increase of industrial exports from developing countries. To provide for such parallel undertakings in connection with the Second Conference on Trade and Development would underscore the fact that convergent action by both developed and developing countries is necessary to fulfill the objectives of UNCTAD.

I. Institutional Arrangements

141. The preparation and implementation of a general preferential system would require adequate institutional arrangements. For, in the preparatory stage, it would be necessary to create suitable conditions for the harmonization of the differences that may exist on various aspects of the matter and, with regard to the operation of the scheme, the need for proper institutional mechanisms and procedures has emerged in connection with several of the elements which have been discussed in this report.[1]

142. Consultations and negotiations on the specific content of the system would have to be undertaken within a framework which would provide equal opportunities to all countries to discuss the technical features of the system. To ensure the proper operation of the scheme, institutional arrangements would be necessary for following the application of the rules and guidelines agreed upon by the governments, for instance in connection with the escape clause or the tariff quotas. Moreover, adequate reviewing procedures would have to be provided for in connection with, *inter alia*, the special measures in favor of the less-advanced developing countries, the appraisal of the equivalence of the new and existing systems and the duration of preferences, and, as the case may be, with respect to the parallel policy guidelines which developing countries might accept. All these are matters of direct concern to all the countries participating in the preferential system, and the universal character of UNCTAD would thus make it possible for them to work together in the operation of the system.

K. Summary of the Main Features of a Preferential System

143. For facilitating the discussion, the main features of the possible systems analyzed in the previous chapters are listed below in summary form:

(a) *Safeguards regarding the volume.* One solution would be to provide that each country would be able to resort to an escape clause provided certain agreed-upon criteria are respected, among which the fixing of a minimum of imports which should not be subject to an escape clause. An alternative solution would be to introduce uniform tariff quotas expressed in terms of a precentage of consumption, production or total imports.

(b) *Extent of tariff reduction.* The tariff reduction would be to zero, but this target might have to be reached only gradually over a number of years. Each developed country would, however, be free to extend these reductions on a most-favored-nation basis to all other countries.

(c) *Product coverage.* It would be desirable to arrive at a wide common definition of semi-manufactures and manufactures applicable to all developed countries but each developed country should be able to except initially items corresponding to a small percentage of imports. If a tariff-quota system were adopted, it might be possible to avoid providing for such exceptions. With respect to the excepted products, developed countries might declare their willingness to work out, within a sepcified period of time, a programme for the orderly expansion of the possibilities of access to their markets.

(d) *Countries granting preferences.* All countries that are usually considered to be in the category of the developed countries would take part in the system. Those of these countries which cannot be considered to be fully developed would be granted the opportunity of following a slower pace of duty reductions and of initially excepting a larger number of products.

(e) *Countries obtaining preferences.* For defining which countries are eligible to obtain the benefits of the preferential system, a procedural solution would be envisaged. If the group of countries that regard themselves as

[1] Another matter which would arise at the time of adopting a preferential scheme is that the countries which are also Contracting Parties to GATT would require a waiver under the terms of the General Agreement.