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Operation and effects of the generalized system of preferences

Fourth review

*Selected studies submitted to the Special Committee
on Preferences at its eighth session*

Geneva 27 June-1 July 1977



UNITED NATIONS

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Geneva

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New York, 1979

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* * *

For the recommendations, resolutions, declarations and decisions adopted by the United Nations Conference on Trade and Development, see:

First session: *Proceedings of the United Nations Conference on Trade and Development*, vol. I, *Final Act and Report* (United Nations publication, Sales No. 64.II.B.11), pp. 17-65;

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TD/B/C.5/61

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FOREWORD

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important element of the Second United Nations Development Decade in bridging the gap between the rich and poor countries of the world.

The Special Committee on Preferences was established as a permanent body within UNCTAD to deal with all questions relating to the implementation of the GSP. This publication contains the main studies prepared by the UNCTAD secretariat to assist the Special Committee in its fourth review of the operation and effects of the system. It is a sequel to the volumes of studies and reports prepared by the UNCTAD secretariat for the Special Committee's three earlier reviews of the system, the contents of which are listed below.

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ABBREVIATIONS

ACP	African, Caribbean and Pacific States
ASEAN	Association of South East Asian Nations
CCC	Customs Co-operation Council
CCCN	Customs Co-operation Council Nomenclature
CCT	Common Customs Tariff (EEC)
c.i.f.	Cost, insurance, freight
ECSC	European Coal and Steel Community
EEC	European Economic Community
EFTA	European Free Trade Association
FAO	Food and Agriculture Organization of the United Nations
f.o.b.	Free on board
GATT	General Agreement on Tariffs and Trade
GNP	Gross national product
GSP	Generalized system of preferences
IMF	International Monetary Fund
MED	Mediterranean States having preferential agreements with EEC
MFN	Most favoured nation
n.e.s.	Not elsewhere specified or included
OECD	Organisation for Economic Co-operation and Development
<i>O.J.E.C.</i>	<i>Official Journal of the European Communities</i>
TSUS	Tariff Schedules of the United States
u.a.	Unit of account
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization

EXPLANATORY NOTES

References to dollars (\$) are to United States dollars, unless otherwise indicated.

The term "billion" signifies 1,000 million.

A hyphen between years, e.g. 1972-1976, signifies the full period involved, including the initial and final years.

An oblique stroke between years, e.g. 1974/75, indicates a financial year.

The following symbols have been used in the tables:

A dash (—) signifies nil or negligible.

Two dots (. .) indicate that data are not available.

FOURTH GENERAL REPORT ON THE IMPLEMENTATION OF THE GENERALIZED SYSTEM OF PREFERENCES

Study by the UNCTAD secretariat

[Original: English]
[27 May 1977]

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INTRODUCTION

1. This report on the implementation of the generalized system of preferences (GSP) has been prepared to assist the Special Committee on Preferences in its fourth periodic review of the operation and effects of the system. It highlights the main changes and developments that have taken place in the system since the third review by the Special Committee at its seventh session in January 1976.

2. Chapter I describes briefly the changes and improvements made in the system since the third review. The changes and some improvements in schemes of Australia and EEC are also treated in greater detail in separate documents.¹ Moreover, previous studies on trade implications of the United States scheme have been up-dated.²

3. Chapter II analyses the information received from preference-giving and preference-receiving countries concerning trade effects of the various schemes.³

4. Chapter III reviews the question of sharing of special preferences by certain developing countries in certain developed country markets as a result of the operation of the GSP.⁴

5. Chapter IV reviews the implications of various tariff-cutting formulae advanced in the multilateral trade negotiations and their likely effects on the GSP.⁵

6. Chapter V reviews the activities of the UNDP/UNCTAD technical assistance project on the GSP.⁶

7. Finally, chapter VI makes specific recommendations with regard to further improvement of the system.

³ The information received from preference-giving and preference-receiving countries has been reproduced in TD/B/C.5/30 and Add.1-4 and TD/B/C.5/54, respectively.

⁴ A more detailed analysis of this question is given in TD/B/C.5/49 and Add.1-2, reproduced in the present volume.

⁵ A more complete study of this question is given in TD/B/C.5/52.

⁶ See the detailed report in this connexion given in TD/B/C.5/51.

¹ See TD/B/C.5/50 and TD/B/C.5/48 respectively in the present volume.

² See TD/B/C.5/38/Rev.*

Chapter I

CHANGES AND IMPROVEMENTS IN THE GENERALIZED SYSTEM OF PREFERENCES

8. Preference-giving countries have made a number of changes and improvements in their respective schemes since the third review of the GSP by the Special Committee on Preferences. Also, the multilateral trade negotiations of GATT on tropical products led to certain results which had a direct bearing on the system.

9. Notable developments include the extension by Norway on 1 June 1976 of preferential and unrestricted duty-free entry to all products imported from the least developed among developing countries. On 1 July 1976, New Zealand introduced a revised and extended scheme of generalized preferences. The previous scheme covered a single positive list of products drawn from CCCN chapters 1-99. The revised scheme created margins of preference with respect to the Customs Tariff as a whole, with a limited number of exceptions. A unique feature of the scheme is that it is based on according margins of preference, rather than on application of preferential rates of duty. On 1 January 1977, EEC extended preferential treatment with respect to textiles, including cotton textiles, to all but one beneficiary of the scheme.

10. Because of the importance given to the sector of tropical products, the concessions introduced for these products, many of them under the GSP, are described below. The other changes and improvements in the GSP will also be described according to the various elements of the system.

A. Tropical products

11. In accordance with the Tokyo Declaration, tropical products were treated as "a special and priority sector"

at the multilateral trade negotiations.⁷ The objective was to implement concessions on such products on 1 January 1977, or as soon as possible thereafter, so that developing countries could reap benefits before the negotiations were completed. Accordingly, Australia, EEC, Finland, New Zealand, Norway, Sweden and Switzerland implemented, generally as of 1 January 1977, tariff concessions on tropical products through inclusion of these products in the respective schemes of generalized preferences and/or reduction or elimination of the MFN tariff rates or of binding of MFN tariff rates against increase.

12. Austria, Canada and Japan were expected to put their concessions on tropical products into effect as soon as domestic procedures have been completed. Also, the United States of America has offered concessions but has requested from the developing countries contributions which in its view represent substantially less than full reciprocity.

13. The concessions on tropical products relate to primary products and in many cases to semi-processed and processed products as described below.

14. As of 1 January 1977, *Australia*⁸ has eliminated MFN tariffs on 38 tropical products and reduced the tariff on other tropical products. In anticipation of these MFN concessions, 18 of these products were included in the Australian GSP scheme on 1 July 1976. Further-

⁷ See the Declaration of Ministers, approved at Tokyo on 14 September 1973. (GATT, *Basic Instruments and Selected Documents, Twentieth Supplement* (Sales No. GATT/1974-1), p. 19, para. 3(f).)

⁸ See TD/B/480/Amend.7 and Department of Overseas Trade, Australia, *Media Release* (Canberra, 29 December 1976).

more, zero MFN rates have been bound on seven other tropical products. Tea, various spices, certain cocoa products and jute products are among those tropical products on which the concessions were granted.

15. From 1 January 1977, *EEC*⁹ suspended partially or wholly the MFN rates on about 22 tropical products, including unroasted coffee, cocoa, certain pepper and other spices. Moreover, a number of tropical products have been included in the 1977 GSP scheme and the GSP margins have been increased on most of the tropical products previously covered by the scheme. Some member States of EEC which apply internal taxes on certain tropical products have undertaken not to increase these taxes.

16. On 1 January 1977, *Finland*¹⁰ added 22 tropical products to its GSP scheme and duty-free or variable levy-free entry has been provided for these products. The import equalization tax has also been eliminated in 9 of these products as well as on 19 other tropical products which have been previously included in the GSP scheme. The variable levy has been reduced on an MFN basis on unroasted coffee as of 1 March 1977.

17. *New Zealand*¹¹ considers as its contribution to the negotiations on tropical products the improvements made on 1 July 1976 in its GSP scheme covering about 140 tariff items. It has also indicated that it is giving further consideration to a review of its offer on tropical products.

18. On 1 January 1977, *Norway*¹² included 14 tropical products in its GSP scheme and duty-free entry has been provided for them. Six other tropical products (raw sugar, candy, cube sugar, other solid sugar, extracts, essences or concentrates of coffee, and the preparations with a basis of these extracts, etc.) had been included in the scheme as early as 1 January 1976.

19. On 1 January 1977, *Sweden*¹³ included in its GSP scheme certain chocolate and other food preparations containing chocolate and certain vegetables prepared or preserved by vinegar, etc. Moreover, certain tropical products hitherto accorded GSP treatment have become duty-free on an MFN basis as from 1 January 1977. Cocoa paste and juices of passion fruit, mango and guava are among these tropical products.

20. On 1 January 1977, *Switzerland*¹⁴ added new products in the GSP scheme and improved preferential treatment on other items. This extension of the scheme covered 92 tariff items. Preferential duty-free entry or varying tariff reductions apply to these products. Bananas (concession granted for three years), pineapples, lemons, unroasted coffee, rice, sugar confectionery, tropical fruit prepared or preserved and tropical fruit juices are among the above items.

21. The *United States*¹⁵ has offered concessions on an MFN basis which it intends to bind in GATT on 147 items with a trade value for developing countries of over \$1 billion in 1974. The offer is not confined to primary products, but rather includes concessions on processed and manufactured forms of the developing countries' raw materials.

B. Other changes and improvements

1. BENEFICIARIES

22. A consolidated list of all beneficiaries under the various schemes is given in annex II. The great majority of countries members of the Group of 77 enjoy preferences in most of the schemes of generalized preferences. The following countries, not members of that Group, also enjoy preferences in one or more of the schemes: Albania, Bulgaria (which is itself a preference-giving country), Greece, Israel, Mongolia, Muscat, Nauru, Portugal, Samoa, Spain, Tonga and Turkey.

23. Beneficiary status has been extended by the preference-giving countries as follows: *Australia* has added to its list of beneficiaries Cape Verde, Sao Tome and Principe, Angola, Nauru, Greece, Portugal and a number of territories. *Canada* has added Bhutan, Nepal, Somalia, Sudan, Yemen, Angola, Mozambique, Cape Verde, Guinea-Bissau and Sao Tome and Principe. *EEC* has deleted Sikkim and St. Pierre and Miquelon from its list of beneficiaries and Mayotte now appears separately on the list. The beneficiary territories which have in the meantime acceded to independence have been transferred to the list of independent countries. Moreover, preferences with respect to cotton textiles and substitutes have been extended to all beneficiaries of the scheme except Romania rather than to selected beneficiaries as in the past.

24. *Finland* has added to the list of beneficiaries Angola, Grenada, Cape Verde, Comoros, Mozambique, Papua New Guinea, Sao Tome and Principe, Seychelles, Surinam and Turkey. *Japan* has added Sao Tome and Principe, Guinea-Bissau, Cape Verde. Papua New Guinea and Surinam have been transferred from the list of beneficiary territories to the list of beneficiary countries.

25. *Norway* has added Romania,¹⁶ Israel, Malta, Turkey, Angola, Cape Verde, Guinea-Bissau, Socialist Republic of Viet Nam, Mozambique, Sao Tome and Principe, Muscat and a number of territories. Moreover, as of 1 June 1976, all the least developed among the developing countries enjoy duty-free treatment with respect to all products in CCCN chapters 1-99. *Sweden* has added Angola, Cape Verde, Guinea-Bissau, Mozambique, Nauru, Sao Tome and Principe, Tonga and Macao. *Switzerland* has added Bulgaria, Romania, Socialist Republic of Viet Nam and Democratic People's Republic of Korea. The *United States* has added Portugal and deleted Lao People's Democratic Republic.

2. PRODUCT COVERAGE

26. *Australia*¹⁷ has added 77 products and/or tariff lines, including 18 tropical products, and has excluded 19 products from preferences. The number of exceptions affecting one or more countries has been increased and in one case the exception has been removed. *Bulgaria* has removed the exceptions from its scheme with the result that preferences are granted to all products in CCCN chapters 1-99. *EEC* has added a few agricultural products in its scheme of 1976 and 57 tropical products in its scheme of 1977.

¹⁶ In addition to the general exceptions under the Norwegian scheme, Romania will, however, be subject to some further exceptions (see TD/B/GSP/NORWAY/2).

¹⁷ See TD/B/480/Amend.4-7.

⁹ See TD/B/GSP/EEC/1.

¹⁰ See TD/B/GSP/FINLAND/1.

¹¹ See TD/B/610/Add. 1.

¹² See TD/B/GSP/NORWAY/1.

¹³ See TD/B/GSP/SWEDEN/1.

¹⁴ See TD/B/GSP/SWITZ/1.

¹⁵ Communication to the UNCTAD secretariat.

27. *Finland* has added 22 tropical products.¹⁸ *Hungary* has added 1 agricultural and 35 industrial products and has withdrawn the preference with respect to 1 industrial product. *New Zealand* has added 140 tariff items to the scheme.¹⁹ *Norway* has added 15 agricultural products (including 6 tropical products) as of 1 June 1976 and 14 tropical products as of 1 January 1977.²⁰ *Sweden* has added 11 agricultural and 5 industrial products.²¹ *Switzerland* has added 67 agricultural products.²² The *United States* has added 21 items and excluded 7 items.²³

3. DEPTH OF TARIFF CUT

28. *Australia* has increased the preferential margin with respect to 826 tariff lines and reduced that margin with respect to 87 tariff lines. *Bulgaria* has increased the preferential margin from 30 to 50 per cent of the MFN rates on all products covered by the scheme. *Canada* has extended duty free treatment for handicraft products originating from beneficiaries of the scheme. *EEC* has introduced deeper tariff cuts on most agricultural products covered by the scheme and on certain jute and coir products.

29. The tropical products added by *Finland*, *Norway* and *Sweden* enjoy duty-free treatment as do all other products under the respective schemes. Under the revised scheme introduced by *New Zealand*, the products covered enjoy margins of preference of up to 20 per cent *ad valorem*, including duty-free treatment on a significant number of products. *Switzerland* has granted duty-free treatment to nearly all the 67 agricultural products added to the scheme and deeper tariff cuts to 25 textile products already included in the scheme. The added products by the *United States of America* enjoy duty-free treatment as do all other products covered by the scheme.

4. SAFEGUARD MEASURES

30. The suspension of preferential treatment with respect to rubber footwear (tariff item 61.700-1), introduced by *Canada* in August 1975 and which was to last until July 1976, has been extended until 30 June 1977. Effective 5 February 1977, *Canada* has also withdrawn the preference with respect to colour television sets (tariff item 44.533-1). The Government has stated that "This action was taken to prevent future injury to Canadian producers who are already facing extreme competition from imports and is part of a broader programme designed to facilitate adjustment within the Canadian electronic industry."²⁴

31. *EEC* has in 1976 increased the ceilings and tariff quotas for industrial products generally by a flat-rate of 15 per cent over those set in 1975 and by 5 per cent for textiles and ECSC iron and steel products. In 1977, the ceilings were calculated using the year 1974 as a reference year for both the basic and supplementary amount. However, a general provision was made that the ceilings

cannot exceed by more than 50 per cent those applied in 1976. Special maximum amounts of 10 per cent have been introduced in 1977 with respect to imports of textiles from selected beneficiaries. These special maximum amounts are applied not only at the Community as a whole but also by individual member States. Moreover, *EEC* has introduced a special measure in favour of the least developed among developing countries by exempting them from the application of the maximum amounts with respect to industrial products subject to ceilings and with respect to textiles.

32. *Japan* has also made certain changes in the administration of ceilings. As a result of certain changes in classification, the numbers of product groups amounted to 178 in fiscal year 1976, as compared with 177 in fiscal year 1975. Flexible administration of ceilings was applied to 116 products groups and flexible administration of maximum amounts to 122 product groups in 1975, and in fiscal year 1976 the corresponding number of product groups subject to flexible administration was 118 and 123.

5. RULES OF ORIGIN

33. *Austria* made certain changes in lists A and B. The non-qualifying process requirements have been deleted with respect to 12 products²⁵ and applied with respect to 4 products.²⁶ Moreover, the scope of application has been enlarged with respect to 10 entries²⁷ while requirements have been amended with respect to 2 other entries.²⁸ List B has been enlarged to include several CCCN chapters and subheadings.²⁹

34. *EEC* has made certain changes owing to changes in the product coverage, the extension of preferences to new beneficiaries and in the administration and control of preferential imports. Of particular importance was the extension of the partial cumulative treatment enjoyed by three regional groupings to certain cotton textile products previously excluded from such treatment.

35. *Finland* has harmonized and liberalized rules through amendments in lists A and B.³⁰ The lists now concord with the corresponding rules of *EEC* with regard to CCCN chapters 25-99 with certain exceptions. The direct consignment rule has been liberalized to the extent that goods may be destined to any *EEC* or *EFTA* country and then sent to *Finland*, provided that they remain under customs control in the transit country and do not enter into commerce there. *Finland* has also introduced provisions concerning consignments of small value.

36. *Switzerland* has introduced changes aimed at further harmonizing its rules with those applied by the other European preference-giving countries.

37. The *United States* prescribed that, for all shipments made after 31 May 1976, form A must be supplemented by a statement thereon, or attachment thereto, in lieu of the explanatory notes on the reverse side of the certificate. Until such time as a revised form A, reflecting the present

¹⁸ See TD/B/GSP/FINLAND/1.

¹⁹ See TD/B/610/Add.1.

²⁰ See TD/B/578/Amend.1 and TD/B/GSP/NORWAY/1.

²¹ See TD/B/GSP/SWEDEN/1.

²² See TD/B/GSP/SWITZ/1.

²³ See TD/B/373/Add.5/Amend.1 and Corr.1 and Amend.3 and Corr.1, and TD/B/GSP/USA/1.

²⁴ TD/B/GSP/CANADA/1.

²⁵ CCCN headings or subheadings: 15.09, 21.02, 21.03, ex 28.19, 28.27, 29.02, ex 32.13, 34.02, ex 38.14, 48.07, 96.01 and ex 98.15.

²⁶ 07.03, 07.04, 08.12, 15.04.

²⁷ 03.02, 11.04, 15.06, 16.02, 16.04, 20.01, 20.02, 20.06, 20.07 and 21.05.

²⁸ 21.04 and ex 39.02.

²⁹ Chapters 28 to 37, ex chapter 38, chapter 39, ex 79.01 and ex 80.01.

³⁰ For details see TD/B/373/Add.2/Amend.5.

origin requirements of the United States scheme, becomes available, United States Customs will accept the present version with the addendum.³¹

38. Moreover, the United States liberalized origin rules by making possible late filing for GSP benefits.³² Previously, it was necessary to request GSP treatment at the time of entry in order to receive GSP benefits, although the certificate of origin form A could be provided subsequently. However, under the new regulations, shipments for which GSP benefits were not sought at the time of entry can still receive GSP treatment if otherwise eligible, provided that the liquidation of the entry has not become final. This can be done by the importer requesting such treatment, and either providing form A, or posting bond in the normal manner for the production of form A. In such cases, duties paid at the time of entry can be refunded. Liquidation normally occurs 90 days after entry.

Sixth session of the Working Group on Rules of Origin

39. The Working Group on Rules of Origin was reconvened from 18 to 22 April 1977 to conduct consultations on concrete proposals for further harmonization and simplification of the rules of origin applied under the GSP.

40. The Group had before it a compendium of the rules of origin applied under the GSP by OECD preference-giving member countries³³ and a comparative

³¹ For the text of the addendum, see TD/B/373/Add.5/Amend.2.

³² See TD/B/GSP/USA/2.

³³ TD/B/626.

study of those rules prepared by the UNCTAD secretariat.³⁴ It also had before it a study of the rules of origin applied by the United States.³⁵

41. The Group noted that the rules of origin have to a large extent been the subject of harmonization and improvement by preference-giving countries and also noted the request addressed to those countries to make every effort to continue the harmonization and simplification in specific areas of the rules.

42. The Group undertook a revision of the notes on the back of certificate of origin form A and decided that the revised notes would apply as from 1 January 1978. However, the old forms would continue to be accepted for a transitional period of two years.³⁶ Further modification of the notes might be needed at a later stage after the socialist preference-giving countries have completed the work of harmonization of their rules.

43. The Group requested the UNCTAD secretariat to continue the study on the difficulties encountered by the preference-receiving and preference-giving countries in the area of rules of origin. It suggested that further work would be required in the Working Group in 1978, at a date to be recommended by the Special Committee on Preferences at its eighth session.³⁷

³⁴ TD/B/C.5/WG(VI)/4.

³⁵ TD/B/C.5/WG(VI)/3.

³⁶ In the case of the United States, the old form must be accompanied by the prescribed addendum (see para. 37 above).

³⁷ See the agreed conclusions of the Working Group on Rules of Origin in chapter 11 of its report (TD/B/C.5/55-TD/B/C.5/WG(VI)/5).

Chapter II

OPERATION AND EFFECTS OF THE GENERALIZED SYSTEM OF PREFERENCES

44. In response to requests by the UNCTAD secretariat a number of preference-giving and preference-receiving countries have supplied information on the operation and effects of the system. The information obtained is analysed below.

A. Replies from preference-giving countries

45. Since the last review (January 1976), new information on imports from beneficiaries of various schemes has become available. These data are reported in addenda to the UNCTAD secretariat note³⁸ and summarized briefly below for all beneficiaries as well as for the least developed countries as a group. However, this information which is supplied by the preference-giving countries varies with respect to the extent of detail on individual products and individual beneficiaries as well as with respect to the period covered.³⁹ The data often do not separately distinguish imports of dutiable products and imports which actually received preferential treatment (hereafter called preferential imports). In order to make an over-all assessment of the trade effects of the GSP, therefore, it has been

necessary in some cases for the UNCTAD secretariat to estimate import values.

1. OVER-ALL EVALUATION

46. Although not all schemes were implemented until 1976 and only incomplete information has been received on the operation of those schemes in force in prior years, 1974 trade data provide the latest and most complete basis for current evaluation of the importance of the GSP.⁴⁰ This information in table 1 shows that total imports by preference-giving market-economies from beneficiaries of their respective schemes of generalized preferences amounted to some \$124 billion in 1974. Nearly half (\$60 billion) of these imports were MFN dutiable and could therefore fall within the scope of the GSP. However, less than one fourth (\$13.5 billion) of these dutiable imports consisted of products eligible for preferential treatment under the system (hereafter referred to as covered imports).

47. The value of imports covered by the GSP, however, only indicates the potential benefits that beneficiary developing countries may obtain from the schemes.

⁴⁰ Product coverage of the individual schemes is that applicable in 1974 in the case of countries which have notified data on preferential imports in 1974 and that applicable in 1976 in the case of countries for which the value of covered imports has been estimated by the UNCTAD secretariat.

³⁸ TD/B/C.5/30 and Add.1-4.

³⁹ For more details on the type of information received, see annex III of the present study.

Thus, reference must be made to the value of imports actually receiving preferential treatment in order to assess the realization of these benefits. This value usually falls below that of GSP-covered imports because of limitations on preferential imports, rules of origin requirements or simply a failure to claim preferential treatment. Informa-

tion on preferential imports by the developed market-economy countries in 1974 is available only for EEC, Finland, Japan, Norway, Sweden and Switzerland. These countries imported GSP-covered goods valued at \$8.2 billion, of which \$4.4 billion, or nearly 54 per cent, actually received preferential treatment (see table 1).

TABLE 1
Imports by preference-giving countries from beneficiaries of their schemes in 1974 ^a
(In millions of dollars)

Preference-giving country and CCCN category		Total	MFN dutiable	GSP covered	Preferential imports	GSP covered as percentage of		Imports which received GSP treatment as percentage of		
(1)		(2)	(3)	(4)	(5)	(4)/(2)	(4)/(3)	(5)/(2)	(5)/(3)	(5)/(4)
1. Austria	1-24	240.0	169.9	94.1		39.2	55.4			
	25-99	932.1	717.2	668.3		71.7	93.2			
	1-99	1 172.1	887.1	762.4		65.0	85.9			
2. Australia *	1-24	180.9	76.6	35.6		19.7	46.5			
	25-99	1 404.4	437.4	226.1		16.1	51.7			
	1-99	1 585.3	514.0	261.7		16.5	50.9			
3. Canada *	1-24	582.0	326.0	52.0		8.9	16.0			
	25-99	3 838.0	640.0	470.0		12.2	73.4			
	1-99	4 420.0	966.0	522.0		11.8	54.0			
4. EEC *	1-24	6 773.6	4 834.0	1 270.6	315.8	18.8	26.3	4.7	6.5	24.9
	25-99	48 098.7	5 836.2	3 536.7	2 292.8	7.4	60.6	4.8	39.3	64.8
	1-99	54 872.3	10 670.2	4 807.3	2 608.6	8.8	45.1	4.8	24.4	54.3
5. Finland	1-24	211.1	102.0	8.7	3.4	4.1	8.5	1.6	3.3	39.1
	25-99	364.7	39.8	24.9	20.3	6.8	62.6	4.8	39.3	64.8
	1-99	575.8	141.8	33.6	23.7	5.8	23.7	4.1	16.7	70.5
6. Japan *	1-24	3 232.6	2 475.9	271.2	250.5	8.4	11.0	7.7	10.1	92.4
	25-99	29 566.0	23 962.9	2 448.9	1 215.7	8.3	10.2	4.1	5.0	49.6
	1-99	32 798.6	26 438.8	2 720.1	1 466.2	8.3	10.3	4.5	5.5	53.9
7. New Zealand *	1-24	87.3	82.0	76.0		87.7	92.7			
	25-99	585.3	250.0	246.0		42.0	98.4			
	1-99	672.6	332.0	322.0		47.9	97.0			
8. Norway	1-24	131.8	21.0	17.5	1.3	13.3	83.3	1.0	6.2	7.4
	25-99	621.4	33.2	20.7	9.4	3.3	62.3	1.5	28.3	45.4
	1-99	753.2	54.2	38.2	10.7	5.1	70.5	1.4	19.7	28.0
9. Sweden	1-24	353.1	198.2	26.2	23.3	7.4	13.2	6.6	11.8	88.9
	25-99	1 455.8	223.2	89.3	62.3	6.1	40.0	4.3	27.9	69.8
	1-99	1 808.9	421.4	115.5	85.6	6.4	27.4	4.7	20.3	74.1
10. Switzerland ^b	1-24	443.0	360.0	43.0	25.4	9.7	11.9	5.7	7.1	59.1
	25-99	1 108.1	1 074.5	465.7	183.9	42.0	43.3	16.6	17.1	39.5
	1-99	1 551.1	1 434.5	508.7	209.3	32.8	35.5	13.5	14.6	41.1
11. United States of America *	1-24	7 055.7	3 908.7	918.3		13.0	23.5			
	25-99	17 080.4	14 436.5	2 412.8		14.1	16.7			
	1-99	24 136.1	18 345.2	3 331.1		13.8	18.2			
Total (1-11)	1-24	19 291.1	12 554.3	2 813.2	N/A	14.6	22.4			
	25-99	105 054.9	47 650.9	10 609.4	N/A	10.1	22.3			
	1-99	124 346.0	60 205.2	13 422.6	N/A	10.8	22.3			
Total (4, 5, 6, 8, 9, 10)	1-24	11 145.2	7 991.1	1 637.2	619.7	14.7	20.5	5.6	7.8	37.9
	25-99	81 214.7	31 169.8	6 586.2	3 784.4	8.1	21.1	4.7	12.1	57.5
	1-99	92 359.9	39 160.9	8 223.4	4 404.1	8.9	21.0	4.8	11.2	53.6
12. Hungary	1-24	651.4	384.6	346.2	346.2	53.1	90.0	53.1	90.0	100.0
	25-99	470.7	250.3	215.9	215.9	45.9	86.3	45.9	86.3	100.0
	1-99	1 122.1	634.9	562.1	562.1	50.1	88.5	50.0	88.5	100.0
13. USSR	1-24									
	25-99									
	1-99	4 059.8	1 224.0	1 224.0	1 224.0	30.1	100.0	30.1	100.0	100.0
GRAND TOTAL (1-13)	1-99	129 527.9	62 064.1	15 208.7	6 190.2	11.7	24.5	4.8	10.0	40.7

Sources: Replies received from preference-giving countries listed, and (indicated by an asterisk) UNCTAD secretariat estimates.

^a Insufficient information is available for estimates of the trade coverage of the schemes of Bulgaria, Czechoslovakia and Poland.

^b Dutiable imports by Switzerland in column (3) exclude items on which MFN rates may have been only partially reduced.

48. Total imports by two socialist preference-giving countries (Hungary and USSR) from beneficiaries of their schemes amounted to some \$5.2 billion. Nearly \$1.9 billion of these imports were dutiable and the bulk (96 per cent) of these dutiable imports were covered by the schemes and actually received preferential treatment.

49. As a rough indication of the effects of the GSP, it is possible to evaluate import information available for many schemes over a period of years, although these periods differ, and therefore prevent any inter-scheme comparison or precise assessment of the effects of the entire system. Table 2 shows that imports covered by GSP schemes have generally grown faster than other imports from beneficiaries. This not only reflects the trade creation and diversion effects of the GSP on beneficiary exports but also the improvements in product coverage made in the schemes by the preference-giving countries.

50. A comparison of the growth rates of preferential and covered imports may be used as an indicator of the degree to which preference-giving countries are liberalizing their limitations on preferential treatment and simplifying administration of the rules of origin as well as the extent to which beneficiary developing countries are taking measures to better utilize the GSP, including measures for satisfying the origin and other requirements for obtaining preferential treatment. Such a comparison can also be made with the data in table 2, which generally show preferential imports growing faster than covered imports. The one notable exception to growth in preferential imports appears in notifications received from EEC for 1974 and 1975. This means that, in general, GSP beneficiaries have been able substantially to increase their utilization of the preferential treatment offered under most schemes, and under two schemes where the growth rates of covered and preferential imports have been the same, utilization was already at or near the maximum rate of 100 per cent.

51. The number of beneficiaries actually taking advantage of preferential treatment also has grown in every case for which we have information. In Finland, from 12 in 1972 to 27 in 1975; in Norway, from 19 in 1972 to 25 in 1974; in Sweden, from 39 in 1973 to 49 in 1975; in Switzerland, from 56 in 1972 to 77 in 1975; in Hungary, from 38 in 1972 to 39 in 1974; in the USSR, from 34 in 1971 to 36 in 1974.

52. Despite the growing number of beneficiaries receiving GSP treatment of their exports, a limited number of these beneficiaries supplied the bulk of preference-giving countries' imports from all beneficiaries as well as of imports receiving preferences. Estimates of preferential imports under the three largest schemes vividly illustrate this point. Over half of preferential EEC imports in 1974 came from four beneficiaries (Yugoslavia, Hong Kong, Brazil and India).⁴¹ Over one third of estimated preferential Japanese imports in 1972 originated in two beneficiary countries (one of them the Republic of Korea). Three beneficiaries (two of which were Mexico and Hong Kong) accounted for almost half of 1974 United States imports of products which would have been effectively covered by the scheme if implemented in that year. These developing countries are also major beneficiaries under most of the other schemes. In contrast, the 29 least developed countries put together accounted for less than 2 per cent of estimated preferential imports of EEC, Japan and the United States.

53. The unequal benefit-sharing under the GSP is explained by a number of factors. First, since the GSP covers mainly industrial products, the developing countries with a broader industrial base and relatively diversified industrial exports or export potential obviously stand to benefit more. Secondly, these countries had to some degree succeeded in selling their industrial goods in developed country markets, even before the introduction of the GSP, and the GSP has helped them to further expand such exports. Moreover, these countries have been able to take appropriate measures to make use of the GSP from its inception.

54. Past experience therefore shows that stress should be put on (a) extension of the GSP coverage to agricultural products so as to enable the developing countries at the incipient stage of industrialization, whose exports still rely heavily on agricultural products, to benefit equitably from the GSP; and (b) further efforts in production and trade promotion by these countries in order to utilize the new trade opportunities under the system. However, for these efforts to be successful, financial, industrial and

⁴¹ Commission of the European Communities, "The European Community's scheme of generalized tariff preferences for 1977 (Proposals and communications from the Commission to the Council)" (COM(76)303 final, Brussels, 30 June 1976).

TABLE 2
Growth of imports from beneficiaries

Preference-giving country	Period	Percentage change in		
		MFN dutiable imports not covered by GSP	Covered imports	Preferential imports
Austria	1972-1974	94	243	..
EEC (six countries)	1971-1973	216
EEC (nine countries)	1974-1975	-16
Finland	1972-1976	18	247	670
Hungary	1972-1974	..	105	105
Japan	1972/1973	59	143	167
Norway	1972-1975	116	126	535
Sweden	1973-1975	50	94	92
Switzerland	1973-1975	31	41	54
USSR	1971-1974	0	62	62

Source: UNCTAD secretariat calculations based on information received from preference-giving countries. All percentage changes, except those for EEC, which are based on the original information in terms of units of account (u.a.), were calculated from the dollar values of imports.

technical support from preference-giving countries is necessary.

2. TRADE EFFECTS OF INDIVIDUAL SCHEMES

*Australia*⁴²

55. Total imports from beneficiaries of the Australian scheme amounted to \$2,057 million in the fiscal year commencing 1 July 1974, of which only \$607 million, or almost 30 per cent, were dutiable. Covered imports accounted for \$196 million, or 32 per cent, of dutiable imports. No information was received on the value of preferential imports or on the value of imports of major products from beneficiaries.

European Economic Community

56. In 1975, preferential imports of EEC amounted to 1,745 million units of account (u.a.) of which 14 per cent or 238 million u.a. consisted of agricultural products. The rate of utilization of tariff quotas and ceilings varied as between the product groups and the three types of administration of preferential imports. The average utilization of ceilings and tariff quotas for all groups of products in CCCN chapters 25-99 covered by the scheme amounted to 48 per cent. The average share of utilization for products subject to tariff quotas and ceilings under special surveillance were 65 and 63 per cent respectively, while that for products subject to normal ceilings was 35 per cent. The lowest share of utilization, 11 per cent, has been recorded for iron and steel products subject to ceilings under special surveillance, and the highest share, 120 per cent, for semi-sensitive petroleum products subject to the ceilings under special surveillance. As in 1974 (see para. 52), preferential imports in 1975 came mainly from a relatively small number of beneficiary countries. Information on preferential imports from other than major beneficiaries, however, has not been received.

57. Lack of data on imports (total, dutiable, covered and preferential) from each beneficiary of the scheme as well as of data on imports of individual products covered by the scheme do not make it possible to determine the extent to which imports covered by the scheme had actually received preferential treatment with regard to both individual products and beneficiaries.⁴³ However, information on preferential imports for broad industrial product groups is available. It shows that 11 million u.a. of steel, 22 million u.a. of footwear, 257 million u.a. of textiles, 220 million u.a. of petroleum products, and 3 million u.a. of jute and cocoa products received preferential treatment in 1975.

Finland

58. Total Finnish imports from the beneficiaries of its scheme attained a value of \$706.5 million in 1975 and \$728.6 million in 1976. In both years, more than half of these imports consisted of industrial products in CCCN chapters 25-99 and less than 5 per cent of the industrial

products were dutiable at MFN rates. Over 90 per cent of these dutiable articles were eligible for preferential treatment. In contrast, two thirds of the agricultural imports in CCCN chapters 1-24 were dutiable in 1975 and one third in 1976, but less than 5 per cent of these imports in 1975 and 10 per cent in 1976 were eligible for preferential treatment. Thus, the sum of covered imports in CCCN chapters 1-99 (\$26 million in 1975 and \$29 million in 1976) is small in relation to total imports for two different reasons; MFN duty-free treatment of most industrial products and small GSP coverage for agricultural goods. Imports in CCCN chapters 1-99 actually receiving preferential treatment (\$17 million in 1975 and \$21 million in 1976) accounted for 63 per cent of those eligible for preferences under the Finnish GSP scheme in 1975 and 72 per cent in 1976.

59. Romania, Yugoslavia, and the Republic of Korea accounted for over half of covered imports from all beneficiaries. Among the most important products imported under the scheme are unmanufactured tobacco, steel angles and shapes, some leather, and woven fabrics of cotton.

Hungary

60. Total imports from beneficiaries of the Hungarian scheme grew from \$1,122 million in 1973 to \$1,912 million in 1974, with the most substantial increase occurring in CCCN chapters 25-99. Slightly more than half of the total imports in CCCN chapters 1-99 were dutiable: \$635 million in 1973 and \$1,045 million in 1974. Reflecting the rise in total imports, the value of preferential imports was \$562 million in 1973 and \$1,000 million in 1974. Almost 96 per cent of dutiable imports received preferential treatment in 1974 and over 88 per cent in 1973.

61. Brazil, Cuba, Ghana, Malaysia and Ivory Coast were the 5 largest suppliers of preferential imports in 1973. In 1974, Lebanon, Brazil, Cuba, Malaysia and Morocco were the 5 major beneficiaries.

62. Six products, the most important of which was coffee, accounted for over two thirds of total preferential imports in 1973 and 1974.

Norway

63. Total imports from beneficiaries of the Norwegian scheme were \$951 million in 1975, of which only \$58 million were dutiable. Approximately \$29 million of these dutiable imports from beneficiaries were eligible for preferential treatment, of which 44 per cent or approximately \$13 million actually received preferential treatment. Four major suppliers (the Republic of Korea, Yugoslavia, Singapore, and the Philippines) accounted for over two thirds of the preferential imports. No information was received on preferential imports of individual products in 1975.

Sweden

64. The total value of Swedish imports from beneficiaries of its scheme was \$2,139 million in 1975. MFN dutiable imports from beneficiaries equalled \$631 million, of which \$138 million or 22 per cent were covered by the scheme. Some \$98 million or 71 per cent of these covered imports received preferential treatment. Three major suppliers, namely Hong Kong, Yugoslavia, and Brazil, accounted for 57 per cent of the value of covered imports from all major suppliers and 46 per cent of the value of covered imports from all beneficiaries.

⁴² These data are based on information supplied by Australia for fiscal year 1974/75, and therefore differ from those in table 1 above, which shows trade flows in the 1974 calendar year and the product coverage of the scheme as on 1 July 1976.

⁴³ Additional information, by CCCN chapters, on EEC imports of products covered by the scheme and receiving preferential treatment has been received. (See TD/B/C.5/30/Add.4.)

65. The most important products receiving preferential treatment were: fruit juices (20.07 ex)—\$10.2 million, mainly from Brazil and Israel; travel goods (42.02)—\$6.6 million, mainly from Hong Kong, Lebanon and the Republic of Korea; and toys (97.03)—\$4.1 million, mainly from Hong Kong.

Switzerland

66. Total imports from beneficiaries under the Swiss scheme amounted to \$1,449 million, over 90 per cent of which were MFN dutiable.⁴⁴ Only 11 per cent of dutiable imports of agricultural products in CCCN chapters 1-24 were covered by the scheme, and 51 per cent of dutiable imports of industrial products in CCCN chapters 25-99. Covered imports were valued at \$543 million. Of this amount 41 per cent or \$223 million of imports actually received preferential treatment. The rate of utilization differed as between agricultural imports (61 per cent) and industrial imports (39 per cent). The Swiss reply noted that the low proportion of GSP-covered imports actually receiving preferences is mainly due to the failure of exporters in developing countries to claim preferential treatment for products on which the Swiss MFN tariffs are very low. In addition, some GSP beneficiaries did not receive preferential treatment because they failed to fulfil the notification requirements under the rules of origin.

67. Beneficiaries with the largest amounts of covered exports to Switzerland are, in order of their importance as major suppliers, Spain, Hong Kong, the United Arab Emirates, Yugoslavia, and India.

68. The most important industrial imports were in CCCN chapters 71 (pearls, precious and semi-precious stones), 55 (cotton textiles), and 58 (carpets, mats, matting and tapestries).

*United States of America*⁴⁵

69. The total value of United States imports from beneficiaries of products covered by its scheme was \$6,570 million in 1976. However, after deduction of the \$1,900 million of imports which were excluded from preferential treatment by competitive need criteria, the effective coverage of the scheme amounted to \$4,670 million. Imports which actually received preferential treatment amounted to \$3,160 million, or 68 per cent of the imports effectively covered. Some \$1,510 million of covered imports were denied preferential treatment for failure to comply with the rules of origin or simply because preferential treatment had not been requested. Thirteen major beneficiaries supplied 80 per cent or some \$5,330 million of the total imports covered by the scheme.⁴⁶ These beneficiaries also supplied 80 per cent, or \$2,550 million, of total imports which actually received preferential treatment. Some \$117 million of covered imports came from least developed countries and \$17 million, or 14

per cent, of these imports were excluded from preferential treatment owing to the competitive need criteria. Out of \$100 million of imports effectively covered, \$76 million actually received preferential treatment.⁴⁷ Botswana and Haiti accounted for the bulk (91 per cent) of the value of all covered imports from these countries.

70. Thirty-six major products imported from 31 beneficiaries of the scheme, and valued at \$1,710 million, comprised 26 per cent of total imports from beneficiaries of products covered by the scheme. Only \$630 million of these imports of major products actually received preferential treatment. Nearly two thirds of the total value of imports of these major products were excluded from preferential treatment by the competitive need criteria. Sugar alone accounted for the bulk of these exclusions, i.e. of total imports of \$1,014 million, 83 per cent, or \$839.2 million were excluded.

71. The most important products receiving preferential treatment were (in \$ million): sugar (edible 174.8 and inedible 68.8); cocoa butter (71.7) and cocoa unsweetened (27.2); canned corned beef (68.9); other wooden household utensils (27.6); articles of wood non-specified (18.8); hardboard (12.0); precious and semi-precious stones cut, not set (16.4); other drugs (15.0); cyaminic chloride (13.4), etc.

Union of Soviet Socialist Republics

72. The total value of USSR imports from 36 beneficiaries of its scheme was \$4,060 million in 1974, of which \$1,224 million or 30 per cent were dutiable imports, all of which received preferential treatment. The other \$2,836 million consisted of products not dutiable under the customs tariff of the USSR. In 1971, the percentage of total imports receiving preferential treatment amounted to 37 per cent, indicating that the proportion of non-dutiable products in this trade has grown.

73. Between 1971 and 1974, the total value of imports from 36 countries almost doubled, rising from \$2,100 million to \$4,100 million. At the same time, the value of these imports receiving preferential treatment grew from \$755 million to \$1,224 million, an increase of 62 per cent.

74. Egypt, as the source of \$282 million of preferential imports, and India, as the source of \$260.6 million, also accounted for almost half of the preferential trade in 1974.

75. In 1974, the most important of the products receiving preferential treatment were: clothing and underwear, which accounted for \$181.6 million in preferential imports, mainly from Egypt, India and the (former) Democratic Republic of Viet-Nam; alcoholic beverages (\$104.2 million), mainly from Algeria, and fibres for spinning (\$91.7 million), mainly from Egypt.

3. EFFECTS ON THE LEAST DEVELOPED AMONG THE DEVELOPING COUNTRIES

76. The latest replies from the preference-giving countries also contain additional information on the experience of the least developed countries under the GSP. This information is summarized in table 3.

⁴⁴ The Swiss reply did not indicate the value of MFN-dutiable imports, and these have been obtained by subtracting MFN duty-free imports from total imports. However, the MFN duty-free imports as reported include also some imports on which the MFN duty was reduced.

⁴⁵ For details, see TD/B/C.5/30/Add.4.

⁴⁶ In order of importance (in \$ million): Other Asia (1,055); Mexico (1,039); Hong Kong (860); Republic of Korea (591); Philippines (322); Brazil (289); Dominican Republic (253); Yugoslavia (185); Peru (174); Zambia (156); India (138); Israel (136) and Singapore (133).

⁴⁷ All the least developed countries, except Democratic Yemen, Lao People's Democratic Republic and Uganda, are recognized beneficiaries under the United States scheme. In 1976, imports of products covered by the scheme were recorded from 26 least developed countries.

TABLE 3

Imports by preference-giving countries from the least developed among the developing countries
(In millions of dollars)

<i>Preference-giving country, year and CCCN chapters</i>	<i>Total imports</i>	<i>Imports covered by GSP</i>	<i>Preferential imports</i>
(1)	(2)	(3)	(4)
Australia (Fiscal 1974/1975)			
1-24	6.1	0.8	^a
25-99	25.9	1.4	1.3
1-99	32.0	2.2	1.3
Finland (1975)			
1-24	5.6	0.6	0.4
25-99	3.4	0.3	0.1
1-99	9.0	0.9	0.5
Finland (1976)			
1-24	7.8	0.8	0.5
25-99	3.7	0.3	0.2
1-99	11.5	1.1	0.7
Hungary (1973)			
1-24	16.9		16.7
25-99	36.7		6.6
1-99	53.6		23.3
Hungary (1974)			
1-24	65.9		65.1
25-99	81.3		8.8
1-99	147.2		73.9
Norway (1975)			
1-24	3.3	^a	^a
25-99	3.0	0.2	^a
1-99	6.3	0.2	^a
Sweden (1975)			
1-24	19.0	0.0	0.0
25-99	4.9	0.2	^a
1-99	23.9	0.2	^a
Switzerland (1975)			
1-24	25.6	0.1	^a
25-99	23.1	20.2	10.7
1-99	48.7	20.3	10.7
United States of America (1976)			
1-99	99.8 ^b	57.8
USSR			
(1971) 1-99	51.3		16.0
(1972) 1-99	58.1		13.8
(1973) 1-99	69.4		19.2
(1974) 1-99	118.5		27.8

Source: Replies from preference-giving countries (TD/B/C.5/30 and Add.1-4).

^a Less than \$50,000.

^b This amount does not include \$17.1 million of imports from recognized beneficiaries which were excluded from preferential treatment as a result of the competitive need criteria.

77. Like previous data published,⁴⁸ this information reflects the small size of exports from the least developed countries to the preference-giving countries as well as a concentration of these exports in dutiable agricultural products. Only a very small fraction of total imports from the least developed countries are eligible for preferential treatment under the GSP either because of narrow product coverage of agricultural products under the schemes or because industrial raw materials exported by the least developed countries are already duty free on an MFN basis. Preferential imports as a proportion of covered imports are also relatively small because of limitations on preferential treatment, non-compliance with the notification requirements under the rules of origin, and in some cases a failure to claim preferential treatment.

B. Replies from preference-receiving countries

78. The secretariat of UNCTAD has requested the preference-receiving countries to provide specific information about the effects of the various schemes of generalized preferences on their export trade and development, as well as about measures taken by them in order to make full use of the trade advantages under those schemes. Replies have been received from Chad, Chile, Fiji, Guatemala, Iran, Iraq, Jamaica, Malawi, Malta, Nicaragua, Oman, Panama, Philippines, Samoa, Singapore, Spain, the United Republic of Cameroon, the United States (on behalf of territories), Uruguay, and Venezuela.⁴⁹ Although only a small number of beneficiaries have replied, the information supplied corroborates some of the major problems also facing other developing countries in taking advantage of the GSP.

79. Generally, it was difficult to quantify the effects of the GSP on export earnings of some developing countries, mainly because the data on tariff treatment accorded to exports was either not available or inadequate. Moreover, in some cases the complexity of the operation of certain schemes makes it difficult to work out the portion of trade which enjoyed preferences. Data collected on the basis of actual issuance of certificates of origin disclosed that the GSP has not had a significant influence on export earnings of some notifying countries. This is attributed to the exclusion from the GSP of products of major export interest to these developing countries, to the application of safeguard measures (tariff quota or ceilings, competitive need exclusions, and in few cases, the escape clause), and to difficulties in complying with origin requirements. The increases in export earnings were largely confined to traditional exports while new products entering the export field as a result of preferences have been minimal.

80. Most of the countries have drawn up detailed lists of products which they would like to see included in the various schemes or for which preferential treatment should be improved.⁵⁰

81. No evidence has yet become available to show the extent to which the GSP has influenced investment decisions of Governments and private investors. Governments consider that the limitations mentioned above create a climate of uncertainty about the continued availability of preferences. This uncertainty regarding long-term

benefits therefore serves to discourage investments both in new lines of production for export and in expansion of existing ones.

82. In general, Governments have established bodies to serve as a focal point for dissemination and information on the schemes, for organization of seminars and for keeping the business community abreast of the latest developments regarding the GSP. Some of these bodies also assist in identifying GSP-covered products for export, in determining to what extent they fulfil origin criteria, and in finding markets.

83. Some Governments have established close administrative and other collaboration with the competent authorities of the preference-giving countries with a view to increasing utilization of the GSP benefits. Others have not established any links but expressed interest in doing so. It was felt that establishment of clear lines of communication with Governments of preference-giving countries or agencies entrusted with the promotion of imports from developing countries would strengthen such collaboration and contribute to a better utilization of the GSP.

84. Most Governments indicated that they had notified to preference-giving countries the names of the body authorized to issue certificates of origin. Others indicated that they planned to fulfil this obligation in the near future.

85. Preference-giving countries have, in many cases, requested retroactive checks of information contained in certificates of origin. Some beneficiaries have for this purpose made thorough investigations, including visits to plants to determine whether or not the products meet the processing requirements or to determine cost elements for items subject to the value-added criterion. Some Governments have specific legislation providing sanctions in case of incorrect declaration by exporters.

86. Some preference-receiving countries indicated that their trade with socialist preference-giving countries was negligible and that benefits derived from these countries' schemes were non-existent or could not be fully assessed.

87. Suggestions by preference-receiving countries for improvement of the system include, *inter alia*, the following:

(a) Simplification and liberalization of both the forms and administration of certain schemes is essential;

(b) Extension of GSP coverage to products of current export interest to them;

(c) Elimination of ceilings and other types of limitations on preferential imports;

(d) Providing beneficiaries with more advance warning when preferential treatment of individual products is to be suspended because of limitations;

(e) Elimination of uncertainty surrounding the GSP in order to make the system more secure, including binding of the GSP rates;

(f) Harmonization and simplification of origin rules;

(g) Special measures for the least developed among developing countries;

(h) Elimination of differentiation of preferential treatment among beneficiaries on the basis of levels of economic development;

(i) Inclusion in the schemes of full addresses of trade contacts in preference-giving countries (chambers of commerce or individual business organizations).

⁴⁸ See TD/B/C.5/39.*

⁴⁹ Extracts from these replies have been reproduced in TD/B/C.5/54.

⁵⁰ The lists of beneficiary countries are given in the annex to TD/B/C.5/54.

THE GENERALIZED SYSTEM OF PREFERENCES AND SPECIAL PREFERENCES

88. Upon adoption of the GSP in 1970, it was agreed *inter alia* that developing countries sharing their tariff advantages in some developed countries expected the new access in other developed countries to provide export opportunities at least to compensate them. Concern over the question of sharing of preferences was subsequently reiterated in relevant United Nations resolutions, including those of UNCTAD, and in particular Conference resolution 96 (IV) of 31 May 1976.

89. Two types of special preferences in favour of developing countries are at present in operation.⁵¹ The first results from agreements concluded or currently negotiated between EEC and certain developing countries under the Lomé Convention or the EEC Mediterranean policy, and the second from Commonwealth preferences granted by Australia, Canada, New Zealand and the United Kingdom.

90. EEC grants special preferences under the Lomé Convention to 52 African, Caribbean and Pacific (ACP) countries.⁵² In essence, these provisions include preferential access for the ACP countries' exports to the EEC market, the establishment of a system of stabilization of their export earnings for certain basic products, the introduction of industrial co-operation and increased financial and technical assistance from the Community. An important policy aspect of the Convention was that the trade concessions were granted by the Community to the ACP countries without reciprocity on the part of these countries.

91. The Mediterranean agreements can be classified into two broad groupings, those concluded with Arab countries⁵³ and those concluded with other Mediterranean countries.⁵⁴ Although the preferential agreements under the Mediterranean policy differ as to content, they aim at common objectives, namely, an unrestricted duty-free entry into the EEC market for industrial products of the Mediterranean countries concerned, tariff and non-tariff concessions for agricultural products, and technical and financial assistance. The various trade concessions and financial aid take into account the economic situation of each country. It should be noted, however, that agreements with Arab countries are based on non-reciprocity while those with other Mediterranean countries embody reciprocal concessions and aim for the establishment of a customs union or a free trade area with EEC.

92. Developed countries granting Commonwealth preferences include Australia, Canada, New Zealand and the United Kingdom. Accession of the United Kingdom to the Community called for termination of Commonwealth preferences as of 1 July 1977. Similarly, because of that

accession, New Zealand undertook to phase out the British preferential system in the period ending 1 July 1977 and the Commonwealth preferences by mid-1978. Australia and Canada still grant special preferences to a number of developing countries which are also beneficiaries of their respective schemes of generalized preferences.⁵⁵

93. The extent to which ACP and Maghreb countries share their special tariff preferences and the extent to which they have acquired new access as a result of the GSP have been analysed in detail by the UNCTAD secretariat.⁵⁶

94. In 1974, the ACP countries supplied EEC with almost \$3 billion of imports covered by the Lomé Convention, which also competed with about \$14 billion of preferential imports from other suppliers, as well as with \$18 billion of imports of the same products subject to MFN duties. Since the GSP beneficiaries accounted for less than \$3 billion of the preferential imports, the main preferential competition facing ACP countries came from EFTA and Mediterranean countries, which together provided competitive preferential imports valued in excess of \$10 billion.

95. The value of ACP exports eligible for preferential access under GSP schemes other than that of EEC⁵⁷ exceeded \$800 million.⁵⁸ This amount is comparable to the value of ACP exports to the EEC which now must compete on a preferential basis with the same products from GSP beneficiaries as a result of the introduction of the EEC scheme. The latter value is \$794 million, less than 7 per cent of total ACP exports to EEC in 1974 (\$12 billion).

96. The Maghreb countries supplied EEC in 1974 with almost \$901 million of imports covered by the Co-operation Agreements, which competed with nearly \$17 billion of preferential imports from other suppliers, as well as with approximately \$20 billion of imports of the same products subject to MFN duties. GSP beneficiaries accounted for less than \$3 billion of competitive preferential imports. The main competition came from EFTA and other Mediterranean countries, which together provided competitive preferential imports valued at \$13.5 billion.

97. Maghreb countries have also acquired new export opportunities under the GSP. The value of imports from Maghreb countries which consist of products covered by GSP schemes⁵⁹ other than that of EEC amounted to \$238.1 million. In contrast, the value of Maghreb countries' exports of products, which now must compete on a preferential basis with identical products from GSP beneficiaries as a result of the introduction of the EEC scheme, amounted to \$353 million.

⁵¹ The special preferences enjoyed by the Philippines since 1946 in the United States market have been phased out over the period 1963-1974, before the United States scheme of generalized preferences was implemented in January 1976.

⁵² The main provisions of the Lomé Convention are described in TD/B/C.5/36*. ACP beneficiary countries are listed in annex II of the present study.

⁵³ Algeria, Morocco and Tunisia (Maghreb countries) and Egypt, Jordan, Syrian Arab Republic (Mashreq countries). Negotiations are under way with Lebanon.

⁵⁴ Cyprus, Israel, Malta, Spain and Turkey.

⁵⁵ For a list of countries enjoying special preferences (Australia, Canada), see TD/B/C.5/49.

⁵⁶ See TD/B/C.5/49/Add.1 and 2 in the present volume.

⁵⁷ These are the schemes of the following countries: Australia, Austria, Finland, Hungary, Japan, Norway, Sweden, Switzerland, United States and USSR.

⁵⁸ This figure does not include imports from Gabon, Nigeria and Uganda, which are not beneficiaries of the United States scheme.

⁵⁹ See foot-note 57 above.

98. The findings suggest therefore that ACP and Maghreb countries face substantial competition from other preferential sources in the EEC market but have an important competitive advantage over a significant amount of MFN imports. GSP beneficiaries are the source of the smallest amount of the preferential competition. In addition, the contractual nature of special prefer-

ences, the much broader product coverage under the Lomé Convention and the Maghreb Co-operation Agreements, the larger preferential margins, the more liberal administration of preferential imports and the less restrictive rules of origin give ACP and Maghreb countries a clear advantage in competition with GSP beneficiaries.

Chapter IV

THE GENERALIZED SYSTEM OF PREFERENCES AND THE MULTILATERAL TRADE NEGOTIATIONS

99. In a separate study before the Special Committee on Preferences,⁶⁰ the UNCTAD secretariat has attempted to analyse the effects of alternative tariff-cutting formulas on the MFN duties and preferential margins applied by EEC, Japan and the United States on imports of industrial products in CCCN chapters 25-99 from developing countries which are beneficiaries of their respective schemes of generalized preferences. As an aid to evaluation of the erosive impact of MFN tariff cuts on preferential margins, additional information on imports and limitations on preferential treatment is also presented. This information supplements two earlier studies⁶¹ with data which have recently become available on imports, tariffs, limitations on preferential treatment, and tariff formulas.

100. The study takes note of the many factors which make any evaluation of MFN tariff cuts highly subjective. It also reviews the expectations of developing countries for the multilateral trade negotiations of GATT. This discussion suggests an approach to the negotiations that would take into consideration GSP coverage for any product of interest to developing countries, the possibilities of expanding GSP product coverage, the extent to which trade expansion can occur on either a preferential or MFN basis, and the possibilities of liberalizing the GSP in order to increase preferential treatment. Conditions under which maintenance of GSP margins would be preferred to maximization of MFN tariff cuts, and vice versa, are briefly described.

101. The study also reviews each of the four formulas formally proposed in the multilateral trade negotiations as of December 1976. As the study shows for the 5-20 per cent range in which most MFN tariff rates fall, the formula proposed by the United States, whose effect is a nearly linear 60 per cent cut in MFN tariff rates, provides the deepest reductions and therefore the greatest erosion of preferential margins. The other three formulas, which all contain harmonization elements, make smaller percentage cuts at lower tariff rates. In particular, the formula proposed by EEC, in which the post-Tokyo 1973 round rate equals the initial rate reduced by a percentage equal to the initial rate, the process being repeated four times, yields the smallest reductions in the 6-26 per cent range of initial rates.

102. The study divides the industrial imports of EEC, Japan, and the United States into 87 product categories

and shows the effects of alternative tariff-cutting formulas on the MFN tariff rates and GSP preferential margins for each category. The importance of the MFN tariffs and preferential margins is also indicated in part by the value of MFN dutiable imports in each category which are supplied by GSP beneficiaries and MFN sources and are covered or not covered by the GSP. It is possible to see that GSP-covered imports from beneficiaries are recorded in almost every category, although only a few of these categories account for the bulk, such as textiles, machinery, leather, toys, and coal products in EEC; textiles, copper, unworked metals, and machinery in Japan; and metals, machinery, and toys in the United States. While preferential treatment of most of these products under the GSP is limited by ceilings, tariff quotas, and competitive need exclusions, there are a number of product categories which have not been affected by limitations under the three schemes in the most recent years for which information is available.

103. The tariff averages and values of imports of some of these products appear to be of sufficient size to allow for substantial trade creation and diversion. If it were possible to remove other constraints such as uncertainty, quantitative import restrictions and other non-tariff barriers which suppress the growth of preferential imports, then maintenance of preferential margins on these products would be a highly desirable course of action. In addition, for those products now subject to limitations, the elimination or liberalization of the limits on preferential imports could represent one of the major improvements in the GSP in fulfilment of resolution 91 (IV) of the United Nations Conference on Trade and Development. In this case, too, maintenance of preferential margins would become an objective with higher priority in the multilateral trade negotiations.

104. One final use of the tariff information in this study relates to the issue of tariff escalation. Wherever possible, categories of industrial products have been defined to reflect any tariff escalation that exists, and evidence of this phenomenon is readily apparent. Moreover, the analysis demonstrates that neither of the formulas proposed by EEC and the United States will eliminate tariff escalation. The harmonization formula of EEC reduces the tariff escalation significantly at high tariff rates while the linear formula of the United States makes a slightly smaller reduction in the absolute spread between the tariffs applicable to different stages of processing. However, at low tariff levels, both formulas possess similarly small harmonizing powers, although the United States formula makes a larger reduction in the absolute spread.

⁶⁰ *The Generalized System of Preferences and the Multilateral Trade Negotiations* (United Nations publication, Sales No. E.78.II.D.6).

⁶¹ TD/B/C.5/26 * and TD/B/C.5/37 *.

Chapter V

TECHNICAL ASSISTANCE UNDER THE GENERALIZED SYSTEM OF PREFERENCES

105. The Project entitled "Training and Advisory Services on the Generalized System of Preferences", financed by UNDP with UNCTAD as executing agency, became operational on 1 May 1972. The Project was originally approved for a three-year duration but was extended for another two-year period. Accordingly, the activities of the Project terminated on 31 March 1977.⁶² UNCTAD and UNDP have, however, agreed to continue a second phase of the Project, on a much reduced scale, so as to provide a "focal point" for technical assistance activities related to the GSP for a further period ending 31 December 1978.⁶³

106. During the five-year period, the Project conducted 12 regional/interregional seminars. Eight of these seminars were financed by UNDP and for the last four the cost of travel and payment of *per diem*, as well as the provision of physical and other facilities, was met by complementary financing provided by some preference-giving and preference-receiving countries.

107. In a number of developing countries, mainly through the training and advisory services provided by the Project, Governments have established focal points on the operation of the GSP. It is now for the Governments to ensure that persons who have been given training are utilized to the maximum for operating these focal points. It is important that these officials are kept on the task as long as feasible. Further, the Governments must also ensure that appropriate arrangements are made so that these focal points are provided with documentation on GSP on a regular basis.

108. From the outset the Project had established close collaboration with UNIDO, as well as the International Trade Centre UNCTAD/GATT. Experts from the two secretariats have participated in a number of country missions specifically to look into requirements of the countries visited for assistance in their respective fields of competence. Senior officials have also participated in a number of regional/interregional seminars organized by the Project.

109. In carrying out its activities, the Project has received from the outset the full support of the UNCTAD secretariat. In addition to supplying the Project with

up-to-date information on the schemes and related trade data, the UNCTAD secretariat participated actively in a number of seminars and country missions.

110. The Project has succeeded in establishing close co-operation with a number of Governments of preference-giving countries and the Commission of the European Communities. This collaboration has been of practical significance in the smoother functioning of the GSP system as a whole.

111. The success of the Project activities depended to a great extent on the co-operation of the preference-receiving countries themselves. This was received in abundance and the efforts made by the Governments of these countries to utilize to the best advantage the services of the Project and make its activities of practical significance must be fully recognized.

112. At its seventh session (January 1976), the Special Committee on Preferences adopted resolution 4 (VII) recommending to UNCTAD and UNDP to consider extending the duration of the Project for an appropriately long period beyond 30 April 1977. It was further recommended that in its future work the Project continue to co-ordinate its activities with the International Trade Centre UNCTAD/GATT in the field of export promotion and with UNIDO and other appropriate international institutions in the promotion of industrialization programmes in developing countries relating to items covered by the GSP.⁶⁴

113. Pursuant to the above recommendations, UNCTAD and UNDP jointly explored the feasibility of continuing technical assistance activities in this field. There was full agreement on the need to continue to provide technical assistance but it was not possible to agree on continuing a large project. Instead, UNDP has agreed to finance, up to 31 December 1978, a small one-man project which is to act as a focal point for organizing and providing assistance to developing countries by the holding of national seminars for the dissemination of information on the GSP; by preparing up-to-date model handbooks, digests and other publications for the use of officials and exporters in preference-receiving countries; and by participating in training activities related to the GSP organized by other intergovernmental organizations.

⁶² See UNCTAD/TAP/202.

⁶³ It was subsequently decided that the Project would be again extended until 31 December 1980.

⁶⁴ See *Official Records of the Trade and Development Board, Seventh Special Session, Supplement No. 6 (TD/B/598)*, annex 1.

Chapter VI

CONCLUSIONS AND RECOMMENDATIONS

114. When the GSP was agreed upon in 1970, the Special Committee on Preferences, aware of the inadequacies of the system, recognized "that efforts for further improvements should be pursued in a dynamic context in the light of the objectives of Conference resolution 21 (II)" ⁶⁵ i.e. to increase the export earnings

⁶⁵ See Trade and Development Board decision 75 (S-IV), annex, section I, para. 8.

of the developing countries; to promote their industrialization, and to accelerate their rates of economic growth.

115. Ever since the start of implementation of the GSP in July 1971, the preference-giving countries have made improvements in their respective schemes, and some of these countries have even adopted new and substantially broader schemes. The improvements generally included extension of product coverage and of the lists of benefi-

ciaries, deeper tariff cuts, increase in the level of tariff quotas and ceilings by the preference-giving countries applying *a priori* limitations on preferential imports, and a certain flexibility in the application of these limitations; and improvement and harmonization of the rules of origin. During the same period, only a few products have been excluded from the system and the escape clause has been invoked very sparingly.

116. As a result of the above improvements, the share of the GSP-covered products has generally increased in the total MFN-dutiable imports by preference-giving countries from preference-receiving countries. Utilization of preferential trade advantages has also improved in large part owing to the widespread interest of preference-receiving countries in the GSP and to measures taken by them. Thus, the share of GSP-covered imports receiving preferential treatment has increased.

117. Despite the above improvements and the better utilization of preferential tariff advantages, only about one fifth (22 per cent) of the OECD preference-giving countries' imports of MFN-dutiable products from preference-receiving countries is actually covered by the GSP, and only about a half of these GSP-covered imports receives preferential treatment. This is mainly due to exclusion from the GSP of industrial products of major export interest to developing countries, limited coverage of agricultural products, and the limitations on preferential imports applied by EEC, Japan and the United States.

118. Consequently, there is a large scope and urgent need for radical improvement of the GSP, if the objectives of resolution 21 (II) of 26 March 1968 of the United Nations Conference on Trade and Development are to be attained. A comprehensive set of recommendations for improvements of the GSP has been spelt out in the third general report by the UNCTAD secretariat on the implementation of the GSP, submitted to the seventh session of the Special Committee on Preferences.⁶⁶ These recommendations are still fully valid. It may be useful, however, to recall the main areas in which efforts for improvement of the GSP should be centred.

A. Legal status and duration

119. The unilateral and non-binding nature of the GSP makes tariff preferences highly uncertain and precludes the business community and the Governments in the preference-receiving countries from taking account of these tariff advantages in their development and investment programmes. This uncertainty tends to minimize and even nullify the effects which the GSP could have on industrialization and acceleration of the rates of economic growth to developing countries, which are the long-term objectives of the system.

120. The agreement reached at the fourth session of the Conference, that the GSP should continue beyond the initial period of 10 years has no doubt reassured developing countries that the system as a whole will continue, but it did not reduce the uncertainty as to the duration and stability of tariff preferences on individual products, which can still be reduced or withdrawn unilaterally by the preference-giving countries at any time without prior notice or compensation.

121. It is vital, therefore, that the Special Committee consider how to make GSP concessions more secure and

stable. It would be important, also to make the agreement on the extension of the duration more specific, say an extension of 10 years, subject to a comprehensive review before the end of that period to determine whether the system should be further continued.

B. Improvements

122. Contrary to what its name suggests, the GSP in its present form does not constitute a uniform system. It consists of individual schemes which differ from one another in many essential elements. The GSP is a highly complex enterprise, in particular because of the three major schemes under which preferential imports are subject to *a priori* limitations or competitive need exclusions. Differing rules of origin applied under the schemes render the GSP even more complex and difficult to understand and utilize. Harmonization and simplification of the schemes would make the system much more effective. This could be largely achieved by elimination of limitations on preferential imports, or at least by maintaining those limitations only on genuinely sensitive products, which would otherwise be placed on the lists of exceptions.

123. In addition, the following measures are required for a meaningful improvement of the GSP:

(a) Extension of product coverage to all products of current export interest to developing countries, including agricultural products;

(b) Duty-free entry for all products covered;

(c) Substantive harmonization and liberalization of the rules of origin; and

(d) Non-discriminatory application of generalized preferences to all developing countries.

124. The above improvements would make the GSP substantively uniform in terms of an unrestricted tariff-free access to preference-giving country markets for current exports of developing countries, as well as in terms of equal burden sharing between preference-giving countries. Such a system would also provide equitable trade opportunities to the least developed and other developing countries at the incipient stage of economic development and not only to those few industrially more advanced developing countries, as at present.

C. Protection of preferential margins

125. The MFN tariff reductions which may be agreed upon by the preference-giving countries in the current multilateral trade negotiations are bound to reduce preferential margins under the GSP. The Tokyo Declaration has recognized the importance of maintaining and improving the GSP,⁶⁷ and the Special Committee may wish to consider and recommend measures for safeguarding the preferential tariff margins and relaxing, with the objective of eventually eliminating, limitations on preferential imports, so that the potential benefits of the GSP are enhanced rather than eroded. The improvement of the GSP along the lines suggested above would be an essential element in achieving this objective. The measures for safeguarding preferential margins may comprise exclusion from MFN cuts of certain products of export interest to developing countries, or smaller-than-average tariff cuts on such products, and/or a longer period for staging such tariff reductions.

⁶⁶ See TD/B/C.5/41 *, chap. VII.

⁶⁷ Paragraph 5 of the Tokyo Declaration (see foot-note 7 above).

ANNEXES

ANNEX I

List of the schemes of generalized preferences in force

<i>Country</i>	<i>Scheme published as UNCTAD document</i>	<i>Date of implementation</i>
Australia	TD/B/480 and Amend.1-7 TD/B/GSP/AUSTRALIA/1	1 January 1974
Austria	TD/B/373/Add.3 and Corr.1 and Amend.1, 2, 3 Amend.4 and Corr.1, Amend.5	1 April 1972
Bulgaria	TD/B/378/Add.1 TD/B/GSP/BULGARIA/1	1 April 1972
Canada	TD/B/373/Add.4 TD/B/373/Add.4/Annex I (Vol. I and Amend.1-5) TD/B/373/Add.4/Annex I (Vol. II and III) TD/B/GSP/CANADA/1	1 July 1974
Czechoslovakia	TD/B/378/Add.2 TD/B/378/Add.2/Annex TD/B/378/Add.2/Annex II	28 February 1972
EEC	TD/B/GSP/EEC/1 and Amend.1 and 2	} scheme for 1977 1 July 1971
Finland	TD/GSP/FINLAND/1 TD/B/373/Add.2 (Finland) and Amend.1-6 TD/B/373/Add.2 (Finland)/Annex TD/B/373/Add.2 (Finland)/Annex II	
Hungary	TD/B/379/Add.3 and Amend.1 TD/B/378/Add.3/Annex TD/B/378/Add.3/Annex II	1 January 1972
Japan	TD/B/373/Add.7 TD/B/373/Add.7/Annex and Amend.1 TD/B/373/Add.7/Annex II TD/B/373/Add.7/Annex III and Corr.1 and Amend.1 TD/B/373/Add.7/Annex IV TD/B/373/Add.7/Annex V TD/B/373/Add.7/Annex V/Rev.1 and Amend.1 TD/B/534 and Corr.1 TD/B/534/Amend.1 TD/B/534/Amend.2 and Add.1-3 TD/B/GSP/JAPAN/1	1 August 1971
New Zealand	TD/B/610 and Add.1 and Add.1/Corr.1 TD/B/GSP/NZ/1	1 January 1972
Norway	TD/B/578 and Amend.1-3 TD/B/GSP/NORWAY/1, 2 and 3	1 October 1971
Poland	The scheme was announced at the seventh session of the Special Committee on Preferences but at the time of writing had not been notified to UNCTAD	1 January 1976
Sweden	TD/B/373/Add.2 (Sweden) TD/B/373/Add.2 (Sweden)/Annex and Amend.1-4 TD/B/373/Add.2 (Sweden)/Annex II TD/B/373/Add.2 (Sweden)/Annex III TD/B/GSP/SWEDEN/1	1 January 1972
Switzerland	TD/B/373/Add.9/Rev.1 and Amend.1 and 2 TD/B/373/Add.9/Annex TD/B/GSP/SWITZ/1	1 March 1972
USA	TD/B/373/Add.5 and Add.5/Annex TD/B/373/Add.5/Amend.1 and Corr.1, Amend.2, Amend.3, and Corr.1, Amend.4 TD/B/GSP/USA/1 TD/B/GSP/USA/2	1 January 1976
USSR	TD/B/378/Add.5	1 January 1965

ANNEX II

Beneficiaries of the schemes of generalized preferences

(Situation on 1 March 1977)

ACP signifies an African, Caribbean or Pacific country signatory of the Lomé Convention.

CP signifies a Commonwealth country which enjoys special preferences in both the United Kingdom and the Canadian markets, with the exception of Burma, which enjoys special preferences only in the Canadian market.

LDDC signifies one of the least developed among the developing countries.

MED signifies a Mediterranean country which also enjoys special preferences or special tariff treatment under an Association or other preferential agreement with EEC.

Bulgaria: Beneficiaries are not specified in the scheme. It has been stated, however, that Bulgaria "will accord preferential treatment to products originating in interested developing countries, irrespective of their economic and social system" (TD/B/378/Add.1, p. 2).

USSR: Beneficiaries are not specified in the scheme. The developing countries and territories listed refer to those with which the USSR maintains trade relations (see TD/B/C.5/30/Add.3, annex II).

Beneficiaries

Preference-giving countries

(1)

(2) Australia (3) Austria (4) Canada (5) Czechoslovakia (6) EEC (7) Finland (8) Hungary (9) Japan (10) New Zealand (11) Norway (12) Sweden (13) Switzerland (14) United States (15) USSR

I. Members of the Group of 77

Afghanistan (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Algeria (MED)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Angola	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Argentina	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Bahamas (ACP) (CP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Bahrain	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Bangladesh (CP) (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Barbados (ACP) (CP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Benin (ACP) (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Bhutan (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Bolivia	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Botswana (ACP) (LDDC) (CP) ...	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Brazil	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Burma (CP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Burundi (ACP) (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Cape Verde (ACP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Central African Empire														
(ACP) (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Chad (ACP) (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Chile	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Colombia	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Comoros (ACP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Congo (ACP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Costa Rica	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Cuba	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Cyprus (CP) (MED)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Democratic Kampuchea	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Democratic People's Republic of														
Korea	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Democratic Yemen (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Dominican Republic	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Ecuador	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Egypt (MED)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
El Salvador	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Equatorial Guinea (ACP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Ethiopia (ACP) (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Fiji (ACP) (CP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×

ANNEX II (continued)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Gabon (ACP)	×	×	×	×	×	×	×	×	×	×	×	×		
Gambia (ACP) (CP) (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Ghana (ACP) (CP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Grenada (ACP) (CP)	×	×	×			×		×	×	×			×	×
Guatemala	×	×	×	×	×	×	×	×	×	×	×	×	×	
Guinea (ACP) (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Guinea-Bissau (ACP)	×	×	×		×	×		×	×	×	×	×	×	×
Guyana (ACP) (CP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Haiti (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	
Honduras	×	×	×	×	×	×	×	×	×	×	×	×	×	
India (CP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Indonesia	×	×	×	×	×	×	×	×	×	×	×	×		×
Iran	×	×	×	×	×	×	×	×	×	×	×	×		×
Iraq	×	×	×	×	×	×	×	×	×	×	×	×		×
Ivory Coast (ACP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Jamaica (ACP) (CP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Jordan (MED)	×	×		×	×	×	×	×	×	×	×	×	×	×
Kenya (ACP) (CP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Kuwait	×	×	×	×	×	×		×	×	×	×	×		×
Lao People's Democratic Republic (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×		×
Lebanon (MED)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Lesotho (ACP) (LDDC)	×	×	×		×	×	×	×	×	×	×	×	×	
Liberia (ACP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Libyan Arab Jamahiriya	×	×		×	×	×	×	×	×	×	×	×		×
Madagascar (ACP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Malawi (ACP) (LDDC) (CP)	×	×	×		×	×	×	×	×	×	×	×	×	
Malaysia (CP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Maldives (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	
Mali (ACP) (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Malta (CP) (MED)	×	×	×	×				×	×	×	×	×	×	
Mauritania (ACP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Mauritius (ACP) (CP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Mexico	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Morocco (MED)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Mozambique	×	×	×		×	×	×	×	×	×	×	×	×	
Nepal (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Nicaragua	×	×	×	×	×	×	×	×	×	×	×	×	×	
Niger (ACP) (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	
Nigeria (ACP) (CP)	×	×	×	×	×	×	×	×	×	×	×	×		×
Oman	×	×	×	×	×	×		×	×	×	×	×	×	
Pakistan (CP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Panama	×	×	×	×	×	×		×	×	×	×	×	×	×
Papua New Guinea (ACP)	×	×	×		×	×	×	×	×	×	×	×	×	
Paraguay	×	×	×	×	×	×		×	×	×	×	×	×	
Peru	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Philippines	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Qatar	×	×	×	×	×	×		×	×	×	×	×		
Republic of Korea	×	×	×		×	×		×	×	×	×	×	×	
Romania	×	×	×		×	×		×	×	×	×	×		
Rwanda (ACP) (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Sao Tome and Principe (ACP) ...	×	×	×		×	×		×	×	×	×	×	×	
Saudi Arabia	×	×		×	×	×		×	×	×	×	×		×
Senegal (ACP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Seychelles (ACP) (CP)	×	×	×		×	×		×	×	×	×	×	×	
Sierra Leone (AC) (CP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Singapore (CP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Socialist Republic of Viet Nam ...	×				×	×				×	×	×		
Somalia (ACP) (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Sri Lanka	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Sudan (ACP) (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Suriname (CP) (ACP)	×	×	×	×	×	×		×	×	×	×	×	×	×
Swaziland (ACP) (CP)	×	×	×	×	×	×	×	×	×	×	×	×	×	
Syrian Arab Republic (MED)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Thailand	×	×	×	×	×	×		×	×	×	×	×	×	×
Togo (ACP)	×	×	×	×	×			×	×	×	×	×	×	×
Trinidad and Tobago (ACP) (CP) .	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Tunisia (MED)	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Uganda (ACP) (LDDC) (CP)	×	×	×	×	×	×	×	×	×	×	×	×		×

ANNEX II (continued)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
United Arab Emirates	x	x	x	x	x	x		x	x	x	x	x		x
Abu Dhabi	x				x						x	x		
Dubai	x				x						x	x		
Ras-al-Khaimah	x	x			x						x	x		
Fujairah	x				x						x	x		
Ajman	x				x						x	x		
Sharjah	x				x						x	x		
Umm Al Qaiwan	x				x						x	x		
United Republic of Cameroon (ACP)	x	x	x	x	x	x	x	x	x	x	x	x	x	x
United Republic of Tanzania (ACP) (LDDC) (CP)	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Upper Volta (ACP) (LDDC)	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Uruguay	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Venezuela	x	x	x	x	x	x		x	x	x	x	x		x
Yemen (LDDC)	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Yugoslavia	x	x	x	x	x	x		x	x	x	x	x	x	
Zaire (ACP)	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Zambia (ACP) (CP)	x	x	x	x	x	x	x	x	x	x	x	x	x	x

II. Other countries

Albania	x								x					
Bulgaria	x	x	x			x		x	x		x	x		
Greece (MED)	x	x	x					x	x			x		
Israel (MED)	x	x	x			x		x	x	x	x	x	x	
Mongolia	x					x		x	x					
Muscat	x	x										x		
Nauru (CP)	x	x	x	x	x	x			x	x	x	x	x	
Portugal	x	x						x	x				x	
Samoa (ACP) (LDDC) (CP)	x	x	x	x	x	x		x	x	x	x	x	x	
Spain (MED)		x						x	x			x		
Tonga (ACP) (CP)	x	x	x		x			x	x	x	x	x	x	
Turkey (MED)	x	x	x	x		x		x	x	x		x	x	

III. Territories *

A. EEC member States

1. France and Netherlands

French Territory of the Afars and Issas	x	x	x		x				x	x	x	x	x	
Mayotte	x				x									
French Southern and Antarctic Territories		x	x		x					x	x ^c			
Adelie Land												x		
Crozet												x		
Kerguelen												x		
New Amsterdam												x		
New Hebrides Condominium	x	x			x			x	x	x	x	x	x	
French Oceania (Polynesia)	x	x	x		x				x	x	x	x	x	
Alofi	x											x		
Clipperton	x											x		
Futuna	x	x			x				x	x	x	x	x	
Horn	x											x		
Loyalty	x											x		
Marotiri	x											x		
Marquesas	x											x		
New Caledonia	x	x	x		x ^d				x	x	x	x	x	
Rapa	x											x		
Society (Tahiti)	x											x		
Tubai	x											x		
Tuamotu	x											x		
Uvéa	x											x		
Wallis	x	x			x				x	x	x	x	x	
St. Pierre and Miquelon	x	x	x								x	x	x	

* Classified according to the country of which the territory is a dependency, by which it is administered or which is responsible for its external relations.

ANNEX II (continued)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Netherlands Antilles	×	×	×		×			×	×	×	×	×	×	
Aruba	×											×		
Bonaire	×											×		
Curaçao	×											×		
Saba	×											×		
St. Eustache	×											×		
St. Martin	×											×		
<i>2. United Kingdom</i>														
Belize	×	×	×		×			×	×	×	×	×	×	
Bermuda	×	×	×		×			×	×	×	×	×	×	
Brunei	×	×	×		×			×	×	×	×	×	×	
Cayman Islands	×	×	×		×			×	×	×	×	×	×	
Caicos Islands	×	×	×		×			×	×	×	×	×	×	
Gibraltar	×	×	×		×			×	×	×		×	×	
Hong Kong	×	×	×		×			×	×		×	×	×	×
West Indies	×				×							×		
Windward Islands	×				×					×		×		
Dominica	×	×	×		×			×	×	×	×	×	×	
Grenadines	×								×			×		
St. Lucia	×	×	×		×			×	×	×	×	×	×	
St Vincent	×	×	×		×			×	×	×	×	×	×	
Leeward Islands	×				×							×		
Anguilla	×	×	×		×			×	×	×	×	×	×	
Antigua	×	×	×		×			×	×	×	×	×	×	
Montserrat	×	×	×		×			×	×	×	×	×	×	
Nevis	×	×	×		×			×	×	×	×	×	×	
St. Kitts	×	×	×		×			×	×	×	×	×	×	
Virgin Islands	×	×	×		×			×	×	×	×	×	×	
British Pacific Ocean	×				×				×	×		×		
Ducie	×											×		
Tuvalu	×	×	×		×			×	×	×	×	×	×	
Fanning	×								×	×		×		
Gilbert	×	×	×					×	×	×	×	×	×	
Henderson	×											×		
Ocean	×								×			×		
Oeno	×											×		
Phoenix	×								×			×		
Canton and Bury	×									×		×		
Pitcairn	×	×	×		×				×	×	×	×	×	
Solomon	×	×	×		×			×	×	×	×	×	×	
Santa Cruz	×								×			×		
Washington	×								×			×		
<i>British Territories in the Indian</i>														
Ocean and the South Atlantic ...	×	×	×		×				×	×	×	×	×	
Aldabra	×				×					×				
Amirantes	×				×							×		
Chagos Archipelago	×				×					×		×		
Ascension	×		×		×							×		
Desroches	×				×					×		×		
Diego Alvarez (Gough)	×				×					×		×		
Falkland Islands (Malvinas)														
and dependencies	×	×	×		×			×	×	×	×	×	^b	×
Farquhar	×				×					×				
St. Helena	×	×	×		×			×	×	×	×	×	×	
Tristan da Cunha	×		×		×					×		×		
Turks Islands	×	×	×		×			×	×	×	×	×	×	
British Antarctic territory					×					×				
<i>B. Australia</i>														
Australian Antarctic Territories ..					×				×					
Australian Islands										×				
Cocos (Keeling) Islands			×		×				×			×	×	
Corn and Swan Islands					×				×	×		×	×	
Christmas Island			×		×				×				×	
Heard and McDonald Islands ..					×				×	×			×	
New Guinea		×	×		×			×		×	×	×	^g	×
New Ireland									×			×		
Norfolk Island			×		×				×	×		×	×	

ANNEX II (concluded)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
C. New Zealand														
Overseas territories of														
New Zealand		x			x					x		x		
Cook	x	x	x		x			x		x	x	x	x	
Niue	x	x			x			x		x	x	x	x	
Ross Dependencies, Tokelau (Union)	x	x			x			x		x	x	x	x	
D. Portugal														
Macao	x	x			x				x		x	x	x	
Timor	x	x			x							x	x	
West Africa:														
Cabinda	x	x			x							x		
E. Spain														
Spanish territory in Africa (Sahara)		x			x									
Ceuta	x	x										x		
Melilla	x	x										x		
Ifni	x	x										x		
Sahara (Rio de Oro, Sekia el Hamra and others)	x	x							x			x	x	x ^h
Spanish North Africa	x		x											
F. United States of America														
Territories and dependencies in														
Oceania		x			x					x	x ⁱ	x		
Baker												x		
Carolines	x				x				x ^e	x		x		
Guam	x	x	x		x				x	x	x	x		
Howland	x									x		x		
Jarvis	x				x							x		
Johnston	x	x			x					x	x	x		
Manua	x				x							x		
Marianas	x				x				x	x		x		
Marshalls	x				x				x	x		x		
Midways	x	x			x					x	x	x		
Palau	x											x		
Palmyra									x			x		x
Rose	x											x		
Samoa	x	x	x		x ^j				x ^k	x	x	x		
Sand	x	x			x					x	x	x		
Sporades of Central Polynesia ..	x											x		
Swain's Island	x	x			x				x	x	x	x		
Tutuila	x								x			x		
Wake	x	x			x						x			
Trust territory of the Pacific														
Islands	x	x			x				x	x	x		x	
Virgin Islands	x	x	x		x ^l				x	x ^l				
G. Other														
Kuria Muria Islands	x											x		
Dependencies of Mauritius	x													

^a Austria, EEC and Switzerland show Cabinda separately as a beneficiary country.

^b Including Sikkim.

^c Including Austral Islands.

^d And dependencies.

^e Including — Flint; Caroline; Vostock; Malden; Starbuck.

^f Falklands (Malvinas) only.

^g "Eastern part, including Papua and the Entrecasteaux and Louisiade Archipelago; Admiralty Islands; Bougainville, New Britain".

^h Indicated as Western Sahara.

ⁱ Including Palau; Yap; Ponape and Truk Districts.

^j Including Swain's Island.

^k Including Manua group.

^l Including St. Croix; St. Thomas; St. John; etc.

Information supplied by preference-giving countries on their imports from beneficiaries ^a

AUSTRALIA

Information has been received for fiscal year 1974/1975 on total, dutiable, and covered imports in CCCN chapters 1-24 and 1-99 from each beneficiary, and on imports of products defined at the tariff line level, subject to tariff quotas under the scheme. No information has been received on imports actually receiving preferential treatment at any level of aggregation or on imports from major beneficiary suppliers at the tariff line level.

AUSTRIA

Information has been received for the period 1972-1974 on total, dutiable, and covered imports for each CCCN chapter (1-99), with an indication of the two major suppliers in each chapter. Total, dutiable, and covered imports of all products together (i.e. all CCCN chapters 1-99 combined) from each beneficiary have also been notified. No information has been received on imports which actually received preferential treatment on the value of imports in CCCN chapters 1-24 and 25-99 from each beneficiary or on imports of individual products defined at the tariff line level.

BULGARIA

No information received.

CZECHOSLOVAKIA

No information received.

EUROPEAN ECONOMIC COMMUNITY

Information has been received for 1974 and 1975 on the levels of tariff quotas and ceilings and the amounts of preferential imports for five groups of industrial products and for agricultural products considered as a group, together with an indication of the preferential imports in each group of industrial products from major beneficiary suppliers. In addition, information has been received for 1975 on total imports covered by the scheme and preferential imports at the CCCN chapter level of aggregation for all beneficiaries and each of 13 major beneficiary suppliers and for products classified according to the type of administrative control of preferential imports. No information has been received on total, dutiable, covered, or preferential imports from each beneficiary of the scheme, other than the total and preferential imports from major beneficiary suppliers.

EEC has also supplied computer tapes on its imports in 1972 (of the then six members) according to NIMEX classification. However, preferential imports have not been indicated.

FINLAND

Complete information for the period 1972-1976 has been received in tabular form and on computer tapes, detailed at the tariff line level, and summed for all products in CCCN 1-24 and 25-99 and for each beneficiary on total, dutiable, covered and preferential imports.

^a In reply to a note of the Secretary-General of UNCTAD of 23 October 1973. In that note, preference-giving countries were requested to supply, *inter alia*, information on imports on a regular basis, in the form of computer tapes or, if this was not possible, in an appropriate tabular form. The import information requested consists of data on total, dutiable, covered, and preferential imports from each beneficiary in CCCN chapters 1-24 and 25-99, and data on covered and preferential imports of products defined at the tariff line level from the world as well as from each beneficiary. (For details of the information received, see TD/B/C.5/30 and Add.1-4.)

HUNGARY

Information has been received for the period 1972-1974 on total, dutiable, and preferential imports in CCCN chapters 1-24 and 25-99 from each beneficiary, and on preferential imports of each product defined at the tariff line level together with an indication of the amount of imports from major beneficiary suppliers. Since all products covered by the Hungarian scheme of generalized preferences received preferential treatment when imported and originating from countries recognized as beneficiaries under the scheme, no information has been provided separately on imports covered by the scheme.

JAPAN

Information has been received for the fiscal years 1972, 1973 and the period April to December of 1974 on total, covered and preferential imports of individual agricultural products in CCCN chapters 1-24 and of industrial product groups as defined in the scheme of each fiscal period. No information has been received on imports from individual beneficiaries. Japan supplied a computer tape on its imports at tariff line level in fiscal year 1972/1973. However, preferential imports have not been indicated.

NEW ZEALAND

Information has been received only for 1972 on total, covered, and preferential imports in CCCN chapters 1-24 and 25-99 from each beneficiary, and on covered and preferential imports of individual products defined at the tariff line level. No information has been received on dutiable imports.

NORWAY

Complete information for the period 1972-1974 has been received giving details at the tariff line level and summed for all products in CCCN chapters 1-24 and 25-99 as well as for each beneficiary on total, dutiable, covered, and preferential imports. The same information has been received for 1975, except for data on imports of individual products defined at the tariff line level.

POLAND

Information has been received for the 1972/1973 period only for total imports from each beneficiary in CCCN chapters 1-24 and 25-99.

SWEDEN

Complete information has been received for the period 1972-1975 giving details at the tariff line level and summations for all products in CCCN chapters 1-24 and 25-99 as well as for each beneficiary on total, dutiable, covered, and preferential imports.

SWITZERLAND

Information has been received for the period 1972-1975 on total, covered and preferential imports in CCCN chapters 1-24 and 25-99 from each beneficiary. However, no information has been received on imports or major beneficiary suppliers at the tariff line level, nor does the information received distinguish between dutiable imports which have been subjected to a reduced tariff rate on an MFN basis and those which are MFN duty-free.

Information has also been received on total, covered, and preferential imports for each CCCN chapter and their major beneficiary suppliers.

UNITED STATES OF AMERICA

Information in tabular form has been received on the first year of operation of its scheme (1976). The information includes data on imports of products covered by the schemes from the world, recognized beneficiaries, and other developing countries. The information is also provided on covered products, exclusions due to the competitive need criteria (\$29.6 million and 50 per cent limitations) and to other reasons (e.g. rules of origin, failure to claim preferences, failure to notify authorities empowered to issue the certificates of origin, etc.), as well as on imports which actually received preferences. Information is given on an individual product basis (TSUS) and for individual beneficiaries. The reply does not, however, provide separate data on total imports beyond those covered by the scheme. The secretariat has been advised that the above detailed information would also be supplied on magnetic computer tape.

UNION OF SOVIET SOCIALIST REPUBLICS

Information has been received for the period 1971-1974 on total and preferential imports from certain beneficiaries for all products and at the tariff line level for selected products and beneficiaries. No information has been received on imports divided into CCCN chapters 1-24 or 25-99. Since all dutiable imports from developing countries which maintain trade relations with the Soviet Union receive preferential duty-free treatment, no information has been provided separately on dutiable and covered imports.

* * *

In addition to the above information, the UNCTAD secretariat has been receiving computer tapes supplied to GATT by the preference-giving developed market-economy countries. These computer tapes contain information on total, dutiable, and covered imports from each beneficiary at the tariff line level.

Document TD/B/C.5/48

THE EEC SCHEME FOR 1976 AND 1977

Report by the UNCTAD secretariat

[Original: English]
[24 March 1977]

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A. REGULATIONS AND DECISIONS CONCERNING THE EEC SCHEME OF GENERALIZED PREFERENCES FOR 1976.

(The texts are reproduced in document TD/B/592)

Regulation (EEC) No. 3001/75 of the Council of 17 November 1975 opening, allocating and providing for the administration of Community tariff quotas for certain cotton textile and like products originating in developing countries.*

Regulation (EEC) No. 3002/75 of the Council of 17 November 1975 opening preferential tariffs for certain cotton textile and like products originating in developing countries.*

Regulation (EEC) No. 3003/75 of the Council of 17 November 1975 opening, allocating and providing for the administration of Community tariff quotas for certain textile products originating in developing countries.*

Regulation (EEC) No. 3004/75 of the Council of 17 November 1975 opening preferential tariffs for certain textile products originating in developing countries.*

Regulation (EEC) No. 3005/75 of the Council of 17 November 1975 opening, allocating and providing for the administration of Community tariff quotas for certain textile products originating in Yugoslavia.*

Regulation (EEC) No. 3006/75 of the Council of 17 November 1975 opening preferential tariffs for certain textile products originating in Yugoslavia.*

Regulation (EEC) No. 3008/75 of the Council of 17 November 1975 opening, allocating and providing for the administration of Community tariff quotas for certain products originating in developing countries.*

Regulation (EEC) No. 3009/75 of the Council of 17 November 1975 opening and providing for the administration of preferential Community tariff ceilings for certain products originating in developing countries.*

Decision 75/694/ECSC of 17 November 1975 of the representatives of the Governments of the member States of the European Coal and Steel Community, meeting in Council, opening, allocating and providing for the administration of tariff quotas for certain steel products originating in developing countries.

Decision 75/695/ECSC of 17 November 1975 of the representatives of the Governments of the member States of the European Coal and Steel Community, meeting in Council, opening tariff preferences for certain steel products originating in developing countries.

B. REGULATIONS AND DECISIONS CONCERNING THE EEC SCHEME OF GENERALIZED PREFERENCES FOR 1977

(The texts are reproduced in document TD/B/GSP/EEC/1)

Council Regulation (EEC) No. 3019/76 of 13 December 1976 opening, allocating and providing for the administration of Community tariff quotas for certain products originating in developing countries.**

Council Regulation (EEC) No. 3020/76 of 13 December 1976 opening and providing for the administration of preferential Community tariff ceilings for certain products originating in developing countries.**

Council Regulation (EEC) No. 3021/76 of 13 December 1976 opening preferential tariffs for certain products originating in developing countries.**

Council Regulation (EEC) No. 3022/76 of 13 December 1976 opening, allocating and providing for the administration of Community tariff preferences for textile products originating in developing countries and territories.**

Commission Regulation (EEC) No. 3200/76 of 21 December 1976 on the definition of the concept of originating products for purposes of the application of tariff preferences granted by the European Economic Community in respect of certain products from developing countries.**

Commission Regulation (EEC) No. 3201/76 of 21 December 1976 derogating in respect of the countries of the Association of South East Asian Nations from Articles 1, 6 and 13 of Commission Regulation (EEC) No. 3200/76 of 21 December 1976 on the definition of the concept of originating products for purposes of the application of tariff preferences granted by the European Economic Community in respect of certain products from developing countries.**

Commission Regulation (EEC) No. 3202/76 of 21 December 1976 derogating in respect of the countries of the Central American Common Market from Articles 1, 6 and 13 of Commission Regulation (EEC) No. 3200/76 of 21 December 1976 on the definition of the concept of originating products for purposes of the application of tariff preferences granted by the European Economic Community in respect of certain products from developing countries.**

Commission Regulation (EEC) No. 3203/76 of 21 December 1976 derogating in respect of the countries which have signed the Cartagena Agreement (Andean Group) from articles 1, 6 and 13 of Commission Regulation (EEC) No. 3200/76 of 21 December 1976 on the definition of the concept of originating products for purposes of the application of tariff preferences granted by the European Economic Community in respect of certain products from developing countries.**

Decision 76/908/ECSC of 13 December 1976, of the representatives of the Governments of the member States of the European Coal and Steel Community, meeting within the Council, opening, allocating and providing for the administration of tariff quotas for certain steel products originating in developing countries.**

Decision 76/909/ECSC of 13 December 1976, of the representatives of the Governments of the member States of the European Coal and Steel Community, meeting within the Council, opening tariff preferences for certain steel products originating in developing countries.**

* *O.J.E.C.* (Luxembourg), vol. 18, No. L 310 (29 November 1975).

** *Ibid.*, No. L 349 (20 December 1976).

SUMMARY AND CONCLUSIONS

1. The EEC scheme of generalized preferences is administered through Community regulations and decisions on an annual basis. This report reviews the main changes which have occurred for 1976 and 1977 and thus brings up to date information on the scheme since the seventh session of the Special Committee on Preferences. Also, since that session, information on the administration of preferential imports in 1975 and 1976 has become available and is briefly analysed in this report.

2. The beneficiaries of the scheme now include 114 countries and 33 territories or groups of territories. Thus beneficiary status extends to all countries members of the Group of 77, with the exception of the Democratic People's Republic of Korea and Malta.

3. Although a large number of agricultural products in CCCN chapters 1-24 have been added to the scheme in both 1976 and 1977, the product coverage in this

sector, as in the case of other preference-giving country schemes, remains highly selective. All industrial products in CCCN chapters 25-99 are covered by the scheme. Industrial raw materials and metals up to the stage of ingot, falling within these chapters, are excluded from the coverage.

4. All industrial products covered by the scheme enjoy duty-free treatment, with the exception of certain jute and coir products. Agricultural products, on the other hand, enjoy varying degrees of tariff cuts, including duty-free treatment. With the deeper tariff cuts introduced in 1976 and 1977, the average preferential margin on these products (both those on which the customs duties were eliminated and those on which the duties or the fixed component of protection were partially reduced) stood at 7.3 percentage points in 1977 as compared with about 4 percentage points when the scheme was introduced.

5. Of central importance to the scheme is the administration of the great majority of preferential imports (all industrial products and certain agricultural products) through a system of *a priori* limitations in the form of tariff quotas, tariff ceilings and ceilings, and maximum country amounts. These various instruments serve to limit preferential imports of industrial products annually at levels normally calculated as the sum of c.i.f. value of Community imports in a reference year of the products in question from beneficiaries, excluding those already enjoying special preferences granted by the Community (basic amount), and 5 per cent of the c.i.f. value of imports, also in a reference year, from other sources, including those already enjoying special preferences (supplementary amount). In 1976, ceilings and tariff quotas for industrial products have generally been increased by a flat rate of 15 per cent over those set in 1975 and by 5 per cent for textiles and ECSC iron and steel products. In calculating the 1977 ceilings for these products, the Community used 1974 as a reference year for both the basic and the supplementary amounts. This has resulted in a substantial increase in the over-all level of ceilings. However, a general provision was made that the ceilings cannot exceed by more than 50 per cent those applied in 1976. Moreover, for a number of products the ceilings have been fixed at lower levels than those that would have been obtained by the application of the standard formula. Also the tariff quotas for three footwear and three ECSC iron and steel products have been maintained at the 1976 level.

6. In order to improve utilization of tariff quotas for industrial products other than textiles and ECSC iron and steel, the Community introduced in 1975, on a trial basis, a Community reserve for two tariff quotas for subsequent reallocation to those member States that have approached exhaustion of their national shares. In 1976 and 1977, a Community reserve was set up for 4 and 6 tariff quotas, respectively, out of a total of 13 tariff quotas in this product category. However, no Community reserve has been established for any of the tariff quotas governing preferential imports of textiles or ECSC iron and steel products. The Community also introduced a special measure in favour of the least developed among developing countries by exempting them from the application of the maximum amounts with respect to industrial products subject to ceilings and with respect to textiles.

7. A major modification in the system of administration of preferential imports of textile products has

been made in the 1977 scheme. A dual system of administration of preferential imports has been introduced, which is a relatively more liberal one for imports from economically disadvantaged beneficiaries. The main changes are:

(a) Cotton and non-cotton textiles are now treated in the same manner;

(b) All countries (except Romania) and territories (except territories with regard to which textiles are subject to tariff quotas) have been recognized as beneficiaries, in contrast to previous years when independent developing countries were recognized as beneficiaries in respect of non-cotton textiles and only a selected number of these countries in respect of cotton textiles and substitute (related) textiles;

(c) Special maximum amounts of 10 per cent are applied to certain textile products subject to tariff quotas when imported from selected beneficiaries (other than the less disadvantaged). Moreover, these special maximum amounts are applied not only at the Community level but also by the individual EEC member States. Thus, the special maximum amounts serve to limit further the preferential imports.

A. Administration of preferential imports and utilization of tariff quotas and ceilings

8. According to the information notified by the EEC Commission, the tariff quotas for all sensitive industrial products were utilized in 1975 by nearly two thirds. The percentage of utilization varied, however, as between product categories: 21 per cent for ECSC iron and steel; 42 per cent for textiles other than cotton; 66 per cent for cotton textiles and 82 per cent for all other industrial products subject to tariff quotas.

9. The over-all utilization of tariff ceilings and ceilings for semi-sensitive industrial products amounted to 63 per cent of these ceilings. However, the degree of utilization varied widely as between product categories: 11 per cent for ECSC iron and steel products, 35 per cent for textiles other than cotton, 43 per cent for industrial products subject to tariff ceilings, 105 per cent for cotton textiles and 120 per cent for petroleum products.

10. The low percentage utilization of tariff quotas and tariff ceilings for iron and steel products and for textiles was very likely due to the fact that the maximum amounts were set very low.

11. As to non-sensitive products, the EEC Commission estimates that in 1975 the utilization of ceilings for industrial products other than textiles attained 35 per cent of the over-all ceilings. This percentage is not indicative of the real utilization of the tariff advantages under the scheme as in the case of sensitive and semi-sensitive products since, on the whole, the ceilings established for non-sensitive products exceed by far the actual imports by the Community of these products from the beneficiaries of the scheme.

B. Conclusions

12. During the period under review, the Community has made a major effort to improve its scheme of generalized preferences. Notably it has:

(a) Expanded the coverage of agricultural products, in particular in 1977, by adding many tropical products to the positive list;

- (b) Granted deeper tariffs cuts on agricultural products;
- (c) Generally increased the level of ceilings and tariff quotas;
- (d) Extended the beneficiary list with respect to textiles; and
- (e) Introduced a special measure in favour of the least developed among the developing countries in connexion with the application of maximum country amounts.

13. Despite these improvements, the EEC scheme, on the whole, and in particular the system of administration and control of preferential imports of industrial products, has remained highly complex and restrictive. The application of special maximum amount limitations since 1975 on preferential imports of industrial products from selected beneficiaries constituted a step further towards differentiation between beneficiaries. This differentiation has been intensified with the introduction in 1977 of a dual system of control of preferential imports of textiles, involving application of tariff quotas, tariff ceilings and ceilings as well as the special maximum country amount limitations at the Community level and

at the member State level. This bilateralization of control over preferential imports between selected beneficiaries, on the one hand, and the Community and/or member States, on the other hand, is difficult to reconcile with the principle of non-discrimination embodied in the Agreed Conclusions on the GSP, adopted by the Special Committee on Preferences at the second part of its fourth session.¹

14. The specific suggestions made in a previous report by the UNCTAD secretariat,² regarding simplification and improvements of the EEC scheme are still valid, especially with regard to the structure of the scheme and the administration of preferential imports. These suggestions, if introduced, would go a long way towards increasing the effectiveness of the preferences granted by the Community and would in particular contribute to removing the uncertainty and the selectiveness embodied in the present system.

¹ For the text of the Agreed Conclusions, see the annex of decision 75 (S-IV) of the Trade and Development Board of 13 October 1970.

² TD/B/C.5/34 *.

Chapter I

THE EEC SCHEME FOR 1976

A. Essential elements of the scheme

15. EEC adopts from year to year new regulations to govern the implementation of its scheme. Since the scheme was described in some detail in a report by the UNCTAD secretariat,³ it is sufficient to give in this chapter only a brief description of the main changes and improvements that have been made in 1976.⁴

1. BENEFICIARIES

16. The list of beneficiaries was unaltered, except that Cape Verde Islands, Grenada, Guinea Bissau, Papua New Guinea and Surinam have been classified as independent countries. This conferred on them beneficiary status also for textiles, other than cotton, while dependent countries and territories were still excluded from such treatment. Moreover, Costa Rica, Guatemala, Haiti, Nicaragua, Paraguay and Singapore have been added to the 18 countries already enjoying preferential treatment with respect to cotton textiles and substitute textile products.

2. PRODUCT COVERAGE

17. The product coverage with respect to industrial products remained the same and a few items were added to the list of covered agricultural products. The added products included cigarettes,⁵ aquarium fish, chick and

cajan peas, tonquin beans, oleic acid and some tropical fruit, preserved or prepared.

3. TARIFF REDUCTIONS

18. Duty-free treatment continued to apply to all industrial products except for certain jute and coir products. GSP rates were further reduced on most agricultural products included in the scheme. The cuts varied from 0.5 to 2 percentage points and on a few items up to 3 and 4 percentage points.

4. SAFEGUARD MECHANISM

19. Preferential imports of agricultural products are normally subject to the standard escape clause, with the exception of a few major products for which tariff quotas are set on an annual basis. Under the 1976 scheme, tariff quotas were maintained at the 1975 level for cocoa butter (21,600 metric tons) and soluble coffee (18,750 metric tons); they were increased from 20,000 to 30,000 tons for preserved pineapples, other than in slices, and from 30,000 to 38,000 tons for unmanufactured tobacco of the "flue-cured Virginia type". A new tariff quota of 28,000 metric tons was opened for preserved pineapples, in slices.⁶

20. Preferential imports of industrial products continued to be subject to Community tariff quotas, tariff ceilings, ceilings and to maximum country amounts. The *a priori* limitations are calculated yearly for each product according to the standard formula.⁷ Under the 1976

³ *Ibid.*

⁴ The official texts constituting the EEC scheme of generalized preferences for 1976 have been published in the *O.J.E.C.* (Luxembourg), vol. 18, No. L 310 (29 November 1975) and *ibid.*, No. L 323 (15 December 1975).

⁵ Cigarettes are the single most important item in CCCN chapter 24 in international trade. However, the participation of developing countries, which are substantial producers and exporters of unmanufactured tobacco, is small because of high tariff and non-tariff barriers in developed countries. Therefore there is a potential for substantial increase in export of cigarettes, provided this item is included in the GSP at duty-free or substantially reduced rates. The EEC scheme for 1976 reduced the MFN rate of 90 per cent to a GSP rate of 89 per cent.

⁶ CCT subheadings are: ex 20.06 B II (a) 5; ex 20.06 B II (b) 5; ex 20.06 B II (c) 1 (*dd*) and ex 20.06 B II (c) 2 (*bb*).

⁷ The ceiling is made up of the basic amount—c.i.f. value of EEC imports of the product in a base year (it was initially 1968 and is now 1971) from beneficiaries, excluding those enjoying special preferences—plus the *supplementary amount*—5 per cent of c.i.f. value of EEC imports of the product in a more recent year (1972 for 1975 scheme) from non-beneficiaries and beneficiaries enjoying special preferences.

scheme the normal formula seems to have been disregarded and the limits were set through a flat-rate increase of tariff quotas and ceilings set under the 1975 scheme, except for textiles for which the flat rate increase applied to the 1974 figures. The increase for textiles and iron and steel products amounted to 5 per cent; for all other industrial products it amounted to 15 per cent.

21. According to the EEC Commission, of 1.2 million metric tons of textiles imported annually into the Community, 500,000 tons of which come from developing countries, approximately 75,000 tons were covered by the 1976 scheme, or only 15 per cent of total imports of textiles from developing countries. Moreover, the 15 per cent increase in value terms of tariff quotas and ceilings for industrial products other than textiles and steel failed to compensate for the effect of inflation in import prices, which between 1972 and 1973 increased by 40 per cent, according to the EEC Commission.

22. The conditions for granting preferential treatment to industrial products are briefly described below.

(a) Industrial manufactures other than textiles and ECSC products

(i) Products subject to tariff quotas

23. As under the 1975 scheme, the same 13 products were subject to tariff quotas.⁸ The maximum country amounts varied from 20 to 30 per cent of the quota. The member States' allocations were made according to the same percentages as those set in 1975.

24. Community reserve applied with respect to four products as against two in the preceding year. The four were: travel goods of plastic sheeting, primary cells and batteries, radio and television receivers, and other furniture.

(ii) Products subject to tariff ceilings

25. A total of 29 products,⁹ as against 34 the previous year, were administered through tariff ceilings. The maximum country amounts varied from 20 to 50 per cent of the ceiling. Of these products, 28 were affected by the special maximum amount of 15 per cent applicable to selected beneficiaries.¹⁰

⁸ The CCT headings and subheadings, together with the corresponding value in units of account or quantity of quota amounts (in parentheses), are: leather 41.02 ex B (16,771,320); travel goods, other 42.02 B (11,324,000); articles of apparel 42.03 A, B II III, C (11,636,000); plywood 44.15 (113,500 m³); rubber footwear 64.01 (2,422,350); leather footwear 64.02 A (19,796,700); footwear, other 64.02 B (10,991,400); transistors 85.21 D E (5,823,000); chairs, other 94.01 B (17,232,000); travel goods, plastic 42.02 A (5,245,000); primary cells and batteries 85.03 (4,441,000); radio and television 85.15 A III, C III (17,783,800); other furniture 94.03 (12,711,000). The last four tariff quotas operate under a Community reserve. See EEC Council regulation No. 3008/75.

⁹ CCT headings and subheadings: 28.27 (lead oxides); 28.56 C (calcium carbides); 31.05 A I II III (b) IV, B (other fertilizers); 39.03 B I (regenerated cellulose); 39.03 B II (cellulose nitrates); 40.11 (rubber tyres); 46.03 (basketwork); 48.01 C II (kraftpaper); 66.01 (umbrellas); 67.04 (wigs); 69.02 (refractory bricks); 69.11 (tableware); 70.05 (unworked glass); 70.13 (glassware); 71.16 (imitation jewellery); 73.18 (tubes and pipes); 74.03 (wrought bars); 79.03 A (zinc plates); 84.41 A III (sewing machines parts); 85.01 A II (generators, other); 85.10 B (electric battery, other); 85.23 (insulated wire); 87.14 B II (other vehicles); 90.05 (telescopes); 92.11 A (sound recorders); 97.02 (dolls); 97.03 (other toys); 97.05 (carnival articles) and 98.15 (vacuum flasks). See EEC Council regulation No. 3009/75.

¹⁰ The countries or territories affected by the special maximum amounts were: Hong Kong (9 products); Macao (2 products); Mexico (1 product); Republic of Korea (2 products); and Yugoslavia (16 products) under EEC Council regulation No. 3009/75 and 1 product under decision 75/695/ECSC.

(iii) Products subject to ceilings

26. The bulk of manufactures and semi-manufactures contained in CCCN chapters 25-99 are governed by ceilings which, as was mentioned earlier, were not calculated on the basis of the normal formula, but through a flat-rate increase of 15 per cent over those of 1975. The maximum country amount was generally 50 per cent, although there were a number of products for which the maximum amount was set at 20, 30 or 40 per cent.

(b) Cotton textiles and substitutes

(i) Products subject to tariff quotas

27. As in the previous year, cotton textiles and substitutes were governed by 17 tariff quotas,¹¹ amounting to 18,185 metric tons. The maximum country amount was set at 30 per cent for all items. The fixed shares of member States were the same as those set in 1975.

28. Beneficiaries with respect to these products consisted of only 23 countries. In addition, as in the past year, the Community opened, under Council regulation No. 3005/75, separate duty-free tariff quotas for imports of 23 products originating in Yugoslavia, amounting in all to 6,009 tons.

(ii) Products subject to ceilings

29. Cotton textiles and substitutes related to 24 CCT headings or subheadings.¹² As was indicated earlier, ceilings were calculated through a flat-rate increase of 5 per cent over those in 1975.

30. Again there were only 23 beneficiary countries. In addition, the Community set, under Council regulation 3006/75, ceilings in specified amounts for preferential imports of most of these products originating in Yugoslavia.

(c) Textiles other than cotton

(i) Products subject to tariff quotas

31. Preferential imports of products in this grouping related to 13 tariff quotas, amounting to 15,261 tons.¹³ The maximum country amounts varied between 20 and 30 per cent. The percentage share allocation among member States was the same as that of last year.

(ii) Products subject to ceilings

32. Preferential imports of products in this grouping related to 73 headings or subheadings in CCCN chapters 50-54 and 56-63.¹⁴ Ceilings were those of 1975 increased by 5 per cent. The maximum amount limitation was set at 50 per cent except for two products for which it was 30 per cent.

¹¹ CCT headings or subheadings 55.05 B II (four quotas); 55.09 A ex I and II (five quotas); ex 60.03; 61.01 (two quotas); 61.02 (two quotas); ex 61.03 and 62.02 (two quotas). See EEC Council regulation No. 3001/75.

¹² 54.05; 55.05 A and B; 55.06; 55.07; 55.08; 55.09 A ex I and B; 56.05 B; 56.07 B; 58.04; 58.10; 60.01 B-C; ex 60.02; 60.04 A; 60.05 A ex II and ex B; 60.06 A; ex 61.03; ex 61.04; 61.05; 62.01 B I; 62.03 B I ex (b) and B ex II; and 62.04. See EEC Council regulation No. 3002/75.

¹³ See EEC Council regulation No. 3003/75. The tariff quotas relate to the following CCT heading or subheadings; 51.01 A and B I; 51.04; 56.05 A; 56.07 A; 58.01 ex A; ex 59.04; ex 60.03; 60.04 B; 60.05 A ex II and ex B.

¹⁴ See EEC Council regulation No. 3004/75.

(d) ECSC iron and steel products

(i) Products subject to tariff quotas

33. Preferential imports of iron and steel products subject to tariff quotas related to three tariff quotas,¹⁵ amounting to 43,025,900 u.a. The maximum amount limitation was set at 50 per cent for two of these tariff quotas and at 30 per cent for the third.

(ii) Products subject to ceilings

34. Preferential imports of iron and steel products subject to ceilings related to five tariff headings.¹⁶ Ceilings were those applied in 1975, increased by 5 per cent. The maximum amount limitation was set at 50 per cent.

5. RULES OF ORIGIN

35. The rules of origin remained the same except for the addition of non-qualifying processes in list A with respect to fixed vegetable oils (ex 15.07).

B. Analysis of the administration of preferential imports

36. Annex I provides comparative information on the administration of the EEC scheme in 1975 and 1976 of the four categories of industrial products as well as the utilization of tariff quotas and ceilings in 1975. This information is recapitulated in table D of the annex.

1. SENSITIVE PRODUCTS SUBJECT TO TARIFF QUOTAS

37. It can be noted from table A of annex I that the number of sensitive products subject to tariff quotas remained in 1975 the same as in the previous year's scheme. Except for two ECSC iron and steel products, the maximum amount limits were set at relatively low percentages (15, 20 and 30) of the tariff quotas, and, as a result, normal tariffs were reintroduced on imports from the main suppliers of practically all industrial products and the majority of textile products.¹⁷

38. According to the information notified by the EEC Commission, the tariff quotas for all industrial products were utilized in 1975 by nearly two thirds. The percentage of utilization varies, however, as between product categories: 21 per cent for ECSC iron and steel; 42 per cent for textiles other than cotton; 66 per cent for cotton textiles and 82 for all other industrial products subject to tariff quotas. The low utilization of three tariff quotas for ECSC iron and steel products was very likely due to two factors. First, the administration of the tariff quotas and maximum amount limitations has been left entirely to the EEC member States. Second, the growing trend in the Community to bring the iron and steel sector under stricter regulation, together with greater import controls, seem also to have contributed to the sterilization of tariff

quotas. The sterilization of tariff quotas for textiles and other industrial products was probably due to the fact that the maximum amounts had been set at a relatively low percentage for these products.

2. PRODUCTS SUBJECT TO TARIFF CEILINGS AND SEMI-SENSITIVE PRODUCTS SUBJECT TO CEILINGS

39. Table B of annex I shows that the number of products subject to this type of import administration remained unchanged in 1976 compared with 1975 with respect to cotton and non-cotton textiles and ECSC iron and steel products. In the case of other industrial products, a certain relaxation of administrative control occurred in 1976 in that the number of products subject to tariff ceilings was reduced to 29 from 34 in 1975. At the same time, however, the number of semi-sensitive products increased from 57 to 67.

40. In both 1975 and 1976, more than one sixth of the total number of industrial products (see table B, section I (b) of annex I) was affected by the ceiling limitations, resulting in re-establishment of the normal tariff on imports from all beneficiaries. In both years, the standard maximum amount of 50 per cent of the ceiling was applicable to more than half of all industrial products subject to tariff ceilings and ceilings. The remaining products were almost evenly subject to maximum amounts of 20 or 30 per cent. In addition, most of the industrial products under tariff ceilings in 1975, and all but one in 1976, were subject to special maximum amounts of 15 per cent of the ceilings. These special maximum amounts applied only to selected countries named in the relevant EEC regulation.

41. In 1975, preferential imports from individual beneficiaries of industrial products, including textiles and ECSC iron and steel products, attained the normal maximum amounts under nearly half (46 per cent) of all tariff ceilings and ceilings and in 1976 under more than one third (37 per cent). In all cases, the normal tariff was reintroduced on further imports of the products in question from those beneficiaries. Also in 1975, 12 beneficiaries and in 1976 14 beneficiaries were affected by maximum amount limitations with respect to one or more products.¹⁸ The special maximum amounts of 15 per cent affected specified beneficiaries under 16 out of 28 industrial products subject to tariff ceilings in 1975 and 21 out of 28 products in 1976. These special maximum amounts seem to be mainly responsible for the very low utilization of tariff ceilings.

42. The over-all utilization of tariff ceilings and ceilings for semi-sensitive industrial products amounted to 63 per cent of these ceilings. However, the degree of utilization varied widely as between product categories: 11 per cent for ECSC iron and steel products, 35 per cent for textiles other than cotton, 43 per cent for industrial products subject to tariff ceilings; 106 per cent for cotton textiles and 120 per cent for petroleum products. The very low level of utilization of ceilings for semi-sensitive ECSC products was probably due to factors similar to those affecting the utilization of tariff quotas for ECSC iron and steel products.

43. As mentioned above, special maximum amounts appear to be the principal reason for a poor utilization of tariff ceilings. The low level of the special maximum

¹⁵ See decision 75/694/ECSC. The tariff quotas related to CCT headings or subheadings 73.08 (iron or steel coils for re-rolling); 73.10 A and D I (a) (bars and rods); 73.13 A, B I, II (b) (c), III, IV (b) (c) (d), and V (a) 2 (sheets and plates).

¹⁶ See decision 75/695/ECSC. The ceilings related to CCT headings or subheadings 73.07 A I, B I (blooms, billets, etc.); 73.09 (universal plates); 73.11 A I, IV (a) 1. B (angles and sheet pilings); 73.12 A, B I, C III (a), V (a) 1. (hoop and strip); 73.15 (various subheadings of alloy steel and high carbon steel); 73.16 A II, B, C, D I (railway and tramway track construction material).

¹⁷ Products and beneficiaries affected by maximum amount limitation in 1975 and 1976 are specified in annexes II and III respectively.

¹⁸ *Idem*.

amount and its stringent application have apparently resulted in a large part of the sterilization of the tariff ceiling. Experience has shown that, once the main or principal beneficiary suppliers have been excluded from preferences, the other beneficiaries do not rush in to fill the remaining ceilings, mainly because they lack sufficient supply capability to do so.¹⁹

3. NON-SENSITIVE PRODUCTS

44. As can be noted from table C of annex I, only three industrial products in 1975 and one industrial product in 1976 were affected by the ceiling limitation

¹⁹ See TD/B/C.5/34 *, para. 78.

while eight (1975) and seven (1976) products were affected by the maximum amount limitations. The EEC Commission estimates that, in 1975, the utilization of ceilings for industrial products other than textiles attained 35 per cent of the over-all ceilings. The percentage is not indicative of the real utilization of the tariff advantages with respect to non-sensitive products because, for many of these products, although substantial ceilings are available, Community imports of such products from beneficiaries are small or non-existent. The percentage of utilization would be much greater if preferential imports of non-sensitive products were related to total EEC imports of these products from beneficiaries, but information in this respect is lacking.

Chapter II

THE EEC SCHEME FOR 1977

45. Although the structure and mechanism of the EEC scheme for 1977²⁰ have remained the same as in the past, important changes have been introduced to warrant a more detailed presentation of its essential elements.

A. Beneficiaries

46. The list of beneficiaries includes 114 independent countries and 33 territories or groups of territories. All countries members of the Group of 77,²¹ with the exception of the Democratic People's Republic of Korea and Malta, are included in the list, and so are Nauru, Tonga and Samoa. Angola, Comoros, Mozambique, Seychelles and Sao Tome and Principe, which under the 1976 scheme were among dependent territories, are now included in the list of independent countries. Mayotte now appears in the list of dependent territories, and Saint Pierre and Miquelon and Sikkim are not shown any more among beneficiaries. It should be noted also that beneficiary status has been recognized for Romania only with respect to agricultural products and certain industrial products.

B. Product coverage

47. The scheme covers all industrial products in CCCN chapters 25-99. Primary commodities and metals up to the stage of ingot, falling within these chapters, are excluded from the scheme. Special provisions are made with respect to preferential treatment of jute manufactures from Bangladesh, India and Thailand, and of coir manufactures from India and Sri Lanka.²²

48. Nearly 300 agricultural products (defined at the level of tariff headings, sub- or ex- headings) within CCCN chapters 1-24 are covered by the scheme. About 57 of these are new products. New products were added,

²⁰ The official texts constituting the EEC scheme of generalized preferences for 1977 have been published in the *O.J.E.C.*, vol. 19, No. L 349 (20 December 1976) and *ibid.*, No. L 361 (30 December 1976).

²¹ At the time of writing, the Group of 77 consisted of 113 countries.

²² Jute and coir manufactures falling within the following CCT headings or subheadings: 57.06; 57.10; 58.02 A ex I and ex II; ex 59.04; and 62.03 A II.

in accordance with the Community offer at the multi-lateral trade negotiations of GATT, to extend preferential tariff treatment of certain tropical products in the context of its scheme of generalized preferences as of 1 January 1977. Coffee, cocoa paste, cocoa powder, chocolate, some spices, certain palm kernel and coconut oils, lobsters, molluscs, crawfish, cut flowers and manufactured tobacco are among tropical products of major export interest to developing countries added in the 1977 scheme. In addition to the newly added products in 1977, the scope of about 17 ex-tariff items has been enlarged.

C. Tariff reductions

49. As in the previous years, imports of industrial products from beneficiaries are admitted free of customs duty up to the level of annual tariff quotas, tariff ceilings, ceilings and/or country maximum amounts. The reduction is only 80 per cent for certain jute and coir manufactures.²³ It should be noted that the 1976 preferential rates on jute manufactures have been cut by half under the 1977 scheme and that duty-free treatment has been granted to CCT 57.06 (Yarn of jute or of other textile bast fibres of heading No. 57.03).

50. Customs duties are eliminated on 74 of the nearly 300 agricultural products covered by the scheme. These products attract generally low tariffs and the simple average preferential margin resulting from elimination of duties on such products amounts to 5.7 percentage points.

51. The duties or the fixed component of the charge are reduced to a varying degree on 210 other agricultural products covered by the scheme (agricultural products subject to tariff quotas or tariff ceiling are not included in this number). These reductions exceed 50 per cent of the customs duties or fixed component of the import charge in the case of about two fifths of these agricultural products. The average preferential margin for all these products amounts to 7.9 percentage points.

²³ CCT 57.10 (Woven fabrics of jute or of other textile bast fibres of heading No. 57.03); CCT 58.02 A ex I (Coir mats and matting, and tufted carpets of jute or of other textile bast fibres of heading No. 57.03 and of coir); and CCT 62.03 A II (Sacks and bags, other than used, of jute or of other textile bast fibres of heading No. 57.03).

52. The average preferential margin for the above two groups of products (both those on which the customs duties are eliminated and those on which duties or fixed component of the charge are partially reduced) amounts to 7.3 percentage points.

D. Safeguard measures and administration of preferential imports

1. AGRICULTURAL PRODUCTS IN CCCN CHAPTERS 1-24

53. Preferential imports of agricultural products covered by the scheme are subject to an escape clause type safeguard. In addition, some of these products are subject to *a priori* limitations (in the form of Community tariff quotas or ceilings).

54. The escape clause provides that the customs duties may be introduced in whole or in part where the products benefiting from the preferential treatment are imported in such quantities or at such prices that Community producers of products similar to or in direct competition with them suffer or are likely to suffer serious disadvantage. Such action would be taken in respect of the countries or territories which are the cause of the disadvantage. The action can also be taken in the case of actual or potential serious disadvantage in a single region of the Community. It should be noted, however, that EEC has not invoked the escape clause so far. Moreover, in the case of some products subject to Community tariff quotas (preserved pineapples, cocoa butter and soluble coffee), the normal tariff may also be re-introduced in part or in full before the quota is exhausted if preferential imports of these products into the Community create an unfavourable situation in the ACP States.

55. The above safeguard provisions do not prejudice the implementation of the safeguard clauses adopted in pursuance of the common agricultural policy under article 43 of the Rome Treaty²⁴ and of those adopted in pursuance of common commercial policy under article 113 of the Treaty.

56. The five products subject to Community tariff quotas and the corresponding level of such quotas are: cocoa butter (21,600 metric tons); soluble coffee (18,750 metric tons); preserved pineapple, other than in slices, etc. (45,000 metric tons); preserved pineapples, in slices, etc. (28,000 metric tons); raw or unmanufactured flue-cured Virginia type tobaccos (60,000 metric tons). These tariff quotas are allocated among the EEC member States according to percentage shares determined for each product. The member States administer the preferential imports under their respective quota shares and inform the EEC Commission at monthly intervals of the imports of products in question charged against their shares. In the case of all the above products, the whole quota is allocated among the member States except for preserved pineapple, other than in slices, etc., for which in the 1977 scheme 20 per cent of the quota has been held as a Community reserve, from which the member States can draw after having used 90 per cent or more of their initial share.

57. Under the 1977 scheme, tariff quotas have been significantly increased over the 1976 level for Virginia

flue-cured tobaccos (by 22,000 metric tons) and preserved pineapples, other than in slices, etc. (by 15,000 metric tons), while for other products the level of quotas remained the same as in 1976. Moreover, unmanufactured or raw tobacco, other than Virginia types (wrapper tobacco), was added to the product coverage of the scheme and preferential imports of this product would be admitted up to a Community ceiling of 2,500 metric tons. It is recalled in this connexion that, unlike the Community tariff quotas, the ceiling amounts are not allocated among the EEC member States, and preferential imports into any member State are admitted until this ceiling is reached at the Community level.

2. INDUSTRIAL PRODUCTS IN CCCN CHAPTERS 25-99

58. As in the previous years, preferential imports of industrial products are subject to *a priori* limitations in the form of tariff quotas (sensitive products), tariff ceilings, ceilings (semi-sensitive and non-sensitive products) and maximum country amounts. For purposes of applying these limitations, the EEC scheme distinguishes three groups of industrial manufactures in CCCN chapters 25-99, as against four groups in the past. The three groups are:

1. Industrial manufactures other than textiles and ECSC products;
2. Textile products;
3. ECSC iron and steel products.

The change results from the consolidation of the groups of cotton textiles and substitutes and that of textiles other than cotton into one group covering all textiles. This consolidation follows the pattern set by the Arrangement Regarding International Trade in Textiles (Multifibre Agreement),²⁵ in which cotton and non-cotton textiles are treated in the same manner.

59. The tariff quotas and ceilings in the first group have been generally calculated by the application of the standard formula.²⁶ The year 1974 has normally been used as a reference year for calculation of both the basic and the supplementary amount.²⁷ This has resulted in a general increase in the level of tariff quotas and ceilings. However, it is specified for this group of products that such increase should not exceed 150 per cent of each of the preferential amounts open in 1976. For products subject to tariff ceilings or normal ceilings, this limitation has been further defined to the effect that 1977 ceilings may in no case exceed 172.5 per cent of those which would be obtained by using 1971 as reference year for calculation of the basic amount, and 1972 for calculation of the supplementary amount. This means that ceilings cannot exceed 172.5 per cent of those of 1974 which have been obtained by the use of 1971 and 1972 as reference years. For textiles, the second group of products, the increase in tariff quotas has been accomplished through

²⁵ For the text of the Arrangement, see GATT, *Basic Instruments and Selected Documents, Twenty-first Supplement* (Sales No. GATT/1975-1), p. 3.

²⁶ See foot-note 7 above.

²⁷ It is recalled that, under the 1976 scheme, the standard formula has not been applied. The ceilings for industrial products have generally been obtained by a flat-rate increase in ceiling under the 1974 scheme, which had been obtained by the use of the standard formula, using 1971 as reference year for the basic amount and 1972 for the supplementary amount.

²⁴ Treaty establishing the European Economic Community (Rome, 25 March 1957). For the text, see United Nations, *Treaty Series*, vol. 298, p. 11.

a flat-rate increase of 5 per cent (in metric tons) over those set in 1976. For iron and steel products, the third product group, the tariff quotas have remained the same as those of 1976, while the ceilings have generally increased through the use of 1974 as the reference year in application of the standard formula.

60. In accordance with paragraph 6 of the Tokyo Declaration,²⁸ the Community had reaffirmed at the multilateral trade negotiations that special treatment should be granted to the least developed among developing countries included in the list drawn up under General Assembly resolution 3487(XXX) of 12 December 1975. In pursuance of this Declaration, the Community has therefore decided, in the context of its 1977 scheme, to exempt these countries from the application of the maximum amount limitations with respect to products in groups 1 and 2 (cf. para. 58 above).

61. The tariff quotas are generally allocated among member States according to fixed percentages as follows:

	<i>Industrial products in groups 1 and 3</i>	<i>Textiles in group 2</i>
Benelux	10.5	10
Denmark	5	7
France	19	19
Germany, Federal Republic of ..	27.5	27
Ireland	1	1
Italy	15	14
United Kingdom	22	22

62. These percentages have been set arbitrarily and are the same as those set in the past. However, effort, albeit modest, is still being made to improve utilization of quotas. Thus, for 1977, a Community reserve for six products subject to tariff quotas has been set aside for subsequent reallocation among member States (see paragraph 65 below).

63. The conditions for granting preferential treatment in each of the three groups mentioned above (para. 58) are described below.

(a) *Industrial manufactures other than textiles and ECSC products*

64. Preferential imports of these products subject to tariff quotas, tariff ceilings and ceilings are governed by EEC Council regulations Nos. 3019/76, 3020/76 and 3021/76 respectively.

(i) *Tariff quotas*

65. A total of 13 products are subject to tariff quotas in 1977.²⁹ Although the number of products remained the same as in 1976, a non-sensitive product (CCT 29.23 D.III—glutamic acid and its salts) has been added to the list, and one product (CCT 85.03—primary cells and primary batteries) has been removed. Moreover, a Community reserve of the quota has been established

for 6 products compared with 4 in 1976.³⁰ Taking into account the interest of the ACP countries, the tariff quota for CCT 44.15 (plywood, blockboard, etc.) has been limited to 282,610 m³ and, in view of the situation of the Community footwear industry, the three tariff quotas for footwear (falling within CCT heading Nos. 64.01 and 64.02) have been maintained at the 1976 level. The 1977 quotas for the remaining 9 products exceed the corresponding quotas in 1976 by 15 to 25 per cent. Maximum country amount limitations of 15, 20 and 30 per cent of the quotas were the same in 1976 except in the case of 2 products (CCT 85.21 D and E—diodes, transistors etc. and parts, and CCT 85.15 A.III and C.III—radiotelegraphic and radiotelephonic receivers and parts) which have been reduced from 30 and 20 per cent in 1976 to 20 and 15 per cent in 1977 respectively.

(ii) *Tariff ceilings*

66. A total of 25 products are subject to tariff ceilings compared with 29 in 1976.³¹ Thus 4 products³² have been transferred from the 1976 tariff ceiling list to the category of non-sensitive products (or semi-sensitive products) subject to ceilings. This category includes industrial products which had been classified in 1974 as sensitive—subject to tariff quotas. Preferential imports under tariff ceilings are subject to close control by the Commission and member States, and, as soon as a tariff ceiling is reached, the normal tariff may be reintroduced at any time until the end of 1977. As in 1976, two types of maximum country amount limitations are applied within these tariff ceilings: the special maximum amount of 15 per cent of the tariff ceiling is applied to select individual beneficiaries named against each product, and the standard maximum amount is applied to all other beneficiaries. Four beneficiaries are affected by the special maximum amount limitation.³³ The Commission will reintroduce the tariff when imports into the Community as a whole from a beneficiary reach the standard maximum amount or special maximum amount from a selected beneficiary. When preferential imports from a beneficiary subject to special maximum amount reach that amount in one member State, that member State must without delay reintroduce the levying of the normal customs duty and notify the Commission, which will inform the other member States and at the same time fix the earliest date on which the normal tariff must be reintroduced in these member States also. Moreover, in the case of 16 of these tariff ceilings, each EEC member State must reintroduce the normal tariff on imports from the beneficiary subject to special maximum amount when its imports of the product in question from that

²⁸ Declaration of Ministers approved at Tokyo on 14 September 1973. See GATT, *Ibid.*, *Twentieth Supplement* (Sales No. GATT/1974-1), p. 19.

²⁹ The 13 products subject to tariff quotas fall within the following CCT headings or subheadings: 41.02 ex B; 42.02 B; 42.03 A, B, II.III and C; 44.15; 64.01; 64.02 A; 64.02 B and (6 products for which a Community reserve of the quota is established); 29.23 D.III; 42.02 A; 85.15 A.III, C.III; 85.21 D.E; 94.01 B and 94.03. EEC Council regulation No. 3019/76.

³⁰ The 6 products are glutamic acid and its salt (CCT 29.23 D. III); travel goods of artificial plastic sheeting (42.02 A); radio receivers and parts (85.15 A.III, C.III); transistors (85.21 D E); chairs (other) (94.01); and other furniture (94.03). For a description of the method of reallocation of the Community reserve, see TD/B/C.5/34, * paras. 44-45.

³¹ The 25 products subject to tariff ceilings fall within the following CCT headings or subheadings: 28.27; 28.56 C; 31.05 A, B; 39.03 B.II; 48.01 C.II; 67.04; 69.02; 70.05; 70.13; 71.16; 73.18; 74.03; 79.03; 84.41 A.III; 85.01 A.II; 85.10 B; 85.23; 87.14 B.II; 90.05; 92.11 A; 97.02; 97.03; 97.05 and 98.12 (EEC Council regulation No. 3020/76).

³² CCT 40.11 (rubber tyres); CCT 46.03 (basketwork, wickerwork, etc.); CCT 66.01 (umbrellas and sunshades); and CCT 69.11 (tableware, etc.).

³³ Hong Kong (8 products), Mexico (1 product), Republic of Korea (2 products), Yugoslavia (15 products).

beneficiary reach half of the special maximum amount, unless the member State concerned has previously notified the Commission that it does not intend to avail itself of this limitation for all or some of the products concerned.

67. The standard maximum amounts applied to all other beneficiaries are fixed at 50 per cent of the ceiling for 15 products; at 40 per cent for 1 product; 30 per cent for 3 products; and 20 per cent for 6 products subject to tariff ceilings. In fact, the standard maximum amount percentages applied in 1976 have been maintained in 1977 except on two products (CCT 85.01 A.II—other electric generators; and CCT 92.11 A—sound recorders and reproducers) in respect of which the 50 per cent maximum amount has been reduced to 40 per cent and 20 per cent respectively.

(iii) *Ceilings*

68. This category comprises all-non-sensitive and semi-sensitive industrial products³⁴ covered by the scheme, except for those 38 products subject to tariff quotas or tariff ceilings discussed above. In 1977, the ceilings for these products were generally calculated by the application of the standard formula,³⁵ and the maximum country amounts were generally fixed at 50 per cent of the ceiling. However, the standard formula has not been applied in the case of 44 of these products for which the ceilings have been determined individually.³⁶ Likewise, the maximum country amount has been lowered in respect of 51 products ranging from 15 per cent to 40 per cent of the ceiling; thus, the 15 per cent maximum amount limit applies to 5 products; 20 per cent to 18 products; 25 per cent to 5 products; 30 per cent to 15 products; 35 per cent to 1 product and 40 per cent to 7 products.³⁷ For the purpose of administration of preferential imports, these products are classified as semi-sensitive and are subject to special surveillance.

69. As a special measure, the Community has decided to exempt the least developed among the developing countries from the application of the maximum amounts on imports of products affected by this regulation.

(b) *Textile products*

70. Preferential imports of textile products are governed by EEC Council regulation No. 3022/76. The system

³⁴ EEC Council regulation No. 3021/76.

³⁵ See foot-note 7 above.

³⁶ Standard formula has not been applied for determining the ceilings for the 44 products falling within the following CCT headings or subheadings: 25.23; 27.10 A.III; 27.10 B.III; 27.10 C.I(c) and II(c); 28.10; 29.16; 29.35; 40.11; 41.03 B.II; 41.04 B.II; 41.05 B.II; 42.03 B.I; 44.13; 44.23; 45.03; 45.04; 48.09; 66.01; 69.11; 70.12; 73.32; 73.40; 74.07; 82.09; 82.14 A; 83.01; 83.07; 84.41 A.I (b); 82.52 A; 85.01 A.I; 85.01 C; 85.03; 85.04 A; 85.15 A.I.IV.B and C.I.II; 85.18; 85.19 A; 85.19 B; 85.20 A; 85.21; 90.09; 90.17; 91.09; 92.12 and 97.06 B and C.

³⁷ The maximum country amounts of less than 50 per cent apply to 51 products falling within the following CCT headings or subheadings:

15 per cent limit: 40.11; 66.01; 82.09; 82.14 A; 83.01;

20 per cent limit: 27.10 A.III; 27.10 B.III; 27.10 C.I(c), II(c); 31.02 B; 31.02 C; 41.05 B.II; 42.03 B.I; 46.03; 69.07; 69.08; 70.14 A.II; 76.02; 76.03; 85.01 A.I; 85.04 A; 85.18; 87.10; 91.09;

25 per cent limit: 84.41 A.I(b); 85.01 C; 85.15 A.I.IV, B, C.I.II; 85.19 A; 85.20 A;

30 per cent limit: 28.10; 29.16; 35.03 ex B; 44.25; 46.02; 48.09; 69.11; 70.14 B; 73.40; 74.04; 74.07; 83.03; 87.12; 92.12; 97.04;

35 per cent limit: 84.52 A;

40 per cent limit: 44.14 B; 68.13 B.I; 68.13 B.II and III; 70.12; 83.07; 85.19 B; 90.17.

of administration and control of preferential imports of textiles has undergone a major change in 1977.

71. First, a link has been established between the scheme and the Multifibre Agreement,³⁸ so that cotton and non-cotton textile products are now treated in the same manner.

72. Second, for the purposes of administration of preferential imports of individual sensitive textile products, the beneficiaries are classified into two categories, the first being the competitive beneficiaries other than those with a very low *per capita* GNP and the second being all other beneficiaries, with the result that a more restrictive regime is applied to the former and a more liberal to the latter. Moreover, the least developed among the developing countries are exempted from the application of the maximum amount limitations.

73. Third, in view of the implementation of the Multifibre Agreement, the distinction made between countries enjoying preferences in the textile sector was no longer justified. Consequently, preferences are granted to all beneficiary countries (except Romania) rather than to selected countries as in the past.³⁹ Moreover, the territories have now for the first time been included in the list of beneficiaries for all textiles except those subject to tariff quotas.⁴⁰

74. Fourth, by way of a special measure in favour of the least developed among the developing countries, the maximum amount limitations are not applicable to these countries with respect to all textiles.

75. The 1977 ceilings were obtained by a uniform flat-rate increase of 5 per cent in the ceilings fixed for 1976.⁴¹ The additional amounts granted hitherto to Denmark on a temporary and exceptional basis have been also maintained in 1977.⁴²

76. The textile products covered by the scheme and falling within 109 CCT headings or subheadings and in chapter 52 have been classified into three categories for the purposes of administration of preferential imports: (a) 30 products subject to Community tariff quotas;⁴³

³⁸ See foot-note 25 above.

³⁹ In the 1976 scheme, all independent developing countries (except Romania) have been granted beneficiary status for textile products other than cotton, and only 24 of these countries for textile products of cotton or substitutes. Dependent territories were excluded.

⁴⁰ See EEC Council regulation No. 3022/76, annex A.

⁴¹ It is recalled that, in 1971, 1972 and 1973, the ceilings for textile products have been calculated (in metric tons) according to the standard formula (except that, in 1973, 1968 was still used as the reference year for calculation of the basic amount and 1969 for the supplementary amount instead of 1971 and 1972 respectively in the case of other products). However, since the extension of the scheme in 1974 to three new member States, the formula was abandoned and instead a uniform flat-rate increase of 50 per cent over the 1973 ceilings was applied to obtain the 1974 ceilings, while a further 5 per cent flat-rate increase has been applied in 1975 and 1976.

⁴² Denmark has for a number of years been importing from developing countries relatively large quantities of certain cotton yarn and woven fabrics falling within CCT heading Nos. ex 50.05 and ex 55.09, and certain yarn and woven fabrics of synthetic textile fibres and sisal twine falling within CCT headings Nos. 51.04 and ex 59.04 and subheadings 56.05 A and 56.07 A. Denmark has therefore ceased to produce the articles in question. Taking into account this special situation, Denmark was entitled temporarily to import the above articles over and above its quota shares under the scheme. For additional amounts, see annexes A and B of EEC Council regulation No. 3022/76.

⁴³ EEC Council regulation No. 3022/76, annex A.

(b) 12 products subject to both Community tariff quotas and tariff ceilings;⁴⁴ and (c) 67 products, plus products in chapter 52, subject to ceilings.⁴⁵ Administration of preferential imports under these three types of controls is described below.

77. In classifying textile products in the above three categories, account was taken of the degree of sensitivity of the Community sector concerned and the level of imports from individual beneficiaries. Thus, if imports of textile products of a given category from each of the potential beneficiary countries and territories do not exceed 6 per cent of the imports of the same products from all the beneficiaries, the preferential imports would be administered only by normal ceiling and maximum amount limitations.⁴⁶ If imports in each category of the products concerned attain or exceed 6 per cent, special rules are applied; for example, if the 6 per cent limit is attained or exceeded only by beneficiary countries with a very low *per capita* gross national product, the preferential imports would be administered by means of tariff quotas with maximum country amounts of 30 per cent or higher for such countries and generally lower for other beneficiary countries.⁴⁷ However, if the 6 per cent limit is attained or exceeded mainly by other than disadvantaged countries and territories, a better access to the EEC market is ensured by reserving for disadvantaged countries normally 70 per cent of the ceiling for the products concerned with a maximum amount of 50 per cent. The remaining 30 per cent of the ceiling is administered in the form of Community tariff quotas open to other than disadvantaged beneficiaries.⁴⁸

(i) *Tariff quotas*

78. A Community tariff quota, allocated among the EEC member States according to fixed percentage shares and without Community reserve, is established for each of the 30 products in question.⁴⁹ A special maximum amount of 10 per cent of the quota has been established for specified developing countries in respect of 21 of these products,⁵⁰ and for all other beneficiaries a general maximum amount of 30 per cent in respect of 21 products, of 40 per cent for 7 products and of 35 per cent and 20 per cent for 1 product each.

79. While the general maximum amount is applied as in the past by the EEC Commission when imports from a single beneficiary reach the fixed percentage of the Community tariff quota, it is now left to each member State to reintroduce the levying of the normal customs duty in respect of the country or countries to which the 10 per cent special maximum amount applies when its imports of the product in question from that beneficiary

country(ies) reach that member State's share of the special maximum amount. This special maximum amount is allocated among member States in proportion to their individual shares in the Community tariff quota. Where a tariff quota has been established for one selected beneficiary, the share of each member State of the special maximum amount is equal to 10 per cent of its national quota and to 20, 30 or 40 per cent where the tariff quota has been established for two, three or four selected beneficiaries, respectively. However, where three are two or more beneficiaries subject to the special maximum amount, any one of them can conceivably use any member State's share of the special maximum amount in full, provided that its preferential exports to the Community do not exceed 10 per cent of the tariff quotas for the product in question.⁵¹

80. Thus the introduction of special maximum amounts has bilateralized the tariff quotas not only between the Community and specified developing countries, but also between the individual EEC member States and each specified developing country. Moreover, the burden has been passed to the specified developing countries to ensure a distribution of their deliveries among EEC member States according to arbitrary fixed percentage shares, which do not generally correspond to the traditional (established) trade flows. This newly introduced rigidity in the administration of preferential imports of textile products can only result in further sterilization of the Community tariff quotas under the scheme.

(ii) *Community tariff quotas and tariff ceilings*

81. Preferential imports of the 12 textile products in question⁵² are simultaneously subject to two types of control: (a) Community tariff quotas allocated among EEC member States according to fixed percentage shares for preferential imports of the products in question from specified beneficiary countries; (b) Community ceilings with a normal 50 per cent maximum amount for preferential imports of the same products from all other beneficiaries.

82. As was indicated earlier, this double system of import control has been established in order to ensure better access to the EEC market for less economically advanced countries (with a very low *per capita* GNP) by reserving for them a share of normally 70 (or 80) per cent of the over-all ceiling for each of the 12 products. Preferential imports from these countries would be admitted to the level of a Community ceiling, with a normal 50 per cent maximum amount. The remaining 30 per cent (or 20 per cent) of the over-all ceiling for the 12 products is administered in the form of tariff quotas for specified beneficiary or beneficiaries without maximum amount limitation.

83. In the allocation of the 12 products, Brazil has been specified as a beneficiary with respect to 3 and Hong Kong and Republic of Korea in respect of 1 product each. As to the remaining seven products Brazil and Hong Kong have been specified as beneficiaries with respect to 4, Republic of Korea 3; Uruguay and Yugoslavia 2 each and Colombia 1. The specified countries'

⁵¹ See annex IV of the present report for a detailed explanation of the application of the special maximum amount.

⁵² Annex B of EEC Council regulation No. 3022/76 covers 12 textile products, falling within the following CCT headings or subheadings: 53.07; 54.03; 55.05 A; 55.05 B.I; 55.08; 56.07; 58.04; 58.05; 58.10; 60.01; 60.02; and 62.03 B.I(a) ex (b) and ex II.

⁴⁴ *Ibid.*, annex B.

⁴⁵ *Ibid.*, annex C.

⁴⁶ *Ibid.*

⁴⁷ *Ibid.*, annex A.

⁴⁸ *Ibid.*, annex B.

⁴⁹ The textile products within the following CCT headings or subheadings are subject to tariff quotas: 51.04; 55.05 B.II (4 products); 55.09 A.I (2 products); 55.09 A.II (4 products); 55.09 B; 56.05 A; 56.07 A; 58.01 ex A; ex 59.04 (4 products); 60.03 (2 products); 60.04; 60.05; 61.01; 61.02; 61.03; 61.04; 61.05; 61.09; 62.02. Preferential treatment for these products is extended only to independent countries listed in annex D, I, of EEC Council regulation No. 3022/76.

⁵⁰ A special maximum amount affects: Brazil (8 products); Colombia (5 products); Mexico (4 products); Republic of Korea (13 products); Singapore (2 products); and Yugoslavia (9 products).

share in the over-all Community ceiling amounts to 30 per cent for the latter 7 products and 20 per cent for the 5 products for which only one developing country has been designated as the beneficiary of each tariff quota.

(iii) *Ceilings*

84. Preferential imports from all beneficiaries of the 68 products in question⁵³ are administered by means of normal ceilings and maximum amounts. A number of these products are considered as semi-sensitive and are therefore subject to special surveillance. The ceilings for all products are equal to 174 per cent of the amount obtained by adding together imports into the Community in 1968 (expressed in metric tons) of the products concerned from the independent countries,⁵⁴ excluding those already enjoying various preferential tariff arrangements granted by the Community, and 5 per cent of imports in 1970 from other countries, including those already enjoying various preferential arrangements. The normal maximum amount of 50 per cent of the ceiling is reduced to 30 per cent in respect of: yarn of man-made fibres (CCT 51-01); man-made fibres, etc. (CCT 56.01); continuous filament tow for manufacture of man-made fibres (CCT 56.02); and waste of man-made fibres (CCT 56.03).

85. It should be noted that imports of textile products⁵⁵ from territories⁵⁶ are not taken into account in the calculation of the ceilings, although the preferential treatment will be granted within the ceilings also to imports of the products in question from these territories. As a result, the ceilings obtained would be generally much lower than if they were calculated according to the standard formula.

Jute and coir manufactures

86. Preferential tariff treatment is granted in the context of the GSP to imports of jute and coir manufactures only from those developing exporting countries with which the Community has special arrangements. Such special arrangements for jute manufactures have been concluded separately with Bangladesh and India and *ad hoc* measures have been agreed with Thailand. Likewise, with respect to coir manufactures, a special arrangement has been made with India and *ad hoc* measures have been agreed with Sri Lanka. The preferential imports of the jute and coir manufactures are admitted up to the levels provided for under the special arrangements.

(c) *ECSC iron and steel products*

87. Preferential imports of iron and steel products are governed by decisions 76/908/ECSC and 76/909/ECSC of the representatives of the Governments of the member States of ECSC, meeting in Council.

⁵³ Annex C of EEC Council regulation No. 3022/76 covers textile products falling within 67 CCT headings, ex headings or subheadings and in chapter 52 as follows: 50.04 to 50.10; 51.01 to 51.03; chapter 52; 53.06; 53.08 to 53.13; 54.04; 54.05; 55.06; 55.07; 56.01 to 56.04; 56.05 B; 56.06; 57.05; 57.07 B to 57.09; ex 57.11; 57.12; ex 58.01; 58.02; 58.03 to 58.09; 59.01 to 59.03; 59.05 to 59.17; 60.06; 61.06 to 61.08; 61.10; 61.11; 62.01; 62.04; ex 62.05; and ex 63.01.

⁵⁴ See EEC Council regulation No. 3022/76, annex D, section 1 for the list of independent countries.

⁵⁵ *Ibid.*, annex C.

⁵⁶ *Ibid.*, annex D, section II.

(i) *Tariff quotas*

88. Preferential imports of three products⁵⁷ are admitted from all beneficiary countries (except Romania) and territories up to the level of the Community tariff quota set for each product. These quotas are allocated among EEC member States according to fixed percentage shares. The products and the levels of tariff quotas have remained the same as in the 1976 scheme. Maximum country amounts of 40, 50 and 30 per cent, respectively, apply under these quotas.

(ii) *Ceilings*

89. Preferential imports of products falling within six CCT headings or subheadings are admitted up to the ceiling set for each of these products.⁵⁸ The ceilings for all six products have been calculated according to the standard formula, using 1974 as the reference year for calculation of both basic and supplementary amounts. However, for three of these products (ex 73.07; ex 73.11 and 73.15), the ceilings have been lowered. While a standard maximum amount of 50 per cent of the ceiling is applied in respect of all products, a special 15 per cent maximum amount is provided for preferential imports from Yugoslavia of angles, shapes and sections of iron and steel, falling in CCT 73.11 A.IV(a)1 and B.

3. ADMINISTRATION OF PREFERENTIAL IMPORTS OF INDUSTRIAL PRODUCTS

90. Annex V below shows in a comparative fashion the classification of industrial products made under the 1977 scheme for purposes of administration and control of preferential imports of these products. It also shows, for each product category, the number and the level of tariff quotas, tariff ceilings and ceilings as well as the percentages for general and special maximum amounts applied under these limitations.

91. While a very small number of industrial products (117) are subject to stiff import limitations under the scheme, these products represent a significant share of the total EEC imports of industrial products from the beneficiaries of the scheme. Preferential imports of products subject to tariff quotas and ceilings represent in terms of value 910 million units of account and in terms of quantity 282,610 m³ of plywood, 74,530 metric tons of textile products and 2.68 million metric tons of petroleum (other than crude). The over-all value and volume of these quotas and ceilings are much below the level of actual EEC imports of the products concerned from beneficiaries. The large number of general maximum amount limitations in the range of 15 to 30 per cent of the ceilings or quotas and of special maximum amounts of 10 per cent and 15 per cent affecting specific beneficiaries illustrate a further complexity and selective restrictiveness of the method used for administration of preferential imports under the scheme.

⁵⁷ The ECSC iron and steel products subject to three tariff quotas fall within the following CCT headings or subheadings: 73.08; 73.10 A and D.I(a); and 73.13 A., B.I, II(b), (c) III, IV(b), (c), (d), and V(a) 2 (Council decision 76/908/ECSC).

⁵⁸ The six ECSC iron and steel products subject to ceilings fall within the following CCT headings or subheadings: 73.07 A.I B.I; 73.09; 73.11 A.I, IV(a) 1 and B; 73.12 A, B.I, C.III(a), V(a) 1; 73.15 A.I(b) 2, III, IV, V(b), (d), 1(aa), VI(a), (c), 1(aa), VII(a), (b), 2(c), (d), 1, and B.I(b) 2, III, IV, V(b), (d) 1(aa), VI(a), (c), 1(aa), VII(a), (b), 1.2(bb), 3.4(aa); and 73.16 A.II, B, C and D.I (Council decision 76/909/ECSC).

E. Rules of origin

92. The rules of origin governing the EEC scheme for 1977⁵⁹ are broadly the same as those applied in 1976. However, certain changes have occurred owing to changes in the product coverage, the extension of preferences to new beneficiaries and in the administration and control of preferential imports.

93. Following the addition to the product coverage, non-qualifying processes have been added to list A with respect to two agricultural products, namely: fish, dried, salted (CCT 03.02), and spirits, liqueurs and other spirituous beverages (CCT 22.09). One product—namely sweetened forage (CCT 23.09)—already covered by the scheme in 1976 but for which the general rule of change in tariff heading applied, has been added to list A with provisions specifying working or processing that does not confer the status of originating product. One product—(CCT ex 38.19) sorbitol other than sorbitol of CCT heading No. 29.04—was deleted from list A. It should be noted that additions to list A make origin requirements more stringent while the deletions constitute a relaxation of such requirements.

94. In view of the expansion of the product coverage and/or extension of the list of beneficiaries for certain products which, at the time of entry into force of the

⁵⁹ The rules of origin have been published in EEC Commission regulations Nos. 3200/76, 3201/76, 3202/76 and 3203/76.

1977 scheme, were either in transit or were being held in the Community under temporary warehouse procedure, in customs warehouse or in free zones, the certificate of origin and the documentary evidence of direct transport may be produced to customs officials within a period of six months.⁶⁰

95. As of February 1977, partial cumulative treatment enjoyed by the three regional groupings under the scheme was extended to certain cotton textile products previously excluded from such treatment.⁶¹

⁶⁰ See EEC Commission regulation No. 3200/76, article 34. Products and beneficiaries concerned are:

(a) Products falling within heading 64.02 A of the CCT for Seychelles and the Comoros.

(b) Products falling within headings 24.01 A ex I ex II and ex B for all beneficiary countries and territories.

(c) Products falling within 24.01 A ex I and 24.01 ex B for Romania.

(d) Products falling within 24.01 A ex II for all beneficiary countries and territories.

(e) Products falling within 54.05; 55.05; 55.06; 55.07; 55.08; 55.09; 56.05 B; 56.07 B; 58.04; 58.10; 60.01 B, C; ex 60.02; ex 60.03; 60.04 A; 60.05 A ex II ex B; 60.06 A; 61.01; 61.02; 61.03; ex 61.04; 61.05; 62.01 B.I; 62.02; 62.03 B.I ex b ex II; 62.04 for countries referred to in annex II B of ECC Regulation No. 3200/76.

(f) Other 103 textile products other than seen above at the level of heading or subheadings for territories referred to in annex III, B of regulation No. 3200/76.

⁶¹ See EEC Commission regulation No. 230/77. (*O.J.E.C.*, vol. 20, No. L 31, p. 13).

ANNEXES

ANNEX I

EEC scheme of generalized preferences for 1975 and 1976 : administration of preferential imports

(Value : thousand u.a.; quantity : metric tons)

TABLE A

Level of tariff quotas, application of maximum amounts and utilization of tariff quotas in 1975

Sensitive industrial products
(CCT chapters 25-99)

Product category		1975							1976					
		Tariff ^a	Quotas ^b	Maximum amount limitation				Utilization ^b	Tariff quotas ^a	Maximum amount limitation				
				15	20 (Percentages)	30	50			15	20	30 (Percentages)	40	50
I. Industrial products other than textiles and ECSC iron and steel products	Number	13		2	4	7	—		13	2	4	7	—	
	Affected	—		2	4	7				2	4	6		
	Value	124 343 ^c	178 943					146 474	136 178 ^c					
of which : footwear	Number	3		2	1	—	—		3	2	1			
	Affected	—		2	1					2	1			
	Value	31 629	31 629					21 928	33 211					
II. Cotton textiles and substitutes	Number	17 ^d		—	—	17	—		17 ^d			17		
	Affected	—				11						11		
	Quantity.....	23 100 ^e	26 700					17 608	24 192 ^d					
III. Textiles other than cotton	Number	13			3	9	1		13		2	10	1	
	Affected	—			3	6					2	9		
	Quantity.....	14 669	15 380					6 514	15 261					
IV. ECSC iron and steel products	Number	3				1	2		3			1	1	
	Affected	—											1	
	Quantity.....	40 977	40 977					8 512	43 026					
V. Totals I-IV	Number	46		2	7	34	3		46	2	6	35	1	
	Affected			2	7	24	—		—	2	6	26	—	
	Value		384 228					249 173					2	
I and IV	Number	16		2	4	8	2		16	2	4	8	1	
	Affected	—		2	4	7	—		—	2	4	6		
	Value	165 320 ^c	219 920					154 986	179 204					
II and III	Number	30			3	26	1		30		2	27	—	
	Affected	—			3	17	—				2	20	1	
	Quantity	37 769	42 080					24 122	39 453					
	Value		164 308					94 187						

TABLE B

Level of tariff ceilings or ceilings, application and utilization of ceilings and/or maximum amounts

Industrial products subject to tariff ceilings and semi-sensitive products
(CCT chapters 25-99)

Product category		1975							1976						
		Maximum amount limitation							Maximum amount limitation						
		Tariff ceilings or ceilings ^b	Normal				Special	Utilization	Tariff ceilings or ceilings	Normal				Special	
			10	20 (Percentages)	30	50				10	20	30 (Percentages)	40		50
I. Industrial products other than textiles and ECSC iron and steel products															
(a) Subject to tariff ceilings	Number	34	1	8	5	20	28		29	—	6	3		20	28
	Affected	1	1	1	2	—	16		—		2			2	21
	Value	276 401						118 188	274 578						
(b) Subject to ceilings	Number	57	—	15	16	26			67	—	20	16	3	28	
	Affected	10		9	11	10			13		13	8	3	9	
	Value	379 440						362 098	266 413						
of which: petroleum products															
	Number	3	—	3	—	—			3		3				
	Affected	1		2					1		3				
	Value or quantity ...	183 236						219 514	(2560 thou- sand tons)						
II. Cotton textiles and substitutes															
	Number	17 ^f	—	—	5	12			17 ^f	—	—	5	—	12	
	Affected	9			5	10			8			2		4	
	Quantity	4 239						4 491	4 451						
III. Textiles other than cotton															
	Number	12	—	—	4	8			12	—	—	4	—	8	
	Affected	3			1	7			1			2		2	
	Quantity	23 529						8 188	24 706						
IV. ECSC iron and steel products															
	Number	3	—	—	—	3	1		3	—	—	—	—	3	1
	Affected	—													
	Value	21 331						2 335	22 398						
V. Totals: I-IV															
	Number	123	1	23	30	69	29		128	—	26	28	3	71	29
	Affected	23	1	10	19	27	16		22	—	15	12	3	17	21
	Value	992 513						626 608							
I and IV															
	Number	94	1	23	21	49	29		99	—	26	19	3	51	29
	Affected	11	1	10	13	10	16		13		15	8	3	11	21
	Value	677 172						482 621	563 389 ^g						
II and III															
	Number	29	—	—	9	20	—		29	—	—	9	—	20	
	Affected	12			6	17			9			4		6	
	Quantity	27 768						12 679							
	Value	315 341						143 987	29 157						

TABLE C

Level of ceilings, application and utilization of ceilings and/or maximum amount

Non-sensitive industrial products
(CCT chapters 25-99)

<i>Product category</i>		<i>1975</i>			<i>1976</i>	
		<i>Ceilings^b</i>	<i>Maximum amount limitation (50 per cent)</i>	<i>Utilization^b</i>	<i>Ceilings</i>	<i>Maximum amount limitation (50 per cent)</i>
I. Other industrial products	Number of products					
	affected	3	8	611 000 ^h	1	7
	Value	1 725 000				
II. Other textiles	Affected	—	—	2 940		
	Quantity	8 400		17 526		
	Value	50 075				
III. Jute and coir products	Number of products	9			11	
	Value	3 021		3 021		

TABLE D
Operation and effects of the EEC scheme for 1975 and 1976 with regard to industrial products (CCT chapters 25-99)
Recapitulation of tables under A, B and C

		1975								1976							
			Maximum amount limitation								Maximum amount limitation						
				Normal								Normal					
Product category		Tariff quotas and/or ceilings and ceilings ^b	10	15	20 (Percentages)	30	50	Special	Utilization	Tariff quotas and/or ceilings and ceilings	10	15	20 (Percentages)	30	40	50	Special ^l
I. Industrial products other than textile products	Number ⁱ	110	1	2	27	29	51	29		115	—	2	30	27	4	52	29
	Affected.....	14	1	2	14	20	18	16		14	—	2	17	14	3	18	21
	Value	2 622 092							1 248 607								
of which: ECSC iron and steel	Number ⁱ	6	—	—	—	1	5	1		6	—	—	—	1	1	4	1
	Affected.....	—							10 847	—							
	Value	62 308								65 424							
II. Textile products including jute and coir products	Number ⁱ	59 ^j	—	—	3	35	21	—		59 ^j	—	—	2	36	—	21	
	Affected.....	12			3	23	17			9			2	24	—	6	
	Quantity	69 848 ^j							39 741 ^j								
	Value	532 745 ^k							258 721 ^k								
of which: cotton textiles	Number	34	—	—	—	22	12	—		34	—	—	—	22	—	12	
	Affected.....	9				16	10			7				13		4	
	Quantity	27 339							22 099	28 643							
III. Totals I and II	Number ^l	169	1	2	30	64	72	29		174	—	2	32	63	4	73	29
	Affected.....	26	1	2	17	43	35	16		23		2	17	38	3	24	21
	Value	3 154 837							1 507 328								

Sources: Official Journal of the European Communities, various issues, and other sources.

^a Amounts as shown in the O.J.E.C., vol. 17, No. L 329 (9 December 1974) (circulated under the symbol TD/B/538).

^b Amounts as shown in the European Communities Commission Notification, No. 624 of 1 November 1976.

^c Excludes a tariff quota for plywood (CCT 44.15). In 1974, the tariff quota for this product was set in value (23 million), in 1975 in quantity (105,000 m³) and in 1976 also in quantity (113,500 m³).

^d This figure does not include 5 tariff quotas open for Yugoslavia only (see EEC Council regulation No. 3049/74). They are the following CCT headings or subheadings: 55.09 AI (others); 56.05B; 56.07 ex B (two tariff quotas), and 60.04. However, these products are considered as semi-sensitive products with regard to exports of the concerned selected beneficiary countries.

^e Includes tariff quotas for Yugoslavia.

^f This figure does not include 10 groups of products which are considered as semi-sensitive products with regard to exports of Yugoslavia only. These groups or products are the following CCT headings or subheadings: 54.05 A; 54.05 BI, 55.06; 55.07; 58.04; 60.06 ex A; 62.01 BI; 62.03 BI ex b and 62.04.

^g Petroleum products not included.

^h An estimate.

ⁱ Non-sensitive products not included.

^j Jute and coir products not included.

^k Jute and coir products included.

ANNEX II
EEC scheme of generalized preferences for 1975
Industrial products affected by ceilings and maximum amount limitations

Common Customs Tariff heading number	Description of goods	Type of administration: T.Q.: Tariff quotas T.C.: Tariff ceiling S/S: Semi-sensitive N/S: Non-sensitive	EEC Council regulation number	Beneficiary affected	Maximum amount (in percentage)	Date of re-establishment of normal tariff	Published in C.J.E.C. (1975) (Number/page; date)
A. INDUSTRIAL PRODUCTS OTHER THAN TEXTILES AND ECSC IRON AND STEEL PRODUCTS							
25.23	Portland cement...	S/S	3054/74	Yugoslavia	50	2/6	L 139/29; 30/5
27.10 A.III	Petroleum oils...	S/S	3054/74	Romania	20	19/5	L 126/6; 17/5
27.10 CI.(c) II(c);				Romania	20	19/5	L 126/7; 17/5
III(c); (d)	Heavy oils...	S/S	3054/74	All beneficiaries		12/7	L 179/13; 9/7
28.42 A ex II	Carbonate of sodium	N/S	3054/74	Romania	50	14/9	L 239/17; 11/9
29.14 A.II C ex 1 c	Vinyl acetate	S/S	3054/74	Romania	50	23/11	L 300/8; 20/11
29.16 A.IV(a)	Citric acid	S/S	3054/74	Mexico	50	2/6	L 139/30; 30/5
				All beneficiaries		9/8	L 207/13; 6/8
29.16. B.I(a)	Salicylic acid	S/S	3054/74	All beneficiaries	50	1/6	L 138/21; 29/5
ex 29.23 D.III	Sodium hydrogen glutamate	N/S	3054/74	All beneficiaries	50	19/4	L 94/19; 16/4
40.11	Rubber tyres	T.C	3053/74	Yugoslavia	50	20/10	C 238/2; 18/10
41.02 ex B	Bovine cattle leather	T.Q	3052/74	Brazil	30	27/6	L 144/2; 27/6
41.03 B.II	Sheep and lamb-skin leather	S/S	3054/74	India	50	15/6	L 151/9; 12/6
				All beneficiaries		9/7	L 178/14; 9/7
41.04 B.II	Goat and kid-skin leather	S/S	3054/74	India	30	19/5	L 126/9; 17/5
41.05 B.II	Other kinds of leather	S/S	3054/74	Yugoslavia	20	1/8	L 198/32; 29/7
42.02 A	Travel goods...	T.Q	3052/74	Hong Kong	30	31/5	C 121/2; 31/5
42.02 B	Travel goods of other materials	T.Q	3052/74	Hong Kong	30	18/4	C 87/1; 18/4
42.03 A B.II.III C	Articles of apparel and clothing...	T.Q	3052/74	Rep. of Korea	30	22/7	C 163/2; 19/7
42.03 B.I	Gloves...	T.C	3053/74	Hong Kong	20	25/1	C 18/2; 25/1
44.13	Wood...	S/S	3054/74	Brazil	50	1/8	L 198/33; 29/7
				All beneficiaries		12/8	L 211/10; 9/8
44.14 B	Wood sawn lengthwise	T.C	3053/74	Brazil	30	6/7	C 158/2; 15/7
44.15	Plywood, blockboard...	T.Q	3052/74	Malaysia	30	20/8	C 187/2; 19/8
44.24	Household utensils of wood	S/S	3054/74	All beneficiaries	50	19/5	L 126/10; 17/5
46.02	Plaiting materials...	S/S	3054/74	Rep. of Korea	30	25/8	L 222/2; 22/8
46.03	Basketwork... of plaiting	T.C	3053/74	Philippines	10	3/5	C 101/3; 3/5
				Yugoslavia			
48.09	Building board of wood pulp...	S/S	3054/74	Brazil	50	26/8	L 223/12; 23/8
64.01	Footwear...	T.Q	3052/74	Rep. of Korea	20	18/2	C 37/1; 18/2
				Hong Kong			
64.02 A	Footwear...	T.Q	3052/74	Brazil	15	11/8	C 182/3; 9/8
				Yugoslavia			C 182/4; 9/8
64.02 B	Footwear... Other	T.Q	3052/74	Rep. of Korea	15	24/2	C 42/1; 22/2
				Hong Kong		14/3	C 61/2; 14/3
66.01	Umbrellas and sunshades	T.C	3053/74	Pakistan		31/5	C 121/2; 31/5
67.04	Wigs, false beards, hair pads	T.C	3053/74	Hong Kong	50	7/2	C 29/2; 7/2
68.02	Worked monumental or building stone	S/S	3054/74	Rep. of Korea	30	31/8	C 199/2; 30/8
				India	50	22/11	L 299/10; 19/11
				All beneficiaries		2/12	L 309/69; 29/11

68.08	Articles of asphalt . . .	N/S	3054/74	Romania	50	21/11	L 298/5;	18/11
68.13	Fabricated asbestos and articles thereof . . .	S/S	3054/74	Yugoslavia	50	9/11	L 287/12;	6/11
69.02	Refractory bricks, blocks	T.C	3053/74	Yugoslavia	50	31/8	C 199/2;	31/8
69.08	Glazed setts . . . hearth and wall tiles	S/S	3054/74	Rep. of Korea	20	9/2	L 33/20;	6/2
70.12	Glass inners for vacuum flasks . . .	S/S	3054/74	Yugoslavia	50	16/3	L 66/13;	13/3
70.13	Glassware . . .	T.C	3053/74	Yugoslavia	30	30/5	C 120/2;	30/5
70.14 A.II	Illuminating glassware . . .	S/S	3054/74	Yugoslavia	20	3/6	L 140/59;	31/5
70.14 B	Illuminating glassware . . . Other	S/S	3054/74	Hong Kong	30	19/5	L 126/14;	17/5
71.16	Imitation jewellery	T.C	3053/74	Hong Kong	50	15/3	C 62/2;	15/3
73.11	Angles, shapes and sections of iron or steel . . .	N/S	3054/74	Romania	50	18/3	L 68/18;	15/3
73.32 B ex II	Wood screws	S/S	3054/74	Hong Kong	50	2/12	L 309/70;	29/11
74.07	Tubes and pipes . . . of copper	S/S	3054/74	Yugoslavia	30	22/6	L 157/15;	19/6
				Chile		28/11	L 305/11;	25/11
76.02	Wrought bars of aluminium	S/S	3054/74	Yugoslavia	20	15/6	L 151/11;	12/6
76.03	Wrought plates . . . of aluminium	S/S	3054/74	Yugoslavia	20	27/5	L 133/54;	24/5
79.03 A	Wrought plates . . .	T.C	3053/74	Yugoslavia	50	22/8	C 193/2;	23/8
82.09	Knives with cutting blades . . .	S/S	3054/74	Rep. of Korea	30	6/6	L 141/14;	3/6
				All beneficiaries		18/7	L 184/34;	15/7
82.14	Spoons, forks, fishers	S/S	3054/74	Republic of Korea	30	25/2	L 48/17;	22/2
				All beneficiaries		12/7	L 178/15;	9/7
83.01	Locks and padlocks and parts thereof, of base metal . . .	S/S	3054/74	Hong Kong	20	7/3	L 58/6;	4/3
84.41 A 1 (b)	Sewing machines . . .	T.C	3053/74	Rep. of Korea	30	19/3	C 64/1;	19/3
84.52	Calculating machines	N/S	3054/74	All beneficiaries	50	2/12	L 309/71;	29/11
85.01 A.II	Electrical goods . . .	T.C	3053/74	Yugoslavia	50	25/9	C 219/4;	25/9
85.01 C	Electrical goods . . . parts	S/S	3054/74	Yugoslavia	30	11/11	L 290/26;	8/11
85.03	Primary cells and primary batteries	T.Q	3052/74	Hong Kong	30	29/9	C 221/2;	27/9
85.10	Portable electric battery . . .	T.C	3053/74	Hong Kong	50	19/3	C 64/1;	19/3
85.15 A.III, C.III	Radiotelegraphic and radiotelephonic apparatus . . .	T.Q	3052/74	Hong Kong	20	18/4	C 87/1;	18/4
				Rep. of Korea		14/6	C 133/2;	14/6
				Singapore		30/9	C 223/2;	30/9
85.18	Electrical capacitors . . .	S/S	3054/74	All beneficiaries	30	2/12	L 309/72;	29/11
85.21 D, E	Thermionic, cold cathode and photo-cathode valves and tubes . . .	T.Q	3052/74	Singapore	30	18/4	C 87/2;	18/4
85.23	Insulated electric wire	T.C	3053/74	Yugoslavia	20	15/3	C 62/2;	15/3
87.10	Cycles not motorized	S/S	3054/74	Yugoslavia	20	30/6	L 164/22;	27/6
87.14 B.II	Other vehicles . . .	T.C	3053/74	Yugoslavia	50	15/3	C 62/2;	15/3
90.05	Refracting telescopes	T.C	3053/74	Rep. of Korea	30	25/1	C 18/2;	25/1
				Hong Kong		17/2	C 36/1;	15/2
				All beneficiaries		9/8	L 211/11;	9/8
90.09	Image projectors . . .	N/S	3054/74	Singapore	50	10/2	L 34/24;	7/2
				All beneficiaries		8/3	L 59/7;	5/3
94.01	Chairs and other seats . . .	T.Q	3052/74	Yugoslavia	20	18/4	C 87/2;	18/4
94.03	Other furniture and parts thereof	T.Q	3052/74	Yugoslavia	20	3/5	C 101/4;	3/5
97.02	Dolls	T.C	3053/74	Hong Kong	20	31/1	C 23/3;	31/1
97.03	Other toys . . .	T.C	3053/74	Hong Kong	20	7/2	C 29/2;	7/2
97.04	Equipment for parlour games . . .	S/S	3054/74	Hong Kong	30	12/7	L 178/16;	9/7
97.05	Carnival articles	T.C	3053/74	Hong Kong	20	13/6	C 131/2;	12/6
97.06	Appliances, apparatus for gymnastics . . .	S/S	3054/74	Pakistan	30	1/8	L 198/34;	29/7

ANNEX II (continued)

Common Customs Tariff heading number	Description of goods	Type of administration: T.Q.: Tariff quotas T.C.: Tariff ceiling S/S: Semi-sensitive N/S: Non-sensitive	EEC Council regulation number	Beneficiary affected	Maximum amount (in percentage)	Date of re-establishment of normal tariff	Published in O.J.E.C. (1975) (Number/page; date)
97.06 B C	Appliances, apparatus... — Tennis rackets — Other	S/S	3054/74	India	30	2/12	L 309/73; 29/11
98.15	Vacuum flasks...	T.C	3053/74	Hong Kong	50	15/3	C 62/2; 15/3
B. COTTON TEXTILES AND SUBSTITUTES COVERED BY THE ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES							
55.05	Cotton yarn, not put up for retail sale...	S/S	3046/74	Colombia All beneficiaries	50	19/5 30/6	L 126/12; 17/5 L 164/21; 27/6
55.05 B	Cotton yarn... Other	S/S	3046/74	All beneficiaries	50	12/7	L 178/7; 9/7
55.05 B.II	Cotton yarn... Other — more than 14 000 m to 40 000 m	T.Q	3045/74	Pakistan	30	8/4	C 77/4; 8/4
55.05 B.II	Cotton yarn... Other — more than 80 000 m to 120 000 m	T.Q	3045/74	India	30	10/6	C 129/3; 10/6
55.08	Terry towelling	S/S	3046/74	All beneficiaries	50	12/7	L 178/8; 9/7
55.09 A ex I	Other woven fabrics of cotton...	S/S	3046/74	All beneficiaries	30	12/7	L 178/9; 9/7
55.09 A.II	Other woven fabrics of cotton... Other — 85 cm to 115 cm	T.Q	3045/74	Pakistan	30	12/8	C 183/2; 12/8
55.09 A.II	...more than 165 cm	T.Q	3045/74	India	30	21/3	C 66/27; 21/3
55.09 A.II	...not specified	T.Q	3045/74	Colombia	30	30/3	C 71/2; 28/3
56.07 B	Woven fabrics of man-made fibres... of regenerated fibres	S/S	3046/74	Rep. of Korea	50	11/11	L 290/25; 8/11
58.10	Embroidery...	S/S	3046/74	Rep. of Korea	50	13/9	L 238/7; 10/9
ex 60.02	Gloves, mittens and mitts...	S/S	3046/74	Pakistan	30	28/9	L 249/7; 25/9
60.04 A	Under garments... of cotton	S/S	3046/74	Malaysia India	30	27/5 15/6	L 133/53; 24/5 L 151/10; 12/6
60.05 A ex II ex B	Outer garments... other, of cotton	S/S	3046/74	Rep. of Korea All beneficiaries	30	13/9 28/9	L 238/8; 10/9 L 249/8; 25/9
ex 61.01	Men's and boys' outer garments — others	T.Q	3045/74	Rep. of Korea,	30	15/2	C 35/3; 14/2
	— in woven fabrics of cotton	T.Q	3045/74	India	30	22/10	C 241/4; 22/10
61.02	Women's, girls' and infants' outer garments						
	— in woven fabrics of cotton	T.Q	3045/74	India	30	15/2	C 35/3; 14/2
	— others	T.Q	3045/74	Rep. of Korea	30	15/2	C 35/3; 14/2
61.03	Men's and boys' under garments... — of cotton fabric	S/S	3046/74	India All beneficiaries	30	19/5 12/7	L 126/13; 17/5 L 178/10; 9/7
	— in woven fabrics other than cotton	T.Q	3045/74	Rep. of Korea	30	7/2	C 29/1; 7/2
ex 61.04	Women's, girls' and infants' under garments of cotton fabric	S/S	3046/74	All beneficiaries	50	26/8	L 223/13; 23/8
	— other than cotton	S/S	3048/74	Rep. of Korea	50	13/9	L 238/10; 10/9
61.05	Handkerchiefs	S/S	3046/74	India	50	2/7	L 178/11; 9/7
	— of fabric other than cotton			All beneficiaries		9/8	L 207/14; 6/8
	— of cotton fabric	S/S	3046/74	All beneficiaries	50	9/8	L 207/15; 6/8

62.02	Bed linen, table linen, in woven fabrics of cotton	T.Q	3045/74	India	30	15/2	C 35/3
62.03 B ex II	Sacks and bags... of cotton	S/S	3046/74	Pakistan	50	21/4	L 97/26; 18/4
C. OTHER TEXTILES							
50.09	Woven fabrics of silk...	S/S	3048/74	India	50	19/10	L 267/14; 16/10
51.04	Woven fabrics of man-made fibres...	T.Q	3047/74	Rep. of Korea	30	14/3	C 61/1; 14/3
53.07	Yarn of combed sheep's or lambs' wool...	S/S	3048/74	Brazil	50	12/7	L 178/12; 9/7
				All beneficiaries		15/9	L 240/12; 12/9
54.03	Flax...	S/S	3048/74	Brazil	50	19/5	L 126/11; 17/5
55.06	Cotton yarn...	S/S	3050/74	Yugoslavia	50	14/2	L 36/12; 11/2
56.03	Waste of man-made fibres...	S/S	3048/74	Yugoslavia	30	22/9	L 245/12; 19/9
56.05 A	Yarn of man-made fibres...	T.Q	3047/74	Rep. of Korea	20	25/1	C 18/1, 25/1
56.07 A	Woven fabrics of man-made fibres...	T.Q	3047/74	Rep. of Korea	30	21/4	C 88/1; 19/4
				Malaysia		12/7	C 156/3; 12/7
58.01 ex A	Carpets... at least 350 rows of knots	T.Q	3047/74	India	20	14/3	C 61/1; 14/3
				Iran		15/3	C 62/1; 15/3
58.01 ex A	Carpets... 350 to 500 rows of knots	T.Q	3047/74	Iran	30	21/3	C 66/28; 21/3
ex 59.04	Twine cordage... of sisal	T.Q	3047/74	Mexico	30	21/3	C 66/28; 21/3
ex 60.03	Stocking... other than of cotton	T.Q	3047/74	Rep. of Korea	30	7/2	C 29/1; 7/2
60.04 B	Under garments... of other textile materials	T.Q	3047/74	Rep. of Korea	20	30/3	C 71/3; 28/3
60.05 A 1	Outer garments... knitted or crocheted	S/S	3048/74	Mexico	50	15/3	L 68/17; 15/3
				All beneficiaries		21/4	L 97/25; 18/4
60.05	A ex II. Other ex B. Other	T.Q	3047/74	Rep. of Korea	30	14/3	C 61/1; 14/3
ex 61.04	Women's, girls' and infants' under garments other than of cotton	S/S	3048/74	Rep. of Korea	50	13/9	L 238/10; 10/9
				All beneficiaries		5/10	L 256/12; 2/10

ANNEX III

EEC scheme of generalized preferences for 1976

Industrial products affected by ceilings and maximum amount limitations

Common Customs Tariff heading number	Description of goods	Type of administration: T.Q.: Tariff quotas T.C.: Tariff ceiling S/S: Semi-sensitive N/S: Non-sensitive	EEC Council regulation number	Beneficiary affected	Maximum amount (in percentage)	Date of re-establishment of normal tariff	Published in O.J.E.C. (1976) (Number/page; date)
A. INDUSTRIAL PRODUCTS OTHER THAN TEXTILES							
25.23	Portland cement...	S/S	3010/75	All beneficiaries	50	1/11	L 299/28; 29/10
27.10 A.III	Petroleum oils...	S/S	3010/75	Bahrein	20	20/12	L 347/30; 17/12
27.10 B.III	Medium oils...	S/S	3010/75	Libyan Arab Republic	20	20/3	L 71/11; 17/3
				Venezuela		6/9	L 242/13; 3/9
27.10 C.I(c); II(c); III(c), (d)	Heavy oils	S/S	3010/75	Romania	20	9/7	L 180/2; 6/7
				Venezuela		6/9	L 242/13; 3/9
				All beneficiaries		1/8	L 203/33; 29/7
28.19	Zinc oxide and Zinc peroxide	S/S	3010/75	Yugoslavia	50	8/10	L 272/5; 5/10
28.42 A ex II	Carbonate of sodium	N/S	3010/75	Romania	50	2/5	L 112/7; 29/4
29.04 A.III(c)	Other butyl alcohols	N/S	3010/75	Romania	50	17/5	L 126 27; 14/5
29.16 A.IV(a)	Citric acid	S/S	3010/75	Mexico	30	10/8	L 215/30; 7/8
				Romania			
29.22 A.I	Methylamine and di- and trimethylamine...	N/S	3010/75	Romania	50	2/5	L 112/8; 29/4
A ex III	— Isopropylamine	N/S	3010/75	Romania	50	10/8	L 215/32; 7/8
D ex I	— Aniline and its salts	N/S	3010/75	Romania	50	18/10	L 284/20; 15/10
29.23.D.III	Glutamic acid and its salts	S/S	3010/75	Republic of Korea	20	13/1	L 5/19; 10/1
				All beneficiaries		31/1	L 19/18; 28/1
29.35 ex Q	Melamine	S/S	3010/75	Republic of Korea	50	16/4	L 98/5; 13/4
31.05 A.I, II, III(b), IV, B	Other fertilizers...	T.C	3009/75	Yugoslavia	50	12/10	C 239/2; 12/10
35.03 B	Gelatin... other	N/S	3010/75	All beneficiaries		23/8	L 228/24; 20/8
39.03 B.I	Regenerated cellulose	T.C	3009/75	Yugoslavia	50	8/9	C 211/2; 8/9
40.11	Rubber tyres	T.C	3009/75	Yugoslavia	50	4/6	C 123/21; 4/6
41.02 ex B	Bovine cattle leather	T.Q	3008/75	Argentina	30	14/5	C 108/1; 15/5
				Brazil		20/7	C 165/2; 20/7
41.03 B.II	Sheep and lamb-skin leather	T.Q	3010/75	India	50	2/5	L 112/18; 29/4
				All beneficiaries		21/8	L 226/7; 18/8
41.04 B.II	Goat and kid-skin leather	S/S	3010/75	India	40	15/3	L 64/15; 12/3
				All beneficiaries		2/5	L 112/9; 29/4
42.02 A	Travel goods...	T.Q	3008/75	Hong Kong	30	16/4	C 88/2; 15/4
				Republic of Korea		30/8	C 202/2; 28/18
42.02 B	Travel goods of other materials	T.Q	3008/75	Hong Kong	30	6/3	C 52/3; 6/3
42.03 B.I	Gloves...	S/S	3010/75	Hong Kong	20	14/2	L 36/8; 11/2
42.03 A; B.II, III; C	Articles of apparel and clothing...	T.Q	3008/75	Republic of Korea	30	19/3	C 63/3; 19/3
44.13	Wood...	S/S	3010/75	Brazil	50	25/4	L 105/24; 22/4
				Malaysia		18/10	L 284/21; 15/10
44.14 B	Wood sawn lengthwise	S/S	3010/75	Brazil	40	13/9	L 248/8; 10/9
				All beneficiaries		23/10	L 288/16; 20/10

44.15	Plywood, blockboard...	T.Q	3008/75	Singapore	30/3	C 74/3; 30/3
				Malaysia	30	18/5 C 110/1; 18/5
				Republic of Korea	30/7	C 175/4; 30/7
44.23	Builders' carpentry and joinery...	S/S	3010/75	All beneficiaries	50	14/12 L 342/26; 11/12
44.24	Household utensils of wood	S/S	3010/75	Thailand	50	7/6 L 146/24; 4/6
				Philippines		18/10 L 284/22; 15/10
44.25 ex B	Broom and brush bodies and handles of wood	S/S	3010/75	Brazil	50	6/4 L 90/5; 3/4
				All beneficiaries		23/7 L 194/8; 20/7
46.02	Plaiting materials	S/S	3010/75	Hong Kong	30	18/10 L 284/23; 15/10
46.03	Basketwork... of plaiting	T.C	3009/75	Philippines	20	26/6 C 145/2; 26/6
				Yugoslavia		9/7 C 156/3; 9/7
48.09	Building board of wood pulp...	S/S	3010/75	Brazil	50	1/8 L 203/34; 29/7
				All beneficiaries		14/12 L 342/27; 11/12
64.01	Footwear...	T.Q	3008/75	Hong Kong	20	6/2 C 26/17; 6/2
				Republic of Korea		27/2 C 45/2; 27/2
64.02 A	Footwear...	T.Q	3008/75	Brazil	15	16/4 C 88/2; 15/4
				Yugoslavia		14/5 C 108/1; 15/5
64.02 B	Footwear... Other	T.Q	3008/75	Hong Kong	15	6/2 C 26/18; 6/2
				Pakistan		5/5 C 102/2; 5/5
				Republic of Korea		30/3 C 74/3; 30/3
66.01	Umbrellas and sunshades	T.C	3009/75	Hong Kong	50	29/1 C 20/3; 29/1
67.04	Wigs, false beards, hair pads	T.C	3009/75	Republic of Korea	30	20/7 C 165/3; 20/7
68.08	Articles of asphalt...	N/S	3010/75	Romania	50	1/11 L 299/29; 29/10
68.13 B.I	Thread of asbestos	S/S	3010/75	Yugoslavia	50	17/7 L 190/22; 14/7
69.02	Refractory bricks, blocks	T.C	3009/75	Yugoslavia	50	21/9 C 221/4; 21/9
69.08	Glazed setts... hearth and wall tiles	S/S	3010/75	Republic of Korea	20	31/1 L 19/19; 28/1
				All beneficiaries		24/2 L 45/29; 21/2
70.12	Glass inners for vacuum flasks...	S/S	3010/75	Yugoslavia	40	15/3 L 64/16; 12/3
70.13	Glassware...	T.C	3009/75	Yugoslavia	30	21/5 C 113/2; 21/5
70.14 A.II	Illuminating glassware...	S/S	3010/75	Yugoslavia	20	23/7 L 194/10; 20/7
				Romania		23/10 L 288/17; 20/10
70.14 B	Illuminating glassware... other	S/S	3010/75	Hong Kong	30	6/4 L 90/7; 3/4
71.16	Imitation jewellery	T.C	3009/75	Hong Kong	50	1/3 C 46/3; 28/2
73.18	Tubes and pipes... of iron or steel...	T.C	3009/75	Yugoslavia	50	5/5 C 102/3; 5/5
73.32 B ex II	Wood screws	S/S	3010/75	Hong Kong	50	27/9 L 260/15; 24/9
74.03	Wrought bars... of copper	T.C	3009/75	Yugoslavia	50	15/10 C 241/4; 14/10
74.07	Tubes and pipes... of copper	S/S	3010/75	Yugoslavia	30	23/7 L 194/13; 20/7
76.02	Wrought bars of aluminium	S/S	3010/75	Yugoslavia	20	21/5 L 129/5; 18/5
79.03 A	Plates, sheets of... zinc	T.C	3009/75	Yugoslavia	50	19/6 C 138/2; 19/6
82.09	Knives with cutting blades...	S/S	3010/75	All beneficiaries	30	28/6 L 165/30; 25/6
82.14 A	Spoons... of stainless steel	S/S	3010/75	Republic of Korea	20	25/1 L 13/12; 22/1
				All beneficiaries		26/3 L 76/5; 23/3
83.01	Locks and padlocks and parts thereof, of base metal...	S/S	3010/75	Hong Kong	20	30/3 L 81/32; 27/3
84.41 A.I(b)	Sewing machines...	S/S	3010/75	Republic of Korea	30	22/2 L 43/12; 19/2
				Yugoslavia		9/11 L 304/23; 6/11
84.52 A	Electronic calculating machines	N/S	3010/75	Singapore	50	1/8 L 203/35; 29/7
85.01 A.II	Electrical goods...	T.C	3009/75	Yugoslavia	50	30/4 C 97/3; 30/4
85.03	Primary cells and primary batteries	T.Q	3008/75	Hong Kong	30	23/6 C 142/2; 23/6
85.04 A	Lead-acid accumulators	S/S	3010/75	Yugoslavia	20	23/5 L 131/16; 20/5
85.10 B	Portable electric battery... other	T.C	3009/75	Hong Kong	50	27/2 C 45/3; 27/2

ANNEX III (continued)

Common Customs Tariff heading number	Description of goods	Type of administration:		EEC Council regulation number	Beneficiary affected	Maximum amount (in percentage)	Date of re-establishment of normal tariff	Published in O.J.E.C. (1976) (Number/page; date)	
		T.Q.: Tariff quotas T.C.: Tariff ceiling S/S: Semi-sensitive N/S: Non-sensitive							
85.15 A.III, C.III	Radiotelegraphic and radiotelephonic apparatus...	T.Q		3008/75	Hong Kong Republic of Korea Singapore	20	27/2 19/3 15/10	C 45/3; 27/2 C 63/3; 19/3 C 241/3; 14/10	
85.18	Electrical capacitors...	S/S		3010/75	Republic of Korea	30	8/10	L 272/7; 5/10	
85.20 A	Filament lamps for lighting	S/S		3010/75	Hong Kong	30	14/12	L 342/28; 11/12	
85.23	Insulated electric wire	T.C		3009/75	Yugoslavia	20	2/4	C 77/7; 2/4	
87.10	Cycles not motorized	S/S		3010/75	Yugoslavia	20	2/5	L 112/16; 29/4	
87.12 B	Parts and accessories... other	S/S		3010/75	Yugoslavia	20	21/5	L 129/6; 18/5	
87.14 B.II	Other vehicles...	T.C		3009/75	Yugoslavia	50	1/3	C 46/3; 28/2	
90.05	Refracting telescopes	T.C		3009/75	Republic of Korea	30	29/1	C 20/3; 29/1	
90.09	Image projectors...	S/S		3010/75	Singapore	50	2/5	L 112/17; 29/4	
92.11 A	Sound recorders and reproducers	T.C		3009/75	Hong Kong Republic of Korea	50	26/6 30/8	C 145/2; 26/6 C 202/2; 28/8	
94.01 B	Chairs and seats... other	T.Q		3008/75	Yugoslavia	20	7/4	C 82/18; 7/4	
94.03	Other furniture and parts thereof	T.Q		3008/75	Yugoslavia	20	12/4	C 85/2; 10/4	
97.02	Dolls	T.C		3009/75	Hong Kong Republic of Korea	20	6/2 1/12	C 26/18; 6/2 C 283/2; 30/11	
97.03	Other toys...	T.C		3009/75	Hong Kong Republic of Korea	20	6/2 14/12	C 26/19; 6/2 C 295/2; 14/12	
97.04	Equipment for parlour...	S/S		3010/75	Hong Kong	30	31/8	L 237/44; 28/8	
97.05	Carnival articles	T.C		3009/75	Hong Kong	20	12/4	C 85/3; 10/4	
97.06 B, C	Tennis rackets and other...	S/S		3010/75	All beneficiaries	30	14/12	L 342/29; 11/12	
98.15	Vacuum flasks...	T.C		3009/75	Hong Kong Republic of Korea	50	22/3 30/8	C 46/2; 20/3 C 202/2; 28/8	
B. COTTON TEXTILES AND SUBSTITUTES COVERED BY THE ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES									
55.05 A	Cotton yarn, not put up for retail sale... multiple or cobbled...	S/S		3002/75	India All beneficiaries	50	2/5 2/11	L 112/10; 29/4 L 300/65; 30/10	
55.05 B.I	Cotton yarn, not put up for retail sale... measuring... 120 000 m or more per kg	S/S		3002/75	All beneficiaries	50	2/5	L 112/12; 29/4	
ex 55.05 B.II	Cotton yarn... other, more than 40 000 m to 80 000 m	T.Q		3001/75	Colombia	30	11/5	C 107/3; 11/5	
ex 55.05 B.II	Cotton yarn... other less than 14 000 m	T.Q		3001/75	India	30	11/9	C 214/2; 11/9	
55.06	Cotton yarn put up for retail sale	S/S		3006/75	Yugoslavia		22/2	L 43/11; 19/2	
55.08	Terry towelling and similar terry fabrics of cotton	S/S		3002/75	All beneficiaries	50	30/3	L 81/29; 27/3	
55.09 A ex II	Other woven fabrics of cotton								
	— more than 165 cm	T.Q		3001/75	India Pakistan	30	6/3 19/3	C 52/2; 6/3 C 63/2; 19/3	
	— not specified	T.Q		3001/75	Mexico	30	19/3	C 63/2; 19/3	
	— 85 cm but not more than 115 cm	T.Q		3001/75	Pakistan	30	12/4	C 85/2; 10/4	
	— 115 to 165 cm	T.Q		3001/75	India	30	30/4	C 97/2; 30/4	

60.04 A	Under garments . . . of cotton	S/S	3002/75	All beneficiaries	30	2/5	L 112/13; 29/4
60.05 A ex II ex B	Outer garments . . . other, of cotton	S/S	3002/75	Singapore	30	25/5	L 133/26; 22/5
				Republic of Korea		12/6	L 149/9; 9/6
				Pakistan		17/7	L 190/20; 14/7
ex 61.01	Men's and boys' outer garments other than cotton	T.Q	3001/75	Republic of Korea	30	6/2	C 26/16; 6/2
ex 61.02	Women's, girls' and infants' outer garments						
	— in cotton	T.Q	3001/75	India	30	20/2	C 40/2; 20/2
	— other than cotton	T.Q	3001/75	Republic of Korea	30	20/2	C 40/2; 20/2
ex 61.03	Men's and boys' under garments . . .						
	— of cotton	S/S	3002/75	India	30	9/3	L 59/17; 6/3
				All beneficiaries		30/3	L 81/31; 27/3
	— other than cotton	T.Q	3001/75	Republic of Korea	30	17/2	C 36/3; 17/2
ex 61.04	Women's, girls' and infants' under garments of cotton fabric	S/S	3002/75	India	50	23/7	L 194/9; 20/7
ex 61.05	Handkerchiefs						
	— of cotton fabric	S/S	3002/75	India	50	6/4	L 90/6; 3/4
				All beneficiaries		2/5	L 112/14; 29/4
	— of fabrics other than cotton	S/S	3002/75	All beneficiaries		2/5	L 112/15; 2/5
ex 62.02	Bed linen, table linen, in woven fabrics of cotton	T.Q	3001/75	India	30	6/2	C 26/16; 6/2
62.03 B ex II	Sacks and bags . . . of cotton	S/S	3002/75	All beneficiaries	50	10/10	L 276/18; 7/10

C. OTHER TEXTILES

49 51.04	Woven fabrics of man-made fibres . . .	T.Q	3003/75	Republic of Korea	30	19/3	C 63/2; 19/3
54.03	Flax . . .	S/S	3004/75	Brazil	50	8/10	L 272/6; 5/10
56.03	Waste of man-made fibres . . .	S/S	3004/75	Yugoslavia	30	10/10	L 276/17; 7/10
56.05 A	Yarn of man-made fibres . . .	T.Q	3003/75	Republic of Korea	20	6/2	C 26/17; 6/2
56.07 A	Woven fabrics of man-made fibres . . .	T.Q	3003/75	Malaysia	30	5/3	C 51/2; 5/3
				Republic of Korea		19/3	C 63/2; 19/3
58.01 ex A	Carpets . . . at least 350 rows of knots	T.Q	3003/75	India	30	27/2	C 45/2; 27/2
				Iran		19/6	C 138/2; 19/6
ex 59.04	Twine cordage . . . of sisal	T.Q	3003/75	Brazil	30	11/5	C 107/3; 11/5
				Republic of Korea		20/7	C 165/2; 20/7
				Yugoslavia		25/11	C 278/2; 24/11
ex 60.03	Stocking . . . other than of cotton	T.Q	3003/75	Republic of Korea	30	11/2	C 30/3; 10/2
60.04 B	Under garments of other textile materials	T.Q	3003/75	Republic of Korea	20	30/3	C 74/2 30/3
60.05 A.I	Outer garments . . . knitted or crocheted	S/S	3004/75	All beneficiaries	30	30/3	L 81/30; 27/3
60.05 A ex II	Outer garments . . .	T.Q	3003/75	Republic of Korea	30	28/2	C 46/2; 28/2
ex B	— Other . . .						
ex 61.04	Women's, girls' and infants' under garments other than of cotton	S/S	3004/75	Republic of Korea	50	11/4	L 93/24; 8/4

ANNEX IV

Illustration of the application of the special maximum amount under tariff quotas for textile products

(EEC Council regulation No. 3022/76)

1. A Community tariff quota of 1,394 metric tons has been established for cotton yarn falling in CCT subheading 55.05 B ex II. The general maximum amount of 30 per cent of the quota is applied to preferential imports from all beneficiary countries except Brazil, to which a special maximum amount of 10 per cent is applied. The tariff quota is allocated among the EEC member States as follows:

Germany, Federal Republic of	376.38	(37.64)
Benelux	139.40	(13.94)
France	264.16	(26.49)
Italy	195.16	(19.52)
Denmark	97.58	(9.76)
Ireland	13.94	(1.39)
United Kingdom	306.68	(30.67)

The Community's special maximum amount (139.4 metric tons) is allocated among member States (figures in parentheses) in proportion to their quota shares, i.e. 10 per cent of each quota share.

2. A Community tariff quota of 1,129 metric tons has been established for other woven fabrics of cotton falling in CCT subheading 55.09 A ex II. The general maximum amount of 40 per cent applies to all beneficiary countries except Brazil, Republic of Korea, Singapore and Yugoslavia, for which the special maximum amount (10 per cent of the quota) applies to each of them. The tariff quota is allocated among the EEC member States as follows:

Germany, Federal Republic of	304.83	(121.93)
Benelux	112.90	(45.16)
France	214.51	(85.80)
Italy	158.06	(63.22)
Denmark	79.03	(31.61)
Ireland	11.29	(4.51)
United Kingdom	248.38	(99.33)

The special maximum amounts for the four selected beneficiaries are added up (451.46 metric tons) and allocated among member States (figures in parentheses) in proportion to their quota shares, i.e. 40 per cent of each quota share. Any one of these four selected beneficiaries can conceivably use any member State's share of the special maximum amount in full, provided that its preferential exports to the Community do not exceed 10 per cent of the above tariff quota, which is equal to 112.9 metric tons.

ANNEX V

EEC scheme of generalized preferences for 1977

*Administration and control of preferential
imports, of sensitive and semi-sensitive industrial products
(CCT chapters 25-99)*

(Value: thousands of u.a.; quantity: metric tons)

Typical import control by product category	Number of tariff quotas and ceilings	Tariff quotas and ceilings	Number of products subject to maximum amounts								Special
			General								
			15	20	25	30	35	40	50		
			(In percentages)								
I. Industrial products			Value								15%
A. Tariff quota	13	151 709 ^a	3	4	—	5	—	—	1	—	
of which: Footwear	(3)	33 210	2	1	—	—	—	—	—	—	
B. Tariff ceiling	25	288 099	—	6	—	3	—	1	15	25	
C. Semi-sensitive	75	404 392 ^b	5	18	4	15	2	7	24	—	
of which: Petroleum	(3)	(2 678 500) tons	—	3	—	—	—	—	—	—	
II. Textiles			Quantity								10%
A. Tariff quotas											
(1) Beneficiary countries ^c	30	41 719	—	1	—	21	1	7	—	21	
(2) Selected countries and territories ^d ..	(12)	1 027 ^e	No maximum amount								—
B. Tariff ceilings	12	4 669	—	—	—	—	—	—	12	—	
C. Semi-sensitive	16	29 169	—	—	—	4	—	—	12	—	
A + B + C	58	74 530	—	1	—	25	1	7	24	21	
III. ECSC iron and steel			Value								
A. Tariff quota	3	43 026	—	—	—	1	—	1	1	—	
B. Semi-sensitive	3	23 084	—	—	—	—	—	—	3	1	
I + III	119	910 310	8	28	4	24	2	9	44	26	
I + II + III	177		8	29	4	49	3	16	68	47	

^a Excluding plywood (282 610 m³).

^b Excluding petroleum products.

^c Beneficiary countries listed in annex D, I, of EEC Council regulation, No. 3022/76.

^d Brazil, Colombia, Hong Kong, Republic of Korea, Uruguay and Yugoslavia.

^e This amount covers 12 tariff quotas shared as follows by: Brazil (7), Hong Kong (5), Republic of Korea (4), Uruguay and Yugoslavia (2) each, and Colombia (1). Furthermore, there is no maximum amount specified. Preferential imports of the same products from other beneficiary countries and territories are admitted within tariff ceilings set for each of these products shown under II B of column I.

Document TD/B/C.5/50*

SCHEME OF GENERALIZED PREFERENCES OF AUSTRALIA

Study by the UNCTAD secretariat

[Original: English]
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* Incorporating document TD/B/C.5/50/Corr.1 (10 March 1978).

INTRODUCTION

1. As early as 1966, or long before the adoption of the generalized system of preferences (GSP), Australia had introduced a non-reciprocal preferential tariff treatment under which selected manufactured and semi-manufactured products could be imported from developing countries free of duty, or at reduced rates of duty, but mainly within the limits of tariff quotas set annually for individual products or product groups. Also under customs by-law arrangements, duty-free treatment without quota limitations had been granted to specified handicraft products originating in developing countries. The preferential treatment had been gradually improved and extended with respect to the number of beneficiary countries, the products covered, the depth of tariff cuts, and the administration of preferential imports.¹

2. On 1 January 1974, Australia replaced the above preferential treatment by a new and substantially broader scheme² that was more closely related to the schemes

implemented by other preference-giving countries under the GSP. Moreover, new customs by-law arrangements³ for duty-free entry for all handicraft products (as defined) became operative on 1 July 1974. However, as a transitional measure, the arrangements for specified handicraft products mentioned above continued to operate until the end of that year. The new arrangements for duty-free entry of all handicraft products applied to imports from all sources rather than from developing countries only, as under the old arrangements. A number of changes were subsequently made in the 1974 scheme,⁴ including those introduced on 1 July 1976 after a full-scale review of that scheme.⁵

3. The purpose of this study is to review the main elements of the Australian scheme of generalized preferences as it was formally adopted in 1974 and subsequently revised, as well as to assess its trade implications.

¹ For a brief description of tariff preferences and of imports under such preferences as of January 1973, see TD/B/C.5/9 *, annex II.

² See TD/B/480.

³ For the relevant texts of the new arrangements for handicraft products, see TD/B/480/Amend.2, attachment C.

⁴ TD/B/480/Amend.3-6.

⁵ TD/B/480/Amend.7.

Chapter I

MAIN ELEMENTS OF THE SCHEME

4. The main elements of the Australian scheme of generalized preferences are described below.

A. Beneficiaries

5. The list of beneficiaries includes 123 countries and 39 territories. Nine countries and 16 dependent territories were late additions to that list. Thus the list includes all 113 countries members of the Group of 77 plus Albania, Bulgaria, Greece, Israel, Mongolia, Nauru, Portugal, Samoa, Tonga and Turkey. It should be noted that certain countries and territories beneficiaries of the scheme have enjoyed and still enjoy special preferences for selected products in the Australian market.⁶

B. Product coverage

6. Product coverage extends to most dutiable manufactured and semi-manufactured products in CCCN chapters 25-99 and a large number of processed agricultural products in CCCN chapters 1-24. Since 1974, and especially as a result of the 1976 review of the scheme, the product coverage has been increased by 85 items, of which 77 were added after the full-scale review. Similarly, 32 items were excluded, 17 of which were post-review exclusions. As of 1 July 1976 about 450 tariff-line items and 14 ex-items were excluded from the scheme out of a total of 1,445 tariff-line items in the Australian Customs Tariff which were dutiable for developing country goods.⁷

7. In addition to unprocessed agricultural and other primary products which, according to Australia, do not

fall within the purview of preferences, the products excluded from the scheme are mainly those subject to revenue duties (such as tobacco, beer and spirits) and processed agricultural or industrial products (such as footwear, plywood, textiles and apparel, plastics, paper and board) where, in the Australian view, developing countries are already competitive or are likely quickly to become competitive in the Australian market at MFN rates of duty. It should be noted in this connexion that one third of the excluded items consist of agricultural products in unprocessed or processed form. Apart from these general exclusions, preferential treatment is denied to five beneficiary countries and two beneficiary territories with respect to one or more products falling within 47 tariff-line items or ex-items.⁸

8. Imports from GSP beneficiaries of the 77 new items added after the 1976 review amounted to nearly \$11 million in 1974. These new items include 18 tropical products with imports valued at \$9 million,⁹ and 59 other items with imports valued at \$1.88 million (or \$1.46 million if ex-items are excluded).¹⁰ It should be noted,

⁸ See annex III below for the list of items excluded and the beneficiaries affected (see also para. 16 below).

⁹ The eighteen tropical items are listed in foot-note 11 below. Coconut (\$3.88 million); Pepper and Pimento (\$1.96 million); Dates (\$1.21 million); Nutmeg, mace, cardamoms (\$0.41 million); Tea (\$0.4 million) accounted for 86 per cent of total imports of tropical products. Although imports came from some 30 beneficiaries, Malaysia, Philippines, Papua New Guinea, Sri Lanka, Singapore, Iran, Iraq and India (in that order) supplied the bulk.

¹⁰ Woollen yarn (\$0.57 million); Fruit juices (\$0.34 million); Worsted yarn (\$0.28 million); Gherkins and cucumbers preserved (\$0.10 million) accounted for nearly 90 per cent of the total value of these imports. Although imports came from some 25 beneficiaries, Hong Kong, Pakistan and Singapore alone accounted for 65 per cent of the total.

⁶ See annex I below.

⁷ See annex II below for the list of items excluded from the Australian scheme.

however, that no imports from GSP beneficiaries were recorded for 31 of these latter items which include, *inter alia*, railway locomotives, tramways, coaches, wagons, trucks and other rolling stock.

9. Imports from GSP beneficiaries of the 17 excluded items exceeded \$3.2 million in 1974. Two items (primary cells, and photocells, diodes, transistors, etc.) accounted for nearly 80 per cent of these imports. Handkerchiefs, undergarments and two chemical items accounted for practically all the rest. No imports from GSP beneficiaries have, however, been registered for three excluded items, i.e., citric acid and salts, tyre cord fabrics and unwrought zinc, waste and scrap. While imports of the 17 excluded items came from some twenty beneficiaries, Singapore, Hong Kong and another beneficiary territory supplied almost 90 per cent of these imports. As a result of the above changes in product coverage, the net trade coverage of the scheme has been increased by nearly \$8 million in terms of Australian imports from beneficiaries in 1974.

10. As a part of its contribution to the GATT multilateral trade negotiations on tropical products, Australia introduced as of 1 July 1976 improvements in its scheme of generalized preferences for about 66 tariff items. Moreover, the 77 new items added to the product coverage of the scheme included 18 tropical products on which preferential duty-free rates (except on one product subject to partial tariff reduction) was granted in anticipation of the application of these rates on an MFN basis as from 1 January 1977.¹¹

11. As a result of the inclusion of tropical products and products enjoying Commonwealth preferences, generalized preferences have been extended to certain unprocessed primary products. According to the Government of Australia "this extension of tariff preference does not constitute a change of [Australian] policy in relation to the exclusion of unprocessed primary products from the generalized system of preferences. Rather, it should be seen as action by Australia to maintain, on a non-discriminatory basis and to the extent possible, treatment already accorded developing Commonwealth countries under the 1932 Ottawa Trade Agreement and continued within the framework of the 1956 United Kingdom and Australia Trade Agreement which has now been terminated; and an acceleration of duty reductions proposed in the multilateral trade negotiations for developing countries."¹²

C. Preferential tariff reduction

12. Under the scheme implemented in 1974, the initial preferential rates were generally 10 percentage points (or *ad valorem* equivalent for specific rates of

¹¹ The following eighteen tropical products have been included in the scheme as of 1 July 1976 at preferential zero rates (Australian tariff item number indicated in parentheses): (ex 03.02.900) Shark fins; (08.01.100) Dates; (08.01.400) Coconuts; (08.03.000) Figs; (ex 08.05.910) Hazelnuts, in the shell; (ex 08.05.990) Hazelnuts, shelled; (ex 08.09.900) Lychees and Jackfruit; (09.02.100) Tea, in packs not exceeding 10 kg; (09.04.100) Ground pepper, pimento; (09.04.900) Unground pepper, pimento; (09.05.000) Vanilla; (09.06.000) Cinnamon and Cinnamon tree flowers; (09.07.000) Cloves; (09.08.000) Nutmeg, mace and cardamoms; (09.10.600) Curry paste and powder; (09.10.910) Other ground spices; (12.07.910) Plants for medicinal... etc. purposes for retail sale (MFN rate of 17 per cent reduced to 7.5 per cent); and (12.07.990) Plants for medicinal... etc. purposes not for retail sale. Preferential rates on these products have been applied on MFN basis as of 1 January 1977.

¹² TD/B/480/Amend.7, p. 2.

duty) below the relevant General Tariff rates. Moreover, duty-free treatment was provided where the General Tariff rate was 12.5 per cent *ad valorem* or less. The preferential rates of duty existing prior to 1974 were maintained, wherever possible, at rates of duty more than 10 percentage points below the General Tariff rates.¹³ Since 1974, rates of duties were further reduced on eight tariff-line items before the 1976 review and on 826 after the review. The latter reductions generally ranged up to 10 percentage points *ad valorem* and on some products they amounted to more than 10 percentage points. At the same time, preferential margins were reduced on 86 tariff-line items.

D. Status of preferences, safeguards and consultations

13. Australia considers its scheme as the unilateral and non-reciprocal provision of preferential tariff advantages to developing countries, and it reserves the right at any time to modify, withdraw, suspend or limit the preferential treatment for any item and with respect to any beneficiary. Three types of safeguard measures are applied under the scheme: the escape clause, tariff quotas, and the exclusion of "competitive" beneficiaries.

14. The escape clause can be invoked when preferential imports cause or threaten serious injury to Australian industry. In such cases imports may be limited, or preferences modified or withdrawn. As was indicated above, upward adjustments in preferential rates of duty were made in July 1976 on 86 tariff-line items where imports from developing countries at preferential rates were considered to cause or threaten injury to Australian industry.

15. Preferential imports are also limited by annual tariff quotas. Since 1974 certain tariff quotas have been enlarged and others abolished. Currently, preferential imports of products falling within 40 tariff-line items or ex-items are subject to 32 tariff quotas.¹⁴

16. The Australian Government considers that a basic purpose of the scheme is to assist developing countries to become competitive in the Australian market. Accordingly, the benefits of tariff preference will be accorded and continue to be extended wherever possible, both in response to specific requests and as a result of periodic reviews of the system. However, it remains a fundamental principle that preference will not be accorded to those products where developing countries are already competitive, or are likely soon to become competitive, in the Australian market. If, during the operation and review of the scheme, the Government concludes that particular beneficiaries have become competitive, they may be excluded from or otherwise limited as regards the benefit of the preferential treatment in respect of specific products. Thus, as of 1 July 1976, preferential treatment has been denied to one or more beneficiaries in respect of products falling within 47 tariff-line items or ex-items covered by the scheme.¹⁵

¹³ These preferential rates and the products affected are listed in TD/B/480, appendix 5.

¹⁴ These products and the annual quota levels are specified in annex IV below.

¹⁵ Preferential treatment is denied to Israel in respect of 4 items, to the Republic of Korea in respect of 3 items, to Brazil in respect of 2 items, to Philippines and Singapore in respect of 1 item each, to Hong Kong in respect of 23 items and to one other beneficiary in respect of 26 items.

17. New procedures were announced in 1976 whereby proposals for the addition or withdrawal of specific products from the scheme would be referred to the Industries Assistance Commission (IAC) for inquiry and report within 30 days. The new procedure should ensure that all interested parties are given the opportunity to submit their evidence to a public inquiry, and that any action for modification of treatment on particular products can be completed expeditiously by the IAC. The IAC inquiries on generalized preferences are concerned solely with the competitiveness of imports from developing countries and the effects of those imports on local producers. The IAC is therefore guided by the firm principles under which the Australian GSP has operated since its inception. Recommendations or suggestions arising from IAC inquiries on preferences are considered by the two Ministers (the Minister for Overseas Trade and the Minister for Industry and Commerce) who are responsible for the Australian scheme of generalized preferences, and decisions are taken on the basis of information presented by the IAC and any other relevant factors which do not fall within the competence of the IAC.

E. Rules of origin

18. Imports from beneficiary countries of products covered by the scheme must meet the following requirements in order to qualify for preferential treatment:

(a) The final process of manufacture must have been performed in the developing country producing or

manufacturing the goods for which preference is claimed; and

(b) Not less than one-half of the factory or works cost of the goods must be represented by the value of labour and/or materials of

(i) The developing country; or

(ii) The developing country and Australia; or

(iii) The developing country and one or more other developing countries; or

(iv) The developing country and one or more other developing countries and Australia.

The country or countries concerned must be named in the declaration made by the exporter.

19. The exporters of goods eligible for preferential treatment have the alternative of:

(a) Making and signing a declaration on the normal invoice form used for shipments to Australia that the goods meet the requirements spelled out in the preceding paragraph; or

(b) Using the normal invoice plus completed GSP Combined Declaration and Certificate of Origin Form A.

20. Since 1974, the rules of origin have been relaxed in the sense that the direct shipment requirement has been dispensed with, including the requirement that the intended destination of the goods when originally shipped was Australia and that the goods must not be trans-shipped.

Chapter II

TRADE IMPLICATIONS OF THE SCHEME

A. Over-all trade implications

21. Details on Australian imports are not available for the period subsequent to 1 July 1976 when the revised scheme became effective, and it is not possible to evaluate the effects of the scheme on imports from its beneficiaries.

22. The following is a static analysis of the trade coverage of the scheme based on Australian imports in 1974. It gives only an indication of the values and shares of Australian imports from beneficiaries which would have been covered by the current scheme had it been in operation in that year.

23. In 1974, imports were recorded from 97 beneficiary countries and a number of beneficiary territories of the Australian scheme. Table 1 shows that total imports from all beneficiaries amounted to \$1.59 billion. More than two thirds of these imports were admitted free of

MFN duty and could not therefore fall within the scope of generalized preferences. Crude petroleum oil and petroleum oil which has undergone only primary distillation represented more than half of these MFN duty-free imports. The Middle East countries and Singapore supplied most of this petroleum.¹⁶ The remaining MFN duty-free imports from beneficiaries consisted mainly of unprocessed agricultural products and certain industrial raw materials.¹⁷

¹⁶ In millions of dollars: Kuwait (141.9); Saudi Arabia (77.0); Bahrain (66.0); Iraq (55.0); Singapore (54.6); Qatar (46.9); Iran (36.3); Democratic Yemen (19.1).

¹⁷ In millions of dollars: Raw coffee (18.6); Tea (other than in packing up to 10 kg) (24.1); Cocoa beans (17.9); Certain oil seeds and oleaginous fruit (7.1) and Certain fixed vegetable oils (15.4) accounted alone for 80 per cent of total MFN duty-free imports of agricultural products from beneficiaries.

TABLE 1
Australian imports from beneficiaries in 1974
(Thousands of dollars)

CCCN chapter (1)	Total (2)	MFN dutiable (3)	GSP-covered (4)	Shares (percentages) (4)/(2)	(4)/(3)
1 - 24	180 948	76 601	35 562	19.7	46.4
25 - 99	1 404 437	437 449	226 123	16.1	51.7
1 - 99	1 585 386	514 050	261 684	16.5	50.9

Source: UNCTAD secretariat calculations.

24. One third of total imports (\$0.51 billion) was MFN dutiable and more than a half of these dutiable imports (\$0.26 billion or 51 per cent) would have been covered by the scheme. The bulk of these dutiable and covered imports (85 per cent and 86 per cent respectively) consisted of industrial materials and products falling within CCCN chapters 25-99.

25. Imports of dutiable agricultural products falling within CCCN chapters 1-24 amounted to 75.5 million. Although these imports comprised a large number of products, a limited number of them constituted the bulk of the total value.¹⁸ Less than half (\$35.6 million or 46 per cent) of these dutiable imports would have been covered by the scheme.

26. On the whole the trade coverage of the Australian revised scheme is comparable to the coverage of many other preference-giving country schemes. It should be noted, however, that most other schemes provide for preferential duty-free entry for the covered products in CCCN chapters 25-99 while the Australian scheme provides generally for a 10 percentage points reduction below the relevant General Tariff rates and duty-free entry where the General Tariff rates are 12.5 per cent *ad valorem* or less. This still leaves a substantial tariff protection on many products which are covered by the scheme with high MFN rates and which are of export interest to developing countries. According to information received from the Australian authorities in this connexion, approximately half of the tariff-lines in the Australian Customs Tariff were, as of 1 July 1976, free of duty for imports from developing countries.

27. As is indicated in annex V below, the values of Australian imports (total, dutiable and GSP-covered) vary widely as between beneficiaries. More than 80 per

cent of total imports was supplied by 14 beneficiaries.¹⁹ Except for six Middle East oil exporting countries and Brazil, all major suppliers are from Asian and Pacific regions. Owing to the fact that petroleum is mostly MFN duty-free, the shares of six Middle East oil exporting countries in Australian dutiable and GSP-covered imports from beneficiaries are small for Iran, nil for Qatar and Saudi Arabia, and insignificant in the case of Bahrain, Iraq and Kuwait. In contrast, the respective shares of the other eight major suppliers are substantial. It is relevant to recall that four of these major suppliers (Hong Kong, Singapore, Malaysia and Papua New Guinea) have been enjoying special tariff preferences in the Australian market which were in force long before the introduction of generalized tariff preferences.

28. Leaving aside Papua New Guinea, which receives special preferences that are more favourable than those under the scheme, the relatively low shares of GSP-covered imports with respect to five major beneficiaries (ranging from 35.5 to 56.0 per cent (see table 2)) are due essentially to the exclusion of selected products from the scheme in respect of these five beneficiaries as well as to limitations by tariff quotas of preferential imports of selected products from all beneficiaries (see paras. 44-45 below).

29. It can be further noted from annex V that imports from 15 beneficiary countries consisted exclusively of MFN duty-free products which cannot therefore fall within the scope of the scheme.²⁰ Australian imports from several of these beneficiaries were significant, in particular from oil exporting countries, as mentioned

¹⁹ Major suppliers of total Australian imports from beneficiaries in order of importance: Hong Kong, another beneficiary territory, Kuwait, Singapore, Malaysia, Saudi Arabia, India, Bahrain, Papua New Guinea, Iran, Iraq, Qatar, Republic of Korea and Brazil.

²⁰ Comoros, Costa Rica, Democratic Kampuchea, Democratic Yemen, Haiti, Jordan, Lao People's Democratic Republic, Mongolia, Qatar, Saudi Arabia, Sudan, Swaziland, Uganda, United Arab Emirates, Yemen.

TABLE 2
Australian imports from major beneficiaries in 1974
(Thousands of dollars)

Beneficiary (1)	MFN dutiable (2)	GSP-covered (3)	Shares (percentages) (3)/(2)
1. Hong Kong	143 353	57 564	40.2
2. Other	114 474	40 670	35.5
3. Malaysia	46 686	40 501	86.8
4. India	31 521	22 028	69.9
5. Papua New Guinea	28 625	7 617	26.6
6. Republic of Korea	26 332	14 343	54.5
7. Singapore	18 847	10 545	56.0
8. Philippines	17 550	13 033	74.3
9. Brazil	13 337	5 220	29.1
10. Thailand	9 353	7 249	77.5
A. Total for major beneficiaries (1-10)	450 077	218 771	48.6
B. Total imports from all benefi- ciaries	514 050	261 684	50.9
Percentage share of major benefi- ciaries in total imports (A/B)	87.6	83.6	

Source: UNCTAD secretariat calculations.

above. On the other hand, none of the dutiable imports from eight beneficiary countries would have been covered by the scheme.²¹

B. Imports from the least developed countries

30. All least developed countries are recognized as beneficiaries of the Australian scheme. However, imports, amounting to \$56.11 million, were registered from only 17 of these countries in 1974.²² One sixth (\$9.38 million) of these imports consisted of agricultural products, and the rest (\$46.73 million) of products falling within CCCN chapters 25-99. More than 96 of the total imports attract MFN zero rates and consequently fall outside the scope of the scheme. With the exception of certain jute fabrics and jute sacks and bags imported from Bangladesh, practically all other MFN duty-free imports consist of primary agricultural products (dried beans, raw coffee, tea, cocoa beans, etc.) and industrial raw materials (jute, shellac and petroleum oil, etc.).

31. Some 80 per cent of MFN dutiable imports from the least developed countries would have been covered by the scheme. Unmanufactured tobacco represented about half of these dutiable imports and nearly two thirds of those covered by the scheme.

32. Table 3 below gives the values of imports from individual least developed countries classified into two groups, the ACP countries and others. It also shows the

²¹ Import values in parentheses, thousands of dollars: Bahamas (2.5); El Salvador (10.4); Guyana (40.7); Honduras (10.9); Nicaragua (22.6); Sierra Leone (2.2); Somalia (3.4); the former Republic of Viet Nam (0.2).

²² See annex I below for the beneficiary least developed countries and annex V below for Australian imports from these countries.

values of MFN dutiable imports and those that would have been covered by the scheme.

33. More than half of total imports from the ACP countries came from the United Republic of Tanzania and about one third from Uganda. Likewise, Democratic Yemen and Bangladesh accounted for the bulk of imports from other least developed countries. Imports from Ethiopia, Sudan, Samoa, Afghanistan, Nepal and Yemen were rather small (ranging from \$100,000 to \$1 million), and those from all other least developed countries were insignificant.

34. Australian imports from the least developed countries as a whole were confined to a small number of products, ranging from 4 tariff items from Uganda to 35 items from Afghanistan. Moreover, two or three primary agricultural products or industrial raw materials constituted most of the total value of imports from individual countries and these major import items were generally MFN duty-free. Thus, the total imports from Yemen and Democratic Yemen consisted of duty-free petroleum and practically total imports from Uganda of raw coffee, cotton and tea (in packages exceeding 10 kg), and those from Sudan of shellac, etc. Likewise, raw coffee, cotton and other vegetable textile fibres constituted some 95 per cent of total imports from the United Republic of Tanzania; dried beans, raw coffee and cotton nearly 80 per cent of imports from Ethiopia; and jute over 60 per cent of imports from Nepal. In contrast to these countries, only a small part of MFN duty-free imports from Bangladesh consisted of primary products (tea (\$104,500) and jute (\$1,477,000)), and a larger part of manufactures (jute fabrics (\$3,757,200) and sacks and bags of jute (\$8,549,000)). However, in 1974 most of the imports of

TABLE 3
Australian imports from least developed countries in 1974
(Thousands of dollars)

Country (1)	Total (2)	MFN dutiable (3)	GSP-covered (4)	Shares (percentages) (4)/(2) (4)/(3)	
<i>ACP countries</i>					
1. Botswana	2.2	2.1	2.1	95.5	100.0
2. Ethiopia	740.1	51.5	16.4	12.2	31.8
3. Guinea	0.1	0.1	0.1	100.0	100.0
4. Lesotho	7.5	0.5	0.3	4.0	60.0
5. Malawi	1 073.1	1 057.5	1 057.5	98.5	100.0
6. Somalia	3.4	3.4	0.0	0.0	0.0
7. Sudan	558.3	0.0	0.0	0.0	0.0
8. United Republic of Tanzania	11 968.4	509.3	144.6	1.2	28.4
9. Uganda	7 340.7	0.0	0.0	0.0	0.0
10. Samoa	113.7	57.6	50.8	44.7	88.2
Sub-total (1-10)	21 807.5	1 682.0	1 271.8	5.8	75.6
<i>Other least developed countries</i>					
11. Afghanistan	190.1	172.6	170.6	89.7	98.8
12. Bangladesh	14 318.4	279.4	266.2	1.9	95.3
13. Haiti	3.0	0.0	0.0	0.0	0.0
14. Lao People's Democratic Republic ..	1.3	0.0	0.0	0.0	0.0
15. Nepal	103.1	33.2	16.5	16.0	49.7
16. Yemen	217.7	0.0	0.0	0.0	0.0
17. Democratic Yemen	19 473.5	0.0	0.0	0.0	0.0
Sub-total (11-17)	34 307.1	485.2	453.3	3.1	79.6
TOTAL (1-17)	56 114.6	2 167.2	1 725.1	3.1	79.6

Source: UNCTAD secretariat calculations.

sacks and bags (\$8,314,400) were MFN dutiable and this duty was eliminated as from 1 July 1976.

35. Malawi alone supplied about half of total dutiable imports from the least developed countries and over 60 per cent of imports that would have been covered by the scheme. Total dutiable and GSP-covered imports from Malawi consisted of unmanufactured tobacco. It should be recalled, however, that Malawi enjoys special tariff preferences in the Australian market which were in force long before the introduction of generalized preferences.²³

36. The United Republic of Tanzania, Bangladesh and Afghanistan supplied most of the remaining dutiable imports and one third of imports that would have been covered by the scheme.

37. Two major dutiable items (item 09.07.00, Cloves, and item 59.04.900, Twine, cordage, etc.), imported from the United Republic of Tanzania, are included in the scheme. However, duty-free entry provided under the scheme for cloves was extended under the multilateral trade negotiations to all countries in 1977, and the preferential duty-free imports of twine and cordage are admitted only up to the level of an annual tariff quota (\$34,700) which represents only 13 per cent of the value of imports from beneficiaries in 1974.

38. Unrestricted preferential duty-free entry is provided for two major imported items from Afghanistan (58.01.000, Carpets, etc., and 58.02.300, other carpets, hand-made) and partial tariff reduction (from 22.5 per cent to 12.5 per cent) for yarn of jute, the major import item from Bangladesh.

39. The values of dutiable and covered imports from Ethiopia, Samoa and Nepal were small and from all other least developed countries insignificant.

40. Since imports from the least developed countries consist almost exclusively of a few MFN duty-free primary agricultural products or industrial raw materials, generalized preferences are not likely to enhance a meaningful diversification and expansion of imports from the least developed countries unless unlimited and durable duty-free entry is provided for all products of current or potential export interest to these countries.

C. Impact of safeguard measures on trade coverage of the scheme

41. Preferential imports of products falling within 40 tariff-line items or ex-items are admitted at preferential rates up to the level of 32 tariff quotas set for fiscal year 1976/77.²⁴ A comparison of these tariff quotas with the value of Australian imports of the products concerned from beneficiaries shows that in the case of two tariff quotas²⁵ no imports from beneficiaries were registered. For eight other products tariff quotas were greater than

imports,²⁶ and for all the remaining products tariff quotas were very much lower than imports.

42. On the whole the value of 1974 imports from beneficiaries of 40 products was 5 times greater than the sum total of 32 tariff quotas set for these products in 1976, i.e. \$17.39 million and \$3.47 million respectively. At the same time the imports in excess of the closed-ended tariff quotas amounted to \$15 million. Thus, if these closed-ended tariff quotas had been applied in 1974, some 86 per cent of imports from beneficiaries regulated by these tariff quotas would have been denied preferential treatment. The value of imports which may in fact be denied preferential treatment in fiscal year 1976/77 would most probably be greater if account were taken of the increase in imports since 1974 and the inflation of import prices.

43. Preferential imports from some 26 beneficiary countries or territories would have been affected by the closed-ended tariff quotas. The estimated amounts of imports which would have been denied preferential treatment vary widely as between these beneficiaries. Hong Kong (\$9.5 million); Other (\$1.4 million); Singapore (\$1.2 million); India (\$0.7 million); Republic of Korea (\$0.6 million); Philippines (\$0.4 million); Brazil (\$0.4 million); Pakistan (\$0.2 million) and the United Republic of Tanzania (\$0.2 million) account for most of these \$15 million imports which would have been denied preferential treatment.

D. Imports of products excluded in respect of selected beneficiaries

44. As mentioned earlier (para. 7 above), 47 tariff items or ex-items are excluded from preferential treatment in respect of one or more of the seven beneficiaries named against individual items.²⁷ Australian imports of these 47 products from all beneficiaries of the scheme amounted to \$67.7 million in 1974, of which \$52.3 million or 77 per cent came from excluded beneficiaries.²⁸ It should be noted that approximately 80 per cent of the imports excluded from preferential treatment consisted of a few products.²⁹

45. Imports sterilized by tariff quotas (\$15.0 million) and imports excluded from preferential treatment in respect of selected beneficiaries of the scheme (\$52.3 million) are equal to almost one fifth of total imports covered by the scheme (\$278.1 million). Consequently, if these quota limitations and selective exclusions were dispensed with, the effective trade coverage of the scheme would increase substantially, and so would the share of GSP-covered imports in total Australian dutiable imports from beneficiaries, i.e. from 52 to 65 per cent in terms of 1974 trade flows.

²⁶ Tariff item numbers: 55.06.900—Cotton yarn and mercerized sewing cotton, put up for retail sale; 69.07.900—Unglazed ceramic tiles; ex 84.15.900—Refrigerators of less than 198 litres gross internal capacity; 85.01.120—D.C. and universal motors, etc.; 85.01.310—Electric current rectifying assemblies; 85.19.470—Connectors, ceiling roses, adaptors, etc.; 85.19.490—Electrical apparatus, as specified; and 93.07.100—Loaded cartridges other than for military purposes.

²⁷ For details, see annex III below.

²⁸ Excluded beneficiaries and import values (in thousands of dollars) were as follows: Hong Kong: 29,889.6; Other: 19,238.2; Israel: 1,528.1; Republic of Korea: 1,040.2; Brazil: 490.7; Singapore: 72.3.

²⁹ These were as follows (values in millions of dollars): Toys and dolls: 15.7; Travel goods of leather, etc.: 12.0; Woodware: 4.8; Plastic pilches: 4.8; Tyres: 4.5; Domestic furniture: 3.6; Electric fans: 2.7; Ships and boats up to 150 tons: 2.6; and Leather work gloves: 2.2.

²³ Thus the MFN duty of 1.42 Australian dollars per kg on unmanufactured tobacco (item 24.01.120) is reduced under the scheme by less than 11 per cent, i.e. to \$1.27 per kg, while the special preferential rate for Malawi stands at \$1.27 per kg.

²⁴ See annex IV below.

²⁵ Tariff item numbers: 85.19.300—Device for telephone and telegraph use and 85.23.920—Telephone and telegraph cables, paper insulated, lead covered.

Chapter III

CONCLUSIONS

46. Since the introduction in 1966 of non-reciprocal tariff preferences in favour of developing countries, Australia has been gradually enlarging and improving these preferences so that its current scheme covers products which account for about half of Australian dutiable imports from beneficiaries of the scheme.

47. For products covered by the scheme, preferential duty-free treatment is provided where the General Tariff rate is 12.5 per cent (in *ad valorem* equivalent) or less, and a partial tariff reduction of generally 10 percentage points or more is provided for other products. However, this leaves a substantial tariff protection on many products of export interest to developing countries.

48. The legal status of generalized preferences, the criteria and procedures for the application of escape

clause, limitation of preferential imports of selected products by tariff quotas, and exclusion of "competitive" beneficiaries from preferential treatment with respect to specific products reduce substantially the trade coverage of the scheme and make the scope and duration of preferential treatment uncertain in the long run.

49. The extension of the coverage of the scheme to all products of current export interest to developing countries, especially the least developed among them, unlimited duty-free entry for all products covered, and a greater security of such preferential treatment could greatly facilitate the attainment of the objectives of the GSP as set out in resolution 21 (II) of the United Nations Conference on Trade and Development.

ANNEXES *

ANNEX I

Beneficiaries of the Australian scheme as at 1 July 1976

ACP signifies an African, Caribbean or Pacific country signatory of the Lomé Convention.
 LDDC signifies one of the least developed among the developing countries.
 MED signifies a Mediterranean country having a preferential agreement with EEC.
 SP signifies a country enjoying special preferences for selected products in the Australian market.

A. COUNTRIES

Afghanistan (LDDC)	Egypt (MED)	Malagasy Republic (ACP)	Somali Democratic Republic (ACP) (LDDC)
Albania	El Salvador	Malawi (ACP) (LDDC) (SP)	Sri Lanka (SP)
Algeria (MED)	Equatorial Guinea (ACP)	Malaysia (SP)	Sudan (ACP) (LDDC)
Angola	Ethiopia (ACP) (LDDC)	Maldives (LDDC) (SP)	Suriname (ACP)
Argentina	Fiji (ACP) (SP)	Mali (ACP) (LDDC)	Swaziland (ACP)
Bahamas (ACP) (SP)	Gabon (ACP)	Malta (MED) (SP)	Syria (MED)
Bahrain	Gambia (ACP) (LDDC) (SP)	Mauritania (ACP)	Tanzania (ACP) (LDDC) (SP)
Bangladesh (LDDC)	Ghana (ACP) (SP)	Mauritius (ACP) (SP)	Thailand
Barbados (ACP) (SP)	Greece (MED)	Mexico	Togo (ACP)
Benin (ACP) (LDDC)	Grenada (ACP) (SP)	Mongolia	Tonga (ACP) (SP)
Bhutan (LDDC)	Guatemala	Morocco (MED)	Trinidad and Tobago (ACP) (SP)
Bolivia	Guinea (ACP) (LDDC)	Mozambique	Tunisia (MED)
Botswana (ACP) (LDDC)	Guinea Bissau (ACP)	Nauru	Turkey (MED)
Brazil	Guyana (ACP) (SP)	Nepal (LDDC)	Uganda (ACP) (LDDC) (SP)
Bulgaria	Haiti (LDDC)	Nicaragua	United Arab Emirates (Abu Dhabi, Dubai, Sharjah, Ajman, Umm al Qaiwain, Fujairah, Ras al Khaimah)
Burma, Socialist Republic of the Union of	Honduras, Republic of	Niger (ACP) (LDDC)	Upper Volta (ACP) (LDDC)
Burundi (ACP) (LDDC)	India	Nigeria (ACP) (SP)	Uruguay
Cambodia	Indonesia	Oman	Venezuela
Cameroon (ACP)	Iran	Pakistan	Viet Nam, Socialist Republic of
Cape Verde Islands	Iraq	Panama	Western Samoa (ACP) (LDDC)
Central African Republic (ACP) (LDDC)	Israel (MED)	Papua New Guinea (SP)	Yemen Arab Republic (LDDC)
Chad (ACP) (LDDC)	Ivory Coast (ACP)	Paraguay	Yemen, People's Democratic Republic of (LDDC)
Chile	Jamaica (ACP) (SP)	Peru	Yugoslavia
Colombia	Jordan (MED)	Philippines	Zaire (ACP)
Comoro Islands (ACP)	Kenya (ACP) (SP)	Portugal	Zambia (ACP) (SP)
Congo, People's Republic of the (ACP)	Korea, Democratic People's Republic of	Qatar	
Costa Rica	Korea, Republic of	Romania	
Cuba	Kuwait	Rwanda (ACP) (LDDC)	
Cyprus (MED) (SP)	Laos (LDDC)	Sao Tome and Principe	
Dominican Republic	Lebanon (MED)	Saudi Arabia	
Ecuador	Lesotho (ACP) (LDDC)	Senegal (ACP)	
	Liberia (ACP)	Seychelles (ACP) (SP)	
	Libya	Sierra Leone (ACP) (SP)	
		Singapore (SP)	

B. TERRITORIES

American Samoa	French Polynesia	New Hebrides Condominium	Turks and Caicos Islands (SP)
Belize (SP)	Gibraltar (SP)	Niue	Tuvalu (SP)
Bermuda (SP)	Gilbert Islands (SP)	Pitcairn Island (SP)	United States Trust Territory of the Pacific Islands
British Indian Ocean Territory	Guam	St. Helena (SP)	Virgin Islands of the United States
British Virgin Islands (SP)	Hong Kong (SP)	St. Pierre and Miquelon	Wake Island
Brunei (SP)	Johnston and Sand Islands	Solomon Islands (SP)	Wallis and Futuna Islands
Cayman Islands (SP)	Leeward Islands (SP)	Spanish Sahara	Windward Islands (SP)
Cook Islands	Macao	Taiwan	
Dependencies of Mauritius	Midway Island	Territory of the Afars and Issas	
Falkland Islands and Dependencies (SP)	Netherlands Antilles	Timor	
	New Caledonia	Tokelau Islands	

Source: Government of Australia, Department of Overseas Trade, *Australian Tariff Preferences for Developing Countries* (Canberra, July 1976). See also TD/B/480, appendix 1, and TD/B/480/Amend. 3, 4 and 6.

* The terminology used in annexes I, III and IV is that of the Government of Australia.

ANNEX II

Items excluded from the Australian scheme of generalized preferences

<i>Tariff item</i>	<i>Description</i>	<i>Tariff item</i>	<i>Description</i>
02.01.000	Meat and edible offals, fresh, chilled or frozen	09.10.300	Dry ginger, unground
02.02.000	Dead poultry and edible offals, fresh, chilled or frozen	09.10.400	Ginger, in packs, in liquid
02.03.000	Poultry liver, fresh, chilled, frozen, salted or in brine	09.10.500	Other ginger
02.04.000	Other meat and edible meat offals, fresh, chilled or frozen	10.01.000	Wheat and maslin
02.06.000	Meat and edible meat offals, salted, in brine, dried or smoked	10.02.000	Rye
03.01.200	Dead trout, fresh, chilled or frozen	10.03.000	Barley
03.01.900	Other dead fish, fresh, chilled or frozen	10.04.000	Oats
EX03.02.900	Fish, dried, salted, in brine or smoked—not packed in airtight containers	10.05.000	Maize
03.03.100	Shrimps and prawns, fresh, chilled or frozen	10.06.000	Rice
03.03.900	Crustaceans and molluscs, fresh, chilled, frozen, dried, etc.	11.01.000	Cereal flours
04.01.000	Milk and cream, fresh	11.02.000	Cereal groats and cereal meal; other cereal grains, rolled, husked, etc.
04.02.000	Milk and cream preserved, concentrated or sweetened	11.03.000	Flours of leguminous vegetables
04.03.000	Butter	11.04.000	Flours made from fruit
04.04.100	Swiss, Gruyere or Emmenthaler type cheese	11.05.000	Flour, meal and flakes of potato
04.04.900	Other cheese and curd	11.07.000	Malt, roasted or not
04.05.000	Birds' eggs and yolks, fresh or preserved	11.08.200	Maize starch
04.06.000	Natural honey	11.08.900	Starches; inulin
07.01.100	Onions, fresh or chilled	12.01.100	Peanuts
07.01.200	Potatoes, fresh or chilled	12.03.100	Seeds, fruit and spores, for sowing—put up for retail sale
07.01.300	Mushrooms, fresh or chilled	12.05.000	Chicory roots
07.01.900	Other vegetables, fresh or chilled	12.06.000	Hop cones and lupulin
07.02.100	Frozen beans and peas	14.03.100	Broom millet
07.02.200	Frozen mushrooms	15.01.000	Lard, other pig and poultry fat
07.02.900	Other frozen vegetables	15.02.000	Fats of bovine cattle, sheep or goats
07.03.100	Olives and capers, preserved in brine, sulphur water, etc.	15.03.000	Lard stearin, tallow stearin, etc.; lard oil, tallow oil, etc., not prepared
07.03.900	Other vegetables, preserved in brine, sulphur water, etc.	15.07.200	Olive oil
07.04.100	Tomatoes, dried, dehydrated or evaporated	15.07.300	Maize oil, peanut oil, soya bean oil and rapeseed oil
07.04.400	Mushrooms, dried, dehydrated or evaporated	15.07.900	Other vegetable oils
07.04.900	Other vegetables, dried, dehydrated or evaporated	15.08.100	Epoxidised vegetable oil
07.05.110	Dried beans	15.08.200	Linseed oil and rapeseed oil, not expoxidised
07.05.190		15.08.300	Safflowerseed oil and soya bean oil, not expoxidised
07.05.200		15.08.400	Castor oil, dehydrated, not expoxidised
07.05.300	Split peas, dried	15.13.100	Margarine and similar butter substitutes
07.05.400	Split lentils, dried	15.13.900	Imitation lard and prepared edible fats
07.05.900	Other dried leguminous vegetables	16.04.220	Tuna, prepared or preserved
07.06.000	Manioc, arrowroot, sweet potatoes and similar roots and tubers, fresh or dried; sago pith	16.04.240	Fish cutlets, chunks, flakes or solid pack, other than salmon or tuna
08.01.200	Bananas, pineapples, mangoes, guavas, avocados, mangosteens, fresh or dried	17.01.000	Beet sugar and cane sugar, solid
08.01.500	Brazil nuts, fresh or dried; cashew nuts in the shell	17.02.100	Lactose and lactose syrups
08.02.000	Citrus fruits, fresh or dried	20.01.300	Olives and capers in vinegar or acetic acid, packs exceeding 4.6 litres
08.04.000	Grapes, fresh or dried	20.01.400	Vegetables and fruit in vinegar or acetic acid, packs up to 1.14 litres
08.05.110	Walnuts in the shell	20.01.500	Other vegetables and fruit
08.05.190	Other walnuts, fresh or dried	20.02.100	Tomato paste, pulp, puree or juice
08.05.200	Almonds, fresh or dried	20.02.200	Olives and capers, preserved, packs exceeding 4.6 litres
08.06.000	Apples, pears and quinces, fresh	20.02.300	Mushrooms, in liquid or in airtight containers
08.07.000	Stone fruit, fresh	20.02.510	Asparagus tips, in airtight containers
08.08.900	Berries, fresh, not pulped	20.02.590	
08.09.100	Passionfruit pulp, fresh	20.02.610	Other vegetables, in liquid or in airtight containers
EX08.09.900	Other fresh fruit (excluding lychees and jackfruit)	20.02.690	
08.10.100	Passionfruit pulp, frozen	20.02.900	Other preserved vegetables
08.10.900	Other frozen fruit (excluding pulp)	20.03.100	Passionfruit pulp, frozen
08.11.100	Passionfruit pulp, preserved by sulphur dioxide, brine, etc.	20.03.900	Frozen fruit (excluding pulp)
08.12.000	Dried fruit	20.04.100	Fruit-peel, preserved by sugar
08.13.000	Peel or melons and citrus fruits	20.04.200	Ginger, preserved by sugar
09.01.190	Raw coffee	20.04.300	Cherries, preserved by sugar
09.01.900	Other coffee and coffee substitutes	EX20.05.000	Jams (other than tropical fruit jams), fruit jellies, marmalades, fruit purée, etc.
09.10.100	Green ginger, not in liquid	20.06.100	Ginger, in syrup
		20.06.210	Almonds, preserved
		20.06.220	Peanuts, preserved

ANNEX II (continued)

<i>Tariff item</i>	<i>Description</i>	<i>Tariff item</i>	<i>Description</i>
20.06.290	Other preserved nuts	36.06.110	Wooden matches
20.06.300	Passionfruit pulp, preserved	36.06.190	
20.06.910	Other preserved fruit	36.06.910	
20.06.990		36.06.990	Matches, other than of wood
20.07.200	Citrus fruit juices (other than lime)	38.11.200	Disinfectants, insecticides, fungicides, weedkillers, rat poisons, etc.
20.07.300	Passionfruit juice	38.11.400	
21.07.400	Sweetening preparations	39.01.311	Textile fabrics, plastic coated on both sides
22.03.100	Beer	39.01.319	
22.05.100	Champagne	39.01.330	
22.05.200	Sparkling wine	39.02.120	Polyethylene in bulk forms, other than adhesives
22.05.300	Other wines	EX39.02.130	Vinyl chloride and polyethylene in bulk forms
22.05.400		39.02.311	Textile fabrics, plastic coated on both sides
22.05.900		39.02.319	
22.06.000	Vermouths and other grape wines, flavoured with aromatic extracts	39.02.610	Ethylene products in planar forms
22.07.100	Cider and perry	39.02.690	Certain planar forms of the ethylene type
22.07.900	Mead and other fermented beverages	39.03.311	Textile fabrics, plastic coated on both sides
22.08.100	Denatured spirits; undenatured alcohol containing at least 80 per cent by volume of alcohol	39.03.319	
22.08.900		EX39.07.120	Bags, made from products of the ethylene type
22.09.110	Brandy	39.07.210	Coats, of plastic, not exceeding \$1.25 in value
22.09.120		39.07.230	
22.09.210	Whisky	40.01.290	Natural rubber latex; pre-vulcanised natural rubber latex; natural rubber
22.09.220		44.07.000	Railway or tramway sleepers of wood
22.09.310	Gin	44.13.900	Wood, planed, tongued, grooved, etc. but not further manufactured
22.09.320		44.14.910	Wood sawn lengthwise, sliced or peeled and veneer sheets, thickness up to 5 mm.
22.09.410	Rum	44.14.990	
22.09.420		44.15.100	Plywood
22.09.510	Liqueurs; flavoured spirituous beverages	44.15.900	Blockboard, laminboard and similar products; inlaid wood and wood marquetry
22.09.520		44.18.000	Reconstituted wood, in sheets, blocks or the like
22.09.710	Other spirits, spirituous beverages and compound alcoholic preparations	44.19.000	Wooden beadings and mouldings
22.09.720		44.23.100	Builders' carpentry and joinery, of wood
22.09.910	Cigarettes; fine cut tobacco for cigarettes, not put up for retail sale	44.23.200	Assembled wooden parquet flooring panels
22.09.920		44.25.000	Wooden tools, tool handles, broom and brush bodies and handles, etc.
24.02.100	Cigars, cigarillos and cheroots	47.01.200	Softwood pulp for paper manufacture
24.02.200	Snuff	48.01.910	Paper and paperboard, machine made in rolls or sheets
24.02.300	Natural barium sulphate	48.01.921	
25.11.100	Fluorspar	48.01.929	
25.31.100	Felspar	48.04.900	Composite paper and paperboard, not surface coated, etc. in rolls or sheets
25.31.200	Benzene, toluene, xylene, solvent naphtha; mineral turpentine, etc.	48.05.400	Paper and paperboard, embossed or perforated, in rolls or sheets
27.07.390	Crude petroleum oils and oils from bituminous minerals	48.05.900	Paper and paperboard, corrugated, creped, crinkled, etc., in rolls or sheets
27.09.900	Petroleum oils—enriched crudes, topped crudes, heavy distillates, etc.	48.07.620	Paper and paperboard, coated, impregnated, surface coloured, printed, etc., in rolls or sheets
27.10.190	Kerosene for aircraft propulsion	48.07.630	
27.10.210		48.07.690	
27.10.220	Diesel fuel	48.07.720	Hardboards, of woodpulp or vegetable fibre
27.10.230		48.09.100	
27.10.290	Gasoline, etc. for aircraft propulsion as prescribed	48.10.900	
27.10.420	Gasoline, etc. for prescribed purposes	48.20.110	Paper or paperboard cones and parallel spinning tubes for the manufacture of yarns
27.10.430	Gasoline, etc. for aircraft propulsion, as prescribed	49.01.100	Australian directories, guides and timetables
27.10.440	Gasoline and other oils, etc.	49.05.100	Australian street directories, road guides and the like
27.10.490	Mineral turpentine	49.07.900	Stock, share and bond certificates; cheque books
27.10.590	Paraffin wax, slack wax, lignite wax, etc., for use as feed stock	49.08.000	Transfers (decalcomanias)
27.13.200	Metaphosphoric acid, orthophosphoric acid and pyrophosphoric acid	49.10.000	Calendars of paper and paperboard
28.10.900	Benzene, toluene and xylene	49.11.910	Printed matter, including cards and pictorial views
29.01.190	Propyl alcohols	49.11.990	Other printed matter
29.04.200	Vinyl acetate	50.09.310	Woven silk fabrics, less than 50 per cent silk and at least 20 per cent man-made fibre
29.14.300	Citric acid and its salts (other than calcium citrate); tartaric acid and its salts (other than potassium hydrogen tartrate); malic acid	50.09.390	
29.16.300		50.10.210	Woven noil silk fabrics, less than 50 per cent noil silk and at least 20 per cent man-made fibre
29.25.100	Dulcin	50.10.290	
29.26.190	Saccharin and its salts; chlorosaccharin; methyl-saccharin	51.01.300	Yarn of continuous man-made fibres, not put up for retail sale
29.30.100	Calcium cyclamate; sodium cyclamate	51.01.510	
35.01.100	Casein; ammonium caseinate; sodium caseinate; casein glues	51.01.520	
		51.01.590	
		51.01.900	

ANNEX II (continued)

<i>Tariff item</i>	<i>Description</i>	<i>Tariff item</i>	<i>Description</i>
51.02.100 }	Monofil, strip and imitation catgut of man-made	59.08.100 }	
51.02.900 }	fibre materials	59.08.200 }	
51.03.300 }	Yarn of continuous man-made fibres, put up for	59.08.310 }	Textile fabrics impregnated, coated, covered or
51.03.900 }	retail sale (other than sewing yarn and viscose	59.08.390 }	laminated with artificial plastic materials
	yarns)	59.08.400 }	
51.04.110 }	Woven fabrics of continuous man-made fibres,	59.08.500 }	
51.04.190 }	containing not less than 20 per cent of wool	59.08.900 }	
51.04.210 }		59.11.200 }	Tyre cord fabrics
51.04.290 }	Tyre cord fabrics of continuous man-made fibres	60.01.100 }	Knitted or crocheted pile fabrics
51.04.300 }		60.01.210 }	
51.04.300 }	Other woven fabrics of continuous man-made	60.01.290 }	Knitted or crocheted elastomeric fabrics
51.04.510 }	fibres	60.01.911 }	
51.04.910 }		60.01.919 }	
51.04.990 }		60.01.921 }	Other knitted or crocheted fabrics
53.10.000 }	Yarn of wool or other animal hair, put up for retail	60.01.929 }	
	sale	60.01.990 }	
55.05.912 }		60.02.100 }	Gloves, industrial type, coated or covered with
55.05.913 }			plastic
55.05.919 }	Cotton yarn, not put up for retail sale (excluding	60.04.110 }	Men's and boys' shirts, knitted or crocheted
55.05.921 }	sewing cottons)	60.04.190 }	
55.05.929 }		60.04.200 }	Pyjamas and other nightwear, knitted or crocheted
55.08.000 }	Terry towelling and similar terry fabrics of cotton	60.04.310 }	
55.09.200 }	Cotton tyre cord fabrics	60.04.390 }	Babies' napkins, knitted or crocheted
55.09.310 }		60.04.510 }	Undergarments (other than shirts, nightwear, tights
55.09.320 }	Woven cotton fabrics, at least 20 per cent wool	60.04.590 }	and babies' napkins)
55.09.390 }		60.05.110 }	Articles of apparel, knitted or crocheted, as pre-
55.09.420 }	Woven cotton fabrics, at least 20 per cent man-		scribed
55.09.490 }	made fibres	60.05.121 }	
55.09.522 }		60.05.129 }	Men's and boys' suits, knitted or crocheted
55.09.523 }	Woven cotton fabrics weighing less than 203 g	60.05.130 }	Men's and boys' shorts, knitted or crocheted
55.09.524 }	per sqm, for use as bed sheeting, pillow casing	60.05.140 }	Swimwear, knitted or crocheted
55.09.525 }	or bolster casing	60.05.150 }	Dressing gowns, kimonos and bathgowns, knitted
55.09.526 }			or crocheted
55.09.620 }	Woven cotton fabrics, weighing 203 to 509 g per	60.05.160 }	Other knitted or crocheted garments (except neck-
EX55.09.690 }	sqm, other than hand woven, handprinted	EX60.05.190 }	ties)
	fabrics	60.05.200 }	Towels, knitted or crocheted
55.09.700 }	Woven cotton fabrics, weighing more than 509 g	60.05.310 }	
55.09.990 }	per sqm	60.05.390 }	Curtains, knitted or crocheted
56.05.200 }	Yarn of man-made fibres, not put up for retail sale,	EX60.05.900 }	Other knitted or crocheted articles (excluding
	not less than 20 per cent wool		blankets and rugs of cotton or viscose fibre)
56.05.311 }	Yarn of man-made fibres, not put up for retail sale,	60.06.100 }	
56.05.319 }	not less than 50 per cent acrylic fibres	60.06.200 }	Knitted or crocheted elastic fabric
56.05.390 }		60.06.900 }	Articles of knitted or crocheted elastic fabric
56.05.900 }	Other yarns of man-made fibres, not put up for	61.01.310 }	Men's and boys' ski jackets, parkas and rainwear,
	retail sale	61.01.390 }	not knitted or crocheted
56.06.200 }	Yarn of man-made fibres, put up for retail sale, not	61.01.411 }	
	less than 20 per cent wool	61.01.419 }	Other men's and boys' coats (except overcoats),
56.06.900 }	Other yarn of man-made fibres, put up for retail	61.01.491 }	not knitted or crocheted
	sale (excluding sewing cottons)	61.01.499 }	
56.07.200 }	Woven fabrics of man-made fibres, not less than	61.01.500 }	Men's and boys' vests, not knitted or crocheted
	20 per cent hair or hair and wool, for interlining	61.01.611 }	
	apparel	61.01.619 }	Men's and boys' trousers (including shorts), not
56.07.310 }	Woven fabrics of man-made fibres, not less than	61.01.690 }	knitted or crocheted
56.07.320 }	20 per cent wool	61.01.700 }	Men's and boys' dressing gowns, kimonos and
56.07.920 }	Other woven fabrics of man-made fibres		bath gowns, not knitted or crocheted
56.07.990 }		61.01.810 }	Men's and boys' swimwear, not knitted or croch-
58.02.100 }	Carpets, carpeting, rugs and mats, of terry fabric	61.01.890 }	ed
58.04.100 }	Terry towelling and similar terry fabrics; moquettes	61.01.900 }	Other men's and boys' garments, not knitted or
58.05.190 }	Narrow woven fabrics, at least 50 per cent man-		crocheted
	made fibres	61.02.110 }	Dresses, of wool, not knitted or crocheted
58.05.310 }	Elastomeric narrow woven fabrics	61.02.120 }	Dresses, of silk or man-made fibres, not knitted or
58.05.390 }	Other narrow woven fabrics		crocheted
58.06.000 }	Woven labels, badges and the like	61.02.190 }	Other dresses, not knitted or crocheted
58.07.100 }	Gimped yarn	61.02.211 }	
58.07.200 }	Braids, narrow woven fabrics with broche designs;	61.02.212 }	
	fringes for blinds and carpets	61.02.219 }	Women's, girls' and infants' coats, not knitted or
EX59.02.000 }	Felt and articles of felt (except hand-made carpets)	61.02.291 }	crocheted
59.03.190 }	Bonded fibre fabrics and similar bonded yarn	61.02.292 }	
	fabrics, not made up	61.02.299 }	
		61.02.311 }	Women's, girls' and infants' costumes or robes, of
		61.02.319 }	wool, not knitted or crocheted

ANNEX II (concluded)

<i>Tariff item</i>	<i>Description</i>	<i>Tariff item</i>	<i>Description</i>
61.02.321 }	Women's, girls' and infants' costumes or robes, of	70.06.100	Float glass; X-ray protective glass
61.02.329 }	silk or man-made fibres, not knitted or crocheted	70.07.000	Cast, drawn, rolled or blown glass, in non- rectangular shapes or bent, edge worked, etc.; glassware made from such glass
61.02.391 }	Other costumes or robes, for women, girls or	70.08.900	Safety glass
61.02.399 }	infants, not knitted or crocheted	79.01.000	Unwrought zinc; zinc waste and scrap
61.02.400	Women's, girls' and infants' blouses, not knitted or crocheted	81.04.100	Unwrought, unalloyed bismuth
61.02.510 }	Women's, girls' and infants' skirts, not knitted or	84.11.200	Compressors for refrigerating appliances
61.02.590 }	crocheted	84.15.100	Evaporators; condensers; air conditioning equip- ment
61.02.610 }	Women's, girls' and infants' dressing gowns,	84.15.211 }	Domestic electrical refrigerators, gross internal capacity 200 litres or more
61.02.690 }	kimonos and bath gowns, not knitted or	84.15.219 }	
61.02.710 }	crocheted	84.15.221 }	
61.02.790 }	Women's, girls' and infants' trousers (including	84.15.229 }	Parts for domestic electrical refrigerators
61.02.810 }	shorts), not knitted or crocheted	84.15.231 }	
61.02.890 }	Women's, girls' and infants' swimwear, not knitted	84.15.239 }	
61.02.910 }	or crocheted	EX84.15.900	Other refrigerators and refrigerating equipment (except refrigerators under 198 litres gross internal capacity)
61.02.990 }	Other garments for women, girls and infants, not	84.18.300	Centrifuges
61.03.110 }	knitted or crocheted	84.40.211 }	Domestic laundry machines
61.03.190 }	Men's and boys' shirts, not knitted or crocheted	84.40.219 }	
61.03.210 }	Men's and boys' pyjamas and other nightwear, not	84.40.221 }	
61.03.290 }	knitted or crocheted	84.40.229 }	
61.03.300	Men's and boys' under shorts, under vests and the like, not knitted or crocheted	84.40.290 }	Tapered roller bearings and tapered rollers therefor
61.03.400	Other undergarments for men and boys not knitted or crocheted	84.62.100	
61.04.111 }	Babies' napkins, not knitted or crocheted	84.62.210 }	
61.04.119 }		84.62.220 }	Precision ground steel ball bearings
61.04.121 }		84.62.290 }	
61.04.129 }		84.63.990	Transmission shafts, cranks, shaft bearings, gears and gearing, flywheels, pulleys, clutches and shaft couplings
61.04.200	Women's, girls' and infants' pyjamas and other nightwear, not knitted or crocheted	EX85.01.220	Deflection yokes for cathode ray tubes
61.04.300	Other undergarments for women, girls and infants, not knitted or crocheted	85.03.100 }	Primary cells and primary batteries
61.05.000	Handkerchiefs	85.03.900 }	
61.08.900	Collars, cuffs, flouncings, yokes and similar acces- sories for women's and girls' garments	85.05.000	Portable electric hand-tools
61.09.210 }	Brassieres	85.14.100	Speech trainers
61.09.290 }		85.14.200	Loudspeakers
61.09.300	Corsets, corset-belts, suspender belts, braces, etc.	85.14.900	Microphones and stands; amplifiers
61.10.900	Stockings, socks and sockettes, not knitted or crocheted	85.15.110	Black and white T.V. sets
62.02.110 }	Bed sheets, pillow cases, bolster cases, including	EX85.15.190	Radio receivers; colour T.V. sets (excluding picture tubes); etc.
62.02.190 }		85.15.900	Other radio and T.V. apparatus; radar apparatus; radio-navigational aids, etc.
62.02.300	Facewashers	85.18.100 }	Electrical capacitors, fixed or variable
62.02.400	Towels of fabrics of huckaback or honeycomb weave	85.18.200 }	
62.02.610 }	Towels (excluding tea towels and guest towels), not	85.18.300 }	
62.02.690 }		85.18.400 }	
62.02.710 }	Curtains, not knitted or crocheted	85.18.900 }	Jacks, for electrical connections
62.02.790 }		85.19.450	
62.02.800	Blinds, not knitted or crocheted	85.19.460	Valve sockets for radio and T.V. transmission and reception apparatus
62.02.900	Other bed linen, table linen, furnishing articles, etc., not knitted or crocheted	85.19.500	Resistors used as a standard of reference
62.03.110 }	Sacks and bags of man-made fibre materials, not	85.19.600	Printed circuits; resistors used for radio and T.V. transmission and reception apparatus or audio amplifiers
62.03.190 }		EX85.21.100	Deflection yokes for cathode ray tubes
62.03.900	Other sacks and bags (excluding goods of jute and woolpacks)	85.21.200	Black and white cathode ray tubes for T.V. receivers
64.01.910	Rubber goloshes	85.21.900	Photocells, diodes, transistors and similar semi- conductor devices, electronic microcircuits, mounted piezo-electric crystals
64.01.990	Other rubber and plastic footwear	89.03.900	Light vessels, fire-floats, dredgers, floating cranes, and the like, up to 200 tons gross register
64.02.910 }	Leather footwear; footwear with soles only of	90.04.000	Spectacles, goggles and the like, corrective, pro- tective or other
EX64.02.900 }		97.04.100	Playing cards in packs
64.03.900	Footwear with soles of wood or cork	97.04.200	Playing cards not in packs
64.04.900	Footwear with soles of other materials		
64.05.000	Parts for footwear (except metal parts)		
66.01.100	Umbrellas and sunshades		
69.08.900	Glazed tiles		
70.05.000	Unworked drawn or blown glass, in rectangular shapes		

Source: Government of Australia, Department of Overseas Trade, *Australian Tariff Preferences for Developing Countries* (Canberra, July 1976).

ANNEX III

Beneficiaries excluded in respect of particular products

<i>Tariff item</i>	<i>Description</i>	<i>Beneficiaries excluded</i>
*34.06.000	Candles	Hong Kong
39.02.800	Acrylic planar forms and profile shapes	Taiwan
EX39.07.110 } 39.07.220 }	Plastic pilches	Taiwan, Hong Kong
*40.11.200 } *40.11.900 }	Tyres—quota items	Taiwan, Israel (both excluded from quota)
*41.02.900	Cattle leather	Brazil
*41.08.000	Patent and imitation patent leather; metallised leather	Brazil
42.02.900	Travel goods, handbags, briefcases, wallets, purses, etc. of leather or substitute leather	Hong Kong, Taiwan, Republic of Korea
*42.03.100	Leather work gloves	Hong Kong, Taiwan
*42.03.900	Other articles of apparel and clothing accessories of leather or of composition leather	Hong Kong
44.24.900 } 44.27.100 } 44.27.900 }	Woodware	Taiwan
48.18.100	Diaries, printed forms, account and exercise books, note and order books	Hong Kong
48.18.900	Blotting pads, file covers, binders (loose-leaf or other) and other stationery, sample and other albums, book covers	Hong Kong, Republic of Korea
60.04.400	Tights	Israel
69.10.000	Ceramic sanitaryware	Philippines
71.16.000	Imitation jewellery	Hong Kong
EX76.10.000	Aluminium tubular containers (collapsible)	Taiwan
76.15.900	Aluminium household ware	Hong Kong, Taiwan
83.05.900	Base metal fittings for loose-leaf binders, files or stationery books; letter clips, indexing tags, etc.	Hong Kong
84.18.400	Refrigerator filters and purifiers	Singapore
84.18.620	Automotive filters	Israel
84.22.430	Lifting jacks	Taiwan
*EX84.45.300	Drilling machines, bench or pedestal type	Taiwan
84.54.300	Stapling and de-stapling machines; stationery punches	Hong Kong
EX85.06.900	Electric fans—quota item	Taiwan (excluded from quota)
*85.09.300	Bicycle lamps	Hong Kong
*85.09.400	Lamps, warning devices, etc.	Hong Kong
85.10.910 } 85.10.990 }	Battery operated torches	Hong Kong
85.20.400	Fluorescent discharge lamps	Taiwan
87.10.900	Cycles	Taiwan
87.12.310	Frames for cycles	Taiwan
*89.01.900	Ships and boats up to 150 tons gross register	Taiwan
*94.01.100	Wooden chairs	Taiwan
*94.01.200	Vehicle seats, etc.	Hong Kong
*94.01.300	Seats for chairs	Taiwan
*94.01.400	Chairs and seats of wicker, bamboo or cane	Hong Kong
*94.01.900	Other chairs and seats	Hong Kong, Taiwan
*94.03.900	Domestic furniture	Hong Kong, Taiwan
*97.02.000	Dolls	Hong Kong
†EX97.03.900	Toys, other than balloons	Hong Kong, Taiwan
EX97.06.900	Exercise cycles	Taiwan
*EX97.07.900	Fishing rods	Taiwan, Republic of Korea
*98.15.000	Vacuum flasks and vessels	Hong Kong

Source: Government of Australia, Department of Overseas Trade, *Australian Tariff Preferences for Developing Countries* (Canberra, July 1976).

* Exclusions existing prior to 1 July 1976 and continuing.

† Taiwan is new exclusion; Hong Kong excluded prior to 1 July 1976 and will continue to be excluded.

ANNEX IV

Items subject to quota limitations at preferential rates of duty

<i>Tariff item</i>	<i>Brief description</i>	<i>Developing country quota rate (percentages)</i>	<i>Annual quota level (dollars)</i>
17.04.900 }	Sugar confectionery	12.5	300,000
20.04.900 }	Fruit preserved by sugar	12.5	
40.11.200 }	Tyres	5 per cent or if higher,	1 000 000 (excluding Taiwan and Israel)
40.11.900 }		\$0.10/kg and temporary duty	
		10 per cent	
42.03.300	Leather coats, jackets, overcoats	15	100 000
53.11.200 }	Fabrics of hair	20	100 000
53.11.910 }		20	
53.11.920 }		20	
53.11.990 }		20	
55.05.100	Sewing cottons, not put up for retail sale	10	100 000
55.06.900	Cotton yarn and mercerized sewing cotton, put up for retail sale	Free	75 000
55.09.100	Cotton fabrics of huckaback or honeycomb weaves	Free	20 000
EX55.09.690	Handwoven cotton fabrics, handprinted	Free	100 000
59.04.200	Twine, cordage, etc. of cotton or man-made fibres	5	50 000
59.04.900	Twine, cordage, etc. other than reaper and binder twine or goods of cotton or man-made fibres	Free	50 000
59.06.000	Articles of yarn, twine, cordage, etc. other than textile fabrics	5	Included in \$50 000 quota for 59.04.200
EX60.05.190	Neckties	20	50 000
61.06.000	Shawls, scarves, veils and the like	Free	100 000
61.07.000	Ties, bow-ties and cravats	20	Included in \$50 000 quota for EX60.05.190
61.11.100 }	Made up accessories for articles of apparel	20	50 000
61.11.900 }			
62.01.900	Travelling rugs or blankets (excluding certain goods of cotton or viscose fibre)	Free	50 000
62.04.000	Tarpaulins, tents, sails, etc.	Free	60 000
62.05.000	Other made up textile articles	15	200 000
69.07.900	Unglazed ceramic tiles	15	75 000
EX84.15.900	Refrigerators of less than 198 litres gross internal capacity	10	400 000
85.01.120	D.C. and universal motors; generators and rotary convertors	10	150 000
85.01.310	Electric current rectifying assemblies	24 per cent or less depending on kw rating	140 000
EX85.06.900	Electric fans, domestic	Free	20 000 (units) (excluding Taiwan)
85.19.200	Relays NEI	10	30 000
85.19.300	Devices for telephone or telegraph use, as specified	Free	20 000
85.19.470	Connectors, ceiling roses, adaptors, wall plugs and sockets, fuses, lightning arrestors, etc.	15	750 000
85.19.490	Electrical apparatus, as specified	15	100 000
85.19.900	Resistors, motor starters	15	100 000
85.23.920	Telephone and telegraph cables, paper insulated, lead covered	Free	20 000
85.23.990	Insulated electric wires, cables, etc.	Free	300 000
EX89.01.900	Ships and boats up to 150 tons gross register	15	100 000 (excluding Taiwan)
90.03.000	Spectacle frames	15	250 000
90.09.100	Slide and film strip projectors	20	80 000
93.07.100	Loaded cartridges other than for military purposes	Free	60 000

Source: Government of Australia, Department of Overseas Trade, *Australian Tariff Preferences for Developing Countries* (Canberra, July 1976).

ANNEX V

Australian imports from beneficiaries in 1974

(Thousands of dollars)

Country and CCCN chapters (1)	Total imports (2)	Dutiable imports (3)	GSP- covered (4)	Percentage shares	
				(4)/(2) (5)	(4)/(3) (6)
A. BENEFICIARY COUNTRIES					
Afghanistan					
01-24	0.0	0.0	0.0	0.00	0.00
25-99	190.1	172.6	170.6	89.74	98.84
01-99	190.1	172.6	170.6	89.74	98.84
Algeria					
01-24	0.0	0.0	0.0	0.00	0.00
25-99	61.7	5.7	5.7	9.24	100.00
01-99	61.7	5.7	5.7	9.24	100.00
Angola					
01-24	5 205.9	0.6	0.6	0.01	100.00
25-99	313.4	0.0	0.0	0.00	0.00
01-99	5 519.3	0.6	0.6	0.01	100.00
Argentina					
01-24	2 048.9	1 952.6	1 369.0	66.82	70.11
25-99	3 857.9	1 101.2	970.6	25.16	88.14
01-99	5 906.8	3 053.8	2 339.6	39.61	76.61
Bahamas					
01-24	2.5	2.5	0.0	0.00	0.00
25-99	57.5	0.0	0.0	0.00	0.00
01-99	60.0	2.5	0.0	0.00	0.00
Bahrain					
01-24	0.0	0.0	0.0	0.00	0.00
25-99	76 300.9	59.8	59.8	0.08	100.00
01-99	76 300.9	59.8	59.8	0.08	100.00
Bangladesh					
01-24	106.7	2.2	0.8	0.75	36.36
25-99	14 211.7	277.2	265.4	1.87	95.74
01-99	14 318.4	279.4	266.2	1.86	95.28
Barbados					
01-24	89.4	89.4	0.0	0.00	0.00
25-99	11.3	0.1	0.1	0.88	100.00
01-99	100.7	89.5	0.1	0.10	0.11
Bolivia					
01-24	24.9	24.9	0.0	0.00	0.00
25-99	8.2	6.5	2.8	34.15	43.08
01-99	33.1	31.4	2.8	8.46	8.92
Botswana					
01-24	0.0	0.0	0.0	0.00	0.00
25-99	2.2	2.1	2.1	95.45	100.00
01-99	2.2	2.1	2.1	95.45	100.00
Brazil					
01-24	10 056.8	5 719.5	1 384.2	13.76	24.20
25-99	21 959.6	7 617.2	3 835.9	17.47	50.36
01-99	32 016.4	13 336.7	5 220.1	16.30	39.14
Bulgaria					
01-24	1 250.2	1 233.5	25.1	2.01	2.03
25-99	328.5	177.2	175.7	53.49	99.15
01-99	1 578.7	1 410.7	200.8	12.72	14.23
Burma					
01-24	11.1	2.4	0.9	8.11	37.50
25-99	327.4	264.0	264.0	80.64	100.00
01-99	338.5	266.4	264.9	78.26	99.44
Chile					
01-24	8.6	0.0	0.0	0.00	0.00
25-99	6 397.1	38.3	37.7	0.59	98.43
01-99	6 405.7	38.3	37.7	0.59	98.43

ANNEX V (continued)

Country and CCCN chapters (1)	Total imports (2)	Dutiable imports (3)	GSP- covered (4)	Percentage shares	
				(4)/(2) (5)	(4)/(3) (6)
Colombia					
01-24	150.3	0.7	0.7	0.47	100.00
25-99	553.0	63.4	26.7	4.83	42.11
01-99	703.3	64.1	27.4	3.90	42.75
Comoros					
01-24	0.0	0.0	0.0	0.00	0.00
25-99	10.2	0.0	0.0	0.00	0.00
01-99	10.2	0.0	0.0	0.00	0.00
Costa Rica					
01-24	96.0	0.0	0.0	0.00	0.00
25-99	3.0	0.0	0.0	0.00	0.00
01-99	99.0	0.0	0.0	0.00	0.00
Cuba					
01-24	197.0	197.0	23.8	12.08	12.08
25-99	2.3	0.5	0.5	21.74	100.00
01-99	199.3	197.5	24.3	12.19	12.30
Cyprus					
01-24	117.7	50.7	0.0	0.00	0.00
25-99	30.9	15.1	15.1	48.87	100.00
01-99	148.6	65.8	15.1	10.16	22.95
Democratic Kampuchea					
01-24	214.3	0.0	0.0	0.00	0.00
25-99	11.7	0.0	0.0	0.00	0.00
01-99	226.0	0.0	0.0	0.00	0.00
Democratic People's Republic of Korea					
01-24	0.0	0.0	0.0	0.00	0.00
25-99	83.3	46.6	46.6	55.94	100.00
01-99	83.3	46.6	46.6	55.94	100.00
Democratic Yemen					
01-24	3.3	0.0	0.0	0.00	0.00
25-99	19 470.2	0.0	0.0	0.00	0.00
01-99	19 473.5	0.0	0.0	0.00	0.00
Dominican Republic					
01-24	25.1	25.1	25.1	100.00	100.00
25-99	1.8	1.6	1.6	88.89	100.00
01-99	26.9	26.7	26.7	99.26	100.00
Ecuador					
01-24	143.7	0.0	0.0	0.00	0.00
25-99	93.5	13.3	12.7	13.58	95.49
01-99	237.2	13.3	12.7	5.35	95.49
Egypt					
01-24	173.6	159.3	0.2	0.12	0.13
25-99	494.1	22.6	22.6	4.57	100.00
01-99	667.7	181.9	22.8	3.41	12.53
El Salvador					
01-24	12.8	0.0	0.0	0.00	0.00
25-99	17.6	10.4	0.0	0.00	0.00
01-99	30.4	10.4	0.0	0.00	0.00
Ethiopia					
01-24	623.2	48.6	13.5	2.17	27.78
25-99	116.9	2.9	2.9	2.48	100.00
01-99	740.1	51.5	16.4	2.22	31.84
Fiji					
01-24	2 076.2	197.4	165.2	7.96	83.69
25-99	1 196.5	824.9	376.3	31.45	45.62
01-99	3 272.7	1 022.3	541.5	16.55	52.97
Ghana					
01-24	8 643.6	540.9	534.1	6.18	98.74
25-99	205.5	88.8	86.7	42.19	97.64
01-99	8 849.1	629.7	620.8	7.02	98.59

ANNEX V (continued)

Country and CCCN chapters (1)	Total imports (2)	Dutiable imports (3)	GSP- covered (4)	Percentage shares	
				(4)/(2) (5)	(4)/(3) (6)
Greece					
01-24	5 676.4	4 519.2	2 458.1	43.30	54.39
25-99	2 541.7	2 133.4	1 642.0	64.60	76.97
01-99	8 218.1	6 652.6	4 100.1	50.94	62.92
Guatemala					
01-24	0.7	0.7	0.7	100.00	100.00
25-99	35.9	3.0	2.6	7.24	86.67
01-99	36.6	3.7	3.3	9.02	89.19
Guinea					
01-24	0.0	0.0	0.0	0.00	0.00
25-99	0.1	0.1	0.1	100.00	100.00
01-99	0.1	0.1	0.1	100.00	100.00
Guyana					
01-24	40.7	40.7	0.0	0.00	0.00
25-99	447.8	0.0	0.0	0.00	0.00
01-99	488.5	40.7	0.0	0.00	0.00
Haiti					
01-24	0.9	0.0	0.0	0.00	0.00
25-99	2.1	0.0	0.0	0.00	0.00
01-99	3.0	0.0	0.0	0.00	0.00
Honduras					
01-24	10.9	10.9	0.0	0.00	0.00
25-99	1.5	0.0	0.0	0.00	0.00
01-99	12.4	10.9	0.0	0.00	0.00
India					
01-24	15 797.4	7 831.4	3 693.3	23.38	47.16
25-99	62 061.3	23 689.7	18 335.1	29.54	77.40
01-99	77 858.7	31 521.1	22 028.4	28.29	69.88
Indonesia					
01-24	12 318.4	256.9	134.9	1.10	52.51
25-99	11 278.3	3 142.7	2 941.8	26.08	93.61
01-99	23 596.7	3 399.6	3 076.7	13.04	90.50
Iran					
01-24	1 026.6	1 007.9	753.4	73.39	74.75
29-99	55 628.3	2 148.6	2 145.1	3.86	99.84
01-99	56 654.9	3 156.5	2 898.5	5.12	91.83
Iraq					
01-24	683.3	683.3	683.3	100.00	100.00
25-99	55 342.0	150.7	150.3	0.27	99.73
01-99	56 025.3	834.0	833.6	1.49	99.95
Israel					
01-24	908.2	642.4	161.0	17.73	25.06
25-99	16 901.0	6 819.7	3 075.0	18.19	45.09
01-99	17 809.2	7 462.1	3 236.0	18.17	43.37
Ivory Coast					
01-24	300.7	300.7	300.7	100.00	100.00
25-99	8.5	6.5	6.5	76.47	100.00
01-99	309.2	307.2	307.2	99.35	100.00
Jamaica					
01-24	1 038.0	1 014.7	54.9	5.29	5.41
25-99	227.8	1.0	0.9	0.40	90.00
01-99	1 265.8	1 015.7	55.8	4.41	5.49
Jordan					
01-24	0.0	0.0	0.0	0.00	0.00
25-99	0.3	0.0	0.0	0.00	0.00
01-99	0.3	0.0	0.0	0.00	0.00
Kenya					
01-24	1 697.3	15.7	0.0	0.00	0.00
25-99	1 332.8	79.3	65.7	49.29	82.85
01-99	3 030.1	95.0	65.7	21.68	69.16

ANNEX V (continued)

Country and CCCN chapters (1)	Total imports (2)	Dutiable imports (3)	GSP- covered (4)	Percentage shares	
				(4)/(2) (5)	(4)/(3) (6)
Kuwait					
01-24	0.0	0.0	0.0	0.00	0.00
25-99	145 917.9	0.5	0.5	0.00	100.00
01-99	145 917.9	0.5	0.5	0.00	100.00
Lao People's Democratic Republic					
01-24	0.0	0.0	0.0	0.00	0.00
25-99	1.3	0.0	0.0	0.00	0.00
01-99	1.3	0.0	0.0	0.00	0.00
Lebanon					
01-24	877.6	823.6	54.4	6.20	6.61
25-99	248.1	200.8	199.0	80.21	99.10
01-99	1 125.7	1 024.4	253.4	22.51	24.74
Lesotho					
01-24	0.0	0.0	0.0	0.00	0.00
25-99	7.5	0.5	0.3	4.00	60.00
01-99	7.5	0.5	0.3	4.00	60.00
Madagascar					
01-24	514.4	124.2	124.2	24.14	100.00
25-99	46.6	3.7	3.7	7.94	100.00
01-99	561.0	127.9	127.9	22.80	100.00
Malawi					
01-24	1 057.5	1 057.5	1 057.5	100.00	100.00
25-99	15.6	0.0	0.00	0.00	0.00
01-99	1 073.1	1 057.5	1 057.5	98.55	100.00
Malaysia					
01-24	12 982.6	7 775.7	7 347.5	56.59	94.49
25-99	87 241.6	38 910.0	33 153.1	38.00	85.20
01-99	100 224.2	46 685.7	40 500.6	40.41	86.75
Malta					
01-24	0.1	0.1	0.0	0.00	0.00
25-99	294.4	184.5	172.6	58.63	93.55
01-99	294.5	184.6	172.6	58.61	93.50
Mauritania					
01-24	7.5	7.5	7.5	100.00	100.00
25-99	0.4	0.0	0.0	0.00	0.00
01-99	7.9	7.5	7.5	94.94	100.00
Mauritius					
01-24	209.1	188.3	187.7	89.77	99.68
25-99	47.3	37.5	26.8	56.66	71.47
01-99	256.4	225.8	214.5	83.66	95.00
Mexico					
01-24	955.5	362.6	75.5	7.90	20.82
25-99	9 570.8	3 718.8	3 539.9	36.99	95.19
01-99	10 526.3	4 081.4	3 615.4	34.35	88.58
Mongolia					
01-24	23.4	0.0	0.0	0.00	0.00
25-99	13.6	0.0	0.0	0.00	0.00
01-99	37.0	0.0	0.0	0.00	0.00
Morocco					
01-24	93.4	46.8	16.2	17.34	34.62
25-99	1 577.5	130.6	104.4	6.62	79.94
01-99	1 670.9	177.4	120.6	7.22	67.98
Mozambique					
01-24	3 157.6	3 021.1	265.3	8.40	8.78
25-99	73.7	11.0	0.0	0.00	0.00
01-99	3 231.3	3 032.1	265.3	8.21	8.75
Nauru					
01-24	0.0	0.0	0.0	0.00	0.00
25-99	28 139.3	0.9	0.9	0.00	100.00
01-99	28 139.3	0.9	0.9	0.00	100.00

ANNEX V (continued)

Country and CCCN chapters (1)	Total imports (2)	Dutiable imports (3)	GSP- covered (4)	Percentage shares	
				(4)/(2) (5)	(4)/(3) (6)
Nepal					
01-24	15.9	15.9	0.0	0.00	0.00
25-99	87.2	17.3	16.5	18.92	95.38
01-99	103.1	33.2	16.5	16.00	49.70
Nicaragua					
01-24	143.6	0.0	0.0	0.00	0.00
25-99	501.9	22.6	0.0	0.00	0.00
01-99	645.5	22.6	0.0	0.00	0.00
Nigeria					
01-24	984.1	195.7	195.7	19.89	100.00
25-99	393.6	117.6	0.0	0.00	0.00
01-99	1 377.7	313.3	195.7	14.20	62.46
Pakistan					
01-24	1 274.5	174.8	9.1	0.71	5.21
25-99	16 718.6	3 909.1	3 240.8	19.38	82.90
01-99	17 993.1	4 083.9	3 249.9	18.06	79.58
Panama					
01-24	0.6	0.6	0.0	0.00	0.00
25-99	28.4	0.2	0.2	0.70	100.00
01-99	29.0	0.8	0.2	0.69	25.00
Papua New Guinea					
01-24	36 262.1	13 918.0	1 139.7	3.14	8.19
25-99	20 491.2	14 707.1	6 477.0	31.61	44.04
01-99	56 753.3	28 625.1	7 616.7	13.42	26.61
Paraguay					
01-24	60.9	60.9	60.9	100.00	100.00
25-99	113.2	0.0	0.0	0.00	0.00
01-99	174.1	60.9	60.9	34.98	100.00
Peru					
01-24	933.6	194.2	0.0	0.00	0.00
25-99	233.3	190.2	185.9	79.68	97.74
01-99	1 166.9	384.4	185.9	15.93	48.36
Philippines					
01-24	3 503.6	1 911.2	1 877.1	53.58	98.22
25-99	18 750.6	15 638.9	11 156.5	59.50	71.34
01-99	22 254.2	17 550.1	13 033.4	58.57	74.26
Portugal					
01-24	2 804.2	2 216.8	637.5	22.73	28.76
25-99	7 364.3	2 296.7	1 956.5	26.57	85.19
01-99	10 168.5	4 513.5	2 594.0	25.51	57.47
Qatar					
01-24	0.0	0.0	0.0	0.00	0.00
25-99	46 897.9	0.0	0.0	0.00	0.00
01-99	46 897.9	0.0	0.0	0.00	0.00
Republic of Korea					
01-24	2 696.7	1 508.2	899.7	33.36	59.65
25-99	41 789.8	24 823.8	13 461.5	32.21	54.23
01-99	44 486.5	26 322.0	14 361.2	32.28	54.56
Romania					
01-24	1 159.2	1 157.8	5.1	0.44	0.44
25-99	4 869.9	1 490.3	999.2	20.52	67.05
01-99	6 029.1	2 648.1	1 004.3	16.66	37.93
Samoa					
01-24	44.9	0.0	0.0	0.00	0.00
25-99	68.8	57.6	50.8	73.84	88.19
01-99	113.7	57.6	50.8	44.68	88.19
Saudi Arabia					
01-24	0.0	0.0	0.0	0.00	0.00
25-99	78 142.8	0.0	0.0	0.00	0.00
01-99	78 142.8	0.0	0.0	0.00	0.00

ANNEX V (continued)

Country and CCN chapters (1)	Total imports (2)	Dutiable imports (3)	GSP- covered (4)	Percentage shares	
				(4)/(2) (5)	(4)/(3) (6)
Senegal					
01-24	0.0	0.0	0.0	0.00	0.00
25-99	3.1	3.0	3.0	96.77	100.00
01-99	3.1	3.0	3.0	96.77	100.00
Seychelles					
01-24	76.8	9.5	9.5	12.37	100.00
25-99	2.1	0.0	0.0	0.00	0.00
01-99	78.9	9.5	9.5	12.04	100.00
Sierra Leone					
01-24	2.2	2.2	0.0	0.00	0.00
25-99	0.1	0.0	0.0	0.00	0.00
01-99	2.3	2.2	0.0	0.00	0.00
Singapore					
01-24	3 820.7	2 253.0	2 084.0	54.54	92.50
25-99	115 143.4	16 593.7	8 461.4	7.35	50.99
01-99	118 964.1	18 846.7	10 545.4	8.86	55.95
Somalia					
01-24	3.4	3.4	0.0	0.00	0.00
25-99	0.0	0.0	0.0	0.00	0.00
01-99	3.4	3.4	0.0	0.00	0.00
Sri Lanka					
01-24	12 135.0	1 647.2	1 506.6	12.42	91.46
25-99	1 731.6	220.5	189.2	10.93	85.80
01-99	13 866.6	1 867.7	1 695.8	12.23	90.80
Sudan					
01-24	276.7	0.0	0.0	0.00	0.00
25-99	281.6	0.0	0.0	0.00	0.00
01-99	558.3	0.0	0.0	0.00	0.00
Swaziland					
01-24	0.0	0.0	0.0	0.00	0.00
25-99	971.8	0.0	0.0	0.00	0.00
01-99	971.8	0.0	0.0	0.00	0.00
Syrian Arab Republic					
01-24	27.6	27.6	0.5	1.81	1.81
25-99	3.6	2.4	2.3	63.89	95.83
01-99	31.2	30.0	2.8	8.97	9.33
Thailand					
01-24	1 765.8	1 227.3	985.7	55.82	80.31
25-99	12 140.6	8 125.8	6 263.4	51.59	77.08
01-99	13 906.4	9 353.1	7 249.1	52.13	77.50
Trinidad and Tobago					
01-24	159.0	71.6	51.1	32.14	71.37
25-99	181.9	32.8	32.8	18.03	100.00
01-99	340.9	104.4	83.9	24.61	80.36
Tunisia					
01-24	0.0	0.0	0.0	0.00	0.00
25-99	64.0	61.3	6.4	10.00	10.44
01-99	64.0	61.3	6.4	10.00	10.44
Turkey					
01-24	1 758.4	1 724.0	1 560.3	88.73	90.50
25-99	888.9	214.3	169.1	21.12	87.59
01-99	2 647.3	1 938.3	1 729.4	66.03	90.18
Uganda					
01-24	5 145.3	0.0	0.0	0.00	0.00
25-99	2 195.4	0.0	0.0	0.00	0.00
01-99	7 340.7	0.0	0.0	0.00	0.00
United Arab Emirates					
01-24	0.0	0.0	0.0	0.00	0.00
25-99	596.5	0.0	0.0	0.00	0.00
01-99	596.5	0.0	0.0	0.00	0.00

ANNEX V (concluded)

Country and CCCN chapters (1)	Total imports (2)	Dutiable imports (3)	GSP- covered (4)	Percentage shares	
				(4)/(2) (5)	(4)/(3) (6)
United Republic of Tanzania					
01-24	2 102.7	313.5	112.2	5.34	35.79
25-99	9 865.7	195.8	32.4	0.33	16.55
01-99	11 968.4	509.3	144.6	1.21	28.39
Uruguay					
01-24	0.0	0.0	0.0	0.00	0.00
25-99	31.7	27.0	11.3	35.65	41.85
01-99	31.7	27.0	11.3	35.65	41.85
Venezuela					
01-24	0.0	0.0	0.0	0.00	0.00
25-99	20.8	3.6	2.6	12.50	72.22
01-99	20.8	3.6	2.6	12.50	72.22
Viet Nam					
01-24	0.0	0.0	0.0	0.00	0.00
25-99	0.4	0.2	0.0	0.00	0.00
01-99	0.4	0.2	0.0	0.00	0.00
Yemen					
01-24	0.0	0.0	0.0	0.00	0.00
25-99	217.7	0.0	0.0	0.00	0.00
01-99	217.7	0.0	0.0	0.00	0.00
Yugoslavia					
01-24	1 027.2	939.5	395.6	38.51	42.11
25-99	3 122.9	1 458.8	1 193.7	38.22	81.83
01-99	4 150.1	2 398.3	1 589.3	38.30	66.27
Zaire					
01-24	13.2	0.0	0.0	0.00	0.00
25-99	373.5	72.8	72.8	19.49	100.00
01-99	386.7	72.8	72.8	18.83	100.00
Zambia					
01-24	80.8	80.8	80.8	100.00	100.00
25-99	209.7	1.6	1.6	0.76	100.00
01-99	290.5	82.4	82.4	28.36	100.00
TOTAL					
01-24	168 938.7	69 632.9	32 530.4	19.26	46.52
25-99	1 009 821.5	182 470.5	125 935.0	12.47	69.02
01-99	1 178 760.2	252 103.4	158 465.4	13.44	62.86
<i>of which : least developed countries</i>					
01-24	9 380.5	1 441.1	1 184.0	12.62	82.16
25-99	46 734.1	726.1	541.1	11.58	74.52
01-99	56 114.6	2 167.2	1 725.1	3.07	79.60
B. BENEFICIARY TERRITORIES					
TOTAL					
01-24	12 009.7	6 968.4	3 031.2	25.24	43.50
25-99	394 615.7	254 978.5	100 178.7	25.39	39.29
01-99	406 625.4	261 946.9	103 218.9	25.38	39.40

Source : UNCTAD secretariat calculations.

EFFECTS OF THE GENERALIZED SYSTEM OF PREFERENCES ON DEVELOPING COUNTRIES SHARING THEIR SPECIAL TARIFF ADVANTAGES AS A RESULT OF THE IMPLEMENTATION OF THE SYSTEM

Report by the UNCTAD secretariat

[Original: English]
[19 April 1977]

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INTRODUCTION

1. The Special Committee on Preferences, in section II, paragraph 2, of the agreed conclusions it adopted at the second part of its fourth session, stated that:

Developing countries which will be sharing their existing tariff advantages in some developed countries as the result of the introduction of the generalized system of preferences will expect the new access in other developed countries to provide export opportunities at least to compensate them.¹

In section VIII of the agreed conclusions, the Committee states that it will, *inter alia*, review the effects on export earnings of these countries from the sharing of their preferences, in order to avoid that they might be adversely affected.

2. At its first periodic review of the operation and effects of the generalized system of preferences (GSP) in 1973, the Special Committee on Preferences examined, on the basis of studies prepared by the secretariat of UNCTAD, the extent to which developing countries

enjoying special preferences shared those preferences and the extent to which they had gained new access as a result of the schemes of generalized preferences implemented as of that time.² At the subsequent reviews of the GSP, the question of special preferences continued to be examined on the basis of the information available and the studies made on the effects of various schemes on the export trade of developing countries sharing special preferences with the other GSP beneficiaries. In the meantime the character of special preferences and their geographical coverage underwent certain changes due, in particular, to the enlargement of the EEC upon the accession of Denmark, Ireland and the United Kingdom to that Community in 1973.³ Moreover, in addition to the subsequent introduction of the scheme of Canada in July 1974 and that of the United States of America in January 1976, significant improvements have been made

² See TD/B/C.5/9* paras. 51-61, TD/B/C.5/4* and TD/B/C.5/7*, paras. 96-102.

³ *Official Journal of the European Communities* (Luxembourg), Special Edition, vol. 15, No. L 73 (27 March 1972), pp. 5 *et seq.*

¹ For the text of the agreed conclusions, see decision 75(S-IV) of the Trade and Development Board, of 13 October 1970, annex.

in the other schemes of generalized preferences since their entry into force.

3. With respect to geographical coverage, the EEC, by virtue of Protocol No. 22⁴ of the Act of Accession, was empowered to pursue a policy of association with regard to the associated African and Malagasy States members of the Yaoundé Convention and with independent Commonwealth developing countries in Africa, the Caribbean and the Pacific, declared to be eligible for association. Other developing Commonwealth countries not eligible for association were to have their Commonwealth preferences phased out during the transition period of accession of the United Kingdom to be completed on 1 July 1977.⁵ The Community also embarked on a series of negotiations with Mediterranean countries on the basis of a newly defined global policy towards those countries.

4. As to the character of the special preferences, the Lomé Convention, which was the successor to the Yaoundé Convention, encompassed, in addition to trade co-operation and financial and technical co-

operation, other innovative steps for development co-operation, in particular a system for the stabilization of export earnings, and industrial co-operation. However, the fundamental innovation consists in the fact that the trade concessions under the Lomé Convention are granted by the Community to the ACP countries without reciprocity on the part of these countries. Renunciation on the part of EEC of reverse preferences laid a new and broader basis for economic co-operation between the EEC and ACP countries. Similarly, under the EEC Mediterranean policy, the agreements extended not only to trade co-operation, as in the past, but also to financial and technical assistance, taking account of the particular situation of the countries concerned. However, some of these agreements are based on reciprocity.

5. These changes notwithstanding, concern over the question of sharing was subsequently reiterated in relevant United Nations resolutions and in particular in resolution 96 (IV) of the United Nations Conference on Trade and Development which states, in section I.A, paragraph (a), that "The generalized system of non-reciprocal, non-discriminatory preferences should be improved in favour of the developing countries, taking into account the relevant interests of those developing countries enjoying special advantages as well as the need to find ways and means of protecting their interests."

⁴ *Ibid.*, p. 177.

⁵ For a description of the transitional arrangements regarding associable and non-associable countries, see TD/B/C.5/23*, paras. 72-78.

Chapter I

Types of special preferences

6. Two types of special preferences in favour of developing countries are at present in operation.⁶ One type results from new agreements concluded or currently negotiated between the EEC and certain developing countries and the other from Commonwealth preferences granted by Australia, Canada, New Zealand and the United Kingdom.

A. EEC agreements⁷

7. The special preferential arrangements between EEC and certain countries are described below.

1. AGREEMENT WITH ACP COUNTRIES

8. The Lomé Convention concluded between EEC and 46 African, Caribbean and Pacific countries was signed on 28 February 1975⁸ and will last for an initial period of five years. It includes African countries signatories of the earlier Yaoundé Convention,⁹ Commonwealth developing

countries eligible for accession under Protocol No. 22¹⁰ and other African countries of comparable economic structure and production.¹¹ Three new countries¹² acceded to the Convention in 1976, bringing the total ACP countries to 49.

9. The main provisions of the Lomé Convention were described in an earlier report by the UNCTAD secretariat.¹³ In essence these provisions include preferential access for the ACP countries' exports to the EEC market, the establishment of a system for the stabilization of their export earnings from certain basic products, the introduction of industrial co-operation and increased financial and technical assistance from the Community. The extent to which these developing countries share their special tariff preferences and the extent to which they have acquired access to new markets as a result of the GSP are analysed in a study by the UNCTAD secretariat;¹⁴ a summary of those findings is given in chapter II below.

⁶ The special preferences enjoyed by the Philippines since 1946 in the United States market were phased out over the period 1963-1974, before the United States scheme of generalized preferences became operative in January 1976.

⁷ For a description of the preferential arrangements concluded before the introduction of the GSP, see document TD/B/C.5/8*, chap. II.

⁸ For the text of the Lomé Convention, see *Official Journal of the European Communities* (Luxembourg), vol. 19, No. L 25 (30 January 1976).

⁹ *Signatory countries*: Benin, Burundi, Central African Empire, Chad, Congo, Gabon, Ivory Coast, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, Senegal, Somalia, Togo, United Republic of Cameroon, Upper Volta and Zaire.

¹⁰ Commonwealth developing countries: in Africa—Botswana, Gambia, Ghana, Kenya, Lesotho, Malawi, Nigeria, Sierra Leone, Swaziland, Uganda, United Republic of Tanzania and Zambia; in the Caribbean—Bahamas, Barbados, Grenada, Guyana, Jamaica, Trinidad and Tobago; in the Pacific—Fiji, Tonga and Samoa.

¹¹ Equatorial Guinea, Ethiopia, Guinea, Guinea Bissau, Liberia and Sudan.

¹² Comoros, Seychelles, and Suriname. The number of ACP countries will probably expand soon: Cape Verde, Papua New Guinea, and Sao Tome and Principe are expected to sign accession agreements in March 1977.

¹³ TD/B/C.5/36*.

¹⁴ Document TD/B/C.5/49/Add.1, reproduced in this volume.

2. MEDITERRANEAN COUNTRIES

10. Although the preferential agreements under the Mediterranean policy of EEC differ as to their content, they aim at common objectives, namely, an unrestricted duty-free entry into the EEC market for industrial products of the Mediterranean countries concerned, tariff and non-tariff concessions for agricultural products, and technical and financial assistance. The various trade concessions and financial aid take into account the economic situation of each country.

11. The Mediterranean agreements can be classified into two groupings: those concluded with Arab countries and those concluded with other Mediterranean countries. In addition to trade, technical and financial provisions common to all Mediterranean agreements, the agreements with Arab countries contain provisions with regard to non-reciprocity, while agreements with other Mediterranean countries embody reciprocal concessions and aim rather at the establishment of a customs union or a free-trade area with EEC.

12. The countries affected by the Mediterranean policy are as follows.

(a) Arab countries

13. Co-operation agreements with the Maghreb countries (Algeria, Morocco, Tunisia) were concluded in April 1976 and those with the Mashreq countries (Egypt, Jordan, Syrian Arab Republic)¹⁵ in January 1977. Pending ratification by all concerned, interim agreements were made for the advance implementation of the trade provisions.¹⁶

14. The extent to which the Maghreb countries share their special tariff preferences with other developing countries as a result of the implementation of the EEC scheme of generalized preferences and the extent to which they have gained access to the markets of other developed countries granting generalized preferences are reviewed in a study by the UNCTAD secretariat.¹⁷ A summary of the findings is given in chapter II below.

15. Agreements with the Mashreq countries mark the beginning of a privileged relationship between Jordan and the Syrian Arab Republic, on the one hand, and the EEC on the other. For Egypt, which enjoyed preferential trade advantages as of November 1973, the agreement meant an intensification of economic co-operation.¹⁸

(b) Other Mediterranean countries

16. The other Mediterranean countries concerned include Cyprus, Israel, Malta, Spain and Turkey.¹⁹

17. The agreement with Cyprus entered into force in May 1973 for a four-year period. A protocol adapting the agreement to the enlarged EEC came into effect in June 1973. The second stage of the agreement, starting in July 1977, calls for the progressive establishment of a customs union, in principle over a five-year period.

Negotiations taking place in preparation for the second stage aim also at extending the agreement in the field of economic, financial and technical co-operation.

18. The agreement with Israel became effective in July 1976 and aims at setting up a free-trade area in industrial goods by 1985 and for considerable expansion of trade in agricultural products. An additional protocol for technical co-operation and a financial protocol, signed in February 1977, brought the agreement into line with the global Mediterranean policy.²⁰

19. The agreement with Malta came into force in April 1971 for a five-year period. The second stage, beginning in April 1976, aims at setting up a customs union, in principle after five years. A financial protocol has also been signed.

20. The agreement with Spain came into effect in October 1970 for a minimum period of six years. Although there is no adaptation protocol for the enlarged Community, negotiations are taking place for completion of a free-trade area.

21. The agreement with Turkey came into effect in December 1964 for an unlimited period and aims at setting up a customs union as a prelude to full membership.

B. Commonwealth preferences

22. Developed countries granting Commonwealth preferences include Australia, Canada, New Zealand and the United Kingdom. As was stated earlier (para. 3), the accession of the United Kingdom to the Community brought with it the termination of Commonwealth preferences, which are to be phased out by 1 July 1977. Similarly, because of that accession, New Zealand undertook to phase out the British Preferential System by 1 July 1977 and Commonwealth Preferences by mid-1978. Australia and Canada still grant special preferences to a number of developing countries which are also beneficiaries of their respective schemes of generalized preferences.²¹

²⁰ For details on the Agreement and protocols, *ibid.*, No. 145/77.

²¹ Australia grants special preferences on the basis of separate tariff schedules to Canada, Fiji, Malawi, Malta, New Zealand, Papua New Guinea, Sri Lanka and Zambia, and to the following countries and territories known as declared preference countries: Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Brunei, Cayman Islands, Cyprus, Falkland Islands and Dependencies, Fiji, Gambia, Ghana, Gibraltar, Gilbert Islands, Grenada, Guyana, Hong Kong, Jamaica, Kenya, Leeward Islands, Malaysia, Maldives, Malta, Mauritius, Nigeria, Pitcairn Islands, St. Helena, Seychelles, Sierra Leone, Singapore, Solomon Islands, Sri Lanka, United Republic of Tanzania, Tonga, Trinidad and Tobago, Turks and Caicos Islands, Tuvalu, Uganda, Windward Islands. (Italics indicate those which are also beneficiaries of Australia's scheme of generalized preferences.)

Canada grants special preferences to the following countries and territories (italics indicate those which are also beneficiaries of Canada's scheme of generalized preferences): Antigua, Ascension, Australia, Bahamas, Bangladesh, Barbados, Belize, Bermuda, Botswana, British Solomon Islands, British Virgin Islands, Brunei, Cayman Islands, Channel Islands, Christmas Island, Cocos Island, Cook Islands, Cyprus, Dominica, Falkland Islands, Fiji, Gambia, Gilbert Islands, Ghana, Grenada, Guyana, India, Ireland, Isle of Man, Jamaica, Kenya, Lesotho, Malawi, Malaysia, Malta, Mauritius, Montserrat, Nauru, New Zealand, Nigeria, Norfolk Island, Pakistan, Papua New Guinea, Rhodesia, St. Helena, St. Kitts-Nevis-Anguilla, St. Lucia, St. Vincent, Samoa, Seychelles, Sierra Leone, Singapore, South Africa, Sri Lanka, Swaziland, Tonga, Trinidad and Tobago, Turks and Caicos Islands, Tuvalu, Uganda, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, Zambia.

¹⁵ Negotiations with Lebanon had not been completed at the time of writing.

¹⁶ For the Interim Agreements, see *Official Journal of the European Communities* (Luxembourg) vol. 19, No. L 141 (28 May 1976).

¹⁷ Document TD/B/C.5/49/Add. 2, reproduced in this volume.

¹⁸ For a summary of these agreements, see Commission of the European Communities, *Information* (Brussels), Nos. 142/77 (Egypt), 143/77 (Syrian Arab Republic), and 144/77 (Jordan).

¹⁹ *Ibid.*, No. 115/76. It should be recalled that Greece is seeking Community membership.

EFFECTS OF THE GENERALIZED SYSTEM OF PREFERENCES ON SPECIAL PREFERENCES

23. As already stated, two studies have been carried out in connexion with the question of the sharing of preferences by ACP and Maghreb countries in the EEC market.²² The studies covered three aspects. The first was that of the implications of special preferences and of generalized preferences for exports of ACP and Maghreb countries to the EEC market. The second aspect was that of the extent to which these countries shared their special preferences in the EEC market as a result of the introduction by EEC of the scheme of generalized preferences and other preferential arrangements. The third aspect dealt with was that of the extent to which these countries have gained access to new markets as a result of the introduction of schemes of generalized preferences by other developed countries. The findings of the two studies mentioned above are summarized below, on the basis of these three aspects.

A. The Lomé Convention

24. ACP countries enjoy preferential access in the EEC market by virtue of the Lomé Convention.²³ They are also recognized as beneficiaries of the EEC scheme of generalized preferences. However, since the tariff preferences under the Lomé Convention are greater than those under the scheme of generalized preferences, their beneficiary status under the latter is nominal.

25. ACP agricultural products account for \$2,549 million or 85 per cent of dutiable EEC imports of those products from the ACP countries and 99 per cent of these imports are covered by the Lomé Convention. This coverage is nearly five times the corresponding GSP coverage of EEC agricultural imports from ACP countries (\$569 million). Similarly, under the Lomé Convention there is complete (100 per cent) coverage of EEC dutiable industrial imports from the ACP countries, while the GSP scheme would cover little more than half of the same imports, and no more than one fourth of the GSP-covered industrial imports consist of non-sensitive items. Thus, with respect to dutiable products shipped from the ACP countries to the EEC in 1974, the Lomé Convention would have provided preferences for 99 per cent, or \$2,980 million, while the GSP scheme would have given preferential treatment to only \$630 million-\$816 million, or 21-27 per cent of dutiable imports, depending on the application of limitations on preferential treatment under the scheme.

26. With respect to imports of all products from ACP countries falling within CCCN chapters 1-99 covered by the EEC scheme, only one third, at most, would have been eligible for duty-free treatment, while as regards the same imports covered by the Lomé Convention, 99 per cent would have been eligible for duty-free treatment.

27. The EEC bases its origin requirements on the process criterion, and many of the non-qualifying and qualifying processes enumerated in lists A and B under the Lomé Convention are less stringent than those under the EEC scheme. Moreover, the Lomé Convention allows

processing in more than one beneficiary country for the fulfilment of the origin criteria (cumulative treatment). It also allows materials and components originating in EEC and incorporated in products manufactured by ACP countries to count towards the satisfaction of origin requirements (Community content).

28. From the point of view of tariff concessions, the Lomé Convention offers far better conditions of access than the EEC scheme of generalized preferences. Furthermore, the Lomé Convention provides for the stabilization of export earnings with respect to products of major export interest to ACP countries, in addition to industrial co-operation and financial and technical assistance. Of particular importance is the fact that the benefits under the Lomé Convention are of a contractual nature.

29. In analysing the extent to which the ACP countries share preferences in the EEC market, it must be recalled that, apart from the GSP scheme and the Lomé Convention, EEC has negotiated free-trade agreements with members of the European Free Trade Association (EFTA) preferential agreements with individual countries in the Mediterranean basin, and an arrangement with the overseas territories of the EEC that is virtually identical to the Lomé Convention with respect to trade provisions.

30. In 1974 the ACP countries supplied EEC with almost \$3 billion of imports covered by the Lomé Convention which also competed with about \$14 billion of preferential imports from other suppliers and \$18 billion of imports of like products subject to MFN duties. GSP beneficiaries accounted for only \$3 billion of the preferential imports, and this is a maximum estimate which ignores the impact of limitations on preferential treatment for sensitive and semisensitive products as well as the effects of more stringent rules of origin and smaller preferential margins. The main competition came from EFTA and Mediterranean countries which together provided competitive preferential imports valued at over \$10 billion.

31. ACP countries have also gained access to new markets as a result of the GSP. The values of imports from ACP countries of products covered by the GSP schemes of the United States of America, Japan, and eight other preference-giving countries²⁴ were \$265 million,²⁵ \$279 million (a maximum estimate), and \$287 million respectively. The value of ACP exports which recently became eligible for preferential access under those countries' GSP schemes is comparable to the value of ACP exports to the EEC which now must compete on a preferential basis with like products from GSP beneficiaries as a result of the introduction of the EEC scheme. The latter value is \$794 million, less than 7 per cent of total ACP exports to the EEC in 1974 (\$12 billion).

B. Maghreb countries

32. Maghreb countries enjoy preferences in the EEC market by virtue of co-operation agreements with EEC²⁶

²² TD/B/C.5/49/Add.1 and Add.2, reproduced in this volume.

²³ See foot-note 8 above.

²⁴ Australia, Austria, Finland, Hungary, Norway, Sweden, Switzerland and the Union of Soviet Socialist Republics.

²⁵ This figure does not include imports from Gabon and Nigeria, which are excluded from the United States scheme.

²⁶ See para. 13 above.

and are also nominal beneficiaries of the EEC scheme of generalized preferences.

33. About \$543.6 million, or 94 per cent of total dutiable imports of agricultural products from the Maghreb countries, would have been covered by the co-operation agreements as against \$45.5 million, or 8 per cent of the total, by the EEC scheme. For industrial products, the corresponding amounts are \$357 million for the co-operation agreements and \$309 million for the EEC scheme. While the bulk of agricultural products and a 100 per cent of industrial products would have been covered by the co-operation agreements, only a small fraction of agricultural products and 87 per cent of industrial products would have been covered by the scheme.

34. Practically the bulk of imports of agricultural products covered by the co-operation agreements or the EEC scheme would have been admitted into the EEC at reduced duty rates, and only a small part of these imports at zero rates of duty. While under both the agreements and the scheme duty-free entry is provided for products falling within CCCN chapters 25-99, the treatment under the agreements is more favourable in respect of product coverage and the administration of imports. Moreover, the rules of origin under the agreements are more favourable with respect to qualifying and non-qualifying processes, cumulative treatment and Community content. It should be stressed in addition that the preferential treatment under the agreements is contractual in nature compared with the non-binding commitment and the temporary nature of the GSP scheme, which makes the tariff concessions under the agreements more secure and stable. In addition, the financial and technical assistance provisions of the co-operation agreements make such agreements far more attractive than the EEC scheme of generalized preferences.

35. With respect to the sharing of preferences, the Magreb countries supplied the EEC in 1974 with almost \$901 million of imports covered by the co-operation agreements which competed with nearly \$17 billion of preferential imports from other suppliers and approximately \$20 billion of imports of like products subject to MFN duties. GSP beneficiaries accounted for less than

\$3 billion of competitive preferential imports and this is a maximum estimate which ignores the impact of limitations on preferential treatment for sensitive and semi-sensitive products as well as the effects of more stringent rules of origin and smaller preferential margins. The main competition came from EFTA and other Mediterranean countries which together provided competitive preferential imports valued at \$13.5 billion.

36. Maghreb countries have also acquired new export opportunities under the GSP. The values of imports from Maghreb countries which consist of products covered by the GSP schemes²⁷ other than that of EEC amounted to \$238.1 million. In contrast, the value of Maghreb countries' exports of products which now must compete on a preferential basis with identical products from GSP beneficiaries as a result of introduction of the EEC scheme amounted to \$353 million. This suggests that the Maghreb countries are compensated in large part for the tariff preferences they share with beneficiaries of the EEC scheme of generalized preferences. Moreover, this estimate of compensation may well be higher, if limitations on the preferential treatment of covered imports, differences in preferential margins, and differences in rules of origin are taken into account.

C. Conclusion

37. ACP and Maghreb countries face substantial competition from other preferential sources in the EEC market but have an important competitive advantage over a significant amount of MFN imports. GSP beneficiaries are the source of the smallest amount of this preferential competition. In addition, the much broader product coverage under the Lomé Convention and the Maghreb Co-operation Agreements, the larger preferential margins, the more liberal administration of preferential imports and the less restrictive rules of origin give ACP and Maghreb countries a clear advantage in competition with GSP beneficiaries.

²⁷ Australia, Austria, Finland, Japan, Hungary, Norway, Sweden, Switzerland, United States of America and the Union of Soviet Socialist Republics.

THE GENERALIZED SYSTEM OF PREFERENCES AND THE LOMÉ CONVENTION

Study by the UNCTAD secretariat

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INTRODUCTION

1. Under section VIII of the Agreed Conclusions of the Special Committee on Preferences, adopted at the second part of its fourth session,¹ the Special Committee is called upon, *inter alia*, to review the effects on the export earnings of developing countries from the sharing of their existing tariff advantages in some developed countries as a result of the introduction of the generalized system of preferences (GSP), in particular in order to avoid that these countries might be adversely affected.

2. Negotiations between EEC and 46 African, Caribbean and Pacific (ACP) countries were concluded with the signing of the Lomé Convention on 28 February 1975.² This Convention, which will last for an initial period of five years, made it possible for six of the ACP countries³ to acquire a new relationship with EEC and for the other 40⁴ to maintain their privileged market status under the Yaoundé Convention, the Arusha Agreement and/or the Commonwealth Preference System.

3. Article 90 of the Convention makes it possible for countries with comparable economic structure and production to accede to the Lomé Convention. Three new countries⁵ acceded to the Convention in 1976, bringing the total ACP countries to 49.

¹ For the text of the Agreed Conclusions, see the annex of decision 75 (S-IV) of the Trade and Development Board of 13 October 1970.

² For the text of the Lomé Convention, see *Official Journal of the European Communities* (Luxembourg), vol. 19, No. L 25 (30 January 1976).

³ Ethiopia, Equatorial Guinea, Guinea, Guinea-Bissau, Liberia and Sudan.

⁴ *Yaoundé Convention countries*: Burundi, Central African Empire, Chad, Congo, Gabon, Benin, Ivory Coast, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, Senegal, Somalia, Togo, United Republic of Cameroon, Upper Volta and Zaïre; *Commonwealth developing countries*: in Africa—Botswana, Gambia, Ghana, Kenya, Lesotho, Malawi, Nigeria, Sierra Leone, Swaziland, Uganda, United Republic of Tanzania and Zambia; in the Caribbean—Bahamas, Barbados, Grenada, Guyana, Jamaica, Trinidad and Tobago; in the Pacific—Fiji, Tonga and Samoa.

⁵ Comoros, Seychelles, and Suriname. The number of ACP countries will probably expand soon. Cape Verde, Papua New Guinea, and Sao Tome and Principe are expected to sign accession agreements in March 1977.

4. The main provisions of the Lomé Convention have been described in detail in a previous report by the UNCTAD secretariat in that connexion.⁶ They concern preferential access for ACP countries in the EEC market, the establishment of a system of stabilization of their export earnings, the introduction of industrial co-operation and increased financial and technical assistance from the Community.

5. In accordance with the Agreed Conclusions mentioned above, the purpose of this study is to evaluate the effects of the GSP on the tariff advantages enjoyed by ACP countries under the Lomé Convention. In particular, this study compares the product coverage and preferential margins under the Lomé Convention and the EEC scheme of generalized preferences, measures the extent to which the ACP countries are in fact sharing their tariff advantages with the beneficiaries of the EEC scheme and other preferential arrangements, and finally estimates the value of ACP exports which now are eligible for tariff preferences outside EEC as a result of implementation of the GSP.

6. Although this study deals only with tariff preferences under the Lomé Convention, it should be emphasized that the other provisions of the Convention may prove to be of equal if not of greater importance to the ACP countries, taking into account that the bulk of ACP current exports enter EEC duty-free on an MFN basis and that preferential treatment is not necessary to establish a competitive advantage for many other products which are exported exclusively by the ACP countries. The Lomé Convention provisions for stabilizing export earnings cover most of the major products of current export interest to the ACP countries. Also, the industrial co-operation and financial and technical assistance provisions are aimed directly at industrial development in the ACP countries.

⁶ TD/B/C.5/36*.

Chapter I

ECONOMIC SETTING

7. Tariff preferences cannot be discussed in isolation from the physical and economic characteristics of beneficiaries, which also influence their export trade. Therefore, as a prelude to the examination of trade implications, this chapter briefly reviews some pertinent facts about the beneficiaries of the Lomé Convention.

8. Although the ACP countries are concentrated in three specific geographical areas, as the following figure shows, these areas are widely dispersed around the world and enjoy varying proximity to the EEC market, the more northern African States such as Mauritania and Sudan having the closest access and the Pacific Island States facing the longest distances. The problem of geographical isolation is aggravated for a number of

ACP countries in Africa which are land-locked developing countries. The ACP countries vary widely in size, but for the most part they are small in land area and population of the 49 States, 40 have no more land on average than the United Kingdom (230,000 km²) while 46 have no more people on average than Ireland (3.3 million in 1971). Reflecting the fact that 19 of the least developed countries are Lomé Convention signatories, *per capita* GNP for all but the Caribbean States averaged \$121 in 1971, less than half of the comparable amount for all developing countries.

9. The export trade of the ACP countries in 1972, as summarized in annex I, generally reflects the characteristics outlined above, although it too varies widely in value

from \$3,463 million in Nigeria (83 per cent petroleum) to \$2.5 million in Tonga. In keeping with their small size and/or low level of development, the total value of each country's exports, excluding petroleum, can be measured in terms of hundreds of millions of dollars. On a *per capita* basis, the ACP countries approximate the export performance of most other developing countries by exporting about \$55 per person in 1972, or one tenth of the same *per capita* figure for the western industrialized countries. Nevertheless, the ACP countries are highly dependent on exports, which account on the average for about 30 per cent of their GNP. As annex I illustrates, this dependence is also concentrated on the EEC market, which absorbed 47 per cent of 1972 ACP exports. This percentage is even higher if the trade of the Caribbean countries is subtracted from the calculation. Because of

their close proximity to the American market, countries such as the Bahamas, Jamaica, and Trinidad and Tobago, export only 4 per cent, 23 per cent, and 12 per cent respectively of their total exports to EEC. In contrast, Togo and Zaire ship respectively 85 and 88 per cent of their exports to EEC and another eight African signatories of the Lomé Convention send 70 per cent or more to EEC.

10. Although EEC is the chief purchaser of ACP exports, its importance has been decreasing as the ACP countries have made efforts to find new markets; between 1964 and 1973, their trade with other developing countries has increased fourfold (from \$400 million to \$1,700 million), that with developed countries other than EEC has increased almost fivefold, while exports to EEC have made less than a twofold increase.

Participation in the Lomé Convention

THE EUROPEAN COMMUNITY

Belgium
Denmark
France
Germany Federal Republic of
Ireland
Italy
Luxembourg
Netherlands
United Kingdom

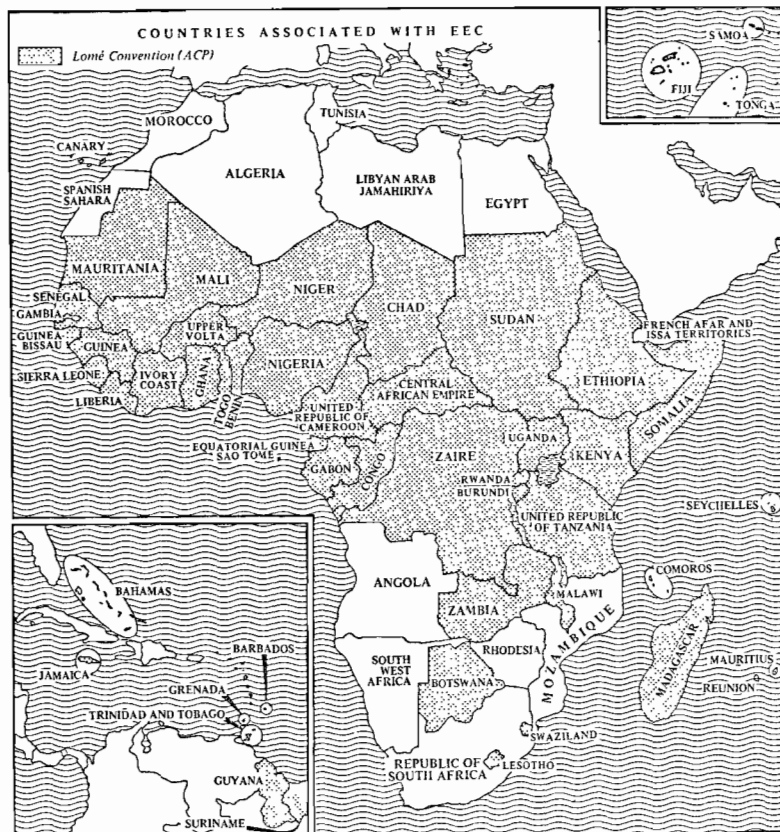
THE ACP STATES

Bahamas
Barbados

Benin
Botswana
Burundi
Central African Empire
Chad
Comoros
Congo
Equatorial Guinea
Ethiopia
Fiji
Gabon
Gambia
Ghana
Guinea
Guinea-Bissau
Grenada

Guyana
Ivory Coast
Jamaica
Kenya
Lesotho
Liberia
Madagascar
Malawi
Mali
Mauritania
Mauritius
Niger
Nigeria
Rwanda
Samoa
Senegal

Seychelles
Sierra Leone
Somalia
Sudan
Suriname
Swaziland
Togo
Tonga
Trinidad and Tobago
Uganda
United Republic of Cameroon
United Republic of Tanzania
Upper Volta
Zaire
Zambia



Source: EEC, *The Courier* (Brussels), No. 31, Special Issue (March 1975).

11. In accordance with the small size and low level of development which have prevented many ACP countries from diversifying their economic activity and expanding their manufacturing, each country's exports are also heavily concentrated in a few major agricultural products or raw materials (see annex I). In each of five ACP countries, one product accounts for over 80 per cent of exports. In another 12 countries, three products account for at least 80 per cent of exports. Three products account for over 50 per cent of the total exports from each ACP country except Senegal (42 per cent), United Republic of Tanzania (47 per cent) and Upper Volta (47 per cent). This concentration of exports in a few agricultural and primary commodities makes the entire economies of many ACP countries susceptible to price fluctuations. In

the case of agricultural production in particular, changeable weather conditions also cause variations in output.

12. The lack of export diversification also restricts the ability of many ACP countries to benefit from the preferential treatment offered by the developed countries, except in those cases where they are able to expand their industrial output. The ACP countries often cannot benefit from preferences now because, as shown in annex II, slightly over half of their major export products (80 per cent in terms of value) are already admitted to EEC duty-free on an MFN basis. Thus, despite the existence of preferential arrangements, ACP exports have increased only 11 per cent per annum between 1964 and 1973 as against 13 per cent per annum for developing countries as a whole.

Chapter II

THE GENERALIZED SYSTEM OF PREFERENCES AND THE LOMÉ CONVENTION

13. This chapter compares the Lomé Convention and the EEC scheme of generalized preferences for 1976 with respect to the values of ACP exports which would be eligible for tariff preferences and with respect to preferential tariff margins on major ACP exports. This comparison has important implications for the subsequent evaluation of preference sharing because of the important differences that exist between the provisions of the EEC scheme and the Lomé Convention. These differences have been described in detail already,⁷ but it will be useful to review the tariff preference provisions briefly.

14. For agricultural products in CCCN chapters 1-24, the Common Customs Tariff (CCT) of EEC for 1975 lists 1,244 tariff items, nearly all of them dutiable. The Lomé Convention provides for elimination of customs duties and charges having equivalent effect on 385 of these tariff items, while the EEC scheme covers only 46 of the 385 items and applies duty-free treatment only to a limited number of products. For another 859 tariff items, the ACP countries are granted as a general rule more favourable treatment than the MFN treatment applied to imports of these products from third countries. This preferential treatment consists of elimination of customs tariffs where this is the only form of import protection. In other cases, the preferential treatment consists of partial or full reduction of the customs tariff or of the fixed component of protection. For selected products, the variable levy or the variable component of the levy may also be reduced or eliminated. Only 148 of the 859 tariff items are covered by the EEC scheme and the treatment consists of a relatively small reduction in tariffs or in the fixed element of protection.

15. For industrial products in CCCN chapters 25-99, the Lomé Convention provides duty-free treatment for almost all dutiable tariff items, while the EEC scheme, which also provides duty-free treatment for most industrial products, does not cover primary products up to the stage of ingot. Preferential imports from GSP beneficiaries are subject to ceilings or tariff quota limitations, whereas the Lomé Convention imposes no such limitations on preferential treatment or quantitative restrictions on any imports from ACP countries.

A. Product coverage

16. Analysis of product coverage for preferential tariff cuts under the EEC scheme of generalized preferences and the Lomé Convention is based on table 1, which shows total, dutiable, GSP-covered, and Lomé-covered imports from the ACP countries in 1974. The imports are categorized as agricultural products identified by CCCN chapters 1-24 and industrial products identified by CCCN chapters 25-99. Non-sensitive imports covered by the GSP scheme (i.e. those for which any limits on preferential treatment are generally substantially higher than the current level of imports from beneficiaries and therefore are only exceptionally applied) are distinguished from total GSP coverage of industrial imports. This distinction is necessary because it has been estimated that only 30 per cent of actual EEC imports from GSP beneficiaries of sensitive and semi-sensitive products covered by the EEC scheme would be eligible for preferences after application of ceilings and maximum amounts.⁸ This "close-ended" aspect of the EEC scheme not only affects a static comparison of product coverage under the scheme and the Convention, but also any future estimates of the trade expansion possible under each arrangement. In the case of the GSP scheme, expansion of EEC imports from GSP beneficiaries as a result of preferential treatment usually can occur only for those items classified as non-sensitive. Moreover, these limitations and a lack of current information on the extent to which they affect preferential treatment of imports create uncertainty for transactions between developing country exporters and EEC importers. The uncertainty of preferential treatment may negate the price incentive for expansion of imports from beneficiaries or weaken the exporter's ability to obtain more favourable prices and thereby increase export earnings.⁹ An additional source of uncertainty is the potential for unilateral change in any aspect of the EEC scheme, which, unlike the Lomé Convention, is not a binding, contractual commitment.

17. ACP agricultural products account for \$2,549 million or 85 per cent of dutiable EEC imports from the

⁸ See TD/B/C.5/34/Add.1.*

⁹ *Ibid.*, paras. 5-8.

⁷ See TD/B/C.5/36*.

TABLE 1
EEC imports in 1974 from ACP countries

(Millions of dollars)

CCCN chapter	Total (1)	MFN dutiabale (2)	GSP covered ^a (3)	Lomé covered (4)	Percentage ^a (3)/(2) (5)	Share (4)/(2) (6)
1-24.....	3 081	2 549	569	2 529	22	99
25-99.....	8 928	451	249 (61)	451	55 (14)	100
1-99.....	12 009	3 000	816 (630)	2 980	27 (21)	99

Source: UNCTAD secretariat calculations.

Note. — In this and subsequent tables, the dutiable imports include those subject to tariffs and/or levies. Agricultural imports recorded under CCCN chapters 1-24 also include processed agricultural products (CCCN 29.04, 35.05, 38.12, and 38.19) subject to variable levies, and industrial imports in CCCN chapters 25-99 are reduced by a corresponding amount. Estimates of Lomé Convention coverage are based on the preferential tariff régime in the *Official Journal of the European Communities* (Luxembourg), vol. 19, No. C 39 (19 February 1976), pp. 17-28. Estimates of the product coverage of the EEC scheme of generalized preferences are based on the scheme for 1976 as published in *O.J.E.C.*, vol. 18, No. L 310 (29 November 1975), and *ibid.*, No. L 323 (15 December 1975) (circulated under the symbol TD/B/592).

^a Figures in parentheses refer to imports of non-sensitive products under the scheme.

ACP countries and 99 per cent of these imports are covered by the Lomé Convention. This coverage is close to five times the corresponding GSP coverage of \$569 million. The ACP countries benefit from similarly complete (100 per cent) coverage of their dutiable industrial exports to EEC, while the GSP scheme covers little more than half of the same imports, and no more than one fourth of the GSP-covered industrial imports consists of non-sensitive items. Thus, for all dutiable products shipped from the ACP countries to EEC in 1974, the Lomé Convention would have provided preferences for 99 per cent or \$2,980 million while the GSP scheme would have given preferential treatment to only \$630 million—\$816 million or 21-27 per cent of dutiable imports, depending on the application of limitations on preferential treatment under the GSP.

B. Depth of tariff cuts

18. Aside from the problem of choosing appropriate weights for tariff averaging, precise analysis of preferential margins under the Lomé Convention and the EEC scheme of generalized preferences is vitiated because no accurate and meaningful *ad valorem* equivalents for variable levies can be calculated. Nevertheless, it is possible to make a relative comparison of tariff reductions on all products under the two preferential arrangements, and a more precise calculation of preferential margins for major products where variable levies occur infrequently and therefore can be disregarded. Neglect of variable levies will have no effect on GSP preferential margins since none of these levies is reduced or eliminated under the EEC scheme, but to the extent that lower variable

TABLE 2
EEC imports from ACP countries in 1974 according to depth of tariff cuts under the GSP and the Lomé Convention

(Millions of dollars)

Product category and type of treatment	GSP-covered products ^a		Lomé-covered products	
	Value	Percentage	Value	Percentage
CCCN 1-24	569	100	2 529	100
of which:				
Duty free	30	5	2 489	98
Partial reduction	539	95	40	2
CCCN 25-99	247 (61)	100	451	100
of which:				
Duty free	247 (61)	100	451	100
Partial reduction	^b	0		0
CCCN 1-99	816 (630)	100	2 980	100
of which:				
Duty free	277 (91)	34 (14)	2 940	99
Partial reduction	539	66 (86)	40	1

Source: UNCTAD secretariat calculations.

^a Figures in parentheses refer to imports of non-sensitive products under the scheme.

^b Less than \$500,000.

TABLE 3
EEC imports of major dutiable products from ACP countries, 1974

CCT number	Product description (abbreviated)	Value (million dollars)	Duty rates (percentage)		
			MFN	GSP ^a	Lomé
0705 B.I	Peas (including chick peas) and beans not for sowing	25.4	4.5		0
0801 B	Bananas	124.2	20.0		0
0901 A.I(a)	Coffee unroasted with caffeine	597.8	7.0		0
0902 B	Tea	82.6	9.0		0
1507 A.I(a)	Crude oils not falling within item 1507.04 to 22 ..	31.4	5.0	3.0	0
D.I(a) 3					
D.I(b) 1					
D.I(b) 2					
D.II(a) 2					
1507 D.II(a) ex 1	Palm oil, crude, used for foodstuffs	101.0	6.0	4.0	0
1507 D.II(b) 2(aa)	Solid crude oils fluid <i>except</i> palm oil	201.5	10.0	8.0	0
1507 D.II, B2(bb)	Other solid oils	27.9	15.0	8.0	0
1602 B.III(b) ex 1	Prepared meat containing bovine meat	21.7	26.0	17.0	0
1604 E	Preserved and prepared tunny	28.7	24.0		0
1701 B.II(a)	Undenatured raw sugar for refining	263.8	80.0+L ^b		0 ^c
1701 B.II(b)	Undenatured raw sugar other than for refining ...	23.9	80.0+L ^b		0 ^c
1801	Cocoa beans	566.9	5.4		0
1803	Cocoa paste	48.1	15.0		0
1804	Cocoa butter	105.0	12.0	8.0	0
2006 B.II(b) 5	Pineapples	30.0	24.0+L ^b	12.0+L ^b	0
2401 ^d ex A ^e	Tobacco of a value per package not less than 280 u.a. per 100 kg net weight	25.0	14.0		0
2401 B ^e	Tobacco refuse, unmanufactured tobacco	41.3	23.0	10.5	0
2710 (II ^d)	Fuel oils not for undergoing a specific process or chemical transformation	44.1	5.0	0	0
2820 A	Aluminium oxide	92.7	8.8		0
4414 B	Wood sawn lengthwise of a thickness not exceeding 5 mm <i>except</i> small boards for the manufacture of pencils	37.3	7.0	0	0
4415	Plywood... inlaid wood and wood marquetry ..	29.9	13.0	0	0
5509 A.II	Woven fabrics of cotton containing 85% or more of cotton of a width of less than 85 cm	15.3	14.0	0	0
7601 A	Unwrought aluminium	55.2	7.0		0
	Total of above products	2 620.7			
	Other dutiable products	379.2			
	TOTAL OF ALL DUTIABLE PRODUCTS	2 999.9			

Source: UNCTAD secretariat calculations (see table 1 above) and Common Customs Tariff of EEC for 1976.

^a Blanks in the GSP column indicate that the item is not covered by the EEC scheme.

^b L indicates variable levy.

^c May be subject to a differential charge if destined for certain refineries. There is also a protocol calling for the ACP countries to provide certain quantities annually and for EEC to guarantee a minimum price.

^d Part of this item, for which no separate trade data are available, is not subject to a variable levy nor is it covered by the EEC scheme. On that part which is covered a rate of 15 per cent plus, a levy may also apply.

^e Items 2401 ex A and 2401 B are subject to a maximum specific duty.

levies under the Lomé Convention are ignored this analysis understates the preferential margin for ACP exports to EEC.

19. A comparison of the depth of tariff cuts for EEC imports in 1974 from ACP countries which would have been covered by the GSP scheme and by the Lomé Convention are shown in table 2. Imports of all products are subdivided into agricultural and industrial categories and also subdivided according to the value which would be eligible for preferential duty-free treatment on the one

hand and partial reductions of MFN duties on the other. These subdivisions emphasize the significant differences in tariff cuts which exist between agricultural and industrial products.

20. Only 5 per cent of the agricultural imports covered by the EEC scheme would have been admitted free of all duties whereas 98 per cent of the much larger value covered by the Lomé Convention would have entered the EEC free of these charges. The \$40 million of agricultural products eligible for only partial reductions under the

Lomé Convention were not covered by the EEC scheme. All of the \$539 million of agricultural products eligible for only partial reductions under the EEC scheme would have been eligible for duty-free treatment under the Lomé Convention.

21. Although coverage of dutiable industrial imports under the Lomé Convention, which includes raw materials, is considerably greater than under the EEC scheme of generalized preferences, the depth of tariff cuts for these products is almost the same. Nearly 100 per cent of GSP-covered imports and 100 per cent of the Lomé-covered imports from ACP countries would have been eligible for duty-free treatment, although, as noted in paragraph 16, most of the GSP-covered imports would not have received preferential treatment because of limitations. Thus, for imports of all products in CCCN chapters 1-99 covered by the EEC scheme only one third at most would have been eligible for duty-free treatment while for the same imports covered by the Lomé Convention 99 per cent would have been eligible for duty-free treatment.

22. This general comparison of tariff cuts is supplemented by a detailed and exact description in table 3 of the MFN, GSP, and Lomé Convention duties for 25 major dutiable products imported by EEC from ACP countries in 1974. The major products accounted for 88 per cent of all dutiable imports from the ACP countries in 1974. Ignoring variable levies, the MFN duties on these products range from 4.5 to 80 per cent, with a simple average of 15.4 per cent and an import-weighted average of 16.2 per cent. Since the tariffs under the Lomé Convention for all of these products are zero, the average preferential margin on these goods equals the average MFN rate. For major products covered by the GSP scheme, which are smaller in number (12) than those covered by the Lomé Convention, the simple and weighted MFN duties are 13.2 per cent and 11.2 per cent while the simple and weighted GSP rates are 5.9 per cent and 6.3 per cent. Thus, the preferential margins under the GSP on major products covered by the GSP scheme (7.4 and 5 per cent) are roughly half of the Lomé Convention preferential margins for the same products.

Chapter III

EXTENT OF PREFERENCE SHARING BY ACP COUNTRIES

23. In this chapter, an attempt is made to quantify the extent to which one set of beneficiaries share preferences on exports of their products to a preference-giving country by considering the values of preferential imports of identical items from other beneficiaries. A comparison of these values for the beneficiaries of different preferential arrangements indicates the degree to which these groups compete with each other on a preferential basis. This method of measuring preference sharing is subject to a number of qualifications. First, items are assumed to be identical only within each tariff line, an assumption which creates certain biases for estimates of preference sharing. Second, by observing in a given year the value of imports on which preferences are shared, this study adopts a static approach designed to measure only the extent of actual preference sharing and not its effects on future trade flows. Third, data limitations make it necessary to confine quantitative estimates to imports covered by preferential arrangements, even though it would be more appropriate to consider only those imports actually receiving preferential treatment. These qualifications are discussed more fully in annex III and some of their implications for this analysis are presented later in this chapter.

A. Static analysis of preference sharing

24. In analysing the extent to which the ACP countries share preferences in the EEC market, it must be recalled that, apart from the GSP scheme¹⁰ and the Lomé Convention, EEC has negotiated a large number of prefer-

ential trade arrangements, including free-trade agreements with members of EFTA,¹¹ preferential agreements with individual countries in the Mediterranean basin,¹² and an arrangement with the dependent overseas countries and territories of EEC that is virtually identical to the Lomé Convention with respect to trade provisions.¹³ On the assumption that ACP countries share preferences on only those products which they export to EEC on a preferential basis in common with the beneficiaries of the other arrangements, table 4 shows the 1974 value of EEC imports from ACP, EFTA, GSP beneficiaries, Mediterranean countries, and overseas territories, which consist of products satisfying three conditions: (a) the products are covered by the Lomé Convention; (b) the products are actually exported by the ACP countries to EEC; (c) the products from each group of beneficiaries are covered by the group's respective preferential arrange-

¹¹ The members of EFTA are: Austria, Finland (associate member), Iceland, Norway, Portugal, Sweden and Switzerland.

¹² Mediterranean countries included in this study are: Algeria, Cyprus, Egypt, Greece, Israel, Lebanon, Malta, Morocco, Spain, Tunisia and Turkey. Lebanon was included because of its 1972 preferential trade agreement with EEC, although Lebanon never ratified the agreement. EEC is currently negotiating another agreement with Lebanon. New agreements with Jordan and Syrian Arab Republic had not been implemented at the time of writing.

¹³ The overseas countries and territories of EEC, as described in annex C, II, of EEC Council Regulation No. 3019/76 (*O.J.E.C.*, vol. 19, No. L 349 (20 December 1976), circulated under the symbol TD/B/GSP/EEC/1) are: Netherlands Antilles (Aruba, Bonaire, Curaçao and St. Maarten, Saba, St. Eustatius); Saint Pierre and Miquelon; Territory of the Afars and Issas; New Caledonia and Dependencies; Wallis and Futuna Islands; French Polynesia; French Southern and Antarctic Territories; Belize; Brunei; Associated States in the Caribbean (Antigua, Dominica, St. Lucia, St. Vincent, St. Kitts-Nevis-Anguilla); Cayman Islands; Falkland Islands and Dependencies; Gilbert Islands; Tuvalu; British Solomon Islands; Turks and Caicos Islands; British Virgin Islands; Montserrat; Pitcairn; St. Helena and Dependencies; British Antarctic Territory; British Indian Ocean Territory; and Anglo-French Condominium of the New Hebrides.

¹⁰ Under the EEC scheme, GSP beneficiaries include all countries members of the Group of 77, in addition to Nauru, Romania, Tonga, Samoa, and overseas territories. For the complete list, see EEC Council Regulation No. 3009/75, annex B, (*O.J.E.C.*, vol. 18, No. L 310 (29 November 1975), p. 60, circulated under the symbol TD/B/592). For the purposes of this study, GSP beneficiaries do not include ACP or Mediterranean countries or overseas territories.

ment.¹⁴ Thus, table 4 shows the value of 1974 EEC imports from other preference-receiving countries which compete directly and on a preferential basis with imports from the ACP countries.

25. In 1974, the ACP countries supplied EEC with almost \$3 billion of imports covered by the Lomé Convention, which also competed with about \$14 billion of preferential imports from other suppliers as well as with \$18 billion of imports of the same products subject to MFN duties. GSP beneficiaries accounted for only \$3 billion of the preferential imports, and this is a maximum estimate which ignores the impact of limitations on preferential treatment for sensitive and semi-sensitive products as well as the effects of more stringent rules of origin and smaller preferential margins. The main competition came from EFTA and Mediterranean countries, which together provided competitive preferential imports valued in excess of \$10 billion.

26. The over-all picture presented above for CCCN chapters 1-99 differs somewhat as between agricultural and industrial products. The ACP countries were the Community's major source of preferential imports of those agricultural products which they exported, accounting for \$2,518 million or 51 per cent of EEC imports of these products from preferential suppliers. These imports from the ACP countries were double the amount of preferential imports of the same products from GSP beneficiaries, and they all received more favourable preferential treatment than imports under the GSP. Because of preferences these imports from the ACP countries would also have competed at an advantage with \$7,209 million of the same agricultural goods, which were eligible only for MFN treatment in EEC.

27. With respect to industrial products covered by the Lomé Convention, the ACP countries were the source of only \$441 million in 1974, about 4 per cent of preferential EEC imports of the same products from all sources (\$12 billion, disregarding limitations on preferential imports from EFTA countries, GSP beneficiaries and Mediterranean countries). These preferential imports competed at an advantage with another \$11 billion of industrial products which were eligible only for MFN treatment. Preferential sources which provided the most competition for these ACP exports are EFTA countries, which accounted for 60 per cent of EEC preferential imports of the same products, and the Mediterranean countries, which accounted for 18 per cent. GSP beneficiaries accounted for less than 17 per cent of these preferential imports, or only 5 per cent if the analysis is confined to non-sensitive imports.

28. This analysis shows that ACP countries share their preferences with a number of other preferential suppliers to the EEC market. However, they also compete at a preferential advantage with a significant amount of exports to EEC which are subject to MFN treatment. The degree to which preferences are shared with GSP beneficiaries is small. GSP beneficiaries accounted for only 24 per cent of total preferential EEC imports of

¹⁴GSP and Lomé Convention product coverage is based on sources cited in the note to table 1. Product coverage of the EFTA agreements is based on the 1974 computer tape submitted to GATT by EEC. Because the Mediterranean agreements are both varied and in a state of change, the analysis has been simplified by basing estimates of product coverage on the preferential tariff régime of the Lomé Convention, although it is recognized that the preferential treatment under the Mediterranean agreements is not generally as liberal as that of the Lomé Convention.

TABLE 4

EEC imports in 1974 from ACP countries of products covered by the Lomé Convention and imports of the same products from other preferential sources also covered by their respective preferential arrangements.

(Million dollars)

Source and CCCN chapters	Value (non-sensitive)
ACP countries	
1-24	2 518
25-99	441
1-99	2 959
EFTA countries	
1-24	20
25-99	7 311 (4 084)
1-99	7 331 (4 104)
GSP beneficiaries	
1-24	1 201
25-99	2 027 (331)
1-99	3 228 (1 532)
Mediterranean countries	
1-24	1 173
25-99	2 242 (1 757)
1-99	3 415 (2 930)
Overseas territories	
1-24	14
25-99	117
1-99	131

Source: See the note to table 1 and foot-note 12 above.

Note. — Import values in parentheses do not include items (sometimes referred to as sensitive and semi-sensitive) which are subject to limitations on preferential treatment. In the case of the Mediterranean countries, only the most important of these items, namely, certain petroleum and cork products (CCCN 27.10 to 27.14 and 45.02 to 45.04), have been considered as sensitive items. For EFTA products subject to limitations on preferential tariff treatment, see *O.J.E.C.*, vol. 19, No. L 367 (31 December 1976).

Import values exclude items listed in annex IV below which are assumed to be products re-exported to EEC from ACP countries. (For import values including these items, see annex V.)

agricultural products and 17 per cent of industrial products, which were also exported by the ACP countries and covered by both the GSP and Lomé Convention. Moreover, these estimates overstate the degree of competition from GSP beneficiaries because of limitations on preferential treatment for industrial products, lower preferential margins for agricultural products, and more restrictive rules of origin under the EEC scheme of generalized preferences.

B. Limitations on preferential treatment

29. The EEC scheme of generalized preferences classifies as sensitive or semi-sensitive 84 per cent of preferential industrial EEC imports from GSP beneficiaries which compete on a preferential basis with the same products from ACP countries. According to the estimates cited in chapter II, 70 per cent of EEC imports of sensitive and semi-sensitive items probably did not receive preferential treatment and imports of very few of these items could expand on a preferential basis. Confining the comparison to EEC imports of ACP industrial products and identical non-sensitive GSP industrial products may present a more accurate indication of preference sharing because the preferential treatment applied to non-sensitive products under the EEC scheme is more comparable to the treatment applied to ACP products under the Lomé Convention than is the treatment of the sensitive and semi-sensitive products.

30. By observing the values for imports on non-sensitive items shown in parentheses in table 4, it is possible to see that preferential imports from GSP beneficiaries were only \$331 million compared with \$441 million of preferential imports of the same items from ACP countries. After deduction of sensitive and semi-sensitive petroleum and cork products, competition from the Mediterranean countries also shrinks but remains substantial at \$2,930 million. Deduction of items subject to limitations on duty-free treatment also reduces preferential imports from EFTA countries to \$4,104 million. However, EFTA countries remain accountable for 61 per cent of the unlimited preferential competition in industrial products and this suggests that the sharing of preferences with GSP beneficiaries is of minor significance.

C. Preferential margins

31. Estimates of the extent to which ACP countries share preferences are further reduced by consideration of differences in preferential margins. Where preferential margins are unequal, beneficiaries of different arrangements are not competing on the same preferential basis. In the extreme case where the supply from each set of beneficiaries is infinitely elastic at the world price, trade creation and diversion augments only the exports of the beneficiary enjoying the largest preferential margin at the expense of other beneficiaries and MFN suppliers.

32. In general, these differences in preferential margins are not significant for EEC industrial imports, since all EFTA agreements, most Mediterranean agreements, the GSP scheme and the Lomé Convention provide generally for duty-free treatment of these goods. For agricultural products, however, there are many different reductions that cannot be estimated precisely because of variable levies. Nevertheless, it has been shown in chapter II that the average preferential margins under the GSP scheme is about half that of the Lomé Convention for major ACP products. Furthermore, it is known that, while the Lomé Convention provides duty-free treatment for all major ACP agricultural exports, most Mediterranean and EFTA agreements provide for only partial tariff reductions. Thus, even in cases where ACP agricultural products are covered by other preferential arrangements, the ACP countries usually compete at a preferential advantage vis-à-vis all other suppliers, except the overseas territories.

D. Rules of origin

33. Rules of origin generally tend to hold the value of imports actually receiving preferential treatment below the value of imports otherwise eligible for preferences. To the extent that the rules under one preferential arrangement are more liberal than those under another, it is expected that the share of covered imports actually receiving preferential treatment will be greater under the more liberal rules.

34. This is not a major problem in the analysis of preference sharing with respect to EEC, because EEC applies rules of origin under each of its preferential

arrangements that are quite similar. Nevertheless, there are enough differences to make the rules significantly more liberal for beneficiaries of the Lomé Convention. These differences, therefore, place an upward bias on the preceding estimates of the extent of preference sharing. The differences lie in the non-qualifying and qualifying processes in lists A and B, and in particular the provisions for cumulative treatment and "Community content".

35. In all of the preferential arrangements entered into by EEC, the rules of origin are based on the process criterion, but many of the process requirements in lists A and B are less stringent under the Lomé Convention. For example, under the rules of origin in the EEC scheme of generalized preferences with respect to chocolate and other food preparations containing cocoa (CCCN heading 18.06), non-originating sucrose must not be used and cocoa beans, cocoa paste, cocoa butter and cocoa powder cannot exceed 40 per cent of the value of the product obtained. Under the Lomé rules, non-originating sugar may be used for up to 30 per cent of the value of the product obtained. Also, non-originating cocoa beans, cocoa paste, cocoa butter and cocoa powder may be used, since the normal rule of change in tariff heading applies.

36. The Lomé Convention also allows processing in more than one beneficiary country to fulfil the origin criteria under its rules. In contrast, no cumulative treatment is at present accorded to the Mediterranean countries¹⁵ and only partial cumulative treatment is granted to EFTA and to three regional groupings of GSP beneficiaries, the ASEAN countries, the Central American Common Market, and the Andean Group.

37. The Lomé Convention also allows materials or components originating in EEC and incorporated in products manufactured by the ACP countries or overseas territories to count toward the satisfaction of the EEC origin criteria. In this respect, the Lomé Convention is significantly less restrictive than the rules faced by other developing countries beneficiaries of the EEC scheme of generalized preferences, which ignores "Community content".

E. Concluding remarks

38. This chapter has shown that preferential EEC imports from the ACP countries face substantial competition from both MFN and preferential sources. However, the analysis also demonstrates that, with the exception of the overseas territories, GSP beneficiaries are the source of the smallest amount of this competition. In addition, the virtual absence of quantitative limitations on preferential treatment, the larger preferential margins, and less restrictive rules of origin under the Lomé Convention probably give ACP countries a clear advantage in competing with GSP beneficiaries.

¹⁵ The Co-operation Agreement between EEC and Algeria, Morocco and Tunisia will allow cumulative treatment if the three countries agree to identical rules for governing trade among themselves and establish administrative co-operation for this purpose.

IMPLICATION OF THE GENERALIZED SYSTEM OF PREFERENCES FOR THE EXPORTS OF THE ACP COUNTRIES

39. Although it has been shown in chapter III that the ACP countries compete on a preferential basis in the EEC market with much more formidable suppliers than GSP beneficiaries, there has been concern that implementation of the EEC scheme of generalized preferences would adversely affect the ACP countries. Of course, it has been recognized for some time that the implementation of the GSP by all developed countries could have both positive and negative effects on the exports of the ACP countries. The positive effects consist of the enhancement of export earnings attributable to preferential tariff advantages obtained under the GSP scheme of countries outside EEC. The negative effects stem from the sharing of special tariff advantages in the EEC market with beneficiaries of the EEC scheme. To the extent that such preferences are shared, ACP export earnings in EEC may not have grown as much as in the absence of the EEC scheme. With respect to these opposing effects, developing countries that share their special preferences generally expect that preferential treatment elsewhere would at least compensate them.

40. The extent of the trade effects of sharing preferences and the compensation for them are difficult to measure precisely within the constraints of currently available data. A rough indication of the relative magnitude of these effects, however, may be obtained by simply comparing the value of ACP current exports which share preferential access to the EEC market with GSP beneficiaries, on the one hand, and the value of ACP exports to other preference-giving countries which have become eligible for preferences as a result of the introduction of the GSP, on the other hand. Observations on differences in preferential treatment under the GSP schemes and the Lomé Convention can supplement available information on the value of imports covered by these preferential arrangements.

41. This comparison is based on the latest available import data for EEC (1974), Japan (1972), the United States of America (1974), and eight other GSP schemes (1974) (see table 5). It should be noted that, because only incomplete information is available on the operation of five other schemes, estimates of compensation will be understated. Since for every scheme listed in table 5, except that of the United States, the implementation date was prior to the year for which this import data has been recorded, it is also possible that the data already reflect some trade effects of preference sharing. In the case of the United States, which implemented its GSP scheme in 1976, the values in table 5 give static estimates of covered imports on the assumption that the scheme was in operation in 1974.

42. The values of imports from ACP countries, which consist of products covered by the GSP schemes of the United States, Japan, and eight other preference-giving countries, as shown in table 5, were \$265 million, \$279 million (at a maximum), and \$287 million respectively. While the value of Japanese imports is given for 1972 rather than for 1974 and the values therefore are not strictly additive, they suggest that the value of ACP exports newly eligible for preferential access under those

countries' GSP schemes is comparable to the value of ACP exports to EEC, which now must compete on a preferential basis with the same products from GSP beneficiaries as a result of introduction of the EEC scheme. The latter value is \$794 million, less than 7 per cent of total ACP exports to EEC in 1974 (\$12 billion).

TABLE 5

Imports in 1974 by selected preference-giving countries from ACP countries of products covered by their respective GSP schemes

<i>Preference-giving countries and CCCN chapters</i>	<i>Value (million dollars)</i>
EEC ^a	
1-24	558
25-99	236
1-99	794
United States of America	
1-24	216
25-99	49
1-99	265
Japan ^b	
1-24	14
25-99	265 (71) ^c
1-99	279 (85) ^c
Other preference-giving countries ^d	
1-24	208
25-99	46
1-99	287

Source: UNCTAD secretariat calculations.

^a EEC imports from ACP countries of products covered by both the Lomé Convention and the EEC scheme of generalized preferences and also actually imported by EEC from beneficiaries of its scheme. These import values exclude items listed in annex IV, which are assumed to be products re-exported to EEC from ACP. The value of these products is estimated to be \$19 million.

^b Estimates for Japan are based on 1972 imports.

^c Smaller amounts represent an underestimate of tariff items coverage because it excludes all imports recorded under tariff items which are only partially covered by the Japanese scheme. Larger amounts include all imports recorded under the partially covered items.

^d Australia, Austria, Finland, Hungary, Norway, Sweden, Switzerland and USSR. Total for CCCN 1-99 does not equal the sum of CCCN 1-24 and CCCN 25-99 because trade data for some countries was not disaggregated.

43. In this connexion, it must be recalled that competition between these ACP and GSP products does not occur on an equal preferential basis. For major agricultural products, the average preferential margin under the Lomé Convention is twice as large as that of the GSP. For most of the competitive industrial products, limitations on preferential treatment exist under the EEC scheme of generalized preferences but not under the Lomé Convention. Thus, the extent to which ACP countries share equal preferential access to the EEC market with GSP beneficiaries probably amounts to only a small fraction of the \$794 million mentioned above.

44. In contrast to the EEC scheme, most of the other GSP schemes listed in table 5 do not impose limitations on preferential treatment and therefore the import values of covered products more closely approximate the actual value of ACP products receiving preferential treatment.

The only exceptions to this rule are Australia, Japan and the United States. In the case of Japan, it has been estimated that a little over one third of industrial products covered by the scheme do not receive preferential treatment because of ceilings.¹⁶ In the case of the United States, however, it has been estimated that imports valued at only 1 million dollars, a fraction of 1 per cent of 1974 imports from the ACP countries covered by the United States scheme, would not have received preferential treatment because of the competitive need limitations.¹⁷

45. With regard to depth of tariff cuts, it is apparent that ACP countries have also received better preferential treatment of their agricultural exports under most other GSP schemes than their competitors have received under

the EEC schemes. Five of the other schemes listed in table 5 give duty-free treatment to all covered agricultural imports as well as industrial imports in contrast to the partial tariff reductions which are the general rule under the EEC scheme. For five other schemes (Australia, Austria, Hungary, Japan and Switzerland), there is duty-free treatment of many agricultural products but partial reductions on selected items.

46. Thus, to the extent that the negative and positive effects of the GSP on ACP exports are roughly proportional to the amounts in table 5, it may be said that these effects would have been roughly offsetting and that the ACP countries consequently would have been compensated for the sharing of their preferences. Moreover, when the preference sharing is considered for only those products which receive identical preferential treatment, the ACP countries on balance appear to have actually benefited from implementation of the GSP.

¹⁶ See TD/B/C.5/35*

¹⁷ See TD/B/C.5/38/Rev.*.

ANNEXES

ANNEX I
ACP exports in 1972

ACP countries	Total value in 1972 (million dollars)	Percentage to EEC	Three major products	
			Description	Percentage of total exports
<i>West Africa</i>				
Benin	41.9 ^a	71	Cocoa; cotton; palm kernel oil	60
Gambia	14.4	73	Groundnuts; groundnut oil; oilseed cakes	94
Ghana	393.0	47	Cocoa; aluminium; sawlogs	76
Guinea	51.7 ^b	14	—	—
Guinea-Bissau	4.9 ^b	10	—	—
Ivory Coast	552.6	63	Coffee; sawlogs; cocoa	71
Liberia	244.0	64	Iron ore; rubber; rough-wood	87
Mali	34.1	21	Cotton; bovine cattle; groundnuts	56
Mauritania	118.9	64	Iron ore; boats; ores of copper	90
Niger	54.3	52	Groundnuts; ores of non-ferrous base; bovine cattle	67
Nigeria	3 463.1 ^b	52	Petroleum; cocoa; groundnuts	83
Senegal	215.5	70	Groundnut oil; phosphates; oilseed cakes	42
Sierra Leone	114.8	78	Diamonds; iron ore; coffee	83
Togo	49.7	85	Phosphates; cocoa; coffee	73
Upper Volta	20.4	35	Cotton; bovine cattle; sheep	19
<i>Central Africa</i>				
Burundi	20.0	21	Coffee; cotton; hides	85
Central African Empire	32.2 ^a	77	Diamonds; coffee; cotton	82
Chad	34.1	75	Cotton; meat of bovine cattle; petroleum products	89
Congo	85.4 ^b	70	Petroleum; rough-wood; potassium fertilizers	78
Equatorial Guinea	—	—	—	—
Gabon	177.9 ^a	56	Petroleum; sawlogs; manganese ore	86
Rwanda	19.5	33	Coffee; tin ore; tea	79
United Republic of Cameroon ..	220.5	70	Coffee; cocoa; sawlogs	57
Zaire	800.8 ^c	88	Copper; diamonds; metal n.e.s.	78
<i>East Africa</i>				
Botswana	—	—	Cattle carcass; hides and skins; manganese ore	75 ^a
Comoros	—	—	—	—
Ethiopia	239.4 ^b	28	—	—
Kenya	351.4 ^b	42	Coffee; tea; fuel oil	50
Lesotho	—	—	—	—
Madagascar	201.8 ^b	42	Coffee; spices; rice	55 ^c
Malawi	85.0 ^a	54	Tobacco; tea; groundnuts	74
Mauritius	137.8 ^b	49	Sugar; tea; molasses	93
Seychelles	—	—	—	—
Somalia	43.1	20	Bananas; sheep; bovine cattle	55
Sudan	361.2	32	Cotton; groundnuts; oleaginous	74
Swaziland	106.7 ^b	29	Sugar; wood pulp; iron ore	58 ^b
Uganda	299.2 ^b	42	Coffee; cotton; tea	88
United Republic of Tanzania ...	283.8	31	Coffee; cotton; spices	47
Zambia	758.4	52	Copper; zinc; cobalt	95
<i>Caribbean</i>				
Bahamas	341.9	4	Petroleum products; hormones; cement	85
Barbados	44.7	35	Sugar; petroleum products; alcoholic beverages	52
Grenada	—	—	—	—
Guyana	146.6	37	Aluminium ore; sugar; rice	86
Jamaica	369.5	23	Aluminium ore; sugar; bananas	80
Trinidad and Tobago	557.6	12	Petroleum products; petroleum sugar	83
Suriname	—	—	—	—
<i>The Pacific</i>				
Fiji	72.8	33	Sugar; petroleum products; frozen fish	69 ^b
Tonga	2.5 ^a	34	Copra; bananas and plantain; coconuts	80 ^a
Samoa	5.0	47	Copra; cocoa; bananas	73

Source: European Economic Communities, ACP, Yearbook of Foreign Trade Statistics, 1968-1976 (Luxembourg, 1978).

^a 1971.^b 1973.^c 1970.^d 1969.

ANNEX II

EEC imports of major products from ACP countries in 1974

<i>CCT statistical number</i>	<i>Description (abbreviated)</i>	<i>Value (million dollars)</i>	<i>Percentage of total imports from ACP</i>	<i>MFN duty rates</i>
0801 B	Bananas	124.2	1.0	20.0
0901 A.I(a)	Coffee, unroasted	597.8	5.0	7.0
0902 B	Tea—other than in packings not exceeding 3 kg .	82.6	0.7	9.0
1201 B	Oil seeds	289.0	2.4	0.0
1507 D.II(a) 1	Palm oil—crude	101.0	0.8	6.0
1507 D.II(b) 2.aa	Solid crude oil	201.5	1.7	10.0
1701 B.II	Raw sugar	287.7	2.4	L, G ^a
1801	Cocoa, beans	566.9	4.7	5.4
1803, 1804	Cocoa paste, butter	153.2	1.3	15.0, 12.0
2304 B	Oil cake	108.4	0.9	0.0
2510	Natural calcium phosphate	216.2	1.8	0.0
2601 A.II	Iron ore	473.5	3.9	0.0
2601	Other ores	202.1	1.7	0.0
2709	Crude petroleum	4 689.5	39.1	0.0
2820 ex A	Aluminium oxide	92.7	0.8	8.8
4403 B	Wood in the rough	489.4	4.1	0.0
4405 C	Wood sawn lengthwise	84.4	0.7	0.0
5501	Cotton	189.1	1.6	0.0
5704	Other textile fibres (sisal)	96.7	0.8	0.0
7401	Unwrought copper	1 714.7	14.3	0.0
Dutiable imports of products above		2 207.6	18.4	
MFN duty-free imports of above products		8 553.0	71.2	
Total imports of above products		10 760.6	89.6	
Imports of other products		1 248.3	10.4	
Total EEC imports from ACP		12 008.9	100.0	

^a L: variable levy; G: eligible for a guaranteed price in the EEC.

Qualifications of the analysis of preference sharing

1. This annex discusses a number of qualifications which are inherent in the method of analysing preference sharing used in the present study. These qualifications relate to the definition of identical items, the static nature of the measures of preference sharing employed in this study, the degree to which potential preference sharing may differ from country trade patterns, and data limitations which restrict analysis to the values of imports covered by preferential arrangements rather than to the more appropriate values of imports actually receiving preferential treatment.

A. Definition of identical items

2. Items are assumed to be identical only within each tariff line, an assumption which creates opposing biases for estimates of preference sharing. On the one hand, such a definition ignores the "substitutability" which may exist among items categorized under different tariff lines. For instance, coniferous wood may compete directly with deciduous wood, yet they may be classified separately for tariff purposes. If in such cases one tariff item is covered by one preferential arrangement and a second but substitutable tariff item is covered only by another preferential arrangement, the method employed here will understate the extent of preference sharing. On the other hand, products imported under the same tariff line are often far from being alike. For example, many developing countries grow different varieties of coffee which, although they are classified the same for tariff purposes, are very imperfect substitutes for one another because of their markedly different flavours. In such cases, if the same tariff line is covered by more than one preferential arrangement, the extent of preference sharing will be over-estimated. In the absence of detailed information on the substitutability of each of the thousands of products covered by one or more preferential arrangements, the effects of these biases are not known. Nevertheless the fact that they are at least partially offsetting serves to lessen their impact on this analysis of preference sharing.

B. The static measurement of preference sharing

3. By observing the value of imports in a given year on which preferences are shared, the present study adopts a static approach designed to measure only the extent of actual preference sharing. This approach assumes implicitly that all preferential arrangements were in operation that year, an assumption that conforms with reality only in so far as all GSP and most ACP beneficiaries and Mediterranean countries are concerned. The EEC scheme of generalized preferences commenced in 1971. Most ACP countries now benefiting from the Lomé Convention were eligible for preferential treatment almost identical in coverage under the Yaoundé Convention of 1963, the Arusha Agreement of 1969, or the Commonwealth Preference System. Most Mediterranean countries had preferential trade agreements with EEC which antedate 1974. In the case of Israel and the Maghreb countries, the current agreements postdate 1974 but they replace previous preferential agreements. In the case of the Lebanon, the agreement was not yet ratified in 1974. For many Mediterranean countries, however, duty reductions have been staged over a period ending in 1977, and this is also true for the preferential trade agreements with EFTA countries. Thus, the 1974 trade data employed in this study reflect some, but not all, of the trade creation and diversion produced by different preferential margins, supply elasticities, quantitative limitations on preferential treatment and varied rules of origin under alternative arrangements. Not enough is known about all of these determinants of static trade effects to estimate them quantitatively, although the differences in preferential margins, limitations on preferential treatment and rules of origin may be discussed qualitatively.

C. Potential preference sharing

4. The static measures employed in this study ignore the impact of dynamic influences which may broaden the extent of preference sharing in the future. Expansion of economic activity in preference-receiving countries may bring about investments in new product

areas and lead these countries into new areas of competition with other beneficiaries as well as with countries receiving MFN treatment. Clearly, all of the many influences on economic development affect the size of this potential preference sharing, so that once again there is no manageable way of quantitatively predicting the extent of shared preferences in the future. Nevertheless, it is possible to make some qualitative observations which on balance, indicate only very limited possibilities for export diversification and the resultant expansion of preference sharing over the next few years.

5. It has been pointed out already in the introduction to the study that the ACP countries are generally very small. This usually means that they possess little diversity in their natural resources endowment. Small size also may inhibit the achievement of economies of scale in infrastructure enterprises which would allow them to operate efficiently and support diversified growth in manufacturing. With the exception of the densely populated island countries, this leaves the countries fragmented into minute and isolated local markets, which are oriented toward subsistence production rather than toward the division and specialization of labour, which can lay the foundation for an expansion in manufacturing and diversification of exports. In addition, over one third of the ACP countries are classified as least developed countries. The least developed among the developing countries are characterized by poor health, illiteracy, malnutrition, a scarcity of capital, and the absence of an economic infrastructure. Thus, it is probable that those ACP countries will not be capable of supporting a diversified expansion of exports for some time, even though the Lomé Convention provides for industrial and technical co-operation with EEC.

D. Preference sharing in terms of product coverage

6. The measurement of the extent to which preferences are shared cannot be based on the value of imports actually receiving preferential treatment in EEC, since this information is unavailable. EEC does not report the value of imports from individual beneficiaries which actually receive preferences and, even if it published this information, 1974 data could not reflect the actual performance of preferential arrangements implemented in subsequent years. Thus, the analysis in this study proceeds on the basis of the value of imports of products covered by preferential arrangements.

7. This use of product coverage as a measure over-estimates the extent of preference sharing, whenever rules of origin, ceiling and maximum amount limitations tend to hold the value of imports actually receiving preferences below the value of imports of covered products. Furthermore, limits on preferential treatment which are below the level of current imports from affected beneficiaries prevent them from expanding their preferential exports. Different preferential tariffs for an identical item actually restrict the extent to which preferences are shared because the beneficiary with the largest preferential margin may benefit at the expense of both beneficiaries with smaller preferential margins and MFN suppliers.

8. The impact of EEC rules of origin cannot be quantified but can be examined qualitatively. Variable levies prevent exact comparisons of preferential margins and the effects of different margins cannot be quantified without making a number of hazardous assumptions. Since administration of limitations on preferential treatment under the EEC scheme of generalized preferences tends to hold the value of imports actually receiving preferential treatment below the level allowed by ceilings, there is no precise way to isolate the effect of this factor on preference sharing. Nevertheless, it is possible in the case of the EEC scheme to identify that portion of imports which consists of non-sensitive items. It has also been possible to identify those EFTA exports affected by limitations on preferential treatment and the residual is also referred to in this study as non-sensitive. In the case of the Mediterranean countries, sensitive and semi-sensitive products—which are those usually affected by limitations—vary from one agreement to another and therefore only the most important of these items, namely, certain petroleum and cork products, have been excluded from estimates of trade in non-sensitive products.

ANNEX IV

CCCN items assumed to be re-exported from the ACP countries

84.01	84.51 to 84.53	87.10	90.16 to 90.21	94.03
84.05 to 84.24	84.55 to 84.57	87.12	90.23 to 90.25	94.04
84.28	84.59 to 84.63	87.13	90.27 to 90.29	95.01 to 95.06
84.31	84.65	88.02	91.01	96.02
84.33	85.01 to 85.04	88.03	91.04	97.02 to 97.07
84.34	85.06	89.01	91.06	98.03
84.35	85.08 to 85.26	89.04	91.11	98.08
84.37	85.28	89.05	92.02	98.10 to 98.12
84.38	86.03	90.01	92.04	98.15
84.40	86.09	90.02	92.06 to 92.08	99.01 to 99.06
84.41	87.01 to 87.03	90.06	92.11 to 92.13	99.97
84.44	87.06	90.07	93.04	99.99
84.45	87.07	90.08	93.07	
84.47 to 84.49	87.09	90.09 to 90.14	94.01	

ANNEX V

EEC imports in 1974 from ACP countries of products covered by the Lomé Convention and imports of the same products from other preferential sources also covered by their respective preferential arrangements.

<i>Source and CCCN chapters</i>	<i>Value (millions of dollars)</i>
ACP countries	
1-24	2 518
25-99	462
1-99	2 980
EFTA countries	
1-24	20
25-99	12 006 (8 799)
1-99	12 026 (8 799)
GSP beneficiaries	
1-24	1 201
25-99	2 882 (705)
1-99	4 083 (1 906)
Mediterranean countries	
1-24	1 173
25-99	2 921 (2 436)
1-99	4 094 (3 609)
Overseas territories	
1-24	14
25-99	132
1-99	146

Source : UNCTAD secretariat calculations.

Note. — Import values in parentheses do not include sensitive and semi-sensitive items subject to limitations on preferential treatment. In the case of the Mediterranean countries, only the most important of these items, namely certain petroleum and cork products (CCCN 27.10 to 27.14 and 45.02 to 45.04), have been considered as sensitive items.

Import values include items listed in annex IV which are assumed to be products re-exported to EEC from ACP countries. For import values excluding these items, see table 4.

THE GENERALIZED SYSTEM OF PREFERENCES AND THE EEC/MAGHREB CO-OPERATION AGREEMENTS

Study by the UNCTAD secretariat

[Original: English]
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INTRODUCTION

1. Under section VIII of the Agreed Conclusions of the Special Committee on Preferences, adopted at the second part of its fourth session,¹ the Special Committee is called upon, *inter alia*, to review the effects on the export earnings of developing countries from the sharing of their existing tariff advantages in some developed countries as a result of the introduction of the generalized system of preferences (GSP), in particular in order to avoid that these countries might be adversely affected.

2. At the Paris summit held in October 1972, the Heads of State and Government of the nine member countries of the European Economic Community adopted a global approach to future relations between the Community and countries of the Mediterranean basin. Under this Mediterranean policy, EEC would seek to conclude agreements with interested Governments encompassing not only trade co-operation as in the past but also financial and technical co-operation, taking into account the particular situation of the countries concerned.

3. The negotiations between EEC and individual Maghreb countries began in July 1973 and were completed with the signing of Co-operation Agreements with Algeria on 26 April 1976, with Morocco on 27 April 1976 and with Tunisia on 25 April 1976. The scope and nature of these Agreements are practically the same. Pending ratification, EEC concluded Interim Agreements with the three countries of the Maghreb on the advance implementation of the provisions relating to trade in goods.² The Interim Agreements entered into force on 1 July 1976 and will be applicable until the Co-operation Agreements are ratified and become effective or until 30 June 1977, whichever is the earlier.

4. The declared objective of the Co-operation Agreements between EEC and the Maghreb countries is to

promote over-all co-operation between the Contracting Parties with a view to contributing to the economic and social development of the Maghreb countries and to helping to strengthen relations between the Community and these countries. To this end, provisions and measures are adopted and implemented in the field of economic, financial and technical co-operation and in the trade and social field.

5. The Co-operation Agreements concluded between EEC and Algeria, Morocco and Tunisia have the effect of maintaining and even improving the special tariff preferences from which those countries had long benefited in the markets of the EEC member States.³ In accordance with the Agreed Conclusions of the Special Committee, the objective of this study is to assess the extent to which these countries share their special preferences with other beneficiaries of generalized preferences granted by EEC under its GSP scheme. The analysis is based on 1974 trade flows and provides therefore only a static rather than a dynamic picture of the trade implications of the two types of preferences. Chapter I describes the main elements of the Co-operation Agreements. Chapter II provides a comparative analysis of the preferential tariff treatment extended by EEC to imports from Maghreb countries under the Co-operation Agreements and of the tariff treatment which these imports would receive under the EEC scheme of generalized preferences. Chapter III gives an indication of the extent to which the Maghreb countries share the tariff advantages granted under the Co-operation Agreements to their exports to EEC with beneficiaries of the EEC scheme and of other preferential arrangements applied by EEC. Chapter IV attempts to estimate the extent to which the GSP trade advantages in other preference-giving countries compensate Maghreb countries for sharing their special preferences in the EEC market as a result of the GSP.

¹ For the text of the Agreed Conclusions, see the annex of decision 75 (S-IV) of the Trade and Development Board of 13 October 1970.

² See EEC Council Regulation Nos. 1287/76, 1288/76 and 1289/76 of 28 May 1976. (*Official Journal of the European Communities* (Luxembourg), vol. 19, No. L 141 (28 May 1976).

³ Special tariff preferences which Algeria had been receiving prior to the conclusion of the Co-operation Agreements varied as between the original EEC member States.

Chapter I

MAIN PROVISIONS OF THE EEC/MAGHREB CO-OPERATION AGREEMENTS

6. The Co-operation Agreements between EEC and Algeria, Morocco and Tunisia (Maghreb countries) cover the following areas: trade; economic, technical and financial co-operation, and co-operation in the field of labour. This chapter reviews briefly these provisions, with particular emphasis on trade aspects.

A. Trade co-operation

7. An important objective in the field of trade co-operation is to increase the rate of growth in the trade of the Maghreb countries and to improve the conditions of access for their products to the EEC market. For this purpose, the Community grants non-reciprocal preferential tariff and non-tariff treatment in favour of these countries. However, such treatment may not be more

favourable than that applied in trade between EEC member States. The main elements of this preferential treatment are summarized below.

1. PRODUCT COVERAGE

8. The Community extends preferential tariff treatment to all industrial and primary products in CCCN chapters 25-99 and to agricultural products in CCCN chapters 1-24 of export interest to the Maghreb countries.

2. TARIFF TREATMENT

9. Imports from the Maghreb countries of industrial and primary products in CCCN chapters 25-99 are free of customs duties and charges having equivalent effect.⁴ For

⁴ For three products in these chapters, which result from the processing of agricultural products, the preferential treatment

imports of agricultural products covered by the Co-operation Agreements, the following treatment applies.⁵ For a number of agricultural products where the customs tariff is the only form of import protection, the tariffs have been eliminated. For others, the customs tariffs or the fixed component of the import charge is eliminated or reduced, and, on some products, the variable component is also reduced. Certain products subject to variable levy enjoy a reduction of that levy. For some products, the duty reduction is granted on condition that the price of the imported product complies with the minimum prices set out in the Agreements or with the Community reference price.

3. NON-TARIFF TREATMENT

10. With the exception of selected products,⁶ all goods covered by the Agreements are imported by the Community free of quantitative restrictions and measures having equivalent effect.

4. NON-RECIPROCITY

11. The Maghreb countries agreed to grant the Community, in the field of trade, treatment no less favourable than MFN treatment. This provision does not apply in the case where the Maghreb countries decide to establish customs unions or free trade areas. The Maghreb countries may further derogate from that provision in the case of measures adopted with a view to the economic integration of the Maghreb or measures benefiting the developing countries. Moreover, the Maghreb countries are allowed, for industrialization or development purposes, to introduce or increase duties and quantitative restrictions or measures having equivalent effect on products originating in or going to the Community. In introducing quantitative restrictions in the form of quotas to a given product, the Maghreb countries have agreed to treat the Community as a single entity.

5. SAFEGUARDS

12. The safeguard mechanism in the Co-operation Agreements is of two kinds: one corresponds to the standard escape clause and the other is in the form of tariff quotas. If, as a result of preferential imports, serious disturbances arise in any sector of the economy or if difficulties arise which are liable to bring about serious deterioration in the economic situation of a region, the Contracting Party concerned may take appropriate safeguard measures. In the selection of such measures, priority must be given to those which least disturb the functioning of the Agreements. Such measures must not exceed what is strictly indispensable in order to remedy the difficulties that have arisen. Normally the invocation of an escape clause of this kind is preceded by consultations but, in exceptional circumstances, such measures may be immediately applied to the extent strictly necessary to remedy the situation.

applies only to the fixed component of the charge levied. These products are CCT headings and subheadings 29.04 C II, III; 35.05 and 38.12 A I.

⁵ For details, see the EEC Council regulations cited in foot-note 2 above.

⁶ Products listed in annex II to the Treaty of Rome (Treaty establishing the European Economic Community, signed at Rome on 25 March 1957 (United Nations, *Treaty Series*, vol. 298, p. 11)) and products subject to the special provisions of articles 4, 5 and 7 of the Co-operation Agreements (see foot-note 2 above).

13. Tariff quotas apply to certain industrial and agricultural products.⁷ Imports of certain refined petroleum products and cork and cork products from the Maghreb countries can be made at zero duty up to ceilings fixed annually, which vary from country to country, imports above ceilings are subject to CCT rates. The ceilings will be increased from year to year by 5 per cent for refined petroleum and by 3 per cent for cork products, up to 31 December 1979. Beyond that date, imports of these products will enjoy unrestricted duty-free treatment.

14. For agricultural products, separate tariff quotas are set for wine with respect to the three Maghreb countries. A separate tariff quota has also been set for apricot pulp with respect to Morocco and Tunisia.

6. RULES OF ORIGIN

15. For purposes of applying preferential treatment under the Co-operation Agreements, goods imported by the Community from the Maghreb countries must meet the conditions of origin and of direct transportation. Goods are considered as originating from any of the Maghreb countries if they have been wholly obtained in the exporting country or if they have undergone sufficient working or processing in that country. Working or processing is considered sufficient if the goods obtained receive a classification under a CCCN tariff heading other than the one covering each of the products worked or processed. Exceptions to this rule are specified in lists A and B. These exceptions are on the whole more liberal than those applied under the EEC scheme of generalized preferences. Annex C lists the petroleum products to which member States apply national origin rules because the Community has not yet adopted a common policy with regard to these products.

16. Goods wholly obtained and goods that have undergone working or processing in any of the Maghreb countries or in the Community, and which are imported by another Maghreb country for further processing, are considered as originating in the latter exporting country. Thus, the rules of origin under the Agreements provide for cumulative origin and for "Community content". Cumulative origin, however, will be applied to Maghreb countries only when these countries apply a similar provision in the trade among themselves and only when they have established administrative co-operation for this purpose.

17. Originating products from any of the Maghreb countries whose transport to the Community is effected without passing through any territory other than that of the Maghreb countries are considered as transported directly from any of the Maghreb countries to the Community. Also, goods may transit through the territory of third countries, provided that the transit is justified for geographical reasons and that the goods have remained under the customs control of the country of transit and that they have not entered into the commerce or been delivered for home use there, and have not undergone operations other than unloading, reloading or any operation designed to preserve them in good condition.

18. Evidence of origin status is substantiated by a movement certificate EUR.1, to be issued by the customs authorities of the exporting country.

⁷ For more details, see annex I of the present study.

B. Economic, technical and financial co-operation

19. The provisions of the Co-operation Agreements covering economic, technical and financial co-operation relate to the execution of projects and programmes which contribute essentially to the economic and social development of the Maghreb countries. To this end, EEC will allocate a total amount of 339 million u.a., more than four fifths of which consist of loans to be devoted to the financing or part-financing of such projects and programmes, the remainder being in the form of outright grants for the financing of technical co-operation.⁸

⁸ For more details, see annex II below.

C. Co-operation in the field of labour

20. The provisions of the Co-operation Agreements governing co-operation in the social fields, particularly in the field of labour, relate to the improvements of the conditions of life and work of both the nationals of the Contracting Parties and members of their families employed and/or residing in EEC or the Maghreb countries. These provisions include measures for non-discrimination concerning working conditions or remuneration, and for cumulative treatment of the benefits from all periods of insurance, employment or residence completed in the Contracting Parties in so far as pensions and annuities in respect of old age, death, invalidity and medical care are concerned.

Chapter II

A COMPARISON OF THE EEC/MAGHREB CO-OPERATION AGREEMENTS AND THE EEC SCHEME OF GENERALIZED PREFERENCES

21. This chapter provides a comparative analysis of preferential tariff treatment granted by EEC to imports of products originating in Algeria, Morocco and Tunisia under the Maghreb Co-operation Agreements, and of the tariff treatment which these imports would receive under the EEC scheme of generalized preferences in 1976.

22. It is recalled in this connexion that the EEC scheme of generalized preferences for 1976 covers in principle all industrial products falling in CCCN chapters 25-99 and excludes industrial raw materials and metals up to the stage of ingot, falling in these chapters. Imports of industrial products covered by the scheme are admitted duty-free up to the level of tariff quotas or tariff ceilings which are fixed annually by EEC. Moreover, imports from a single beneficiary country cannot exceed a maximum amount, normally of 50 per cent of the ceiling, but in many cases lower at 40, 30, 20 and even 15 per cent.

23. For the purpose of administration of preferential imports, all industrial products are classified into sensitive, semi-sensitive and non-sensitive. The preferential imports of the first two categories of products are subject to strict controls and/or surveillance, and the MFN duty is reintroduced when the tariff quota, tariff ceiling, ceiling or maximum amount is reached, which is not necessarily the case with non-sensitive products. The level of tariff quotas, tariff ceilings or ceilings for sensitive and

semi-sensitive products is often below the level of actual imports from beneficiaries of the scheme.⁹

24. Only selected agricultural products (mainly processed products) falling in CCCN chapters 1-24 are covered by the scheme. Varying degrees of preferential tariff reductions, including duty-free admission, are applied to imports of these products. Preferential imports are admitted without any limitations, with the exception of a few products subject to annual tariff quotas.

25. The analysis of the preferential tariff treatment under the EEC/Maghreb Agreements and the EEC scheme of generalized preferences is based on 1974 EEC imports and the comparison between the two types of arrangements is made in terms of the value of imports covered, the depth of preferential tariff reductions and the classification of products according to their sensitivity.

A. Over-all trade aspects

26. The trade flows between the Maghreb countries and EEC in 1974 are illustrated in table 1. Total EEC imports from the Maghreb countries in that year amounted to

⁹ Although the number of sensitive and semi-sensitive products is relatively small, they account for a larger part of the EEC imports of industrial products from the beneficiaries of the scheme.

TABLE 1
Foreign trade of Maghreb countries in 1974
(Million dollars)

Maghreb countries	Exports to			Imports from		
	World	EEC	Percentage share of EEC in total	World	EEC	Percentage share of EEC in total
Algeria	4 135	2 537.2	61.4	4 035	2 455	60.8
Morocco	1 775	993.2	56.0	1 976	940	47.6
Tunisia	914	495.6	54.2	1 123	656	58.4
Total	6 824	4 026.0	59.0	7 134	4 051	56.8

Source: UNCTAD secretariat calculations.

TABLE 2

EEC imports from Maghreb countries in 1974 by product groups and major products

(Million dollars)

Product groups and products	Maghreb countries					
	Algeria		Morocco		Tunisia	
	Value	Percentage share in total	Value	Percentage share in total	Value	Percentage share in total
Agricultural products in CCCN chapters 1-24	68.4	2.7	393.8	39.7	160.8	32.4
of which:						
Wine of fresh grapes	15.0	0.6			11.5	2.3
Dates	9.5	0.4			2.5	0.5
Mandarins	6.5	0.3	33.0	3.3		
Olive oil	6.4	0.2	48.8	4.9	111.7	22.5
Fresh sweet oranges	5.8	0.2	34.0	3.4	3.0	0.6
Fresh or chilled vegetables			52.0	5.3		
Sub-total	43.2	1.7	167.8	16.9	128.7	25.9
Others	25.2	1.0	226.0	22.8	32.1	6.5
Industrial products in CCCN chapters 25-99	2 469.3	97.3	599.2	60.3	334.8	67.6
of which:						
Crude petroleum oil	2 284.0	90.0				
Other petroleum products	50.9	2.0				
Phosphates			408.0	41.1	37.0	7.5
Metallic ores and concentrates			46.0	4.6	173.0	34.9
Carpets of wool or of fine animal hair			21.0	2.1		
Phosphorous pentoxide and phosphoric acid					29.0	5.8
Sub-total	2 334.9	92.0	475.0	47.8	239.0	48.2
Others	134.4	5.3	124.2	12.5	95.8	19.4
Total of all exports in CCCN chapters 1-99	2 537.7	100.0	993.0	100.0	495.6	100.0

Source: UNCTAD secretariat calculations.

\$4,026 million of which \$2,537.2 million represented the value of products imported from Algeria, \$993.2 million from Morocco, and \$495.6 million from Tunisia. The bulk (84.5 per cent) of EEC imports from all three Maghreb countries consisted of industrial raw materials and manufactured products in CCCN chapters 25-99. In that same year, EEC exports to the Maghreb countries amounted to \$4,051 million, of which \$2,455 million went to Algeria, \$940 million to Morocco, and \$656 million to Tunisia. EEC is by far the largest export market as well as the major source of supply for the Maghreb area as a whole, since the EEC market accounted for about 59 per cent of the value of their exports and for 57 per cent of their imports from the world in 1974.

27. Table 2 illustrates the structure of exports from the Maghreb countries to EEC in 1974. First of all, total EEC imports from the Maghreb countries in 1974 were unevenly distributed between agricultural products in CCCN chapters 1-24 and industrial products and industrial raw materials in CCCN chapters 25-99, with imports of industrial products and raw materials being more than five times the volume of imports of agricultural products. Secondly, only a very small number of primary products in both agricultural and industrial sectors account for the bulk of Maghreb countries' exports to EEC, individually and collectively.

28. It can be seen from table 2 that more than half of total EEC imports from the Maghreb countries of agricultural products consisted of a few products. EEC imported \$68.4 million of agricultural products from Algeria, or 2.7 per cent of total EEC imports from that country in 1974. Five main products accounted for nearly two thirds (\$43.2 million) of the total value of agricultural imports, i.e. wine of fresh grapes, dates, mandarins, olive oil and fresh sweet oranges. Total EEC imports of agricultural products from Morocco and Tunisia amounted to \$393.8 million and \$160.8 million respectively. These imports represented 39.7 per cent of all EEC imports from Morocco, and 32.4 per cent of the total from Tunisia. The most important items among EEC imports of those products from Morocco consisted of mandarins, olive oils and fresh sweet oranges and from Tunisia of wine, olive oils and fresh sweet oranges. These products accounted for 43 and 80 per cent of total 1974 EEC agricultural imports from Morocco and Tunisia, respectively.

29. As stated earlier, more than three fourths of all 1974 EEC imports from the Maghreb countries consisted of industrial products and industrial raw materials. The share of these products in total EEC imports from individual countries amounted to 97.3 per cent for Algeria, 60.3 per cent for Morocco and 67.6 per cent for Tunisia.

30. Crude petroleum and petroleum products represented 95 per cent of Algeria's industrial exports to EEC in 1974, with crude petroleum alone accounting for 92 per cent of the total.

31. Phosphates, metallic ores and concentrates and carpets of wool or of fine animal hair accounted for nearly 80 per cent of Moroccan industrial exports to EEC, while phosphates, metallic ores and concentrates, and phosphorous pentoxide and phosphoric acid accounted for over 70 per cent of total Tunisian industrial exports to EEC.

32. Total EEC imports of all those major agricultural and industrial products represented 94, 65 and 74 per cent of over-all 1974 EEC imports from Algeria, Morocco and Tunisia, respectively. Thus, exports of the Maghreb countries to the EEC rely heavily on a small number of products, and fluctuations in export prices or quantities of these products can significantly affect the export earnings of the Maghreb countries. Likewise, the conditions of access to the EEC market for the products in question can strongly affect the level of their total exports and export earnings.

B. Differences in product coverage

33. Table 3 shows the value of total EEC imports from the Maghreb countries under the two preferential arrangements, as well as the amounts that were dutiable and that would have been covered by the EEC scheme of generalized preferences and/or the Co-operation Agreements. Covered imports are further subdivided into two broad categories (agricultural products in CCCN chapters 1-24, and industrial products and industrial raw materials in CCCN chapters 25-99). Of the total EEC imports (\$937 million) from Maghreb countries which were MFN dutiable and could therefore be the object of preferential

tariff treatment, \$207 million came from Algeria, \$472 million from Morocco and \$258 million from Tunisia. These dutiable imports represented 8, 48 and 52 per cent of total EEC imports from the three Maghreb countries respectively.

34. Some \$543.6 million, or 94 per cent of the total dutiable imports of agricultural products from the Maghreb countries, would have been covered by the Co-operation Agreements as against \$45.5 million, or 8 per cent of the total, by the EEC scheme of generalized preferences. While the Co-operation Agreements would have covered the bulk of agricultural products, only a fraction of these would have been covered by the scheme. The proportion of the total dutiable imports of agricultural products from individual Maghreb countries which would have been covered by the Co-operation Agreements and the scheme would have accounted, respectively, for 99 per cent (\$54.2 million) and 7 per cent (\$4 million) for Algeria, 93 per cent (\$344.3 million) and 10 per cent (\$37.7 million) for Morocco, and 95 per cent (\$145.1 million) and 2.5 per cent (\$3.7 million) for Tunisia.

35. The amounts of the total imports of industrial products from the Maghreb countries that would have been covered by the Co-operation Agreements and the GSP scheme were \$357 million and \$309 million, respectively. The value of the imports of the industrial products which would have been covered by the Co-operation Agreements represent 100 per cent of the total dutiable imports of those products as against 87 per cent coverage under the GSP scheme.

36. Over-all trade coverage of the Co-operation Agreements represented 96 per cent of the value of the total dutiable imports of agricultural and industrial products, compared with 38 per cent for the GSP scheme. Thus, the Co-operation Agreements cover nearly all EEC imports from Maghreb countries of MFN dutiable

TABLE 3
EEC dutiable imports from Maghreb countries in 1974
(In millions of dollars)

Country and product group (CCCN chapters) (1)	MFN dutiable (2)	Imports covered by the EEC scheme of generalized preferences (3)	Imports covered by Co-operation Agreements (4)	Shares (percentages)	
				(3)/(2) (5)	(4)/(2) (6)
Algeria					
1-24.....	55.0	4.0	54.2	7.2	98.5
25-99.....	151.3	116.2	151.3	76.8	100.0
1-99.....	206.3	120.2	205.5	58.3	99.4
Morocco					
1-24.....	371.5	37.7	344.3	10.1	92.6
25-99.....	100.5	95.0	100.5	94.5	100.0
1-99.....	472.0	132.7	444.8	28.1	94.2
Tunisia					
1-24.....	152.8	3.7	145.1	2.5	94.9
25-99.....	105.5	98.1	105.5	92.9	100.0
1-99.....	258.3	101.8	250.6	39.4	97.0
Maghreb					
1-24.....	579.3	45.5	543.6	7.8	93.8
25-99.....	357.3	309.3	357.3	86.5	100.0
1-99.....	936.6	354.8	900.9	37.8	96.2

Source: UNCTAD secretariat calculations.

products and the scheme slightly over one third of such imports.

C. Differences in tariff treatment

37. Table 4 shows the value of total imports from the Maghreb countries of products that would have been covered by the EEC scheme of generalized preferences and the Co-operation Agreements. Covered imports are further subdivided into two broad categories (agricultural products in CCCN chapters 1-24 and industrial products in CCCN chapters 25-99) and according to the preferential tariff treatment and products sensitivity. The subdivision in terms of preferential tariff treatment shows the value of imports which would have received duty-free treatment or partial tariff cuts under both arrangements.

38. Practically the bulk of imports of agricultural products covered by the Agreements or the scheme would have been admitted into the EEC at reduced duty rates, and only a small part of these imports duty-free. Duty-free imports of agricultural products covered by the Co-operation Agreements and the scheme would have amounted to \$281 million and \$11.8 million, respectively. Imports of agricultural products which would have been

admitted into EEC at partially reduced duty rates under the Co-operation Agreements and the scheme were \$263 million and \$33.6 million, respectively. The Co-operation Agreements would have provided duty-free treatment for 43 per cent of the total covered imports of agricultural products from Algeria, 39 per cent from Morocco, and 84 per cent from Tunisia. Of the total covered imports of agricultural products originating from Algeria, 25 per cent would have received duty-free treatment under the scheme. The corresponding shares for Morocco and Tunisia would have been 27 and 22 per cent, respectively.

39. While under both the Co-operation Agreements and the EEC scheme duty-free entry is provided for products in CCCN chapters 25-99, the treatment under the Agreements is more favourable in respect of product coverage and the administration of imports. Industrial raw materials are covered by the Agreements but are excluded from the scheme. Preferential imports of industrial products are limited under the scheme by the tariff quotas, tariff ceilings, ceilings and maximum country amounts, while they are generally admitted without limitations under the Agreements. Where, however,

TABLE 4
EEC imports from Maghreb countries in 1974 of products covered by the EEC scheme
or by the Co-operation Agreements and preferential tariff cuts
(In millions of dollars)

Country, CCCN chapter and types of arrangements (1)	Covered imports ^a (2)	Duty free (3)	Partial reductions (4)	Shares (percentages)	
				(3)/(2) (5)	(4)/(2) (6)
Algeria					
1-24					
GSP.....	4.0	1.0	3.0	25.0	75.0
Co-operation Agreements	54.2	23.2	31.0	42.8	57.2
25-99					
GSP.....	116.2	116.2	0.0	100.0	0.0
Co-operation Agreements	151.3 (55.2)	150.5	0.8	99.5	0.5
Morocco					
1-24					
GSP.....	37.7	10.0	27.7	26.5	73.5
Co-operation Agreements	344.3 (3.1)	135.0	209.3	39.2	60.8
25-99					
GSP.....	95.0 (86.2)	95.0	0.0	100.0	0.0
Co-operation Agreements	100.5	95.3	5.2	94.8	5.2
Tunisia					
1-24					
GSP.....	3.7	0.8	2.9	21.6	78.4
Co-operation Agreements	145.1 (1.3)	122.4	22.7	84.4	15.6
25-99					
GSP.....	98.1 (75.4)	98.1	0.0	100.0	0.0
Co-operation Agreements	105.5 (44.0)	104.2	1.3	98.4	1.2
Maghreb					
1-99					
GSP.....	354.7 (151.6)	321.1	33.6	90.5	9.5
Co-operation Agreements	900.9 (103.6)	630.6	270.3	70.0	30.0

Source: UNCTAD secretariat calculations.

^a Figures in parentheses represent the value of imports of products classified as sensitive or semi-sensitive under the scheme or subject to annual tariff quotas or ceilings under the Co-operation Agreements.

limitations are exceptionally imposed under the Agreements, they are temporary in nature and are generally set at the levels corresponding to current imports from Maghreb countries, in contrast to the scheme of generalized preferences in which the limits are often set below the level of current imports from beneficiaries in particular with respect to industrial products considered as sensitive or semi-sensitive.

40. About \$3.5 million of imports of agricultural products, covered by both the Co-operation Agreements and the EEC scheme, would have been subject to deeper tariff cuts (i.e. greater preferential margins) under the Agreements. Imports of overlapping agricultural products represent less than 1 per cent of all EEC imports of

agricultural products from the Maghreb countries in 1974.

41. It can be concluded from the comparative analysis of the tariff treatment under the EEC/Maghreb Co-operation Agreements and the EEC scheme of generalized preferences, that the treatment is much more favourable under the Agreements with regard to product coverage, depth of preferential tariff cuts and the administration of preferential imports. It should be stressed in addition that the preferential treatment under the Agreements is contractual in nature compared with the non-binding commitment and the temporary nature of the GSP scheme, which makes the tariff concessions under the Agreements more secure and stable.

Chapter III

EXTENT OF PREFERENCE SHARING BY MAGHREB COUNTRIES

42. This chapter gives an indication of the extent to which the Maghreb countries share the tariff advantages extended by EEC to their exports under the Co-operation Agreements with beneficiaries of other preferential arrangements applied by EEC. As a first approximation, actual preference sharing is measured by comparing EEC imports of products from Maghreb countries under the Co-operation Agreements with EEC imports of the same products from beneficiaries of other preferential arrangements. This analysis is based on the same assumptions and is subject to the same qualifications, as are discussed in the study on the ASP and the Lomé Convention.¹⁰

A. Static analysis of preference sharing

43. In analysing the extent to which the Maghreb countries share preferences in the EEC market, it must be recalled that, apart from its scheme of generalized preferences, EEC grants tariff preferences under Co-operation Agreements concluded with other countries in the Mediterranean basin, under the Lomé Convention, under arrangements for the EEC overseas territories which are virtually identical to the Lomé Convention with respect to trade provisions, and under the free trade agreements with EFTA member States.

44. On the assumption that Maghreb countries share preferences on only those products which they actually export to EEC on a preferential basis in common with the beneficiaries of the other arrangements, table 5 shows the 1974 value of the EEC imports from Maghreb and other Mediterranean countries, GSP beneficiaries, EFTA countries and ACP countries, and the EEC overseas territories, which consist of products satisfying three conditions: (a) the products are covered by the Co-operation Agreements between EEC and Maghreb countries; (b) the products are actually exported by the Maghreb countries to EEC; and (c) the products from each group of beneficiaries are covered by the group's respective

preferential arrangement.¹¹ Thus, table 5 shows the value of 1974 EEC imports from other preference-receiving countries which compete directly and on a preferential basis with imports from the Maghreb countries.

45. In 1974, the Maghreb countries supplied EEC with almost \$901 million of imports covered by the Co-operation Agreements, which competed with nearly \$17 billion of preferential imports from other suppliers as well as with approximately \$20 billion of imports of the same products subject to MFN duties. GSP beneficiaries accounted for less than \$3 billion of the preferential imports, and this is a maximum estimate which ignores the impact of limitations on preferential treatment for sensitive and semi-sensitive products as well as the effects of more stringent rules of origin and smaller preferential margins. The main competition came from EFTA and other Mediterranean countries, which together provided competitive preferential imports valued at \$13.5 billion.

46. The over-all picture presented above for CCCN chapters 1-99 differs somewhat as between agricultural and industrial products. The Maghreb countries were the second largest source for EEC of preferential imports of those agricultural products which they exported, accounting for \$544 million while other Mediterranean countries accounted for \$1,315 million or 59 per cent of EEC imports of these products from all preferential suppliers. Moreover, these imports received more favourable preferential treatment than imports under the EEC scheme of generalized preferences. Because of preferences, these imports from the Maghreb countries would also have competed at an advantage with \$1,381 million of the same agricultural goods, which were eligible only for MFN treatment in EEC.

¹⁰ See, in particular, TD/B/C.5/49/Add.1, annex III, in the present volume.

¹¹ Sources of product coverage used for these estimates are: *O.J.E.C.*, vol. 18, No. L 310 (29 November 1975)—circulated under the symbol TD/B/592—(GSP scheme of ECE for 1976); *ibid.*, vol. 19, No. C 39 (19 February 1976) (Lomé Convention preferential tariff regime); *ibid.*, No. L 141 (28 May 1976) (Interim Agreements between EEC and Maghreb countries); 1974 computer tape submitted to GATT by EEC (EFTA preferential tariff regime). Because the Mediterranean Agreements are both varied and in a state of change, the analysis has been simplified by basing estimates of product coverage on the same preferential tariff regime, namely, that of the Maghreb Agreements.

TABLE 5

EEC imports in 1974 from Maghreb countries of products covered by the Co-operation Agreements and imports of the same products from other preferential sources also covered by their respective preferential arrangements.

(In millions of dollars)

Source and CCCN chapters	Value (non-sensitive)
Maghreb countries	
1-24	543.6 (539.2)
25-99	357.3 (258.1)
1-99	900.9 (797.3)
Other Mediterranean countries	
1-24	1 314.6
25-99	2 635.5 (2 219.1)
1-99	3 950.1 (3 533.7)
GSP beneficiaries	
1-24	234.2
25-99	2 597.3 (546.9)
1-99	2 831.5 (781.1)
EFTA countries	
1-24	17.1
25-99	9 554.4 (6 956.4)
1-99	9 571.5 (6 973.5)
ACP countries and overseas territories	
1-24	108.1
25-99	414.8
1-99	522.9

Source: UNCTAD secretariat calculations.

Note. — Import values in parentheses do not include sensitive and semi-sensitive items subject to limitations on preferential imports. In the case of the Mediterranean countries, only the most important of these items, namely certain petroleum and cork products (CCCN 27.10 to 27.14 and 45.02 to 45.04) have been considered as sensitive items.

47. With respect to industrial products covered by the Co-operation Agreements, the Maghreb countries were the source of only \$357 million in 1974, about 2.3 per cent of preferential EEC imports of the same products from all sources (\$16 billion disregarding limitations on preferential imports from GSP beneficiaries). These preferential imports competed at an advantage with another \$18 billion of industrial products subject to MFN duties. Preferential sources which provided the most competition for these Maghreb exports are EFTA countries, which accounted for 61 per cent of EEC preferential imports of the same products, and other Mediterranean countries which accounted for 17 per cent. GSP beneficiaries also accounted for 17 per cent of these preferential imports.

48. This analysis shows that the Maghreb countries share their preferences with a number of other preferential suppliers to the EEC market. However, they also compete at a preferential advantage with a significant amount of exports to EEC, which are subject to MFN treatment. The degree to which preferences are shared with GSP beneficiaries is small. GSP beneficiaries accounted for only 16 per cent of total preferential EEC imports of all products exported by the Maghreb countries. Moreover, these estimates overstate the degree of competition from GSP scheme beneficiaries because of limitations on preferential imports of industrial products, lower preferential margins for agricultural products, and more restrictive rules of origin under the EEC scheme of generalized preferences.

B. Limitations on preferential treatment

49. EEC classifies as sensitive or semi-sensitive a number of industrial imports from GSP beneficiaries. Preferential imports of selected products from Maghreb countries and other Mediterranean countries are at present also subject to limitations. While the restrictiveness of these limitations for Maghreb and other Mediterranean countries is not known, it has been estimated that about two thirds of EEC imports from GSP beneficiaries of sensitive and semi-sensitive items probably did not receive preferential treatment and imports of very few of these items could expand as a result of preferences.¹² Thus, the preferential treatment of non-sensitive industrial products from the GSP beneficiaries is more comparable, although not identical, to the treatment of preferential imports of the industrial products (other than those subject to limitations) from Maghreb and other Mediterranean countries. The analysis of preference sharing is therefore confined to non-sensitive products as far as preferential imports from GSP scheme beneficiaries are concerned.

50. By observing the values for imports of non-sensitive items, shown in parentheses in table 5, it is possible to see that preferential imports from GSP scheme beneficiaries were \$547 million compared with \$258 million of preferential imports of the same items from Maghreb countries. After deduction of sensitive and semi-sensitive petroleum and cork products, competition from the Mediterranean countries remains substantial but also shrinks from \$2,636 to \$2,219 million. Deduction of items subject to limitations on duty-free treatment also reduces preferential imports from EFTA countries to \$6,973.5 million. However, EFTA countries remain accountable for 55 per cent of the unlimited preferential competition in industrial products and this suggests that the sharing of preferences with GSP beneficiaries is of minor significance.

C. Preferential margins

51. Estimates of the extent to which the Maghreb countries share preferences with GSP beneficiaries are further reduced by consideration of differences in preferential margins. Where preferential margins are unequal, beneficiaries of different arrangements are not competing on the same preferential basis.

52. In general, these differences in preferential margins are not significant for EEC industrial imports since all EFTA and Maghreb agreements, most Mediterranean agreements, the Lomé Convention, and the GSP scheme all provide generally for duty-free treatment of these goods. For agricultural products, however, there are many different reductions that cannot be estimated precisely because of variable levies. Nevertheless, it has been shown in chapter II that major dutiable Maghreb agricultural exports to EEC receive preferential tariff treatment which is generally more favourable than that provided for under the EEC scheme of generalized preferences and other Mediterranean agreements. Still more important, the major agricultural export products are not covered by the scheme. Thus, even in cases where Maghreb agricultural products are covered by other preferential arrangements, the Maghreb countries usually compete at a preferential advantage vis-à-vis all these other preferential suppliers except the ACP countries and overseas territories.

¹² See TD/B/C.5/34/Add.1*.

D. Rules of origin

53. Rules of origin generally tend to hold the value of imports actually receiving preferential treatment below the value of imports otherwise eligible for preferences. To the extent that the rules under one preferential arrangement are more liberal than those under another, it is expected that the share of covered imports actually receiving preferential treatment will be greater under the more liberal rules. In this case, estimates of preferential sharing which are based on product coverage will overstate the extent to which the beneficiaries of the more liberal rules are actually sharing their preferences.

54. This is not a major problem in the analysis of preference sharing with respect to EEC because the rules of origin applied under each of its preferential arrangements are quite similar. All of the preferential arrangements entered into by EEC base the rules of origin on the process criterion and the process requirements in lists A and B under the Maghreb Co-operation Agreements are generally the same as those under the Lomé Convention but somewhat more liberal than those under the EEC scheme of generalized preferences. This probably results in an overstatement of the estimates of the extent of preference sharing. The Co-operation Agreements also allow processing in more than one beneficiary country to fulfil the origin criteria under its rules, although this provision will be implemented only if Algeria, Morocco and Tunisia agree to identical rules for governing trade among themselves. This provision makes the Co-opera-

tion Agreements more liberal than those of any other preferential arrangement except the Lomé Convention. The Co-operation Agreements also allow materials or components originating in EEC and incorporated in products manufactured by the Maghreb countries to count toward the satisfaction of the EEC origin criteria. In this respect, the Maghreb Co-operation Agreements are the same as the Lomé Convention, but they are more liberal than the rules faced by other developing countries beneficiaries of the EEC scheme of general preferences, which ignores "Community content".

E. Conclusion

55. This chapter has shown that preferential EEC imports from the Maghreb countries face substantial competition from other preferential sources but have an important preferential advantage over a significant amount of MFN imports. However, the analysis also demonstrates that, with the exception of the ACP countries and overseas territories, GSP beneficiaries are the source of the smallest amount of this competition. In addition, the virtual absence of quantitative limitations on preferential treatment under the Maghreb Co-operation Agreements for all exports except certain petroleum and cork products, the larger preferential margins and less restrictive rules of origin probably give the Maghreb countries a clear advantage in competition with GSP beneficiaries.

Chapter IV

IMPLICATIONS OF THE GENERALIZED SYSTEM OF PREFERENCES FOR THE EXPORTS OF THE MAGHREB COUNTRIES

56. Chapter III evaluated the extent to which Maghreb countries share preferences with all other preferential suppliers to the EEC market. In contrast, this chapter narrows the focus to the question whether or not the implementation of the GSP has adversely affected Maghreb exports.

57. The GSP may affect the special tariff advantages enjoyed by certain developing countries in two ways. First, the GSP scheme of the country which also grants special tariff treatment may cause the developing countries enjoying such special preferences to share them with GSP beneficiaries. Second, the GSP schemes of other preference-giving countries provide in the markets of these countries new export opportunities for the same developing countries enjoying special preferences. This chapter attempts to evaluate these dual effects of the GSP on exports from Maghreb countries.

58. A rough indication of the relative magnitude of the two opposing effects of the GSP on exports from Maghreb countries may be obtained by comparing the value of those exports which share special preferential treatment on the EEC market with GSP beneficiaries, on the one hand, with the value of exports from Maghreb countries which benefit from GSP tariff treatment in the markets of preference-giving countries other than the EEC member States, on the other hand. Since this analysis, like that of the preceding chapter, deals only with product coverage,

it must also be qualified with respect to differences in preferential treatment.

A. Product coverage

59. This analysis of the two opposing effects of the GSP is based on the latest available import data for EEC (1974), Japan (1972), the United States of America (1974), and eight other preference-giving countries (1974) appearing in table 6. In the case of the United States, which implemented its GSP scheme in 1976, the values in table 6 give static estimates of covered imports on the assumption that the scheme was in operation in 1974.

60. The values of imports from Maghreb countries, which consist of products covered by the GSP schemes of the United States, Japan and eight other preference-giving countries as shown in table 6, were \$9.4 million, \$1.7 million and \$227 million, respectively.¹³ If Algeria were a beneficiary of the United States scheme, the total Maghreb coverage under that scheme would have risen to \$12.3 million. In contrast, the value of Maghreb countries' exports of products, which now must compete on a preferential basis with identical products from GSP

¹³ Algeria is not a beneficiary of the United States scheme and therefore the value of United States imports from Maghreb countries does not include imports from Algeria.

beneficiaries as a result of the introduction of the EEC scheme amounted to \$353 million. Thus, this first approximation suggests that the Maghreb countries are compensated in large part for the tariff preferences they share with beneficiaries of the EEC scheme of generalized preferences. However, this conclusion may be modified by consideration of limitations on the preferential treatment of covered imports, differences in preferential margins, and differences in rules of origin.

TABLE 6

Imports in 1974 by selected preference-giving countries from the Maghreb countries of products covered by their respective GSP schemes.

<i>Preference-giving countries and CCCN chapters</i>	<i>Value (million dollars)</i>
EEC ^a	
1-24	45.0
25-99	308.0
1-99	353.0
United States of America (1974) ^b	
1-24	7.8
25-99	1.6
1-99	9.4
Japan (1972)	
1-24	0.4
25-99	1.3
1-99	1.7
Other preference-giving countries (1974) ^c	
1-24	20.7
25-99	114.0
1-99	227.0

Source: UNCTAD secretariat calculations.

^a EEC imports from Maghreb countries of products covered by both the Co-operation Agreements and the EEC scheme of generalized preferences and also actually imported by EEC from beneficiaries of its scheme.

^b United States imports from Maghreb countries include only those from Morocco and Tunisia.

^c Australia, Austria, Finland, Hungary, Norway, Sweden, Switzerland and USSR. Total for CCCN chapters 1-99 does not equal the sum of CCCN chapters 1-24 and CCCN chapters 25-99 because trade data for some countries was not disaggregated.

B. Differences in preferential treatment

61. The preferential tariff treatment extended by EEC to products covered by the Maghreb Co-operation Agreements and to products covered by the EEC scheme of generalized preferences is discussed elsewhere, particularly at the beginning of chapter II. There it was shown that competition between EEC imports covered by the GSP scheme and the Co-operation Agreements does not occur on an equal preferential basis. For major Maghreb agricultural products, the average preferential margin under the Co-operation Agreements is greater than that of the scheme. For competitive industrial products, limitations on preferential treatment under the EEC scheme exist for four fifths of imports from GSP benefi-

ciaries but for only one third of EEC imports from Maghreb countries. Moreover, the Maghreb limitations will be completely abolished on 31 December 1979. Thus, the extent to which Maghreb countries share equal preferential access to the EEC market with GSP beneficiaries probably amounts to only a small fraction of the \$353 million mentioned above (paragraph 60).

62. In contrast to the EEC scheme, most of the other GSP schemes listed in table 6 do not impose limitations on preferential treatment and therefore the import values of covered products more closely approximate the actual value of Maghreb products receiving preferential treatment. The only exceptions to this rule are Australia, the United States and Japan. In the case of Japan, it has been estimated that a little over one third of industrial products covered by the scheme do not receive preferential treatment because of ceilings.¹⁴ In the case of the United States, however, it has been estimated that no imports from Morocco and Tunisia would have been denied preferential treatment because of competitive need limitations.¹⁵

63. With regard to depth of tariff cuts, it is apparent that Maghreb countries have also received better preferential treatment of their agricultural exports under most other GSP schemes than their competitors have received under the EEC scheme. Five of the other schemes listed in table 6 give duty-free treatment to all agricultural imports as well as industrial imports in contrast to the partial tariff reductions which are the general rule under the EEC scheme. For another five schemes (Australia, Austria, Hungary, Japan and Switzerland), there is duty-free treatment of many agricultural products but partial reductions on selected items.

C. Conclusion

64. This analysis has shown that the value of exports from the Maghreb countries of products eligible for preferential tariff treatment under the Co-operation Agreements and in direct competition on a preferential basis with identical products from beneficiaries of the EEC scheme of generalized preferences exceeds the value of Maghreb exports receiving preferential treatment under other GSP schemes. Nevertheless, the Maghreb countries' exports are not competing on the same preferential basis as beneficiaries of the EEC scheme in terms of preferential margins, quantitative limitations, and origin criteria. The virtual absence and the temporary nature of quantitative limitations on preferential imports from the Maghreb countries under the Maghreb Co-operation Agreements, the deeper tariff cuts provided by these Agreements and the absence of stringent rules of origin applying to products of export interest to those countries considerably reduce the extent to which the Maghreb countries actually share equal preferential access to the EEC market.

¹⁴ See TD/B/C.5/35*.

¹⁵ See TD/B/C.5/38/Rev.*.

ANNEXES

ANNEX I

Tariff quotas under the EEC/Maghreb Co-operation Agreements

CCT tariff heading No. (1)	Product description (2)	Percentage reduction in CCT rate (3)	Ceiling and country allotment ^a		
			Algeria (4)	Morocco (5)	Tunisia (6)
PRODUCTS PROCESSED FROM VEGETABLES AND FRUIT					
22.06 B.II.c.1.ex aa ^b	Apricot pulp	30	—	8,250 metric tons	4,300 metric tons
WINES					
ex 22.05	Wine of fresh grapes	80	500,000 hectolitres	50,000 hectolitres	50,000 hectolitres
REFINED PETROLEUM PRODUCTS					
27.10 A.III B.III C.I(c) C.II(c) C.III(c) C.III(d)	Petroleum oils and oils obtained from bituminous minerals, other than crude . . .	100	1,100,000 tons	175,000 tons	175,000 tons
27.11 A.I B.I(c)	Petroleum gases and other gaseous hydrocarbons				
27.12 A.III B	Petroleum jelly				
27.13 B.I(c) B.II	Paraffin wax, slack wax . . .				
27.14 C	Petroleum bitumen, petroleum coke . . .				
CORK					
45.02	Natural cork in blocks, plates, sheets or strips . . .	100	50 tons	50 tons	50 tons
45.03	Articles of natural cork	100	150 tons	600 tons	50 tons
45.04	Agglomerated cork and articles of agglomerated cork	100	2,000 tons	2,000 tons	2,000 tons

^a As from 1 July 1977, the tariff quotas will be increased by 5 per cent for petroleum products and by 3 per cent for cork products. The tariff quotas imposed on these products will be applicable until 31 December 1979.

^b Only imports of products originating in Morocco and Tunisia are admitted under this tariff quota.

Economic, technical and financial provisions of the EEC/Maghreb Co-operation Agreements

1. The aim of the EEC/Maghreb Co-operation Agreements in economic, technical and financial matters is to contribute to the development of the Maghreb countries by efforts complementary to those made by those countries themselves, and to strengthen existing economic links on as broad a basis as possible for the mutual benefit of the Contracting Parties. The co-operation provided for by the Agreements includes joint ventures in the fields of industrialization and modernization of agriculture of the Maghreb, marketing and sales promotion of products exported by those countries, science, technology, and the protection of the environment. In accordance with these provisions, EEC is committed to participate in the financing of projects and programmes which can promote the economic and social development of the Maghreb area.

2. To that end, EEC will allocate a total amount of 339 million u.a., of which 167 million u.a. is to come from the European Investment Bank, 116 million u.a. is to be supplied on special terms by the Bank, and 56 million u.a. as outright grants.^a This Community aid is broken down by type and by country as follows:

<i>Types of aid</i>	<i>Maghreb countries</i>		
	<i>Algeria</i>	<i>Morocco</i>	<i>Tunisia</i>
	<i>(Million u.a.)</i>		
Loans from the European Investment Bank	70	56	41
Loans on special terms	19	58	39
Outright grants	25	16	15
TOTAL	114	130	95

3. The terms and duration of the loans accorded by the European Investment Bank will be established on the basis of the economic and financial characteristics of the projects for which such loans are

^a This financial envelope of 339 million u.a. is to be spread over the first five years of operation of the Agreements.

intended. Subject to the provision relating to interest-rate subsidy,^b the interest rate on such loans will be that applied by the European Investment Bank at the time of signature of each loan contract. Loans on special terms will be made at a rate of interest fixed at 1 per cent for 40 years with a grace period of 10 years. The loans may be granted through the intermediary of each Maghreb country or appropriate public bodies on the terms agreed upon by the EEC.

4. EEC will provide technical and financial co-operation for public projects and training programmes and for projects and programmes undertaken by private firms or agencies with the approval of the Maghreb public authorities. Nevertheless, the execution and management of these projects and programmes financed by EEC and the maintenance of related works are the sole responsibility of those countries.

5. Tendering procedures and other procedures for the award of contracts will be open, on equal terms, to all natural or legal persons of the Contracting Parties.^c However, for contracts of special interest to the Maghreb countries, EEC will set up an accelerated tendering procedure involving shorter time limits for the submission of tenders of a certain scale or whose value is estimated at less than one million u.a.

6. Under these Agreements, the Maghreb countries are committed to apply to contracts awarded for the execution of projects or programmes financed by the EEC provisions as favourable as those applied in respect of other international organizations. Also, those countries will have to make available to debtors the foreign currency necessary for the payment of interest and commission and the repayment of the principal of their loans.

^b Outrights may be used as interest rebates for loans from the European Investment Bank. As a general rule, these interest rebates may not exceed 2 per cent. In addition, provisions may be worked out for contributions to risk capital formation, to be charged against those loans.

^c Participation of third countries in contracts financed by the Community will be decided by mutual agreement between EEC and the Maghreb countries.

COMPARATIVE ANALYSIS OF THE RULES OF ORIGIN APLIED BY THE PREFERENCE-GIVING MARKET-ECONOMY COUNTRIES

Study by the UNCTAD secretariat

[Original: English]
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* Incorporating TD/B/C.5/WG(VI)/4/Corr.1 (15 September 1977).

INTRODUCTION

1. At the fifth session of the Working Group on Rules of Origin, held in December 1974, it was agreed that the preference-giving countries members of OECD would make every effort to complete the work undertaken by them on linguistic and substantive harmonization of the rules of origin applied under the Generalized System of Preferences (GSP). In pursuance of that agreement, the Secretary-General of OECD transmitted to UNCTAD the results of this work, contained in a document entitled "Compendium of rules of origin applied under the Generalized System of Preferences by OECD preference-giving countries" (hereinafter referred to as "the Compendium").¹ It was pointed out in the letter of transmittal that the Compendium had no legal value, and that the authentic texts on origin remained the national rules and provisions of each preference-giving country. It was hoped that the Compendium would contribute to a better understanding of the rules and to a greater utilization of the GSP, by summarizing in an analytical and accessible form a set of fairly complex national rules.

¹ TD/B/626.

2. Since compilation of the Compendium was agreed on within UNCTAD, the preference-giving countries members of OECD have made good progress towards the harmonization of their national rules of origin applied under the GSP. It should be noted, however, that the recent introduction of rules of origin by the United States of America under its scheme of generalized preferences, which differ from all other rules, makes the efforts towards harmonization of the GSP rules of origin even more necessary and important. The Compendium provides a comparative analysis of the existing differences and thus facilitates efforts towards further harmonization and liberalization of the rules. With this objective in mind, the present study, using the Compendium as a basis, attempts to identify the differences between national regulations and practices, and to bring out cases where more liberal rules would better serve the interests of preference-receiving developing countries, while safeguarding those of preference-giving countries. The study should be read in conjunction with the Compendium, and in some specific cases with the various rules contained in the national laws and provisions of preference-giving countries.

Chapter I

SUGGESTIONS FOR FURTHER HARMONIZATION AND IMPROVEMENT OF THE GSP RULES OF ORIGIN

3. The main suggestions arising from this study for the further harmonization and improvement of the GSP rules of origin applied by OECD preference-giving countries are summarized below. As a general principle, harmonization should proceed in accordance with the rules in application that are the most favourable to developing countries. The experience gained so far by preference-giving countries in operating their origin rules should allow them to expedite the work on the harmonization and liberalization of these rules. The Working Group on Rules of Origin may therefore wish to consider these suggestions and to adopt appropriate recommendations.

(1) Wholly produced goods

(a) The agreed text of 1970 on wholly produced goods² should be adhered to by all preference-giving countries;

(b) Preference-giving countries which have set unduly stringent conditions in the definition of the terms "its vessels" and "its factory ships" should relax such conditions.

(2) Substantial transformation

At present, the rule on substantial transformation is based on the process criterion by some preference-giving countries and on the percentage criterion by others. In order to ensure equal conditions of access to markets for all preference-giving countries, efforts should be undertaken to arrive at a common definition of substantial transformation in the long run. However, immediate efforts should be made to arrive at further harmonization within the following two sets of rules:

(a) Process criterion, including lists A and B

- (i) Even minor terminological discrepancies between the wording of lists A and B and the wording of the CCCN should be eliminated;
- (ii) Where differences exist between requirements in lists A and B, such requirements should be harmonized on the basis of those that are most favourable to preference-receiving countries;
- (iii) Preference-giving countries which have additional requirements in list A should withdraw such restrictions;
- (iv) Preference-giving countries should harmonize their lists B on the basis of the most liberal provisions contained therein, and should include in such lists any other working and processing operations that result in a substantial transformation of products used, and that therefore confer origin even though no change in CCCN headings has occurred.

(b) Percentage criterion

Preference-giving countries applying the percentage criterion should seek to achieve harmonization in this respect to the maximum extent possible. In particular, it would be desirable to aim at retaining the best features of the rules in application, as follows:

- (i) Adoption of a common percentage of value added not exceeding 50 per cent of the value of the exported product;
- (ii) The share of imported materials in the exported product should preferably serve as a common basis for the determination of such percentage of value added;
- (iii) Adoption of a common method of valuation of such exported product based on the f.o.b. export price.

(3) Cumulative origin

- (a) All preference-giving countries should apply a cumulation rule;

² See the report of the Working Group on Rules of Origin on its third session (TD/B/AC.5/38), appendix I (a).

(b) Regardless of whether such a rule is of global or regional application, full cumulation should be the norm;

(c) Any additional documentary evidence in this connexion should be kept to a minimum.

(4) *Preference-giving country content*

(a) Preference-giving country content is recognized under some of the schemes of generalized preferences. In this connexion the concept of "bilateral origin" might be reviewed from the point of view of its usefulness for the purpose of the GSP;

(b) The Customs Co-operation Council (CCC) might be asked to examine the question of standardizing, improving and enlarging the customs procedure for temporary exportation for further processing.

(5) *Documentary evidence*

(a) Form A should be accepted by all preference-giving countries as documentary evidence;

(b) No time limit, after the date of issue, should be fixed for producing certificates of origin form A to the customs office where the goods are presented;

(c) Form APR should be accepted by all preference-giving countries for postal consignments;

(d) Harmonization of the rules for small consignments is desirable;

(e) Certificates issued retroactively should be accepted by preference-giving countries in a uniform manner.

(6) *Direct transportation*

(a) Preference-giving countries should intensify their efforts to harmonize consignment requirements, and in particular,

(b) Where applicable, to dispense with the requirement of final destination;

(c) For products remaining under customs control, to waive the requirement that these products must not enter into trade in a country of transit or warehousing.

(7) *Other rules*

(a) Further harmonization should be considered of the rule on unit of qualification;

(b) All preference-giving countries should adopt a rule on fairs and exhibitions.

Chapter II

ORIGIN CRITERIA

4. To qualify for preferential treatment, products must comply with certain origin criteria. In general, products are considered to have originated in a preference-receiving country if they have been produced in that country either wholly or by substantial transformation from materials and/or components imported or of undertermined origin.

A. Wholly produced goods

5. Wholly produced goods were identified by the Working Group on Rules of Origin at its third session, held in 1970, in a separate list which is recognized by most preference-giving countries.³ Australia and the United States of America, however, do not recognize this list explicitly. Under their respective laws, products are accepted as originating in the exporting country if they meet the criteria set in terms of value contribution in that country, but there is no specific definition of goods wholly produced there. This may lead to a situation whereby the exporter to EEC of goods qualifying as wholly produced there cannot be absolutely certain that the same goods would be accepted as originating under the rules of Australia or the United States. In addition, for products meeting this criterion, there is no need for any calculation of or evidence concerning the share of domestic materials or direct cost of processing in the value of the exported product. Thus the absence of rules on wholly produced goods might cause uncertainties and additional administrative work and costs for the exporter.

6. It is stated in the Compendium that the United States, while not having such a list of wholly produced goods in its legislation, recognizes those listed in the agreed texts as examples that are likely to meet applicable value-added rules.⁴ It should be stressed, however, that

the United States Trade Act of 1974 does not make reference to wholly produced goods; and, since the law prevails over regulations, the 35 per cent requirement will ultimately have to be resorted to.⁵ In any case, the two categories of products listed as items (h) and (i) both in the agreed texts and in the Compendium⁶ are bound to conflict with the current legislation. Used articles, even if collected in the country of exportation and fit only for the recovery of raw materials, and waste and scrap resulting from manufacturing operations conducted in that country, might fail to meet the 35 per cent requirement, although they are accepted in other preference-giving countries as wholly produced.

7. To avoid any misunderstanding, it would be desirable that all preference-giving countries should recognize under their origin rules the list of wholly produced goods adopted in 1970. The Working Group might wish to formulate this recommendation.

B. Sufficient working or processing

8. The second requirement for satisfying origin criteria relates to the definition of substantial transformation. Preference-giving countries under the GSP base their origin rules in this connexion either on the process criterion or on the percentage criterion. In the first case, the transformation of a product must be such as to lead to the exported goods being classified under a CCCN heading other than that relating to any of the imported materials and/or components used in production. However, special rules have been prescribed for certain classes of goods in lists of qualifying and non-qualifying processes. These lists of processes have been analysed in two earlier UNCTAD studies⁷ from the point of view of the

⁵ See, in this volume, TD/B/C.5/WG(VI)/3, paras. 5, 44 and 51.

⁶ See TD/B/AC.5/38, appendix I, and TD/B/626, sect. 2 of the Compendium.

⁷ See TD/B/C.5/2* and TD/B/C.5/WG(IV)/2*.

³ *Ibid.*

⁴ TD/B/626, foot-note 4.

differences among them in the various schemes and from the point of view of their substantive harmonization. In the second case, transformation is regarded as substantial if the value of imported materials used in the production of the exported product does not exceed a certain percentage of the value of such product, or if the value of domestic production is not less than a certain percentage of the value of the exported product.

9. In the Agreed Conclusions formulated by the Working Group at its third session,⁸ preference-giving countries basing their rules of origin on the process criterion indicated their willingness to harmonize their rules to the greatest extent possible; at the same time, countries basing their rules on the percentage criterion agreed to make some progress towards harmonization. All countries agreed that these two sets of rules of origin should be applied only "to begin with", i.e. only in the initial stage of the GSP.

10. As is shown in the Compendium, the preference-giving countries applying rules based on the process criterion have by now made substantial progress towards the harmonization of their respective rules. On the other hand, the preference-giving countries applying percentage rules have made virtually no progress. Moreover, the implementation of the rules of origin under the United States scheme has led to a still greater dissimilarity between the rules.

11. The situation for an exporter with customers in different preference-giving countries is more complicated now than in the early stages of the GSP. Since the initial stage of the GSP is over, preference-giving countries should abide by their agreement to harmonize the rules of origin. In particular, preference-giving countries applying rules based on the percentage criterion should seek to achieve a certain harmonization between their respective rules. At a later stage some common grounds might be sought for the harmonization of the provisions determining substantial transformation under the two sets of rules, i.e. between those based on the process criterion and those based on the percentage criterion.

12. It should be noted that, for certain hydrocarbon products listed in appendix III of the Compendium, the EEC member States do not apply their common GSP rules of origin, but national rules. This lack of uniformity in the EEC rules has apparently not had any negative repercussions on preferential imports of hydrocarbons; at least, no such repercussions have become known so far. There is no doubt that uniform rules in this sector would also be highly desirable. However, their adoption seems to depend on the elaboration of a common policy by the European Communities in the energy sector.

1. THE PROCESS CRITERION

13. All 15⁹ preference-giving countries applying this criterion have found it possible to subscribe to a common definition of this criterion. This common definition has made it possible for the preference-giving country concerned to adopt the same or similar specific provisions in the lists of processes "A" and "B", and subsequently to harmonize the terminological differences and to varying degrees also the substantive differences.

⁸ TD/B/AC.5/38, para. 52.

⁹ EEC, Austria, Finland, Japan, Norway, Sweden, Switzerland.

(a) Use of the CCCN

14. All goods entering into trade have been classified for customs purposes under a system known as the Customs Co-operation Council Nomenclature (CCCN). This classification, formerly known as the Brussels Tariff Nomenclature (BTN), divides goods into 99 chapters that are further subdivided into four-digit tariff headings. This tariff classification of goods has the additional advantage of reflecting in most cases a substantial change in the character of goods as among the various headings.¹⁰ A large number of countries, accounting for the bulk of world trade, have adopted this nomenclature.

15. Its use, therefore, has proved to be a convenient method of operating origin rules based on the process criterion. It must be borne in mind, however, that producers and exporters in preference-receiving developing countries are not necessarily familiar with the CCCN; in addition, there might also be difficulties of a linguistic nature. The same applies to many of the officials in these countries who have to check declarations of origin and to certify certificates of origin (form A) upon exportation. With a view to permitting a better understanding and simplifying administrative procedures for all concerned, the highest possible degree of textual concordance between the rules and the CCCN should be observed scrupulously. Cases where such a concordance is lacking in lists of qualifying and non-qualifying processes (lists A and B) are shown in annex I below.

16. The Working Group might wish to recommend that even minor discrepancies between the formulations used for lists A and B and the wording of the CCCN should be eliminated.

(b) Changes in the CCCN

17. On 1 January 1978, a Recommendation of the Customs Co-operation Council will enter into force pertaining to changes in the Nomenclature for the Classification of Goods in Customs Tariffs.¹¹ These changes, which will be implemented by all countries members of the Nomenclature Committee of CCC in the course of 1977, are far-reaching; they involve not only the shifting of certain articles from one heading to another, but also the deletion of a good number of headings because of the relatively small share in world trade of the products falling under those headings.

18. Since the process criterion is based upon the change in tariff headings from the imported input to the product obtained, these changes in the CCCN must entail important changes in lists A and B. In particular, a considerable increase in the number of entries in lists B may be expected in order to take account of all cases where imported starting materials, parts or components that now fall under a different heading from that of the product obtained are to be classified under the same heading as from 1978.

19. It is not within the scope of the present study to go into details of these changes. Moreover, it may be expected that the preference-giving countries concerned have already started work in that area. The Working Group

¹⁰ For further discussion of this subject, see *Rules of Origin in the general scheme of preferences in favour of the developing countries* (United Nations publication, Sales No. E.70.II.D.3), paras. 91-94.

¹¹ Recommendation of the CCC concerning the amendment of the Nomenclature for the Classification of Goods in Customs Tariffs (18 June 1976).

might wish to keep this problem in mind, in particular in connexion with the notifications of preference-receiving countries concerning difficulties they might experience with the rules as changed for 1978.

(c) *Lists A*

20. Divergencies between the various national lists A are due to two main reasons, namely, differences in the product coverage of the national schemes, or lack of substantive harmonization in the rules themselves with regard to some products. Differences resulting from different product coverage relate to agricultural products falling within chapters 1-24 of the CCCN. These differences are likely to subsist as long as there are differences in the product coverage. They are indicated in annex II below. It may be noted, however, that any change in product coverage, in particular the addition of new products, might increase the number of differences. Substantive differences are dealt with below and refer only to industrial products (chapters 25-99 of the CCCN).

21. Western European preference-giving countries have aligned their lists A with those of EEC.¹² Most differences may therefore be found between lists A of Austria, EEC, the Nordic countries (Finland, Norway and Sweden) and Switzerland, on the one hand, and list A of Japan, on the other hand. These differences may be grouped in several categories:

(a) Cases where the EEC rules provide for special and additional requirements, whereas the Japanese rules recognize a simple change of tariff heading as sufficient;

(b) Cases where the Japanese rules provide for special and additional requirements, whereas EEC has no additional requirements to the principal rule of change in tariff headings;

(c) Cases where all lists stipulate special requirements, which differ in wording or substance;

(d) Cases where some of the smaller preference-giving countries apply different rules.

22. In this connexion it should be mentioned that there are quite a number of cases where the additional requirements in lists A are harmonized, but in substance unduly stringent. Some of these cases have been notified by preference-receiving countries. These and other cases have been analysed by the UNCTAD secretariat in two separate studies.¹³ They include, in particular, cases of multistage processes in the textile sector, and stringent requirements for products from base metals, for machinery, for radios and for similar articles. Stringent rules of this kind tend to be used as an additional device by preference-giving countries for the protection of domestic industries against preferential imports. Further efforts should be made for the relaxation of these unduly stringent requirements, in particular in cases where beneficiary countries have encountered difficulties.

(d) *Additional requirements under the EEC rules*

23. Special and additional requirements are specified in the following CCCN headings of the EEC list A, but not in the Japanese list A: ex 28.38, ex 30.04, ex chapter 39,

ex 39.02, 39.07, 40.05, 44.21, 48.06, 48.14, 50.09, 50.10, 57.08, 64.01, 65.05, ex 68.04, 68.06, 74.06, 74.09, 74.11, 74.12, 74.13, 74.14, 74.15, 74.16, 74.17, 74.18, 74.19, 75.06, 76.05, 76.08, 76.09, 76.10, 76.11, 76.13, 76.14, 76.15, 76.16, 77.02, 77.03, 78.06, 79.05, 79.06, 82.06 and chapter 90, except headings 90.01 and 90.02.

24. According to the Japanese rules, products falling under these headings are accepted as originating in the exporting developing country if the principal requirement of a change in tariff heading is met. EEC stipulates additional requirements, such as the exclusion of certain starting materials or of certain manufacturing processes, special requirement of other processes, or an additional percentage requirement.

25. Two cases or groups of cases merit special attention. Wadding, gauze, etc., impregnated or coated with pharmaceutical substances, falling under heading ex 30.04, are eligible for preferential treatment by EEC only if "originating pharmaceutical substances" are used. Japan has no additional requirement under list A. The term "pharmaceutical substances" may lead to differences of interpretation in certain borderline cases where the classification of a substance as pharmaceutical or not may give rise to disputes. Apart from that, the Japanese rule (simple change in tariff heading) is obviously less stringent.

26. For most articles of non-ferrous metals the EEC, list A stipulates an additional percentage requirement to the effect that the value of the product used should not exceed 50 per cent of the value of the product obtained. This requirement is normally stated for all headings of the relevant chapters. The Japanese list A seems to represent a more selective approach, since several headings are not covered by any additional requirement. This applies to headings 74.06, 74.09, 74.11, 74.12, 74.13, 74.14, 74.15, 74.16, 74.17, 74.18, 74.19, 75.06, 76.05, 76.08, 76.09, 76.10, 76.11, 76.12, 76.13, 76.14, 76.15, 76.16 and 78.06. EEC might reconsider the situation with a view to eliminating those additional requirements in list A with respect to headings where they are not found indispensable.

27. The Working Group might wish to recommend the alignment of these rules with the most liberal rules currently applied under the GSP.

(e) *Additional requirements under the rules of Japan*

28. Cases where additional requirements are stated in the Japanese list A, but not in the EEC list A, are the entries against the following headings: 33.01, 33.04, 34.02, 34.07, ex 35.02, 35.05, 41.06, 41.07, ex chapter 42, headings 43.02, 65.04, 71.16, 73.19, 73.20, 73.25, 73.26, 82.09, chapter 88, ex chapter 89, ex chapter 94, and heading 98.15.

29. According to the EEC rules, products falling under these headings are accepted as originating in the exporting developing country if the principal requirement of a change in tariff heading is met. Japan applies additional requirements, in particular the exclusion of certain starting materials, imported parts or components (products used), or an additional percentage requirement. Since these additional requirements are applied only by Japan, the Working Group might wish to recommend to Japan that it consider dispensing with these additional requirements.

30. Some of these additional requirements merit special attention. Rules that require in practice that the products

¹² In the following comparative analysis of lists A and B, reference to EEC also includes other Western European preference-giving countries, unless otherwise stated.

¹³ TD/B/C.5/WG(IV)/2* and TD/B/C.5/WG(V)/2.

obtained should be wholly produced in the exporting country tend to discourage the establishment of manufacturing industries based upon division of labour among developing countries. Examples of such rules are the entries against headings 33.01, ex 35.02 and 35.05.

31. The 50 per cent requirement for mixtures of odoriferous substances falling under heading 33.04 makes the usual mixing rule unduly stringent.

32. Imitation jewellery falling under heading 71.16 is an important export article of many developing countries. Many of these products are made by assembling typical and genuine pieces of various materials on a common support. The exclusion of imported metal chains from the manufacture of imitation jewellery could prevent many of these products from receiving preferential treatment in Japan.

33. In some cases, EEC has ceased to apply the additional requirements in list A that it had initially found necessary, while Japan continues to apply some of those requirements, i.e. with respect to headings 34.02 and 98.15.

34. The additional Japanese requirements for products falling within chapter 89 serve as a particular disincentive for the production of pleasure boats under heading 89.01, an area in which some developing countries have actual or potential export interest in the Japanese market.

(f) Differences in wording or in substance

35. In quite a number of cases all countries applying the process criterion have additional requirements in list A, but these requirements differ. Some of the differences are minor (i.e. not substantive), and the conditions for eligibility for preferential treatment of the product in question are practically the same in all the preference-giving countries concerned. The following examples may be cited:

(a) 41.02, 41.03, 41.04, 41.05: EEC excludes the tanning of raw hides and skins falling under these headings, while Japan excludes manufactures from products falling under the same headings. Since tanning is normally the process of making products falling under these headings, there seems to be no difference in substance between the two non-qualifying processes.

(b) Chapter 84, except headings 84.15, ex 84.41, 84.55; chapter 85, except headings 85.14 and 85.15; chapter 87, except heading 87.09; chapter 91, except headings 91.04 and 91.08; chapter 92, except heading, 92.11. The rules of EEC and of countries applying similar rules refer to "working, processing or assembly", and the rules of Japan to "manufacture". Experience to date has shown no substantive difference between these two expressions.

36. Since these differences may be taken to be in wording only, the Working Group might consider recommending that preference-giving countries agree upon common formulations.

37. There are other cases where the differences in substance are very small. The following examples may be cited:

(a) 48.15: The Japanese rule provides for a greater possibility of using imported materials, but the EEC rule is simpler and therefore seems easier to understand and to apply.

(b) 52.01, 52.02: Instead of using the expression "textile pulp", as in the EEC rules, Japan refers to

products falling under heading 47.01. Consequently any textile fibre waste may be used as starting material under the Japanese rules, whereas under the EEC rules only waste from discontinuous man-made fibres is permitted. In practice, the results of these differences are negligible.

(c) 56.05, 56.06, 57.05, 57.06, 57.07, 57.10: In evaluating the differences in the entries against these headings, it must be borne in mind that the qualifying processes in the EEC rules are supplemented by foot-notes, whereas Japan dispenses with foot-notes. The practical results of the different wording in these entries, if any, are very small in substance.

(d) In the textile sector there are a few more items where the differences in the meaning of the rules are very small. This applies to:

- (i) Headings 59.01, 59.02, 59.03, 59.04, 59.05 and 59.06, where the EEC qualifying requirements are somewhat more restrictive; and
- (ii) Heading 62.03, where Japan excludes the use of raw silk as starting material, while EEC does not.

38. For all these items it should be possible to remove both the terminological and the substantive differences and to agree upon simple and uniform rules, which would be of great practical importance for developing exporting countries. The Working Group may wish to consider making a recommendation to this effect.

39. There is also a relatively large group of items where the differences are substantial. In some cases, the rules applied by Japan are obviously less stringent than those of EEC. This refers to headings 41.08, ex 60.06, 65.03, 84.15, ex 84.41, 85.14, 85.15, 87.09, 91.04, 91.08, 92.11, and chapter 93 (where there is also a terminological difference). In other cases, the EEC rules are obviously less stringent than those of Japan: 43.03, 59.13, 59.14, 61.05, 61.06, and chapter 62, except 62.03. This group also includes items 90.01 and 90.02, where the Japanese rules are not very clear and obviously more stringent.

40. Finally, there is a group of cases where it is difficult to establish whether the EEC rules or the Japanese rules are more favourable for exporting developing countries. This group comprises headings 30.03, 38.12, 38.19, chapter 58, and headings 71.15, 74.03, 74.04, 74.05, 74.07, 74.08, 74.10, 75.02, 75.03, 75.04, 75.05, 76.02, 76.03, 76.04, 76.06, 76.07, 76.12, 78.02, 78.03, 78.04, 78.05, 79.02, 79.03, 79.04, 80.02, 80.03, 80.04, 80.05 and 84.55.

41. Some of these cases merit special attention. Medicaments under heading 30.03 are excluded from preferential treatment by EEC if produced "from active substances" that have been imported. Japan stipulates fulfilment of a 50 per cent requirement. The term "active substances" is not very precise; there might well be borderline cases where the classification of a substance as active or not could give rise to disputes. Besides, certain developing countries might well succeed in combining imports with domestic substances to produce medicaments. It might therefore be in the interest of preference-receiving countries if this rule were harmonized on the basis of the 50 per cent requirement stipulated by Japan. The rule is clear and simple to apply, since normally the imported components can be easily determined.

42. For products falling under heading 38.12, all the countries concerned apply a 50 per cent requirement; only Japan excludes the use of imported materials falling

within chapter 11 and under heading 35.05 for certain products. Even such minor divergencies may not only create administrative complications for exporting countries, but may also deprive some of them of the opportunity of exporting such products, containing imported raw materials, on preferential terms.

43. Japan applies a 50 per cent requirement for the whole range of products falling under heading 38.19; the other countries only for selected products under this heading.

44. A detailed investigation into the practical implications would be needed to determine whether or not differences between the qualifying process requirements of EEC and Japan in respect of the products under heading 71.15 are substantial; but in practice no cases of injury to the export interests of developing countries have come to light so far.

(g) Differences in some other requirements

45. For base metal items, it may again be said that the Japanese approach is more selective, and that of EEC more general.

Ex 28.19: The requirement that zinc oxide may not be produced from products falling under heading 79.01 is specified only by Finland. Since other countries applying the process criterion have found it possible to withdraw this restriction, the Working Group might wish to recommend that Finland reconsider its position.

32.01: Tanning extracts of vegetable origin are excluded from preferential treatment by Switzerland if made from products falling under headings 32.02 and 32.03. Since other countries do not apply this requirement, the Working Group might wish to recommend that Switzerland reconsider its position.

41.08: For this heading, three different rules are applied: one by Austria, EEC and the Nordic countries, another by Japan, and yet another by Switzerland. The simplest—although not necessarily the most liberal—of these rules seems to be that of Japan. The Working Group might wish to recommend that the countries concerned adopt a uniform requirement.

96.01: Finland is the only country applying a 50 per cent rule for this item. Since other countries applying the process criterion have found it possible to withdraw this restriction, the Working Group might wish to recommend that Finland dispense with this requirement.

46. In regard to the above-mentioned differences, and all the others in lists A, the Working Group might wish to urge the preference-giving countries concerned to make determined efforts towards full harmonization of lists A on the basis of the most liberal additional requirements embodied in these lists.

(h) Lists B

47. In contrast to list A, where, in addition to changes in CCCN headings, specific requirements have to be fulfilled for a product to be recognized as having originating status, list B specifies working or processing operations that confer the status of originating products even when there is no change in CCCN headings. Consequently the entries in list B liberalize the process requirements, whereas entries in list A make them more stringent.

48. Although lists B are very short compared with lists A, the number of differences between the various

provisions of the preference-giving countries on working or processing that confer the status of originating products is relatively greater than that in lists A. These differences are mainly due to different product coverages; this applies to agricultural products falling within chapters 1-24 of the CCCN, but also to industrial raw materials that are not included in all schemes. Some differences are also due to the fact that, for products that are duty-free on a most-favoured-nation basis, the preference-giving countries concerned do not need to enter special provisions in their respective lists B. Some of the differences in lists B are merely terminological, while quite a number of others are substantive.

49. More than for lists A, improvements in lists B require a specific request by exporting countries based upon practical experiences. Some striking cases in lists B, however, merit special attention. For example, Switzerland specifies in chapters 25 and 27 a much larger number of processes that confer the status of originating products than are specified by other preference-giving countries. EEC has relatively recently adopted a rule for chemical and allied products in CCCN chapters 28-39 whereby originating status will be granted in cases of working or processing in which the value of non-originating products used does not exceed 20 per cent of the value of the products obtained. These facilities are not provided for in list B of Japan, but for tariff headings 28.49-28.52 manufacture by chemical transformation from any material is accepted as conferring originating status.

50. For cut-glass bottles falling under heading ex 70.10, EEC and other countries permit the use of imported bottles falling under the same heading, combined with a 50 per cent requirement. Japan applies the same facility for "cut-glass containers" under ex 70.10, the description of which has a much wider coverage.

51. Processes of industrial recycling are favoured by Switzerland through facilities provided for products falling under headings ex 77.01, ex 78.01, ex 79.01 (together with Austria), and ex 80.01 (again together with Austria), regained from metal waste and scrap. In the interest of environmental policies, the Working Group might wish to recommend that the other preference-giving countries concerned consider acceptance of such provisions.

52. For wrought base metals and articles thereof falling within chapter 81, EEC and other countries permit manufacture from unwrought base metal, combined with a 50 per cent requirement. The corresponding rule of Japan does not include the additional 50 per cent requirement and contains a slight difference in terminology.

53. EEC and other countries apply a 5 per cent clause under list B to all products falling within chapters 84-92. Japan applies the same clause to all products falling within chapters 84-93, i.e. within one more chapter, but articles falling under headings 84.55 and 85.21 are excluded. Moreover, there are again some terminological nuances.

54. The Working Group may wish to recommend that the Western European preference-giving countries and Japan harmonize their lists B on the basis of the most liberal provisions contained therein, and include in their lists any other working and processing operations that result in a substantial transformation of products used and therefore confer origin, even though no change in CCCN heading has occurred. It would be in the interest

of the preference-receiving countries to make specific proposals to that effect.

2. THE PERCENTAGE CRITERION

55. In the context of the GSP rules of origin, Australia, Canada, New Zealand and the United States of America use the percentage criterion to determine whether products imported by them have been substantially transformed in the exporting developing country or countries.

56. Substantial transformation takes place if the value of the imported material does not exceed a fixed percentage of the value of the exported product (Canada), or if the value of the originating material and certain domestic costs or processing (Australia, New Zealand and United States of America) are equal or exceed a fixed percentage.

57. The requirements set by Australia, Canada and New Zealand may also be expressed in terms of a certain percentage of value that must be added during manufacture. For example, a 50 per cent limit on non-originating elements corresponds to a value-added requirement of 100 per cent. The United States rule is defined exclusively in terms of domestic content (cost of domestic materials and direct processing), which cannot be expressed inversely, i.e. in terms of non-originating materials or added value.

58. It should also be noted that, under the process criterion, in particular for the purposes of lists A and B, use is made of the percentage criterion as an additional requirement normally limiting the share of imported material in the value of the product obtained.

59. There are three key elements in the determination of value under all the rules under consideration, namely:

- (a) The domestic content;
- (b) The basis for calculation of the value of the product obtained;
- (c) The level of required percentage.

The rules of all countries mentioned above differ from one another as to all these key elements; in fact, their only common element is the percentage requirement.¹⁴

60. It has been indicated above that preference-giving countries applying rules based on the process criterion have made substantial progress to date towards harmonizing their rules. No effort towards harmonization has been made so far by the preference-giving countries that apply the percentage criterion. The need for such harmonization cannot be sufficiently stressed to ensure equal preferential conditions of access to markets. The following paragraphs attempt to show the differences existing in this area and to propose appropriate action.

(a) *Elements of domestic content*

61. The elements that may be taken into account in determining the required percentage limit differ widely. All countries accept materials, parts and components originating in the country of exportation. Canada and New Zealand apply the wholly produced criterion. Australia and the United States of America do not have such a

rule, but in practice wholly produced goods are presumed to meet the origin requirements.

62. Australia, Canada and New Zealand permit their own materials, parts and components incorporated in the product for which GSP treatment is claimed to be taken into account in determining the required percentage. The United States rules do not have a similar provision. This aspect is discussed in some detail in the section on preference-giving country content (paras. 89 and 90).

63. Australia and New Zealand permit materials, parts and components originating in any other preference-receiving country to be taken into account in determining the required percentage. Under the United States rules, a similar concession is provided for developing countries that are members of a customs union or a free-trade area. This aspect is also discussed in some detail, in the section on cumulation (paras. 91-101).

64. The United States rules permit the value of imported material to be taken into account in determining the required percentage if "substantially transformed in the beneficiary developing country into a new and different article of commerce" and incorporated in the product for which GSP treatment is claimed. This provision is clearly in the interest of developing countries, because it facilitates compliance with the 35 per cent rule. It would be desirable, however, to formulate this provision in a clearer and more unequivocal way. The rules of the other countries concerned do not contain a comparable provision.

65. Under the New Zealand rules, unmanufactured raw materials may be regarded as beneficiary content irrespective of their origin. According to this provision, goods completely produced in the exporting developing country from imported unmanufactured raw materials are accepted as "wholly manufactured". The presence of imported manufactured or semi-manufactured materials in goods does, however, invoke the percentage criterion, and in this case the proper origin of unmanufactured raw materials is recognized. The rules of the other countries concerned do not contain a similar provision.

66. Such a provision brings to mind the issue of a basic materials list that would help many preference-receiving countries to overcome problems created by scarcity of certain natural resources, mainly in the area of minerals. These countries encounter serious difficulties in complying with percentage requirements under most GSP rules. A basic materials list would also greatly assist developing countries in meeting the process criterion requirements.

67. Apart from the raw material provision under New Zealand rules, the idea of establishing a basic materials list has not so far been favourably received by most preference-giving countries. The Working Group might, however, wish to recommend that these countries consider the adoption of a rule similar to the New Zealand provision. The term "raw materials" might be defined in terms of clear product descriptions or tariff headings of the CCCN, and of the Canadian and TSUS nomenclatures.

68. The rules, in particular of New Zealand and the United States, contain a rather detailed definition of domestic elements. It should be noted that a great number of differences may be found in these definitions, particularly as far as profit and overhead expenses are concerned. Generally it may be said that, under the direct

¹⁴ It may be noted that the International Convention on the Simplification and Harmonization of Customs Procedures (Convention concluded at Kyoto on 18 May 1973 under the auspices of the CCC) uses a similar expression in annex D.1 ("ad valorem percentage rule").

cost concept of the United States, the number of cost factors that can be taken into account in determining the required percentage is smaller than under other schemes.

69. The determination of the value of imported input, or of material used that is of undetermined origin, is of importance not only in the case of countries applying the percentage criterion, but also for the rules based upon the process criterion, since these rules resort to this requirement supplementarily. For this purpose most countries apply the same rule, based upon the concept of the customs value upon importation, or upon the earliest ascertainable price for material of undetermined origin. Obviously, too, the rules of Australia and New Zealand lead to similar practical results. Here again, the United States applies the direct cost concept.

70. The above analysis of the differences in provisions regarding domestic content points to the urgent need for harmonization. Three preference-giving countries determine the percentage requirement in terms of domestic components in the product obtained and one preference-giving country in terms of imported components. It is therefore desirable that a common basis be adopted in this respect. Since the domestic components are not precisely defined in the origin rules of the three preference-giving countries concerned, and since their determination would be cumbersome because it would involve elaborate bookkeeping, it would be far simpler to have the percentage requirement determined in terms of imported components that can be easily ascertained. The Working Group may wish to formulate appropriate recommendations to this effect.

*(b) Basis for calculation of the value
of the product obtained*

71. The required percentage is calculated as a fraction of the following elements:

(a) Ex-factory or ex-works cost (Australia and New Zealand);

(b) Ex-factory price (Austria, EEC, Nordic countries, Switzerland);

(c) Appraised value of the merchandise (United States of America);

(d) F.o.b. price (Japan).

72. The main difference between the concepts of ex-factory or ex-works cost and ex-factory price is that the price includes profit. The inclusion of profit in the basis of calculation is obviously more favourable for exporting developing countries, provided that the percentage remains the same; otherwise the advantage may be nullified.

73. The main difference between the concepts of ex-factory price and f.o.b. price arises from domestic transportation. It may be taken for granted, in theory, that the f.o.b. concept is more favourable for exporting developing countries. The main argument against the ex-factory concept is the economic inequity it causes between firms in the same exporting country situated at varying distances from the frontier; and the larger the exporting country, the greater becomes this inequity.

74. The most complicated basis for valuation is that of "appraised value" applied by the United States. It has

been shown in an UNCTAD secretariat report¹⁵ that there are no fewer than nine different possibilities for establishing this value: under the old law, foreign value, export value, United States value, cost of production, or American selling price; and under the new law, export value, United States value, constructed value, and American selling price. The definitions of these terms often vary under the two laws. Since this method of valuation has been discussed in detail in the above-mentioned document, it is sufficient to observe that this kind of valuation considerably increases the complexity and uncertainty of the position of exporters and certifying officials in preference-receiving countries. As regards the United States selling price, it is simply impossible to find out this figure through experience or through calculation undertaken in the exporting country; information on this figure must be obtained from the United States customs. As for the alternative methods of determining the appraised value, it also seems hardly possible to assess any of them with an absolute degree of reliability before exportation.

75. Thus, calculating the value of the product obtained creates more difficulties and uncertainties for exporters and administrations in preference-receiving countries under the United States rules of origin than under the rules of other preference-giving countries.

76. Again, there is obviously need for harmonization. It appears that the f.o.b. export price would be the most appropriate basis for application of the percentage limit; the ex-factory price would be second best choice. The Working Group may wish to formulate appropriate recommendations in this respect.

(c) Percentage required

77. The percentage required for the domestic content varies widely from scheme to scheme. In Australia and New Zealand, the figure is 50, in Canada, 60, in the United States of America, 35, and in EEC, Japan and other preference-giving countries applying such a criterion over and above the process criterion, the figures usually vary between 50 per cent and 60 per cent, according to the products obtained.

78. It is obvious that these differences and variations are the consequence of different methods of calculation, in particular of differences in the elements that may be taken into account in determining the required percentage. These differences, however, cannot be made responsible for the whole range of variations of the percentage figures; this may be seen in the different figures applied by EEC and other preference-giving countries in spite of their identical rules for all countries. In general, therefore, any endeavour to harmonize the percentage figures must be preceded by efforts to harmonize the elements of calculation. A particular difficulty is the conceptual difference of the United States rules in this context. It would be desirable that the preference-giving countries concerned harmonize the elements of calculation and adopt a common percentage of added value not exceeding 50 per cent of the value of the exported product. The Working Group might wish to formulate appropriate recommendations to this end.

¹⁵ See, in the present volume, document TD/B/C.5/WG(VI)/3, chap. III.D.

3. OTHER PROCESSING OPERATIONS

(a) *Minimal processes*

79. A comparison between the agreed texts on minimal processes¹⁶ and the relevant part of the Compendium¹⁷ shows that:

- (a) Not all preference-giving countries apply this rule;
- (b) The provisions of this rule have been amplified;
- (c) The scope of the rule has been widened.

80. The countries applying a percentage criterion consider the list of minimal processes only as an indication of processes that are unlikely to add sufficient value to the product to qualify it for preferential treatment. In fact, such a list is required mainly to exclude from preferential treatment products in which, despite a change in tariff heading, only minimal processing rather than substantial transformation has taken place. This situation therefore, does not seem to create any difficulties for preference-giving countries, so that harmonization, while desirable, is not imperative.

81. The Compendium contains an expanded version of the short list indicated in the agreed texts. In particular, the following operations have been added by means of interpretation: removal of dust, sifting or screening, matching, painting, placing in bags, etc., and fixing on cards, etc. In addition, some expressions of the agreed texts have been further explained: *inter alia*, operations for the conservation of goods for transport and/or storage.

82. The Compendium formulation represents an improvement with respect to the practical application of the list of minimal processes. What might cause problems are the three following cases where the Compendium differs in substance from the agreed texts: mixing of products, simple assembly and the slaughter of animals.

(b) *Mixing of products*

83. According to the agreed texts, preferential tariff treatment may be refused for mixed goods if at least one of the components does not qualify as originating, and if the characteristics of the product as a whole, i.e. the mixed product, are not essentially different from the characteristics of the components that have been mixed. The Compendium refers to simple mixing, which does not confer origin if at least one of the components does not qualify as originating. It is not quite clear whether the addition of the qualification "simple" is sufficient to counterbalance the omission of the second condition, concerning different characteristics. In other words, there might be cases where mixing resulted in a product with characteristics differing essentially from those of any of the components used, even if the process performed could be regarded as a simple one. Such cases might arise particularly as regards chemical or cosmetic products. If such cases arose, preference-giving countries should be prepared to give favourable consideration to a liberal interpretation of this rule, or otherwise to change its wording by incorporating the second condition laid down in the agreed texts.

(c) *Simple assembly*

84. The process of "simple assembly of parts of products to constitute a complete product" has been added by

preference-giving countries to the list of minimal processes. Certain preference-receiving countries have objected to this provision on the grounds that their low level of industrialization does not enable them to perform sophisticated processes. By taking orders for simple assembly, employment would be provided for many workers, which would represent the first step to successful industrialization. Refusing simple assembly as a qualifying process would constitute an unnecessary denial of preferential treatment.

85. The term "simple assembly" in this context must be read in conjunction with the term "assembly" used by EEC and other preference-giving countries in lists A for many products such as machinery etc., as well as for other minimal operations. The making up of sets of articles and other kinds of matching are listed separately; the term "putting up into sets" used in the agreed text may be taken to have the same meaning. On the basis of these considerations, the placing of imported sighting telescopes on imported rifles might be described as simple assembly; however, if this placing were to include optical adjustment of the telescope and testing of the rifle, the process would no longer represent only simple assembly.

86. Another example might be the filling of imported plastic figures with water with a view to using the frozen figures for cooling drinks. The simple filling of the plastic figures with water and closing them with a small bung might not be more than simple assembly; but filling them by means of an injector, and closing them by welding heat, is already more than simple assembly.

87. Such a narrow interpretation of the term "simple assembly" would enable developing preference-receiving countries to include a number of processes as qualifying for preferential treatment, if other requirements were met; at the same time, the genuinely minimal processes would be excluded. Cases where application of this rule might disqualify certain processes of production in developing countries might be taken up separately on the basis of specific complaints.

(d) *Slaughter of animals*

88. With the exception of Japan, all countries adhering to the process criterion have added this operation to the list of minimal processes. Up to now, no cases have become known where this provision has caused any hardship to the actual or potential export interests of preference-receiving countries.

C. Rule on preference-giving country content

89. For the purposes of determining origin, Australia, Canada and New Zealand treat their own products on a par with goods originating in a preference-receiving country when they are used in the manufacture of products to be exported to the preference-giving country concerned. Japan also applies this rule to many, but not all, products (the main exception being textiles).

90. The manifold aspects of this rule have already been dealt with *in extenso* in the UNCTAD secretariat's study on proposals for improvement and harmonization of the rules of origin.¹⁸ It may suffice to state that the considerations brought out in that study remain valid, in particular the suggestions made by the secretariat that the Working

¹⁶ See TD/B/AC.5/38, appendix I(b).

¹⁷ See TD/B/626, sect. 4 of the Compendium.

¹⁸ See TD/B/C.5/WG(IV)/2*, chap. III.

Group should ask CCC to examine the question of standardizing, improving and enlarging the customs procedure for temporary exportation for further processing, and to consider to what extent the concept of "bilateral origin" might be useful for the purposes of the GSP.

D. Cumulative acquisition of origin

91. The possibility of cumulative origin is offered only by Australia, EEC, New Zealand and the United States of America.¹⁹ Full cumulation is provided for under the rules of Australia and New Zealand, and all preference-receiving countries are treated as one group for purposes of determining origin. The United States also grants full cumulation, but only to an association of beneficiary countries (free-trade areas or customs unions) which opts for treatment as one country. EEC grants the possibility of partial cumulation to three regional groupings.

92. Australia grants cumulative treatment "in order to encourage maximum co-operation between developing countries". The rules of New Zealand have the same purpose. EEC's aim is "to encourage the integration of certain regional groupings". The intention of the United States cumulation rule is to support regional integration, but the conditions for cumulation are such that it is not likely that any group of countries would take advantage of it.

93. The advantages and disadvantages entailed in the concepts of global or regional cumulation have already been amply discussed and need not be recalled here.²⁰ Treatment of all developing countries as one area has been one of the major claims of developing countries in the context of discussions for improvement of the GSP.

94. In the rules of Australia, New Zealand and the United States, full cumulation is provided for in the sense that any process performed or value added in any of the countries to which cumulation is granted would count towards acquisition of origin. Under the EEC rule, only partial cumulation is accepted, in the sense that products originating in one member State of such a grouping may retain their originating status even if they subsequently undergo further working or processing or are subject to working or processing insufficient to confer originating status in one or more other countries which are members of the same group. There are also provisions to regulate cases where products of third countries are used. Thus, under this partial cumulation, the splitting up of a manufacturing process between several member countries is not allowed. For example, if imported yarn originating in, say, Japan is woven into fabric in the Philippines and the garment obtained from that fabric is made in Malaysia, such garment does not fulfil the additional requirement of list A for products falling under heading 61.02. This is a serious shortcoming of the cumulation rule of EEC; as a matter of fact, use of this rule is in practice rather limited.

95. It is interesting to note that, under the terms of the Lomé Convention, there is not only global cumulation but also full cumulation, as defined above.

96. Cumulation rules also differ with respect to documentary evidence. Whereas the rules of Australia, New Zealand and the United States do not require additional formalities, such as certification or notification, EEC requires that certificates of origin (form A) be issued for intra-group trade in materials used in the manufacture of products to be subsequently exported to EEC, and also notification of a written undertaking by the member countries of the grouping to comply with the rules controlling cumulative origin and to ensure such compliance.

97. Both these additional requirements cause difficulties for developing exporting countries. The need to issue a form A for intra-group trade in raw materials or semi-manufactured products interferes with normal commercial practice. The buyer in the country of further manufacture may not wish his supplier of raw materials or of semi-manufactured products to know that the goods are intended for final exportation abroad in processed form. This has been a major cause of difficulties encountered in the practical application of the cumulation rule of EEC.

98. That the requirement of notification and of a written undertaking represents a serious obstacle for regional groupings wishing to make use of the possibility of cumulation offered by EEC is indicated by the fact that one of the three selected regional groupings has not yet been able to comply with it; the internal constitutional situation of the grouping concerned has made such compliance impossible so far.

99. This experience shows clearly that neither partial cumulation nor a too strict requirement of documentary evidence takes adequate account of the special situation and economic needs of preference-receiving developing countries. The Working Party might therefore wish to recommend:

(a) That all preference-giving countries should apply a cumulation rule;

(b) That, regardless of whether such rule is of global or regional character, full cumulation should be the norm; and

(c) That any additional documentary evidence requirement should be kept to a minimum.

100. As far as the cumulation rule of the United States scheme is concerned, its two main shortcomings (concurrent application of the competitive need criterion, and increase of the percentage requirement from 35 per cent to 50 per cent of the appraised value) have been examined in sufficient detail in an UNCTAD secretariat report,²¹ and need not therefore be recalled here. The Working Party might wish to formulate an appropriate recommendation in this respect.

101. Finally, it should be mentioned that any cumulation rule also entails a liberalization of the consignment rule. This positive aspect, which is particularly important for smaller countries without any—or at least any satisfactory—access to the sea, should be kept in mind in adopting or further liberalizing the provision on cumulative acquisition of origin.

¹⁹ See TD/B/626, sect. 15 of the Compendium.

²⁰ See TD/B/C.5/WG(IV)/2*, in particular chap. II.

²¹ TD/B/C.5/WG(VI)/3, reproduced in this volume.

OTHER ELEMENTS OF THE RULES

A. Documentary evidence

1. CERTIFICATE OF ORIGIN (FORM A)

102. Certificates of origin (form A) are accepted by most of the countries concerned; only New Zealand requires presentation of a different certificate. Australia requires, in principle, a separate declaration signed by the exporter on the invoice, but form A is accepted as an alternative. The United States of America requires a special attachment affixed to form A, pending agreement on a reformulation of the notes on the reverse page of the form that would correctly reflect the percentage requirement under the United States GSP rules of origin which entered into force after the agreement on the existing notes in 1970.

103. The Working Group on Rules of Origin might wish to recommend to preference-giving countries which have not yet done so that they accept form A as documentary evidence for preferential tariff treatment in the context of the GSP. Countries requiring a national form or declaration should accept form A at least as an alternative.

104. The OECD proposal for the reformulation of the notes on the reverse page of form A is contained in a note by the UNCTAD secretariat.²²

105. In reformulating the notes to reflect not only the specific rule of the United States but also the changes that have been made in the origin rules of other preference-giving countries, it would be highly desirable to keep the text as brief as possible. Apart from the practical consideration that too long a text would be difficult to read, a short and clear presentation of the notes would enable exporters and officials in exporting developing countries to understand the rules better and to apply them correctly.

106. The Compendium shows that certain differences remain with regard to the time limits within which, after the date of issue, the certificate of origin (form A) must be produced at the customs office where the goods are presented. Australia, Canada, Finland, Sweden and the United States provide for no such time limit; in the case of Japan, the time limit is four months (with the possibility of extension "in exceptional cases"), and Austria, EEC, Norway and Switzerland have set a limit of five months for direct transport and 10 months for transit importations, respectively. The Compendium does not indicate whether New Zealand has any specific requirement to this effect.

107. The Working Party might wish to recommend to preference-giving countries applying such time limits that they dispense with this practice, taking into account the fact that countries which do not have such a rule have encountered no difficulties in this respect.

2. POSTAL CONSIGNMENTS (FORM APR)

108. Form APR, permitting a simplified declaration by the exporter, did not form part of the agreed texts. This facility, which results in a considerable liberalization of the rule on documentary evidence in the exporter's interest, was applied at the outset only by Austria, EEC

and Switzerland. In the mean time, the Nordic countries (Finland, Norway and Sweden) have also applied this additional rule. Australia has no corresponding provision, but accepts form APR if produced for postal consignments.

109. It is true that other preference-giving countries also apply rules for small consignments under which many postal consignments may be subsumed. However, uniformity in the formal treatment of postal consignments by all preference-giving countries would reduce the procedural difficulties of exporters in developing countries. The Working Group might therefore wish to recommend to all countries concerned that they accept declaration of origin for postal consignments in form APR.

3. SMALL CONSIGNMENTS

110. Small packages and travellers' personal luggage are subject to special rules in national schemes. Up to a certain value limit, the requirement of formal documentary evidence is waived. This rule is applied by preference-giving countries in various ways. Japan and the United States of America permit clearance on preferential terms of goods of small value without formal documentary evidence, irrespective of the mode of transportation. Canada requires a written statement by the vendor of the goods in the developing country of exportation as to their origin. New Zealand has waived formal documentary requirements for travellers' personal luggage, but not for small packages. The other preference-giving countries apply various value limits for travellers' luggage and small packages, all of them falling more or less within the same range.

111. Harmonization of this rule would be important particularly for small packages. A liberal treatment of imports in travellers' personal luggage would be a suitable means of sustaining efforts to promote tourism in developing countries.²³ The Working Group might therefore wish to recommend that preference-giving countries continue their efforts to harmonize their rules in this respect, preferably on the basis of the practice most favourable for developing countries' exports. The most favourable rule seems to be that of the United States, in particular because of its relatively high value limit. The possibility of alternative use of form APR for postal consignments should, however, be kept open.

4. PROVISIONAL CERTIFICATES

112. EEC, Japan and Switzerland accept provisional certificates of origin (form A) under certain circumstances.²⁴ When the final destination of the goods covered by a provisional certificate becomes known, the certificate must be endorsed:

(a) For EEC and Switzerland, by the competent customs office in the country of importation;

(b) For Japan, by the authorized body in the developing country of exportation.

²³ See resolution 37 (III), of the United Nations Conference on Trade and Development, paragraph 1(a).

²⁴ See document TD/B/626, sect. 9 of the Compendium.

113. The other OECD preference-giving countries do not apply such a provision; Norway and Sweden, however, may accept provisional certificates on a case-by-case basis.

114. It is still not clear whether the relaxation of the rules on direct transportation and on documentary evidence, resulting from the possibility of issuing provisional certificates, is not to some extent limited by administrative complications in connexion with the endorsement of provisional certificates as definitive certificates. If the experience gained so far shows that the issuance of provisional certificates has facilitated preferential trade, the Working Group may wish to recommend that preference-giving countries which do not yet accept such certificates should consider doing so.

5. CERTIFICATES ISSUED RETROSPECTIVELY

115. The practice of preference-giving countries in this respect seems to be fairly uniform, except that Japan accepts certificates issued retrospectively only "when there is any unavoidable reason". The meaning of this clause is not very clear. The Working Group may wish to request all preference-giving countries to adopt uniform rules in this regard.

6. DUPLICATE CERTIFICATES

116. All OECD preference-giving countries accept duplicate certificates issued under certain circumstances. Since these circumstances are the same for all the countries concerned, a sufficient degree of harmonization seems to have been attained in this regard.

B. Direct transportation (consignment rule)

117. The rule of direct consignment as originally agreed and implemented by a number of preference-giving countries stated that, at the time goods were sent from the exporting country, it must be the intention of the exporter that they should be carried to a place in the importing country and that transportation to that destination should commence. Since then, no other rule of origin has evolved in substance as much as the consignment rule. The general trend has been towards liberalization of direct consignment requirements. The United States of America is the only preference-giving country still requiring that final destination be known at the time of exportation of goods.

118. Nevertheless, the evolution of the consignment rule has been more or less confined to the national level, and as a result fairly great differences prevail in this area. At one extreme, Australia does not apply any consignment rule, and that of New Zealand is very liberal. At the other, EEC, Japan and Switzerland permit transportation through third countries only if justified by geographical reasons or exclusively by transport requirements. Between these two extreme positions, some other preference-giving countries permit additional operations to be performed during transit. In this respect, the Nordic countries are the most liberal. They accept as originating products those consigned by the exporting beneficiaries to any of the countries members of EEC or EFTA as long as such products remain under customs control. The United States has relaxed the direct consignment rule for ship-

ment through a free-trade area in a preference-receiving country.

119. A condition common to virtually all rules is that the products shall not have entered into commerce or been delivered for home use in the country of transit or of warehousing. The condition that products while in transit must not be cleared for home use is a corollary to the requirement that transit goods must remain under customs control. But the prohibition on reselling goods in transit causes many difficulties for exporting developing countries. Owing to historic developments, direct trade links between developing countries and many preference-giving countries are still at a formative stage, if they exist at all. It is therefore not surprising that some smaller preference-giving countries, such as Austria and the Nordic countries, have virtually ceased to apply this requirement. These countries have waived the requirement that products shall not enter into trade in a country of transit or of warehousing, provided they remain under customs control there. After reviewing this situation, the Working Group might wish to recommend:

(a) That preference-giving countries should intensify their efforts to harmonize consignment requirements and, in particular,

(b) That where applicable, they should dispense with the requirement of final destination; and

(c) That, for products remaining under customs control, they should waive the requirement that such products should not enter into trade in a country of transit or of warehousing.

C. Others

1. UNIT OF QUALIFICATION

120. This rule formed part of the agreed texts.²⁵ It was originally applied by Austria, Denmark, Finland and the United Kingdom, but only two of these countries still do so, since Denmark and the United Kingdom have in the mean time acceded to EEC. The rule has not been incorporated in the Compendium.

121. The suggestion still stands that the Working Group might wish to invite preference-giving countries which do not apply the agreed text on the unit of qualification to provide information on their national practices in this regard, and to consider further harmonization of various national practices for the purposes of the GSP.²⁶

2. TREATMENT OF PACKING

122. One of the items covered by the agreed texts was determination of the origin of packing material and treatment of such material in the case of products exported under preferential terms.²⁷ The national practices of preference-giving countries formerly differed considerably.²⁸ In the Compendium, this item is dealt with in the explanatory notes in appendix I. Since no national divergencies are explicitly stated, it may be assumed that a satisfactory degree of harmonization has been achieved.

²⁵ TD/B/AC.5/38, appendix I(j).

²⁶ See document TD/B/C.5/2*, paras. 81-82, and document TD/B/C.5/WG(IV)/2*, para. 160.

²⁷ TD/B/AC.5/38, appendix I(i).

²⁸ See document TD/B/C.5/2*, paras. 77-80; see also document TD/B/C.5/WG(IV)/2*, paras. 156-159.

3. FAIRS AND EXHIBITIONS

123. The agreed text on this subject has been implemented by most preference giving countries.²⁹ Japan requires additional documentary evidence. New Zealand grants preferences under such circumstances on a discretionary basis, and the United States of America has no corresponding provision. It is suggested that those preference-giving countries that have not yet done so should adopt a rule in this respect, and that maximum harmonization should be achieved.

4. ADMINISTRATIVE CO-OPERATION

124. On the basis of the agreed texts on verification and on mutual co-operation, preference-giving countries have devised detailed rules concerning notification of issuing bodies and verification of evidence of origin (forms A and APR). National differences in these rules are due to the different legal and constitutional situations prevailing in preference-giving countries. Further endeavours to harmonize national rules in this respect are therefore unlikely to yield positive results, nor would such harmonization be indispensable.³⁰

5. EXPLANATORY NOTES TO THE RULES

125. In appendix I of the Compendium, explanatory notes are compiled referring to various aspects of the definitions of "originating products", "value" and "product". Comments are called for only with respect to note 4, concerning the definition of the term "its vessels" in the context of wholly produced goods, where national provisions differ considerably.

²⁹ See TD/B/626, sect. 12 of the Compendium.

³⁰ TD/B/C.5/WG(IV)/2*, para. 153.

126. The substance of this question was dealt with in great detail in an earlier study by the UNCTAD secretariat.³¹ Since the building up of a fishing industry is of great importance for many developing countries, and since chartered vessels play a growing role in this context, the Working Group might wish to take up the matter with a view to recommending a liberalization of the unduly stringent conditions in the definition of the terms "its vessels" and "its factory ships", especially those under subparagraphs (c), (d) and (e) of note 4 (that at least 50 per cent of the vessel should be owned by nationals, etc., and that the captain and officers and at least 75 per cent of the crew should be nationals of the preference-receiving country in question). It should be recalled that Austria has no special provision of the kind referred to under note 4, and that Finland, Sweden and Switzerland require only that the vessel be registered or recorded in, and sail the flag of, the preference-receiving country concerned.

127. It is interesting to note that the corresponding EEC rule under the Lomé Convention is again more liberal than that applied under the GSP. The condition under the EEC scheme that the captain and officers and at least 75 per cent of the crew shall be nationals of the preference-receiving country is liberalized under the Convention rules, which require only that "at least 50 per cent of the crew, captain and officers included, are nationals"³² of the country concerned.

³¹ *Ibid.*, paras. 139-143.

³² See Protocol No. 1 to the ACP-EEC Convention of Lomé, annex I, explanatory note No. 6 (for the text of the Convention, see *Official Journal of the European Communities* (Luxembourg), vol. 19, No. L 25 (30 January 1976)).

ANNEXES

ANNEX I

Differences in spelling, punctuation and terminology between the texts of entries in lists A and B of the Compendium and the CCCN

List A

(a) In the following headings, the CCCN uses the letter “z” and the Compendium the letter “s”, in various words (e.g. “homogenized”; “homogenised”); 21.15, 40.05, 41.08, 52.01, 52.02, 58.07, 59.11, 73.16.

(b) In the following headings, the Compendium does not show commas, whereas these are used in the CCCN: ex 30.04, 59.07, 70.07, 73.07, 74.09, 76.11, 78.05.

(c) In the following headings, the Compendium shows commas, whereas they are not used in the CCCN: 44.21, 70.07, 76.08.

(d) In headings 32.12 and 74.18, the Compendium shows a semicolon, whereas the CCCN uses commas only.

(e) In the following headings, the Compendium does not show hyphens, whereas they are used in the CCCN (or vice versa): 59.12, 73.16, 76.09, 85.15, 98.01.

(f) In heading 38.11, the Compendium uses the term “weed-killers”, and the CCCN, “herbicides”.

(g) The phrase used in the Compendium, in the description against heading 90.08, “but not including recorders of film-editing apparatus” does not appear in the CCCN text.

List B

There are certain differences between the English and French texts of the Compendium. From the French text of the general 5 per cent clause applied by many preference-giving countries it is clear that all products falling within chapters 84-92 are covered by that clause (“*dans les machines, appareils, etc. des chapitres 84 à 92*”), but the English version does not take sufficiently into account that the words used, namely, “machinery or mechanical appliances”, refer explicitly only to a certain part of the products covered by the heading of section XVI of the CCCN.

ANNEX II

Differences in lists A resulting from different product coverage in chapters 1-24

Note — Finland and Sweden do not apply any additional requirement under list A for these products.

<i>CCCN heading</i>	<i>Country or countries applying the rule</i>	<i>CCCN heading</i>	<i>Country or countries applying the rule</i>
03.02	Austria	17.04	EEC, Norway, Switzerland
04.07	Japan	17.05	EEC, Norway
07.01	Japan	18.02	Austria, Switzerland
07.02	EEC, Japan, Norway	18.03	Austria, Japan,* Switzerland
07.03	Austria, EEC, Japan	18.04	Austria, EEC, Japan,* Norway, Switzerland
07.04	Austria, EEC, Japan, Norway, Switzerland	18.05	Austria, Japan,* Switzerland
07.05	Japan	18.06	EEC, Japan,* Norway
08.01-08.09	Japan	19.01	Japan
08.10	Austria, EEC, Japan, Norway	19.02	EEC, Norway, Switzerland
08.11	EEC, Japan, Norway, Switzerland	19.04 - 19.06	EEC, Norway, Switzerland
08.12	Austria, EEC, Japan, Norway	19.07	EEC, Japan,* Norway, Switzerland
08.13	Japan	19.08	EEC, Japan,* Norway
11.01, 11.02	Japan	20.01, 20.02	Austria, EEC, Japan, Norway, Switzerland
11.03	EEC, Japan, Norway	20.03, 20.04	EEC, Japan,* Norway, Switzerland
11.04	Austria, EEC, Japan, Norway	20.05	EEC, Norway, Switzerland
11.05 - 11.09	Japan	20.06	Austria, EEC, Japan,* Norway, Switzerland
15.04	Austria, EEC, Norway, Switzerland	20.07	Austria, EEC, Japan,* Norway
15.06	Austria, EEC, Switzerland	21.04	Austria, EEC, Japan,* Switzerland
ex 15.07	EEC	21.05	Austria, EEC, Japan, Norway, Switzerland
16.01	Japan	21.07	Japan
16.02	Austria, EEC, Japan, Norway, Switzerland	22.02	EEC, Norway, Switzerland
16.03	Japan	22.04 - 22.07	Japan
16.04	Austria, EEC, Japan, Norway, Switzerland	22.09, 22.10	Japan
16.05	Austria, EEC, Japan, Norway	23.07	Japan
17.02	EEC, Norway	ex 24.02	EEC, Norway

* For these items, the rules applied by Japan differ in substance from those applied by the other preference-giving countries mentioned.

Document TD/B/C.5/WG(VI)/3 *

UNITED STATES RULES OF ORIGIN AND RELEVANT PROCEDURES

Report by the UNCTAD secretariat

[Original: English]
[1 February 1977]

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* Incorporating TD/B/C.5/WG(VI)/3/Corr.1 (13 April 1977).

SUMMARY AND CONCLUSIONS

1. This report on the United States rules of origin has been prepared with a view to assisting the Working Group on Rules of Origin in carrying out its consultations on application of existing rules of origin under the GSP and on ways and means of achieving improvement, including greater harmonization and simplification of these rules. Chapter II briefly describes the United States rules of origin applied under its scheme of generalized preferences; chapter III analyses these rules.

2. The following conclusions emerge from the analysis, in particular with regard to improvement and simplification of United States origin requirements, and to harmonization of such rules with those of other preference-giving countries applying the percentage criterion.

3. The first condition governing eligibility for preferential treatment in the United States of America is that goods must be imported from the beneficiary country into the United States direct. An important provision of this direct consignment rule is that the shipping documents must show the United States as the final destination. This provision places beneficiaries at a disadvantage in cases where they have neither the experience nor the marketing facilities to sell the goods direct and on favourable terms. Elimination of the final destination requirement should therefore allow these countries to continue to avail themselves of the distribution system existing in the main sea ports or trading centres. The restrictiveness of the direct consignment rule would also be relaxed if United States origin requirements made provision for the issuance of provisional certificates of origin and for exhibitions and fairs.

4. The second condition of eligibility is that goods must comply with specified origin criteria. According to customs regulations, goods that are wholly grown or extracted within the exporting country, or manufactured from material produced only in such country, are normally presumed to meet the requirements of originating products. In addition, the United States Trade Act of 1974 specifies that goods are considered as originating if they have undergone sufficient working or processing. This takes place if the sum of the cost or value of the materials produced in the beneficiary country, plus the direct cost of processing operations performed in such country, is not less than 35 per cent of the value of the finished article as appraised by customs upon entry into the United States.

5. There is therefore only a presumption that wholly produced goods will be eligible for preferential treatment. But the true test, since the law prevails over the regulations, is that goods qualify for such treatment only if they meet the 35 per cent requirement. It is possible that wholly produced goods may not meet this requirement and may thus be denied preferential treatment. It would therefore be desirable for the United States to adopt a legal provision with regard to eligibility of wholly produced goods, having regard also to the list of wholly produced goods adopted by the Working Group.

6. Under United States arrangements for preferential imports of products from its insular possessions and of automotive products from Canada, as well as under the

Canadian GSP rules of origin, transformation is considered as substantial if the value of imported materials used in the manufacture of the exported product does not exceed a certain percentage of the appraised value or the ex-factory price of that product, respectively. Under these rules, therefore, the key element in determining whether or not the product originates in the beneficiary country, and consequently qualifies for preferential treatment, would in general depend on a recognizable factor, namely, imported materials, for which c.i.f. or f.o.b. prices are easily available. In contrast to these arrangements, the United States scheme of generalized preferences bases its determination of originating products on factors that are not so readily recognizable, namely, cost of domestic materials plus cost of direct processing.

7. The adoption of a method of valuation based on determination of direct costs rather than import content has in fact resulted in a more stringent origin requirement in a number of ways, of which the first and most obvious concerns the burden of keeping an elaborate accounting system to substantiate direct processing costs; this burden would remain even if no imported materials had been used. Moreover, apart from the broad definitions provided in customs regulations, there have been no specific rulings on what constitutes direct and indirect costs, which might serve as a guide to beneficiary countries in devising such an accounting system. An element of uncertainty therefore arises with regard to eligibility of goods for preferences. Secondly, the scope for using imported materials is to a certain extent reduced, since indirect domestic value added (general expenses and profit) is not counted towards the 35 per cent requirement. Thirdly, the 35 per cent requirement of domestic materials and direct processing results generally in a much higher value added than that which would result from the 50 per cent requirement of import content applied in other instances. One means of improving the percentage criterion would be for the United States to base the determination of the percentage of value added on import content rather than on cost of materials and direct cost of processing. In either case the stringency of the percentage criterion would be considerably eased if materials imported from the United States and incorporated in the product exported to that country were considered as originating in the exporting country.

8. The appraised value of a product is established by United States customs officials on the basis of complex legislation and regulations. Since this appraised value is known only upon entry into the United States, the exporter does not know with certainty whether or not such product qualifies for preferential treatment until it has actually cleared customs. This additional element of uncertainty constitutes an impediment to making full use of the advantages offered by the scheme.

9. Cumulative origin applies in the case of an association of countries constituting a free-trade area or customs union. Under this provision, components and materials produced in a country member of the association and used by another member country will be treated as originating in the latter exporting country. Although this provision is a desirable feature of the scheme, the

concurrent application of the competitive need criterion and the increase in the value added requirement from 35 per cent to 50 per cent of appraised value have made it so restrictive that hardly any association of countries is likely to opt for such treatment. The easing of these two shortcomings should therefore restore full effectiveness to cumulative origin in the scheme. It should be noted, however, that two other preference-giving countries applying the percentage criterion have gone far beyond the United States by granting global cumulation, i.e. all beneficiaries are recognized as one area for purposes of origin.

10. The percentage criterion of the United States differs in many respects from the similar percentage criterion applied by other preference-giving countries.

Efforts at harmonization should therefore aim at retaining the best features of the rules in application, and should centre on the following:

(a) Adoption of a common percentage of value added not exceeding 50 per cent of the value of the exported product;

(b) The share of imported materials in the exported product should preferably serve as a common basis for the determination of such percentage of value added;

(c) Adoption of a common method of valuation of such exported product based on cost or price that the exporter can establish with certainty, such as ex-factory cost/price or f.o.b. export price;

(d) Broadening of cumulative treatment, e.g. treatment of all beneficiaries as one area.

Chapter II

DESCRIPTION OF THE UNITED STATES RULES OF ORIGIN AND PROCEDURES UNDER THE GENERALIZED SYSTEM OF PREFERENCES

11. The purpose of the rules of origin under the GSP is to ensure that only products originating in beneficiary countries receive preferential treatment. As in the case of most other preference-giving countries, eligibility for preferential tariff treatment under the United States scheme is governed by two main conditions. For goods to qualify for such treatment, they must:

(a) Be imported direct from a beneficiary country into the customs territory of the United States, and

(b) Comply with the origin criteria specified in the scheme.

A. Direct shipment

12. The goods must be shipped direct to the United States without passing through the territory of any other country. If shipment is made through the territory of any other country, the goods must not enter into the commerce of any other country while *en route* to the United States, and the invoices, bills of lading and other documents connected with the shipment must show the United States as the final destination. Moreover, if shipment is made through a free trade zone in a beneficiary country, the goods must not undergo operations other than sorting, grading or testing, packing, repacking, labelling and operations necessary to ensure the preservation of the goods. However, the goods may be purchased and resold, other than at retail, for export within the free trade zone.

13. For the purposes of the scheme, a free trade zone is a predetermined area or region, declared and secured by or under governmental authority, where certain operations may be performed with respect to articles without such articles having entered into the commerce of the country maintaining the free trade zone.

B. Origin criteria

14. According to Customs regulations, goods which are wholly the growth, product or manufacture of a beneficiary country, or an association of countries treated as one country, and manufactured products consisting of

materials produced only in such country or countries, will normally be presumed to meet the requirements of originating products.¹

15. Goods are also considered to have originated in a beneficiary country if they have undergone sufficient working or processing in that country. The Trade Act of 1974 specifies that sufficient working or processing takes place if the sum of the cost or value of the materials produced in the beneficiary country, plus the direct costs of processing operations performed in such country, is not less than 35 per cent of the value of the finished article as appraised by Customs upon entry into the United States.² This 35 per cent requirement is raised to 50 per cent for goods exported from an association of countries treated as one country for the purposes of the scheme (see paras. 21 and 22 below).

16. In the case of articles that include imported materials such materials will also enter into the computation of the 35 per cent or 50 per cent requirement if they have been substantially transformed into a component that constitutes a new and different article of commerce.

Determination of cost or value of materials produced in the beneficiary country

17. The cost or value of materials produced in the beneficiary country includes:

(a) Actual cost of the materials to the manufacturer;

(b) Costs of freight, insurance, packing and all other costs incurred in transporting the materials to the manufacturer's plant, when not already included in the actual cost of the materials to the manufacturer;

(c) Actual cost of waste or spoilage, less value of recoverable scrap;

(d) Taxes and/or duties imposed on materials, provided they are not remitted upon exportation.

18. Where materials are supplied to the manufacturer without charge or at less than fair market value, their cost

¹ Federal Register, vol. 40, No. 251, 31 December 1975, section 10.176 (c) (reproduced in TD/B/373/Add. 5, appendix III).

² Public Law 93-618 of 3 January 1975 (*ibid.*, appendix I).

or value shall be determined by computing the sum of: all expenses incurred in the growth, production, manufacture or assembly of the materials, including general expenses; an amount for profit; freight, insurance, packing and all other costs incurred in transporting the materials to the manufacturer's plant.

Direct costs of processing operations performed in the beneficiary country

19. The words "direct costs of processing operations" mean costs either directly incurred in, or that may reasonably be allocated to, the growth, production, manufacture or assembly of the specific merchandise under consideration. Such costs include, but are not limited to:

(a) All actual labour costs involved in the growth, production, manufacture or assembly of the specific merchandise, including fringe benefits, on-the-job training, and the cost of engineering, supervisory, quality control and similar personnel;

(b) Dies, moulds, tooling and depreciation on machinery and equipment allocable to the specific merchandise;

(c) Costs of inspecting and testing the specific merchandise.

20. Items not included within the meaning of "direct costs of processing operations" are those that are not directly attributable to the merchandise under consideration or that are not "costs" of manufacturing the product. These include, but are not limited to:

(a) Profit;

(b) General business expenses that are either not allocable to the specific merchandise or not related to the growth, production, manufacture or assembly of the merchandise, such as administrative salaries, casualty and liability insurance, advertising, and salesmen's salaries, commissions or expenses.

C. Cumulative treatment

21. An association of countries which is a free trade area or customs union may opt for preferential treatment as one country for purposes of the scheme. This means that components and materials produced in a country member of the association and used by another member country will be treated as locally produced in the latter exporting country.

22. When goods are exported from an association of countries treated as one country, the 35 per cent requirement is raised to 50 per cent. However, an exporter from a country member of an association may still claim preferential treatment if the 35 per cent requirement is met in that country.

D. Documentary evidence

23. The importer or consignee of a shipment of eligible merchandise valued in excess of \$250 must file the certificate of origin form A³ with the District Director of Customs at the time of entry. This form must be signed by the exporter in the country from which it is directly imported, certified by the designated governmental authority in that country, and properly completed.

24. In the case of shipments to the United States of America through a free trade zone in a beneficiary coun-

try, the certificates of origin issued by the beneficiary country of origin must state in box 12 of form A that the eligible articles comply with the origin requirements under the scheme. Box 2 must include the name of the consignee in the United States or in the free trade zone.

25. The certifying authority in the beneficiary country maintaining the free trade zone must issue a certificate of origin declaring what operations were performed within the zone. The original certificate of origin issued in the beneficiary country of origin should be retained by the designated authority in the country maintaining the free trade zone, and a copy thereof furnished to the United States importer.

26. In the event of loss, theft or destruction of a certificate of origin, the District Director of Customs will accept at the time of entry a duplicate certificate of origin issued by the appropriate governmental body in the country of origin and endorsed with the word "duplicate" in box 4. The duplicate must bear the date of issue of the original certificate of origin and will be effective from that date.

27. If the certificate of origin or a duplicate thereof is not produced at the time of entry of the goods, the entry will be accepted only if the importer or consignee gives a bond for the production of the certificate of origin. If the certificate of origin is not produced within 60 days after such entry, or such additional period as may be allowed prior to final liquidation which occurs 90 days thereafter, duties would be assessed.

28. Evidence of the country of origin is subject to such verification as the District Director of Customs deems necessary.

29. Although a certificate of origin is not required for a shipment valued at \$250 or less, the District Director may require such other evidence of the country of origin as he deems necessary.

30. The District Director of Customs may waive production of a certificate of origin in the case of articles imported for personal or household use which are not intended for resale or brought in for the account of others, when he is satisfied that the merchandise qualifies for duty-free entry under the scheme.

Revision of form A

31. Note 4 on the reverse side of the present form A does not correctly reflect the origin requirements of the United States scheme. Revision of form A is currently under consideration. In the mean time, the United States requires that, for all shipment exported after 31 May 1976, form A be supplemented by a statement thereon, or attachment thereto, in lieu of the explanatory notes on the reverse side of the certificate. Until such time as a revision of form A reflecting the requirements of the United States scheme becomes available, United States Customs will accept the present version with the addendum.⁴

Evidence of direct shipment

32. The United States importer may be required to submit appropriate shipping papers, invoices or other documents as evidence that the articles were imported direct. In the case of transit shipments, the invoices, bills

⁴ The text of the addendum is given with that of the present form A in annex I below; it has also been circulated in document TD/B/373/Add.5/Amend.2.

³ Reproduced in annex I below.

of lading and other documents must show the United States as the final destination.

33. The District Director of Customs may waive the submission of evidence of direct shipment when he is otherwise satisfied, taking into consideration the kind and value of the merchandise, that the merchandise clearly qualifies for preferential treatment.

E. Procedure for obtaining advice from United States Customs

34. An exporter who has any questions regarding the requirements of the United States scheme, e.g. direct shipment, cost or value of materials, direct costs of processing operations, substantial transformation, appraised value, TSUS classification, or other specific customs question, may obtain advice by writing to:

Commissioner of Customs,
Attention: Office of Regulation and Rulings,
1301 Constitution Avenue N.W.,
Washington, D.C. 20229,
United States of America.

35. The request must pertain to a prospective transaction, i.e. where importation has not yet occurred but where there is a firm commitment or intent to export to the United States of America. Also, the article in question must not be the subject of present litigation in United States Customs courts.

36. Each request should contain the following:

- (a) Name and address of interested party;
- (b) Anticipated port of entry;
- (c) Detailed description of the article, including the TSUS classification, if known, materials used (weights, quantities, costs, sources, etc.), processing operations performed, photographs, drawings, samples, or chemical analysis, when applicable;

(d) If the valuation of an article is involved, the nature of the transaction should be described (ex-factory, f.o.b., c.i.f. or some other arrangement); the relationship, if any, of the parties (whether the transaction was between related persons or "at arm's length");⁵ whether there have been other sales of the same or similar merchandise in the country of exportation; whether an agency relationship exists; and any other information relevant to a determination under the valuation laws of the United States;

(e) Statement that the article has not yet been imported or is in litigation;

(f) If confidential information or trade secrets are included, a request should be made that such information not be disclosed, stating why disclosure would prejudice the competitive position of the party making the request;

(g) Statement of the question on which an opinion is sought.

37. The foregoing procedure may also be used for questions pertaining to goods that are not eligible under the United States scheme of generalized preferences. Any opinion rendered by United States Customs in response to a request for advice is valid only to the extent that the actual transaction corresponds to the transaction described in that opinion.

⁵ Related persons are defined as: members of a family; any officer or director of an organization and the organization; partners; employer and employee; any person directly or indirectly owning or controlling 5 per cent or more of the stock in an organization and that organization; and two or more persons directly or indirectly controlling, controlled by, or under common control with, any person. From this it follows that an "arm's length" transaction is one in which the transaction is between non-related persons. See *United States Code Annotated; Title 19, Customs Duties, section 1201 to end* (St. Paul, Minn., West Publishing Co. and Brooklyn, N.Y., Edward Thompson Company, 1960), chap. 4 (Tariff Act of 1930) section 1401 a(g)(2).

Chapter III

ANALYSIS OF THE RULES OF ORIGIN

38. The United States rules of origin under the GSP have been in operation for a relatively brief period of time, and the available information on this operation is not yet sufficient to allow a complete analysis of their effects on developing countries' exports of products covered by the United States scheme. However, since these rules have many elements in common with those that have long been applied by other preference-giving countries, both the experience gained in the latter and the considerable discussions that took place on them within the Working Group on Rules of origin can be put to use for that purpose.

A. Direct shipment

39. An important provision of the direct shipment rule in the United States requirements on origin is that the shipping documents must show the United States of America as the final destination. Experience has shown, however, that not all developing countries have a sufficiently developed marketing network, or the export

experience, always to sell goods direct, and on favourable terms, to customers in developed countries. Some of these countries avail themselves of the facilities provided by seaports specializing in transit trade or deal through agents in developed countries. They often send goods to suitable ports to be stored there until they can be sold in whole or in part on the most favourable terms. Moreover, warehousing of goods at main seaports (or trading centres) permits prompt delivery of such goods at short notice. Thus, under the United States final destination requirement, beneficiary countries would not be able to take advantage of the distribution system that has developed over the years in certain seaports in developed countries.

40. It should be recalled in this connexion that the direct consignment rule initially applied by Australia, Japan and the United Kingdom under their respective origin requirements also included the provision on final destination, but that this was subsequently relaxed in order to facilitate preferential imports from developing countries, in particular from those that are land-locked.

Moreover, Australia has dropped altogether the direct consignment requirement. The United States is at present the only preference-giving country maintaining the final destination requirement, which in some specific cases can be very stringent.

41. Another aspect of the United States rule on direct consignment relates to trans-shipment. The rule allows goods to transit through non-beneficiary third countries provided they do not enter into commerce there. Moreover, no operation is allowed other than loading, reloading and operations required to preserve the goods. Only if the goods transit through a free trade zone of a beneficiary country are the goods allowed to undergo additional operations, such as sorting, repacking and labelling, as well as purchase and resale. The provision on trans-shipment is thus made more flexible and can be of particular benefit to exporters from land-locked countries. The fact, however, that beneficiary exporters must complete box 12 of the certificate of origin presupposes that the goods must also, at the time of export, be destined for the United States. In such a case the purchase and resale allowed in the free trade zone are limited to United States importers.

42. As in the case of other preference-giving countries, the United States could further relax the direct consignment requirement by providing for rules on provisional certificates of origin and on exhibitions and fairs. In fact, most preference-giving countries allow for the use of a provisional certificate of origin where final destination of goods is not known at the time of exportation from a preference-receiving country, and where the goods have to pass through the territories of one or more countries. When the final destination of the goods becomes known, the provisional certificate can be validated as the final certificate.

43. Again, all preference-giving countries except the United States allow goods sent from a preference-receiving country for exhibition (trade, industrial, agricultural or crafts exhibition, fair or similar public show or display) in another country, and sold after exhibition for importation into a preference-giving country, to benefit from generalized preferences, provided the goods meet additional requirements; in particular, the certificate of origin produced in the normal way must show the name and address of the exhibition and confirm that the goods have not, since their consignment for exhibition, been used for any purpose other than demonstration at the exhibition.

B. Wholly produced goods

44. Under regulations drawn up to implement the scheme, wholly produced goods are "presumed" to meet the requirement of originating products. This presumption in no way removes the force of the law, which is that only products fulfilling the 35 per cent requirement (or 50 per cent in the case of an association of countries) may be considered as originating products. Thus it is possible that wholly produced goods may be denied preferential treatment if they do not meet the 35 per cent requirement. This situation may arise, in particular, in cases where the American selling price (ASP) is the basis of appraisement, since the ASP may be considerably higher than the ex-factory price (in some cases, as much as two or three times higher). It may also arise in cases where general expenses and profit are so high that the cost of materials

and direct costs of processing are below 35 per cent of the appraised value.

C. Substantial transformation

45. Preference-giving countries under the GSP base their origin requirement for substantial transformation either on the process criterion or on the percentage criterion. OECD countries applying the second criterion include Australia, Canada, New Zealand and the United States of America. In the case of Canada, transformation is regarded as substantial if the value of imported materials used in the production of the exported products does not exceed 60 per cent of the ex-factory price.⁶ Thus the key element in determining whether or not a product qualifies for preferential treatment will in general depend on a recognizable factor, namely, imported materials for which c.i.f. or f.o.b. prices are easily obtainable.

46. A similar approach was envisaged by the United States under the relevant provisions of the initial United States submission.⁷ Origin status was to be "conferred" when the value of all imported materials and components was less than 50 per cent of the appraised value of the exported product. Indeed, this approach already applies in the case of imports of products from insular possessions and of automotive products from Canada.⁸ Under the actual scheme of generalized preferences, the new formulation of the percentage criterion no longer requires a determination of the share of imported materials, but a determination of the costs of domestic materials used and of direct processing costs.

47. Defining origin in terms of direct processing costs has important implications for beneficiaries. First, it is theoretically possible that a wholly produced article will not meet the 35 per cent origin requirement, i.e. when the indirect costs exceed 65 per cent of the appraised value. It is therefore desirable that a special provision be established whereby wholly produced products would qualify for preferential treatment. This would be in compliance with the agreed conclusions of the Working Group.⁹

48. Secondly, the scope for using imported materials and components is significantly reduced. For example, a product may be considered as having an appraised value of \$100, of which \$50 are direct processing costs and locally produced materials and components and \$50 are indirect processing costs. The 35 per cent requirement means that only \$15 worth of imported components (\$50 direct costs less \$35 origin required) may be used. This example and others are illustrated below.

⁶ At the seventh session of the Special Committee on Preferences, the representative of Canada pointed out that "the ex-factory price included selling and administrative expenses and profits, which naturally were not included in factory cost but which could be counted towards value-added under the Canadian scheme. The figure of 60 per cent of the ex-factory price had been chosen as being approximately equivalent to 50 per cent of factory cost". See the report of the Special Committee on its seventh session (*Official Records of the Trade and Development Board, Seventh Special Session, Supplement No. 6* (TD/B/598)), para. 159.

⁷ TD/B/AC.5/34/Add.5/Rev.1 and Corr.1. See also the report of the Working Group on Rules of Origin on its third session (TD/B/AC.5/38), para. 13 and paras. 19-27.

⁸ See *Rules of origin in the general scheme of preferences in favour of the developing countries* (United Nations publication, Sales No. E.70.II.D.3), paras. 69 and 70.

⁹ See TD/B/AC.5/38, para. 53.

Appraised value	100	100	100	100
Indirect costs	66	50	40	25
Minimum direct domestic processing costs required	35	35	35	35
Maximum import content	a	15	25	40

^a Cannot meet the 35 per cent rule even if wholly produced.

49. The examples show that in three of the four cases only 15 per cent, 25 per cent and 40 per cent respectively of the appraised value can be accounted for by import content. Thus the maximum import content is inversely related to the share of appraised value accounted for by indirect cost.

50. To put this formulation of the origin requirement into perspective, selected cost profiles of manufacturing establishments in developing countries have to be examined. These cost profiles, presented in the table on page 134, permit a crude division of production costs between direct and indirect costs. It must be emphasized, however, that these examples are for illustrative purposes only.

51. The data indicate that the "effective value-added"¹⁰ requirement is much higher than is implied by the 35 per cent domestic processing costs rule. In fact, in the case of Portland cement produced in East Africa, the 35 per cent requirement would not be met even if the product were wholly produced in a single developing country. Moreover, a number of additional production processes could not qualify under the 50 per cent cumulative origin provision.

52. The following example illustrates how a product manufactured in an insular possession of the United States and a similar product manufactured in a country beneficiary of the scheme of generalized preferences would fare under the respective requirements for preferential treatment.

	<i>Insular possession</i>	<i>Beneficiary of the scheme</i>
	<i>(In dollars)</i>	
Domestic materials	1.00	1.00
Foreign materials (not substantially transformed)	4.00	4.00
Direct cost of processing	2.00	2.00
General expenses	1.50	1.50
Profit	1.50	1.50
Appraised value	10.00	10.00

53. As the example shows, a product from an insular possession would qualify for preferential treatment because the cost of imported material (\$4) is not more than 50 per cent of the appraised value (\$10). The same product from a beneficiary of the scheme would not qualify for preferences because the cost of domestic materials (\$1) plus the direct cost of processing (\$2) is less than 35 per cent of the appraised value (\$10).

54. In the case of an article manufactured in the insular possession, if all the materials were of foreign origin (\$5), the article could still qualify for duty-free treatment if the appraised value were simply increased to \$10.01. The cost of foreign material would then be just under 50 per cent of that value.

55. In the case of an article produced in a beneficiary of the scheme, the article could qualify for preferential treatment if some part of the foreign material were substantially transformed. In the above example, foreign

material valued at 50 cents would have to be substantially transformed in order to count as a domestic material. The sum of the domestic material (\$1.50), plus the direct cost of processing (\$2.00), would then be not less than 35 per cent of the appraised value. If all the material were of foreign origin, then at least a part of it, valued at \$1.50, would have to be substantially transformed for the article to qualify for preferences.

56. The example also shows that the higher the appraised value, the more difficult it is to meet the 35 per cent requirement under the direct cost of processing formulation and the easier it is to meet the 50 per cent requirement under the import content formulation.

57. Thus the shift in the method of determining substantial transformation from one based on import content to one based on the cost of domestic materials and direct costs of processing has resulted in a more stringent origin requirement in a number of ways. The first and most obvious has to do with the burden of keeping an elaborate accounting system to substantiate direct processing costs; this burden would remain even if no imported materials had been used. Moreover, except for the broad definitions provided in Customs regulations, there have been no specific rulings on what constitutes direct and indirect costs, which might serve as a guide to beneficiary countries in devising such an accounting system.¹¹ An element of uncertainty therefore arises with regard to eligibility of goods for preferences. Secondly, the scope for using imported materials is reduced, since indirect domestic value added (general expenses and profit) is not counted towards the 35 per cent requirement. Thirdly, the 35 per cent requirement of domestic materials and direct processing generally results in a much higher value added than would result from the 50 per cent requirement of import content applied in other instances.

58. The high value added resulting from the current requirement (domestic, material and direct costs of processing) has been mitigated by the way origin rules define the costs or value of materials produced in beneficiary countries. The rules prescribe that imported materials that have been substantially transformed "into a new and different article of commerce" are considered as originating materials. The United States Customs Service, has given examples of materials that are substantially transformed.¹² Thus raw skins imported into a beneficiary country and tanned into leather could be a substantially transformed constituent material when used in the subsequent manufacture of a leather coat. Again, gold bars imported into a beneficiary country and cast into mountings qualify as substantially transformed materials when incorporated in rings exported to the United States. In general, therefore, imported materials that undergo a two-stage processing may be counted as substantially transformed constituent materials. Thus while the direct processing requirement reduces the scope for using imported materials, the way constituent materials are defined increases the scope for using imported materials.

¹¹ There has, however, been one ruling by Customs regarding the treatment of "assists" under the United States scheme of generalized preferences. The question concerned dies and moulds which are produced in a non-beneficiary country and provided free to the manufacturer. However, this ruling is under reconsideration by Customs and it may not be applicable to other cases. See annex III below for details on "assists".

¹² See TD/B/373/Add.5/Annex. See also annex II below.

¹⁰ "Effective value-added" is defined as $(1 - K)$, where K is the maximum share of total production costs (appraised value) that can be accounted for by imported materials and components and still meet the 35 per cent origin requirement, or the 50 per cent requirement for cumulative treatment (see para. 97 below).

Illustrative examples of the effective value-added requirement under the United States scheme of generalized preferences

(Thousands of dollars)

Country and product (Year for which information applies) (1)	Annual production (2)	Cost of production ^a		Minimum ^b direct cost (5)	Maximum ^c importable materials (6)	Effective value-added ^d	
		Direct materials (3)	Indirect materials (4)			(50 per cent) (7)	(35 per cent) (8)
East Africa/Portland cement (1967)	3 075.0	995.6	2 079.4	1 076.0	^e	^f	^e
Iran/Cement (1968)	3 513.0	1 453.0	2 060.0	1 229.0	224.0	^f	94
Iran/Refrigerators, coolers and heaters (1968) ...	10 960.0	4 778.0	6 182.0	3 836.0	942.0	^f	92
Mexico/Human and veterinary medical preparations (1966)	709.9	328.1	381.8	248.5	76.6	^f	89
Mexico/Glassware containers (1966)	6 152.0	2 802.9	3 349.1	2 153.2	649.7	^f	89
Mexico/Sodium carbonate, caustic soda, sodium chloride (1966)	12 393.0	5 994.6	6 398.4	4 337.5	1 657.1	^f	87
Mexico/Paints and synthetic resins (1966)	2 163.0	1 049.6	1 113.4	757.0	292.6	^f	86
Iran/Window glass, tumblers, bottles, crystal wares, etc. (1968)	1 935.1	996.1	939.0	677.0	319.1	99	84
Mexico/Ammonium sulphate and single super phosphate (1966)	9 349.0	4 776.6	4 572.4	3 272.0	1 504.6	99	84
Mexico/Rolled, drawn, forged and cast metal products (1966)	6 191.0	3 269.9	2 921.1	2 166.0	1 103.9	98	82
Mexico/Natural and synthetic rubber tyres, tubes and floor covering (1966)	10 104.0	5 439.0	4 665.0	3 536.0	1 903.0	97	81
Mexico/Various adhesives and related chemicals (1967)	7 801.0	4 287.4	3 513.6	2 730.0	1 557.4	96	80
Mexico/Agricultural machinery, trucks and tractors (1966)	9 819.0	5 469.8	4 349.2	3 437.0	2 032.8	95	79
Mexico/Steel mould-shots (produced from steel wire) (1966)	103.5	58.9	44.6	36.0	22.9	94	78
Mexico/Cellulose (1966)	517.4	292.7	224.7	181.0	111.7	94	78
Mexico/Bricks and other construction materials (1966)	2 005.0	1 163.0	842.0	702.0	461.0	92	77
El Salvador/Plastic table sets (1967)	202.0	124.0	78.0	70.7	53.3	89	74
Iran/Pharmaceuticals (1968)	2 552.0	1 563.0	989.0	892.0	671.0	89	74
Mexico/Electric lamps (1966/67)	219.0	134.4	84.6	77.0	57.4	89	74
Mexico/Steel angles, bolts, nuts, steel wire rods, tanks, props, etc. (1966)	14 573.0	9 614.5	4 958.5	5 100.0	4 514.5	85	69
East Africa/Plywood (1967)	495.0	331.0	164.0	173.0	158.0	84	68
Mexico/Non-ferrous wires, conductors and cables (1966)	30 675.0	21 876.6	8 798.4	10 736.0	11 140.6	79	64
Mexico/Refined antimonial lead (1966)	360.0	259.7	100.3	126.0	133.7	78	63
Mexico/Cables, wires and wire products (1966) .	27 480.0	20 264.5	7 215.5	9 618.0	10 646.5	77	61
Mexico/Motorcycles and bicycles (1966)	4 872.3	3 756.4	1 115.9	1 705.0	2 051.4	73	58
East Africa/Wire nails (1966)	159.0	126.0	33.0	56.0	70.0	71	56
El Salvador/Copper and aluminium wire (1966) .	3 033.0	2 416.6	616.4	1 062.0	1 354.6	71	55
Mexico/tractors, seeders, cultivators, harrows and other agricultural implements (1966/67)	10 029.0	8 056.6	1 972.4	3 510.0	4 546.6	70	55
Mexico/Tin cans (1966)	4 557.0	3 702.0	855.0	1 595.0	2 107.0	69	54
Mexico/Automobiles and trucks (1967)	105 228.0	88 334.1	16 893.9	36 830.0	51 504.1	67	51
Iran/Television and radio sets, gramophones (1968)	5 240.0	4 407.0	833.0	1 834.0	2 573.0	66	51
Iran/Assembly of buses, mini-cars, passenger cars (1968)	56 983.0	47 776.2	9 206.8	19 944.0	27 832.2	66	51
Iran/Plastic insulated electrical cables (1968)	1 986.0	1 714.1	271.9	695.0	1 019.1	64	49
Iran/Television sets (1968)	2 505.1	2 380.7	124.4	877.0	1 503.7	55	40

Source: UNIDO, *Profiles of manufacturing establishments*, vol. III (ID/SER.E/6) (United Nations publication, Sales No. E.71.II.B.12).

Note. — The crude cost breakdown is as follows:

Direct costs: operative wages and salaries, plus employee fringe benefits; depreciation; production materials.

Indirect costs: non-operative wages and salaries, plus employee fringe benefits; rents; interest; royalties; profits; utilities; non-production materials and supplies; business services.

^a Costs of production include profits and therefore equal annual production.

^b The rules of origin require that local contributions to direct cost exceed 35 per cent of the export value (col. (5) = 35 per cent of col. (2)).

^c Direct cost less minimum direct cost (col. (3) — col. (5)). Calculated on the assumption that the product is not wholly produced.

^d On the assumption that all indirect costs originate domestically, the effective value-added requirement is total costs of production less maximum importable materials, i.e. 1.0 — col. (6)/col. (2) in percentage.

^e The actual direct cost of processing, is insufficient to meet the 35 per cent requirement.

^f See footnote ^c, except that the relevant requirement is 50 per cent.

59. Although the examples given by the United States Customs Service throw light on the way the value added requirement is met, there is uncertainty as to what constitutes a "new and different article of commerce". In contrast to preference-giving countries which base their origin rules on the process criterion, where the article becomes "new and different" when it is classified under a CCCN heading other than that for the materials from which it is made, or when certain qualifying processes are used. The United States does not specify any processes, nor does it give a list of such "new and different" products. The uncertainty is therefore likely to persist unless a clear definition is given of new and different articles of commerce.

60. Determination of value added based on domestic material and direct cost of processing is obviously more ambiguous and cumbersome than that based on import content, nor does it allow for harmonization of these two sets of rules. In this connexion, developing countries have suggested that preference-giving countries applying the percentage criterion should (a) fix a single percentage of value added; (b) adopt a well-defined basis for the calculation of the percentage, and (c) ensure uniformity in the application thereof.¹³

61. It was agreed at the third session of the Working Group that the preference-giving countries should ensure "that the rules of origin are as uniform and as simple as possible and that they are applied uniformly to all preference-receiving countries".¹⁴ The harmonization of the value-added requirement would also help to ensure equivalence in conditions of access to the markets of the preference-giving countries and to avoid distortion of trade. It is desirable, therefore, that the United States and other preference-giving countries basing their rules on the value-added criterion take concrete steps towards harmonization of their rules to parallel the efforts and achievements of preference-giving countries basing their rules on the process criterion.

62. Independently of the issue of harmonization, there is another important way in which the United States rule could be improved. In fact, all preference-giving countries applying the percentage criterion also apply a provision regarding developed country content, namely that materials imported from a preference-giving country and incorporated in the product exported to that country are considered as materials originating in the exporting beneficiary country. It would be desirable, therefore, that a similar provision be made in the United States rules. Such a provision already exists in the origin requirements under the United States special preferential arrangements (insular possessions and automotive agreements with Canada).

63. In the insular possession arrangement, the United States has gone even further in improving the value-added requirement by allowing all materials imported by insular possessions, which attract MFN zero duty in the United States or on which duties have previously been levied in the United States Customs territory and sent to the insular possession without remission of duties, to count towards value added in the insular possession.¹⁵

D. Appraised value

64. Appraised value is the determination by Customs officers of the value of imported merchandise for the purpose of assessing duties on articles subject to *ad valorem* rate of duty, i.e. rate of duty based on the value of the imported article. In the case of articles qualifying for duty-free treatment under the United States scheme, it is necessary for the appraised value to be ascertained in order to determine whether the 35 per cent requirement under the rules of origin has been met.

65. It is important, therefore, that an exporter of merchandise to the United States of America should know and understand the valuation laws of the United States. These may be found in sections 402 and 402a of the United States Tariff Act of 1930, as amended.

66. There is the so-called "old law" (section 402a) and the "new law" (section 402), which was adopted in 1956 as the Customs Simplification Act. It was intended to simplify the valuation provisions, and to a large extent it has done so.

67. When the United States Congress enacted the new value law, it decided to retain the old value law for use in the appraisement of articles which would be appraised under the new law at a much lower value as compared with the appraised value under the old law. The purpose was to prevent serious dislocations in duty assessments under the new law.

68. A study was made to determine which articles would be reduced in value by 5 per cent or more under the valuation provisions of the new law. As a result of the study, a "final list" of articles that would have been so appraised was published as a Treasury Decision (TD 54521) on 20 January 1958.

69. The final list, which may not be subject to any additions or deletions, sets forth in specific terms the articles still required to be appraised under the old law. The articles of principal importance contained in the final list are benzenoid chemicals or coal-tar products, rubber-soled footwear, automobiles and finished parts, and certain types of machinery and parts.

70. The old and new laws (bases of valuation)¹⁶ are used in the following order of precedence:

Section 402, Tariff Act of 1930 ("new law")

- (1) The export value, or
- (2) If the export value cannot be determined satisfactorily, then the United States value, or
- (3) If neither of the foregoing can be determined satisfactorily, the constructed value.

There is one additional basis of value, the American selling price. This basis applies when specified in the headnotes of the *Tariff Schedules of the United States Annotated*. It is used as the initial basis in such instances and applies only to merchandise specifically named in the headnotes.

Section 402a, Tariff Act of 1930 ("old law")

- (1) The foreign or export value, whichever is higher; or
- (2) If neither can be satisfactorily ascertained, then the United States value; or
- (3) If none of the foregoing can be satisfactorily ascertained, then the cost of production.

¹⁶ Reproduced in annex IV below.

¹³ See TD/B/AC.5/38, para. 61.

¹⁴ *Ibid.*, para. 52.

¹⁵ See United States International Trade Commission, *Tariff Schedules of the United States Annotated* (1976) (Washington, D.C., U.S. Government Printing Office, 1975), p. 3, "General headnotes and rules of interpretation"; general headnote 3(a).

Likewise, under this law, there is one additional basis, the American selling price. It applies only when specified in the headnotes of the *Tariff Schedules of the United States Annotated*, and is the initial basis for the merchandise concerned.

1. DIFFERENCES BETWEEN THE "OLD LAW" AND THE "NEW LAW"

71. While the definitions of the bases of value under both laws are basically the same, several important differences make the new law much more liberal than the old. These differences are:

(a) Under the old law, the first basis of valuation is foreign value or export value, whichever is higher. The new law omits consideration of sales for home consumption (foreign value). It provides only for consideration of sales for exportation to the United States of America (export value). This is of particular importance to developing countries, where the price at which merchandise is sold for home consumption is usually higher than that at which it is sold for exportation.

(b) The new law gives preference to actual sales over offers for sale in determining value.

(c) The term "usual wholesale quantities" is defined in the new law as the aggregate quantity in which more merchandise is sold than in any other quantity, whereas under the old law the "usual wholesale quantities" is determined by the greatest number of individual transactions. The advantage here is that the price at which merchandise is sold in large quantities (in most cases, lower than that at which it is sold in smaller quantities) will prevail.

(d) Sales that impose restrictions on resale price or territory may not be considered under the old law, but may be so considered under the new law.

(e) The new law permits consideration of transactions between a seller and a selected purchaser, provided the transaction fairly reflects market value. The old law does not permit this.

(f) In the calculation of United States value, the old law limits the deduction for commission to a maximum of 6 per cent and for general expenses and profit to a maximum of 8 per cent each. The new law permits deduction of the usual amounts for these items.

(g) In the calculation of constructed value, the new law limits the addition for general expenses and profit to that usually added by producers in the country of exportation on merchandise sold for exportation to the United States. The old law requires the addition of a minimum of 10 per cent general expenses and 8 per cent profit. Further, all sales, turnover or other internal taxes applicable to the materials used, which are refunded or remitted upon exportation of the completed article, are not included in the cost of materials in the calculation of constructed value.

2. TREATMENT OF OTHER ELEMENTS FOR VALUATION

(a) *Packing*

72. The cost of all containers and coverings and all other expenses incidental to placing the merchandise in condition, packed ready for shipment to the United States, are included in the appraised value.

(b) *Charges incurred after exportation*

73. Ocean freight, marine insurance, port fees and any other charges incurred after the merchandise leaves the country of exportation are not part of the appraised value.

(c) *Ex-factory v. f.o.b. price*

74. If a manufacturer sells, or offers to sell, his merchandise at a price delivered at the factory, inland freight and other charges to the port of shipment are not part of the appraised value.

75. If a manufacturer sells, or offers to sell, his merchandise only at a price f.o.b. port of shipment, inland freight and other charges to the port of shipment are part of the appraised value. However, if a particular sale is made f.o.b. but the manufacturer sells, or offers to sell, to other purchasers ex-factory, then the particular sale under consideration will be appraised at the ex-factory price, and the inland charges will not be included.

76. The foregoing is particularly important to developing countries which are large in area and whose factories are distant from the ports of shipment. By selling, or offering to sell, ex-factory, a manufacturer can ensure that his merchandise will be appraised at a value exclusive of inland charges, thereby increasing the prospects of meeting the 35 per cent requirement.

(d) *Commissions*

77. Merchandise is often bought and sold through agents. If an importer employs an agent to buy for him and pays that agent a commission, such commission is known as a buying commission. If a manufacturer employs an agent to sell for him, and the importer is able to buy only through the agent, the commission paid by the manufacturer to the agent is known as a selling commission.

78. Generally, the fee paid to a buying agent is not part of the appraised value, whereas the fee paid to a selling agent is part of such value.

79. Here again, it may behove a manufacturer to sell direct to an importer, or to sell through the importer's buying agent, thereby avoiding the inclusion of the commission in the appraised value. This, too, would enhance the prospects of meeting the 35 per cent requirement.

(e) *Date of exportation*

80. The date of exportation is important in the United States valuation laws, because merchandise is appraised as of that date. It is defined as the time the merchandise actually leaves the country of exportation for the United States, irrespective of when the merchandise was actually purchased, contracted for, or delivered for export. For example, a vessel loaded with cargo destined to the United States leaves port A in country X on 1 August. It proceeds to port B in country X, where it takes on an additional cargo for the United States. The vessel leaves port B for the United States on 4 August. In this case, all the merchandise destined for the United States will be valued as of 4 August.

81. When merchandise manufactured in a land-locked country is shipped to another country for transportation to the United States, the date of exportation is considered to be the time the shipment crosses the border of the country of origin.

82. The date of exportation is critical when merchandise is sold at prices that fluctuate. For example, mer-

chandise is purchased on 1 February at a price of \$6 per unit but is not shipped until 15 March. In the mean time, the manufacturer has sold the same merchandise for export to the United States at varying prices, the latest sale occurring on 12 March at \$7 per unit. The merchandise purchased on 1 February at \$6 per unit would be appraised at \$7 per unit, as the price prevailing on or about the date of exportation. Of course, if the price at the time of exportation were lower than the price at the time of purchase, the merchandise would be appraised at the lower price.

(f) *Currency*

83. In many instances goods imported into the United States are bought and paid for in foreign currency. For customs purposes, the currency must be converted to United States dollars. The conversion is made on the basis of the rate determined by the Federal Reserve Bank of New York and proclaimed by the Secretary of the Treasury for the currency under consideration on the date on which the merchandise was exported. The rates are published regularly by Customs.

84. It should be noted that the conversion rate is the rate in effect on the date of exportation, not that in effect at the time of purchase. This can have a significant effect on appraised value, particularly in periods of fluctuating exchange rates.

(g) *Transactions between related parties*

85. Under the new law, in the case of transactions between related parties (e.g. parent company and subsidiary), if the price fairly reflects market value the merchandise will be appraised at that price as representing export value. Sales to unrelated parties in the United States, or sales to unrelated parties in the home market or third countries, may be considered in determining whether the price fairly reflects market value. If it does not, then the price at which such or similar merchandise is sold to unrelated parties in the United States will be the appraised value. In the absence of such sales, the merchandise will be appraised at United States value or constructed value.

(h) *American selling price (ASP)*

86. The following articles are currently subject to appraisal at the ASP:

TSUS 114.05: Clams, other than razor clams, in airtight containers. This item is eligible for preference under the United States scheme.

TSUS 401.02-409.00: Benzenoid chemicals and coal-tar products. These items are eligible for preference under the United States scheme.

TSUS 700.60: Footwear, other, having uppers of which over 90 per cent of the exterior surface is rubber or plastic. This item is not eligible for preference under the United States scheme.

TSUS 704.55: Gloves, knit, valued not over \$1.75 per dozen pairs. This item is not eligible for preference under the United States scheme.

87. The ASP is generally considerably higher than the ex-factory or f.o.b. price. Accordingly, an exporter in a beneficiary country will not normally be in a position to determine whether his product can meet the 35 per cent requirement under the United States scheme. It would be prudent, therefore, for an exporter of an ASP item to

obtain information from the United States Customs Service regarding the ASP value at which his goods would be appraised.

3. PROTESTS AND APPEALS

88. If an importer does not agree with the value found for his merchandise, he may file a protest under section 514 of the Tariff Act of 1930¹⁷ with the District Director of Customs at the port where the merchandise was entered. If the District Director decides that the claim is valid, he will allow the protest. If he decides that the claim is not valid, he will forward the protest to the Commissioner of Customs for further review.

89. If the protest is not allowed by Customs, the importer may take his case to the Customs Court. If the decision of the Customs Court is adverse to the importer, he may appeal the case to the Court of Customs and Patent Appeals.

90. The decision of the Court of Customs and Patent Appeals is final and binding upon all parties unless modified, vacated, reversed or remanded by the United States Supreme Court. Rarely, however, does a customs case reach the Supreme Court, since that court will hear only cases involving matters of constitutional law.

91. The foregoing procedure is also applicable to protests against the classification of merchandise and other Customs decisions.

92. It may thus be seen that the United States provides a broad spectrum of administrative and judicial review of Customs decisions.

4. CONCLUDING REMARKS

93. The United States provides for well-defined legislation and regulations upon which customs officials must rely to establish appraised value. This type of valuation, however, has important implications for imports of products covered by the scheme of generalized preferences. There is no way of knowing whether or not such products qualify for preferential treatment until they have actually cleared United States customs. Under these conditions the exporter cannot hope to increase his sales unless the advantages resulting from the preference are known at the time the contract of sale is drawn up. Also, without the certainty of obtaining the preference, the importer may not switch from non-beneficiary to beneficiary sources of supply. In a climate of such uncertainty, preferential treatment might not have the full effect desired on expansion and diversification of exports of developing countries.

94. Although in most instances the appraised value may turn out to be equal to the ex-factory price, the uncertainty remains. To eliminate such uncertainty it would be desirable formally to adopt the ex-factory price as the method of valuation under the scheme.¹⁸

¹⁷ See *United States Code Annotated*... (op. cit.), section 1514 ("Protest against collector's decisions").

¹⁸ In the interim measure adopted by the United States pending revision of note 4 on the back of form A, provision has been made for value-added to be expressed as a percentage of the ex-factory price of the exported article. However, value-added as a percentage of ex-factory price does not supplant the provision of appraised value in the law, but is meant only to assist the exporter and the Customs official. Since the appraised value is given at the United States port of entry, the exporter could not be expected to put the value-added as a percentage of appraised value on form A.

E. Cumulative origin

95. Cumulative origin for an association of countries in a free-trade area or customs union is a very desirable feature of the scheme. Its beneficial effects are, however, negated by other provisions in the scheme. First of all, the competitive need criterion affects the association as a group for all products exported to the United States, regardless of whether these products were exported under the provision on a single beneficiary or under the provision on an association. Thus, if total United States imports of a product from all beneficiary members of the association combined exceed the absolute dollar limit¹⁹ or 50 per cent of total United States imports of the product, preferential tariff treatment for the product will be terminated for all beneficiaries belonging to the association. Hence, preferential treatment is terminated even for those members of the association whose exports would not have been affected by these limitations if cumulative treatment had not been claimed.

96. Secondly, for such an association, the sum of direct costs of processing operations and of locally produced materials must not be less than 50 per cent of the appraised value of the product. This increase in the origin requirement from 35 per cent for a single beneficiary to 50 per cent for an association treated as a single beneficiary is not insignificant, as is evident from columns 7 and 8 of the table given earlier. Products from the asso-

ciation would not meet the 50 per cent origin rule unless the products in question were wholly produced in those countries. Moreover, the "effective value-added" requirement is increased noticeably.

97. It is therefore clear that, in order to restore the full impact of cumulative origin, two important changes should be made in the scheme. First, the competitive need limitations should not be applied with respect to an association of countries, or, if they are applied, the limits should be adjusted so as not to discourage the claims for cumulative treatment; and secondly, the value-added requirement for such an association should be the same as that applicable to individual beneficiaries.

98. It is recalled in this connexion that developing countries have asked that they be considered in the context of the GSP as one area for purposes of origin. If provision for global cumulation were to be made in the United States scheme as was done by Australia and New Zealand, the relaxation of other origin requirements that would ensue would serve to promote greater industrial and trade co-operation among developing countries.²⁰ For one thing, all materials, parts and components traded among developing countries would be treated as originating. Moreover, the limitations arising from the rule of direct consignment would no longer affect the movement of and trade in goods within the area.

¹⁹ Initially, this limit was \$25 million, but this value increases each year in proportion to the growth in the United States GNP.

²⁰ It should also be noted that, under the United States preferential arrangement for insular possessions, all such possessions are treated as one area for purposes of origin.

ANNEXES

ANNEX I

Form A and addendum instructions for completion of this form

1. Goods consigned from (Exporter's business name, address, country)			Reference No 000142 *		
2. Goods consigned to (Consignee's name, address, country)			GENERALISED SYSTEM OF PREFERENCES CERTIFICATE OF ORIGIN (Combined declaration and certificate) FORM A Issued in (country) See Notes overleaf		
3. Means of transport and route (as far as known)			4. For official use		
5. Item number	6. Marks and numbers of packages	7. Number and kind of packages; description of goods	8. Origin criterion (see Notes overleaf)	9. Gross weight or other quantity	10. Number and date of invoices
11. Certification			12. Declaration by the exporter		
It is hereby certified, on the basis of control carried out, that the declaration by the exporter is correct. Place and date, signature and stamp of certifying authority			The undersigned hereby declares that the above details and statements are correct; that all the goods were produced in (country) and that they comply with the origin requirements specified for those goods in the Generalised System of Preferences for goods exported to (importing country) Place and date, signature of authorised signatory		

NOTES

1. Countries which accept this form for the purposes of the Generalised System of Preferences (GSP)

Austria,	Belgium,	Canada,	Denmark,	Finland,	France,
Fed. Rep. of Germany,	Ireland,	Italy,	Luxembourg,	Japan,	Netherlands
Norway,	Sweden,	Switzerland,	United Kingdom,	United States of America,	

Details of the rules governing admission to GSP in these countries are obtainable from the Customs authorities there. The main elements of the rules are indicated in the following paragraphs.

2. Conditions. The main conditions for admission to preference are that goods sent to any of the countries listed above

- (i) must fall within a description of goods eligible for preference in the country of destination; and
- (ii) must comply with the consignment conditions specified by the country of destination. In general, goods must be consigned direct from the country of exportation to the country of destination, but in most cases passage through one or more intermediate countries with or without transshipment, is accepted provided that at the time they are exported the goods are clearly intended for the declared country of destination and that any intermediate transit, transshipment or temporary warehousing arises only from the requirements of transportation; and
- (iii) must comply with the origin criteria specified for those goods by the country of destination. A summary indication of the rules generally applicable is given in paragraphs 3 and 4.

3. Origin criteria. For exports to the above-mentioned countries, with the exception of Canada and the USA, the position is that either

- (i) the goods shall be wholly produced in the country of exportation, that is, they should fall within a description of goods which is accepted as "wholly produced" under the rules prescribed by the country of destination concerned, or
- (ii) alternatively, if the goods are manufactured wholly or partly from materials or components imported into the country of exportation or of undetermined origin these materials or components must have undergone a substantial transformation there into a different product. It is important to note that all materials and components which cannot be shown to be of that country's origin must be treated as if they were imported. Usually the transformation must be such as to lead to the exported goods being classified under a Brussels Nomenclature Tariff heading other than that relating to any of the above materials or components used. In addition special rules are prescribed for various classes of goods in Lists A and B of certain countries' rules of origin and other subsidiary provisions and these should be carefully studied.

If the goods qualify under the above criteria, the exporter must indicate in Box 8 of the form the origin criteria on the basis of which he claims that his goods qualify for the GSP, in the manner shown in the following table:

Circumstances of production or manufacture in the first country named in Box 12 of the form	Insert in Box 8
(a) Goods, worked upon but not wholly produced in the exporting country, which were produced in conformity with the provisions of para. 3 (ii), which fall under a Brussels Nomenclature Tariff heading specified in Column 1 of List A and which satisfy any conditions in Columns 3 and 4 of List A which are relevant to these goods	«A», followed by the Brussels Nomenclature heading number of the exported goods example: «A» 74.07
(b) Goods, worked upon but not wholly produced in the exporting country, which fall within an item in Column 1 of List B and which comply with the provisions of that item	«B», followed by the Brussels Nomenclature heading number of the exported goods example: «B» 73.15
(c) Goods, worked upon but not wholly produced in the exporting country, which were produced in conformity with provisions of para. 3 (ii), which are not specifically referred to in Lists A or B, and which do not contravene a general provision of List A	«X», followed by the Brussels Nomenclature heading number of the exported goods example: «X» 98.02
(d) Goods wholly produced in the country of exportation (see para. 3 (i) above)	«P»

NOTE. "List A" and "List B" refer to the lists of qualifying processes specified by the countries of importation concerned.

4. Origin criteria for exports to Canada and the United States of America. For exports to these two countries, the position is that either

- (i) the goods shall be wholly produced in the country of exportation, that is, they should fall within a description of goods which is accepted as "wholly produced" under the rules prescribed by the country of destination concerned, or
- (ii) alternatively, if the goods are manufactured wholly or partly from materials or components imported into the country of exportation or of undetermined origin, those materials or components must have undergone a substantial transformation there into a different product. It is important to note that all materials and components which cannot be shown to be of that country's origin must be treated as if they were imported. In the case of Canada, their value must not exceed . . . % of the ex-factory price of the exported article. In the case of the USA, their value must not exceed 50 % of the appraised value for Customs purposes of the exported article; but, as shown in the table below, the exporter must only declare the value of the materials and components concerned as a percentage of the ex-factory price of the exported article.

If the goods qualify under the above criteria, the exporter must indicate in Box 8 of the form the origin criteria on the basis of which he claims that his goods qualify for the GSP, in the manner shown in the following table:

Circumstances of production or manufacture in the first country named in Box 12 of the form	Insert in Box 8
(e) Goods which are covered by the value added rule described in para. 4 (ii) above	«Y», followed by the value of materials and components imported or of undetermined origin, expressed as a percentage of the ex-factory price of the exported goods example: «Y» 35 %
(f) Goods wholly produced in the country of exportation (see para. 4 (i) above)	«P»

5. Each article must qualify. It should be noted that all the goods in a consignment must qualify separately in their own right. This is of particular relevance when similar articles of different sizes or spare parts are sent.

6. Description of goods. The description of goods must be sufficiently detailed to enable the goods to be identified by the Customs Officer examining them.

Addendum instructions for completion of Certificate of origin (Form A)

Origin criteria for exports to the United States of America, are that either (1) the goods shall be wholly produced of domestic materials in the country of exportation, or (2) alternately, the goods must reflect a certain percentage of materials produced in the beneficiary country, plus the direct cost of processing performed there. The minimum percentage is 35 for single country products, or 50 per cent, when an association of countries is treated as one country. Materials imported into the beneficiary country and then substantially transformed into constituent materials of which the eligible article is composed may be included in calculating the minimum percentage. The phrase "direct cost of processing" includes costs directly incurred or reasonably allocated to the processing, such as: all actual labour costs, dies, moulds, tooling and depreciation; research and development; inspection and testing, but does not include business overhead, administrative expenses and salaries, or profit.

*Circumstances of production or manufacture in the first country
named in box 12 of the form*

Insert in Box 8

(1) Goods wholly produced in the country of exportation

"P"

(2) Goods covered by the value added criteria

For single country shipments insert "Y", or for shipments from an association of countries "Z", followed by the sum of the cost or value of the materials and the direct cost of processing expressed as a percentage of the ex-factory price of the exported goods.
Example: "Y"-38 Pct. or "Z" -52 Pct.

ANNEX II

United States Customs Service rulings

Since the inception of the United States scheme, the United States Customs Service has issued several rulings concerning the meaning of "substantially transformed constituent materials". Excerpts from some of these rulings follow:

CLA-2:R:CV:S045202, 30 April 1976

United States lumber is shipped to Mexico where stiles, rails, mullions, panels, and mouldings are manufactured and there assembled into doors which are exported directly to the United States.

The United States lumber is described as rough boards of random lengths and widths. Each component is cut to width, surfaced and cut to length. No component is merely cut to length. Several components undergo additional processing prior to assembly. Mortise and tenon joints are cut on the rails and stiles, and some panels are carved. At a minimum a change in length, width, thickness and surface finish is imparted. If used as constituent elements of an eligible article exported to the United States, the above-described components qualify as substantially transformed constituent materials for GSP purposes. The cost or value of those constituent elements, the stiles, rails, mouldings, mullions and panels, may be included as part of the 35 per cent requirement.

CLA-2:R:CV:S 044025

Situation Number 1

Indonesian tree trunks will be sold to corporation A in a beneficiary developing country where they will be converted into lumber. The lumber will then be sold by A to a related corporation B. The lumber will be manufactured into articles of wood for exportation to the United States.

Situation Number 2

Corporation A will not only convert the tree trunks into lumber; it will also manufacture the finished articles which are exported to the United States.

In accordance with the guidelines set forth in Treasury Decision 76-100, the manufacture of lumber from tree trunks results in a new and different article of commerce, the lumber, which may qualify as a substantially transformed constituent material if used to manufacture an eligible article. The cost or value of the lumber could then be included as part of the GSP 35 per cent requirement.

The distinction between situation Number 1 and situation Number 2 has no bearing on eligibility for duty-free treatment under the GSP. The new and different article of commerce, here the lumber, need not enter the stream of commerce of the beneficiary developing country in order to be included as part of the 35 per cent requirement. The manufacturer of the eligible article which is exported directly to the United States may also be the producer of the substantially transformed constituent material.

CLA-2:R:CV:S 04111, 22 July 1976

You inquired whether synthetic elastomers produced in the United States are substantially transformed in Mexico so as to qualify as materials includible as part of the 25 per cent requirement for purposes of the GSP. You stated that the end products, rubber O-Ring seals, are classifiable under TSUS item 773.25.

In the situation you presented, synthetic elastomers (rubber) produced in the United States are shipped to Mexico in bulk form. The elastomers are masticated mechanically and heated. Imperfect material is removed by filtering the semi-fluid elastomers through screens. Tubes of specific diameter are produced when the elastomers are forced through a die. After cooling, the extruded tubes are cut into ring shapes (preforms). The preforms are then placed in an O-Ring mould which is placed in a hydraulic press between heated plates. The O-Ring is then removed from the mould and placed in a low temperature tumbler to remove the flash. Any remaining flash is removed by buffing.

It is the opinion of the Customs Service that the extruded tube are substantially transformed constituent materials within the meaning of T.D. 76-100. When used to produce the eligible articles, the O-Rings, the cost or value of the extruded tubes may be included as part of the GSP 35 per cent requirement.

CLA-2:R:CV:S 044962, 23 July 1976

You request a ruling on the eligibility of magnetic recording heads imported from the Republic of Korea under the GSP. One is a multitrack head used on tape decks and the other is single (and multiple) track heads used on disc-drives.

The question presented is whether the tape heads and disc-pack heads are the growth, product, manufacture, or assembly of a beneficiary developing country in accordance with 19 C.F.R. 10.176. Stated differently, the issue is whether the components and materials assembled in the Republic of Korea into the eligible articles, the magnetic recording heads, have undergone a substantial transformation into a new and different article of commerce.

The tape head is assembled from wire, cable, connector, brackets, and recording tracks through 40 separate operations and 12 inspections. Head tracks must be positioned within millionths of an inch. The contour of the head requires precision machining to be performed in the Republic of Korea.

In the assembly of the disc-pack head ferrite cores as small as four thousandths of an inch are similarly assembled with precision grinding and lapping performed. The pad is ground with a precise curvature. Electrical connectors are also attached.

The assembly of the magnetic recording heads is significant; it results in a new and different article of commerce. Therefore, the magnetic recording heads are products of a beneficiary developing country, which, if they qualify otherwise, may satisfy the GSP 35 per cent requirement solely with direct costs of processing.

CLA-2:R:CV:S 045767, 7 July 1976

You request a ruling on the eligibility of magnetic core memories for duty-free treatment under the Generalized System of Preferences (GSP). The magnetic core memories, memory units primarily used for electronic data processing equipment, are assembled in Barbados from United States components and materials.

The magnetic core memory is primarily assembled by stringing three very small diameter wires through the centre of the minute ring-shaped core and connecting each wire to a pin connector. A memory unit may contain as many as two to three hundred thousand cores grouped on a single board. The issue to be determined is whether, under 19 CFR 10.176, a magnetic core memory is the growth, product, manufacture or assembly of a beneficiary developing country such that it may be eligible for duty-free entry under the GSP. This issue is particularly relevant when the GSP 35 per cent requirement is asserted to be satisfied solely by the direct costs of processing.

The assembly of the components and materials into a magnetic core memory is significant. The components and materials are substantially transformed into a new and different article of commerce. Therefore, a magnetic core memory may be considered for GSP purposes to be an article produced in one beneficiary developing country, which, provided that it qualifies otherwise, would be eligible for duty-free entry under the GSP.

CLA-2:R:CV:S 044590, 27 July 1976

You requested the Customs Service to determine whether constituent elements of ski goggles, which you state are classifiable under TSUS items 708.43 or 708.45 qualify as products of a beneficiary developing country under the GSP.

The materials for the ski goggles are produced in the United States. Sheets of clear plastic, polarized, and yellow lens materials and sheets of polyurethane foam insulation are stamped out in

Mexico. In Mexico, the lens materials are fastened to the lens frame, forming a double lens thermal unit. One piece of stamped out foam is glued to the inside surface of the goggle unit to serve as a thermal cushion between the goggle surface and the face. The other piece of foam is glued to the top outer perimeter of the goggle unit to provide ventilation. The double lens unit, goggle unit, and finished strap are assembled into the finished ski goggle. At issue is whether the stamped out polyurethane foam and plastic lens materials have undergone a substantial transformation in Mexico. A substantial transformation mandates a change, with a new and different article of commerce emerging, having a distinctive name, character, or use. Accordingly, the cutting of plastic sheets into lenses and the stamping out of polyurethane foam, heretofore of undefined shape in Mexico for further production into constituent materials of the finished goggles, satisfies the criteria for determining substantial transformation. The value of the substantially transformed constituent materials may be added to the direct costs of processing to make up the 35 per cent requirement. In the circumstances described in your letter, the substantially transformed constituent materials are considered materials of the beneficiary developing country for the purpose of the GSP.

CLS-2: R: CV: S 045950, 30 July 1976

When gold and copper are alloyed in Trinidad, new materials are formed. The resulting alloys that are used to produce the finished metal jewellery are substantially transformed constituent materials. However, if the gold and copper had been imported to Trinidad and processed directly into jewellery, the gold and copper would not qualify as substantially transformed constituent materials.

CLA-2: R: CV: S 046340, 4 August 1976

In the situations presented, the items to be exported from Hong Kong are described as cut and polished jadeite, 14 carat gold jadeite jewellery, 14 carat gold lapis jewellery, 14 carat gold jade jewellery, loose jade jewellery, and gold chain, rings and bracelets. It is assumed that in no instance are the unfinished jadeite, lapis lazuli, or gold materials originally products of Hong Kong.

In the first situation, raw jade is imported to Hong Kong where it is cut and polished. While the costs of cutting and polishing the jade may be included when computing the direct costs of processing under GSP, the cost of the raw stone may not be included. If the costs of cutting and polishing the jade are less than 35 per cent, then the product does not qualify for duty-free treatment. The value or cost of the raw jade cannot be added to the direct costs of processing operations to make up the 35 per cent requirement.

Materials processed into certain articles may be considered substantially transformed constituent materials, as in the second situation presented, where the raw jadeite stones are cut and polished in Hong Kong and the gold bars are cast into mountings. The gold mountings and cut jadeite are constituent elements of the jewellery, the eligible article of the beneficiary developing country. The value of the substantially transformed constituent materials plus the direct costs of processing may be added to make up the 35 per cent requirement.

In the third situation, gold bars are imported into Hong Kong where gold chain is manufactured. As the manufacturing process was not sufficiently described, the Customs Service cannot advise you definitely as to whether the chain is a product of Hong Kong. However, if the gold bar is drawn into wire in Hong Kong, and in a separate step the gold wire is manufactured into chain, an eligible article is produced from a substantially transformed constituent material. The substantial transformation occurs when the gold bar is made into wire. Thus, while the cost of the gold bar is not includible for purpose of the 35 per cent requirement, the value of the gold wire and the direct costs of processing are includible.

All the foregoing rulings and other Customs rulings pertaining to the requirements for duty-free treatment under the United States Generalized System of Preferences may be obtained by writing to:

Commissioner of Customs
Attention: Office of Regulations and Ruling
1301 Constitution Avenue, N.W.
Washington, D.C. 20229,
U.S.A.

ANNEX III

“Assists”

The United States Customs Service on 24 June 1976 issued a ruling (R:C:VRG 540971) regarding the treatment of certain “assists” under the Generalized System of Preferences. The question concerned dies and moulds which are produced in a non-beneficiary developing country and provided free to the manufacturer. The following is an excerpt from the ruling:

“Your first question is, assuming that such an ‘assist’ constitutes a ‘direct cost of processing’ within the meaning of section 10.178(a) (2) of the Customs Regulations, may its value be included in calculating the costs attributable to the beneficiary developing country under section 10.176(a) of the Customs Regulations. It is our opinion that such assists can be included in determining whether the 35 per cent requirement has been met.

“Your second question concerns the manner in which such assists may be amortized. The answer to this question depends upon the nature of the assists. If the assist is such that it may be used only in the manufacture or assembly of the article under consideration, for example, tools, dies, moulds, and special purpose machinery capable of producing only a specific product, then the entire value of the assist must be allocated over the articles in question. When the importer establishes that a definite number of units has been contracted for and furnishes reliable data in support of his claim, proration of the entire value of the assist may be made over the number of units contracted for. If the record establishes that other units have been produced over and above the instant contract, these may also be taken into account. If there is no evidence or claim of the number of units contracted for, or if the planned production is uncertain, proration may be made over the number of units actually produced as of the date of exportation of the shipment undergoing appraisalment. In the absence of any facts supporting one of the other methods, proration may be made over the number of units in the shipment undergoing appraisalment.

“An assist may be of the type which is capable of use in the manufacture or assembly of two or more kinds of articles. These type of assists include, but are not limited to, general purpose machinery, such as lathes, sewing machines, and drill presses. It is our opinion that such assists may be amortized in any manner consistent with generally accepted accounting principles.”

ANNEX IV

Bases for valuation

Section 402, Tariff Act of 1930 ("new law")^a

(a) Except as otherwise specifically provided for in this chapter, the value of imported merchandise for the purposes of this chapter shall be:

- (1) The export value, or
- (2) If the export value cannot be determined satisfactorily, then the United States value, or
- (3) If neither the export value nor the United States value can be determined satisfactorily, then the constructed value;

except that, in the case of an imported article subject to a rate of duty based on the American selling price of a domestic article, such value shall be:

- (4) The American selling price of such domestic article.

Export value

(b) For the purposes of this section, the export value of imported merchandise shall be the price, at the time of exportation to the United States of the merchandise undergoing appraisement, at which such or similar merchandise is freely sold or, in the absence of sales, offered for sale in the principal markets of the country of exportation, in the usual wholesale quantities and in the ordinary course of trade, for exportation to the United States, plus, when not included in such price, the cost of all containers and coverings of whatever nature and all other expenses incidental to placing the merchandise in condition, packed ready for shipment to the United States.

United States value

(c) For the purposes of this section, the United States value of imported merchandise shall be the price, at the time of exportation to the United States of the merchandise undergoing appraisement, at which such or similar merchandise is freely sold or, in the absence of sales, offered for sale in the principal market of the United States for domestic consumption, packed ready for delivery, in the usual wholesale quantities and in the ordinary course of trade, with allowances made for:

- (1) Any commission usually paid or agreed to be paid, or the addition for profit and general expenses usually made, in connection with sales in such market of imported merchandise of the same class or kind as the merchandise undergoing appraisement;
- (2) The usual costs of transportation and insurance and other usual expenses incurred with respect to such or similar merchandise from the place of shipment to the place of delivery, not including any expense provided for in subdivision (1) of this subsection; and
- (3) The ordinary customs duties and other Federal taxes currently payable on such or similar merchandise by reason of its importation, and any Federal excise taxes on, or measured by the value of, such or similar merchandise, for which vendors at wholesale in the United States are ordinarily liable.

If such or similar merchandise was not so sold or offered at the time of exportation of the merchandise undergoing appraisement, the United States value shall be determined, subject to the foregoing specifications of this subsection, from the price at which such or similar merchandise is so sold or offered at the earliest date after such time of exportation but before the expiration of ninety days after the importation of the merchandise undergoing appraisement.

Constructed value

(d) For the purposes of this section, the constructed value of imported merchandise shall be the sum of:

- (1) The cost of materials (exclusive of any internal tax applicable in the country of exportation directly to such materials or their disposition, but remitted or refunded upon the exportation of the article in the production of which such materials are used) and of fabrication or other processing of any kind employed in producing such or similar merchandise, at a time preceding the date of exportation of the merchandise undergoing appraisement which would ordinarily permit the production of that particular merchandise in the ordinary course of business;
- (2) An amount for general expenses and profit equal to that usually reflected in sales of merchandise of the same general class or kind as the merchandise undergoing appraisement which are made by producers in the country of exportation, in the usual wholesale quantities and in the ordinary course of trade, for shipment to the United States; and
- (3) The cost of all containers and coverings of whatever nature, and all other expenses incidental to placing the merchandise undergoing appraisement in condition, packed ready for shipment to the United States.

American selling price

(e) For the purposes of this section, the American selling price of any article produced in the United States shall be the price, including the cost of all containers and coverings of whatever nature and all other expenses incidental to placing the article in condition packed ready for delivery, at which such article is freely sold or, in the absence of sales, offered for sale for domestic consumption in the principal market of the United States, in the ordinary course of trade and in the usual wholesale quantities, or the price that the manufacturer, producer, or owner would have received or was willing to receive for such article when sold for domestic consumption in the ordinary course of trade and in the usual wholesale quantities, at the time of exportation of the imported article.

Definitions

(f) For the purposes of this section:

- (1) The term "freely sold or, in the absence of sales, offered for sale" means sold or, in the absence of sales, offered:
 - (A) To all purchasers at wholesale, or
 - (B) In the ordinary course of trade to one or more selected purchasers at wholesale at a price which fairly reflects the market value of the merchandise, without restrictions as to the disposition or use of the merchandise by the purchaser, except restrictions as to such disposition or use which (i) are imposed or required by law, (ii) limit the price at which or the territory in which the merchandise may be resold, or (iii) do not substantially affect the value of the merchandise to usual purchasers at wholesale.
- (2) The term "ordinary course of trade" means the conditions and practices which, for a reasonable time prior to the exportation of the merchandise undergoing appraisement, have been normal in the trade under consideration with respect to merchandise of the same class or kind as the merchandise undergoing appraisement.
- (3) The term "purchasers at wholesale" means purchasers who buy in the usual wholesale quantities for industrial use or for resale otherwise than at retail; or, if there are no such purchasers, then all other purchasers for resale who buy in the usual wholesale quantities; or, if there are no purchasers in either of the foregoing categories, then all other purchasers who buy in the usual wholesale quantities.

^a Reproduced in *United States Code Annotated: Title 19, Customs Duties, section 1201 to end* (St. Paul, Minn., West Publishing Co., and Brooklyn, N.Y., Edward Thompson Company, 1960), chap. 4 (Tariff Act of 1930), section 1401a ("Value-Basis").

(4) The term "such or similar merchandise" means merchandise in the first of the following categories in respect of which export value, United States value, or constructed value, as the case may be, can be satisfactorily determined:

- (A) The merchandise undergoing appraisalment and other merchandise which is identical in physical characteristics with, and was produced in the same country by the same person as, the merchandise undergoing appraisalment.
 - (B) Merchandise which is identical in physical characteristics with, and was produced by another person in the same country as, the merchandise undergoing appraisalment.
 - (C) Merchandise (i) produced in the same country and by the same person as the merchandise undergoing appraisalment, (ii) like the merchandise undergoing appraisalment in component material or materials and in the purposes for which used, and (iii) approximately equal in commercial value to the merchandise undergoing appraisalment.
 - (D) Merchandise which satisfies all the requirements of subdivision (C) except that it was produced by another person.
- (5) The term "usual wholesale quantities" in any case in which the merchandise in respect of which value is being determined is sold in the market under consideration at different prices for different quantities, means the quantities in which such merchandise is there sold at the price or prices for one quantity in an aggregate volume which is greater than the aggregate volume sold at the price or prices for any other quantity.

Transactions between related persons

(g) (1) For the purposes of subsection (c) (1) or (d) of this section, as the case may be, a transaction directly or indirectly between persons specified in any one of the subdivisions in paragraph (2) of this subsection may be disregarded if, in the case of any element of value required to be considered, the amount representing that element does not fairly reflect the amount usually reflected in sales in the market under consideration of merchandise of the same general class or kind as the merchandise undergoing appraisalment. If a transaction is disregarded under the preceding sentence and there are no other transactions available for consideration, then, for the purposes of subsection (d), the determination of the amount required to be considered shall be based on the best evidence available as to what the amount would have been if the transaction had occurred between persons not specified in any one of the subdivisions in paragraph (2).

(2) The persons referred to in paragraph (1) are:

- (A) Members of a family, including brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants;
- (B) Any officer or director of an organization and such organization;
- (C) Partners;
- (D) Employer and employee;
- (E) Any person directly or indirectly owning, controlling, or holding with power to vote, 5 per centum or more of the outstanding voting stock or shares of any organization and such organization; and
- (F) Two or more persons directly or indirectly controlling, controlled by, or under common control with, any person.

Section 402a, Tariff Act of 1930 ("old law")^b

(a) For the purposes of this chapter the value of imported articles designated by the Secretary of the Treasury as provided for in section 6 (a) of the Customs Simplification Act of 1956 shall be:

- (1) The foreign value or the export value, whichever is higher;

^b *Ibid.*, section 1402 ("Value (Alternative)-Basis").

(2) If the appraiser determines that neither the foreign value nor the export value can be satisfactorily ascertained, then the United States value;

(3) If the appraiser determines that neither the foreign value, the export value, nor the United States value can be satisfactorily ascertained, then the cost of production;

(4) In the case of an article with respect to which there is in effect under section 1336 of this title a rate of duty based upon the American selling price of a domestic article, then the American selling price of such article.

Review of appraiser's decision

(b) A decision of the appraiser that foreign value, export value, or United States value can not be satisfactorily ascertained shall be subject to review in reappraisal proceedings under section 1501 of this title; but in any such proceeding, an affidavit executed outside of the United States shall not be admitted in evidence if executed by any person who fails to permit a Treasury attaché to inspect his books, papers, records, accounts, documents, or correspondence, pertaining to the value or classification of such merchandise.

Foreign value

(c) The foreign value of imported merchandise shall be the market value or the price at the time of exportation of such merchandise to the United States, at which such or similar merchandise is freely offered for sale for home consumption to all purchasers in the principal markets of the country from which exported, in the usual wholesale quantities and in the ordinary course of trade, including the cost of all containers and coverings of whatever nature, and all other costs, charges and expenses incident to placing the merchandise in condition, packed ready for shipment to the United States.

Export value

(d) The export value of imported merchandise shall be the market value or the price, at the time of exportation of such merchandise to the United States, at which such or similar merchandise is freely offered for sale to all purchasers in the principal markets of the country from which exported, in the usual wholesale quantities and in the ordinary course of trade, for exportation to the United States, plus, when not included in such price, the cost of all containers and coverings of whatever nature, and all other costs, charges, and expenses incident to placing the merchandise in condition, packed ready for shipment to the United States.

United States value

(e) The United States value of imported merchandise shall be the price at which such or similar imported merchandise is freely offered for sale for domestic consumption, packed ready for delivery, in the principal market of the United States to all purchasers, at the time of exportation of the imported merchandise, in the usual wholesale quantities and in the ordinary course of trade, with allowance made for duty, cost of transportation and insurance, and other necessary expenses from the place of shipment to the place of delivery, a commission not exceeding 6 per centum, if any has been paid or contracted to be paid on goods secured otherwise than by purchase, or profits not to exceed 8 per centum and a reasonable allowance for general expenses, not to exceed 8 per centum on purchased goods.

Cost of production

(f) For the purpose of this subtitle the cost of production of imported merchandise shall be the sum of:

- (1) The cost of materials of, and of fabrication, manipulation, or other process employed in manufacturing or producing such or similar merchandise, at a time preceding the date of exportation of the particular merchandise under consideration which would ordinarily permit the manufacture or production of the particular merchandise under consideration in the usual course of business;

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- (2) The usual general expenses (not less than 10 per centum of such cost) in the case of such or similar merchandise;
 - (3) The cost of all containers and coverings of whatever nature, and all other costs, charges, and expenses incident to placing the particular merchandise under consideration in condition, packed ready for shipment to the United States; and
 - (4) An addition for profit (not less than 8 per centum of the sum of the amounts found under paragraphs (1) and (2) of this subdivision) equal to the profit which ordinarily is added, in the case of merchandise of the same general character as the particular merchandise under consideration, by manufacturers or producers in the country of manufacture or production who are engaged in the production or manufacture of merchandise of the same class or kind.

American selling price

(g) The American selling price of any article manufactured or produced in the United States shall be the price, including the cost of all containers and coverings of whatever nature and all other costs, charges, and expenses incident to placing the merchandise in condition packed ready for delivery, at which such article is freely offered for sale for domestic consumption to all purchasers in the principal market of the United States, in the ordinary course of trade and in the usual wholesale quantities in such market, or the price that the manufacturer, producer, or owner would have received or was willing to receive for such merchandise when sold for domestic consumption in the ordinary course of trade and in the usual wholesale quantities, at the time of exportation of the imported article.

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