-quota system.¹

(3) THE ESCAPE-CLAUSE SYSTEM IN RELATIONSHIP TO EXISTING SYSTEMS

128. Since the existing systems do not generally provide for an advance limitation of the volume of goods admissible at preferential rates, a new general system based on the escape clause would have the appearance of being equivalent to the old. It would not even be necessary to suspend formally the old systems with regard to manufactures and semi-manufactures. Problems arising from the replacement of the old system by the new one would be few: the main problem would probably concern the manufactured and semi-manufactured products which enjoyed preferences under the old systems but would be excluded by other developed countries under the new system. It may appear to be equitable to provide that for such products the beneficiaries of the existing systems would continue to enjoy exclusive preferential access to the developed countries concerned. Thus, the broader the product coverage of the new system can be, the more it will be possible to absorb the existing systems.

(4) THE TARIFF-QUOTA SYSTEM IN RELATIONSHIP TO EXISTING SYSTEMS

129. If the new preferential system were to provide for general limitations by means of tariff quotas, it would be more difficult to state that the new system is equivalent to the old ones. The suspension of the existing systems, as proposed by the developing countries and assumed in the working hypothesis at the first session of the Group of Preferences, would consequently also present greater difficulties. Since the existing systems do not provide for an advance limitation of volume, a new system that would provide only for tariff quotas expressed in terms of a small percentage of consumption, production or total imports, would, at least at first sight, appear not to provide equivalent advantages. On the other hand, it can be argued that such quotas in a great many developed countries would be worth more than theoretically unlimited access to the markets of a few developed countries. Similarly, the ten-year duration at least of the new system compares favourably with the existing preference systems that have to be renegotiated at short intervals or may even be discontinued altogether quite independently from the establishment of any new system of preferences. If, however, countries should come to the conclusion that the comparative disadvantages of the new system weigh more heavily in the balance than the stated advantages, the following rules regarding the co-existence of the new and the old systems might be considered.

130. Provision may be made that tariff quotas for industrial products would be reserved for those developing countries that do not belong to the existing system with the developed country concerned. The previously benefiting developing countries would, however, continue to enjoy the right of unlimited access. It might conceivably be argued in favour of this solution that these previously benefiting developing countries would only obtain tariff quotas in the other developed countries and that therefore they could not be expected to share with the other developing countries a part of their previously exclusive developed-country market that would be greater than these same tariff quotas.

131. A more equitable solution might consist in distinguishing between products that have in the past not been exported on the basis of existing preferences and those other products that have already been exported under preferences. With respect to industrial products that have not been exported, the beneficiaries of old preferences would be treated in the same way as the beneficiaries of the new system. This would mean that one tariff quota—if it were applied by a particular

¹ The relationship of a reduced duty system to the old systems is not further examined because it would appear to be particularly difficult to argue that such a system would be equivalent to the old systems, which very often provide for duty-free entry. The problem presents itself, however, in similar terms to that of the relationship of a tariff-quota system to the existing systems.