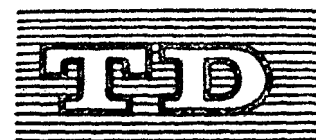




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TRADE AND DEVELOPMENT BOARD
Special Committee on Preferences
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DRAFT REPORT OF THE SPECIAL COMMITTEE ON PREFERENCES ON ITS ELEVENTH SESSION

held at the Palais des Nations, Geneva,
from 3 to ... May 1982

Rapporteur: Mr. A.-A. Al-Duaij (Kuwait)

ADDENDUM

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European Economic Community

1. The spokesman for the European Economic Community stated that the present session was being held against an even more sombre background than the previous one. The international economic crisis, particularly in the more advanced and industrialized countries where production continued to stagnate and unemployment, with all its attendant social strains, continued to rise, had persisted for far longer than had been expected.
2. Moreover, world trade in 1981, in dollar terms was 1 per cent lower than in 1980; this was the first annual decline since 1958. Although the picture was perhaps exaggerated by the sharp rise in the dollar exchange rate, and the Community's own foreign trade statistics, in terms of the ECU (European Currency Unit), were likely to show a modest increase in 1981, the seriousness of the situation was nevertheless confirmed by the stagnation in volume terms.
3. The GSP would not have been able to escape these trends, even if, with its emphasis on manufactures, which did manage to grow by 3 per cent in volume, it should have done better than trade over-all, which had been heavily affected by the drop of 14 per cent in exports of crude petroleum.
4. The mutual interest of developed and developing countries in maintaining an open world trading system was now fairly generally accepted, and in that context the GSP could be expected to play a key role. However, from the very inception of the GSP, it had also been recognized that, alongside the commitment of preference-giving countries to improve their schemes as far as they could, each one had the right in certain circumstances - which it alone could judge - to set limits to its offer of preferences. Furthermore, where preferential access had to be limited and choices had to be made, it was not merely political realism but also concepts of equity that dictated that the benefits should be channelled primarily to those countries which needed most urgently to increase their export earnings, often from a low base, to finance essential development plans.
5. He recalled that, at the last session of the Special Committee, his delegation had announced the decision of the EEC's Council of Ministers to continue the Community's scheme of generalized preferences for a further 10-year period, with effect from 1 January 1981. The framework thus set for the first five years

(1981-1985) maintained a large measure of continuity in such key elements as product coverage, tariff treatment and the list of beneficiary countries, but also introduced changes into the scheme for industrial products in order to ensure a better balance in the distribution of preferential benefits than during the first decade of operation.

6. Following those changes, the entry into effect of the 1982 scheme was a much more routine operation. Moreover, in shaping the 1982 scheme, the Council of Ministers had had to bear in mind the continued deterioration of the economic situation inside the Community - unemployment in several member States had reached levels unknown for more than a generation, inflation was not yet decisively mastered, industrial production was stagnating and business confidence remained low. A prudent approach had inevitably been adopted, although further efforts had been made to improve the possibilities for the least developed countries.

7. He added that for industrial products the 1982 scheme remained essentially unchanged. Following a detailed examination of the new list of sensitive products, established in 1981, eight had been transferred to the category of non-sensitive products while 10 had been reclassified as sensitive; in addition, one heading had been divided into two separate subheadings. Thus the 1982 sensitive list consisted of 125 industrial products and six ECSC items (i.e. a net increase of three).

8. In that connection, he recalled that at the tenth session of the Special Committee, his delegation had made it clear that, in the economic aspects of the Community's scheme, all the gains of the past had been maintained in such key elements as the list of beneficiaries, product coverage and tariff treatment, including special arrangements for the least developed countries. However, as had been the principle of the scheme ever since its inception, the counterpart to comprehensive coverage and duty-free entry in the industrial sector had always been the possibility of limiting the preferential offer when the Community's own industries were in economic difficulties.

9. He recalled that with respect to products on the sensitive list, the 1981 scheme had introduced the concept of differentiation between strongly competitive suppliers who had been made subject to the strict régime of individual country quotas (ICQs), and other beneficiaries from whom imports were to be more flexibly controlled by means of individual country ceilings (ICCs).

10. Following a review of the list, the number of ICQs in 1982 had risen to 121, compared with 107 in 1981; this apparently significant increase had been, however, almost entirely attributable to improvements in the special régimes applicable to Romania and China, for which a number of additional products had been brought in, but in some cases under ICQs. The total number of individual country quotas applicable to the other 15 beneficiary countries concerned had not changed in 1982, although there were some minor variations for particular countries; moreover, six countries were subject to individual quotas. Altogether, the number of products subject to quotas had risen from 64 to 66. The Community had continued its policy of trying as far as possible to avoid imposing quotas on the poorer developing countries other than the least developed.

11. In the 1982 list of 131 sensitive products, all suppliers other than those specifically singled out for ICQ treatment were awarded individual country ceilings. There were 65 products for which no supplier had been identified as so strongly competitive as to warrant the imposition of an ICQ, compared with 64 out of 128 products in 1981.

12. Following an analysis of the situation for each product on the revised sensitive list, the values and volumes of ICQs and ICCs had in most cases been increased in the 1982 scheme by between 5 per cent and 15 per cent, although in certain sectors - notably steel, footwear, leather and leather products - given the continued very serious difficulties in these industries, 1981 levels had been maintained unchanged. For non-sensitive products, the reference base - which was not nominally calculated - had been raised across the board, and without exception, from 102 per cent of the 1980 maximum country amount to 120 per cent, i.e. an increase of 17.65 per cent.

13. For textile products, for which preferential limits were expressed in unit or volume terms and not in monetary values and were thus immune from the adverse effects of inflation, the 1981 scheme had been renewed unaltered in its entirety. In view of the basic principle in the treatment of textiles under the scheme, which linked it with the Multifibre Agreement and the complementary bilateral agreements concluded there, the Community had decided that it was necessary to await at least the outcome of the renegotiation of the MFA - which in the event had not been completed until some weeks after the EC's Council of Ministers had had to approve the 1982 scheme - before contemplating any modification of the arrangements for preferential imports.

14. The total number of agricultural products covered by the scheme in 1982 now stood at 387. Improvements in the preference margins (mostly one or two percentage points) had been made for 36 products already included in the scheme. In addition, 14 new products had been added with respect to all beneficiary countries, including certain live plants, trees, shrubs etc., cut flowers, fresh papaws, pineapple juice and pisco and singani. Moreover, 10 new products had been added for the benefit of the least developed countries, including various meat and fish products, as well as certain seasonal vegetables and certain preserved fruit and cocoa beans. The increase in the preferential margin on fishmeal meant that these countries now enjoyed duty-free treatment on all products covered by the scheme.
15. There had been no change in the list of beneficiary countries, but products on the special regimes applicable to Romania and China had been significantly improved. Nor had any substantive changes been introduced in the rules of origin except for certain minor technical modifications necessitated by the introduction of new products into the scheme.
16. Commenting on the operation of the 1981 scheme, he said that the Community had hoped to be able, as was usual at this time of year, to offer a preliminary evaluation. Since the remodelling of its scheme - the first by any preference-giving country since expiry of the original 10-year waiver by GATT - had aroused widespread interest, it was to be expected that an assessment of the impact of such changes would be eagerly awaited. He regretted, however, that as a result of certain problems in collecting statistics during 1981, which had not yet been entirely resolved, the publication of all types of annual trade statistics of the Community had been considerably delayed and the statistics might not become generally available until the third quarter of 1982 at the earliest.
17. In the meantime it would not only be unwise to extrapolate on the basis of partial returns, it would also be a breach of EEC's established procedures. However, given that the trend of imports under preferences would naturally reflect the over-all tendencies in world trade, he had no reason to modify the general forecast given at the Committee's last session. The effect of the changes introduced in the 1982 scheme for industrial products was likely to bring about a more satisfactory pattern of utilization, which would distribute the benefits more widely without reducing the over-all rate of utilization.

18. Analyses of the utilization of the schemes of practically all preference-giving countries had in the past shown marked disparities in making use of GSP opportunities both among beneficiary countries and among different sectors in particular countries. That was one of the main reasons which had led the EEC to simplify the administration of its scheme and to give greater security in utilizing it. However, it would take some time for those changes to bear fruit. In the meantime, further efforts were clearly needed to improve the utilization of the scheme, both quantitatively and qualitatively, especially by poorer and least developed countries. The Community would again operate a programme of information seminars for beneficiary countries, through which the Commission aimed particularly at making contact with businessmen, actual exporters, manufacturers and producers, and at stepping up information efforts at the sectoral level so as to draw attention to the often neglected possibilities available in regard to non-sensitive products, as well as at underlining the benefits of the changeover to individualized country preferential limits with respect to sensitive industrial products, including textiles. Moreover, a new edition of the Practical Guide to the use of the European Communities' Scheme of Generalized Tariff Preferences, first published in 1976, was to be issued shortly.

Finland

19. The representative of Finland stated that a Parliamentary Commission, the Advisory Board for Economic Relations between Finland and Developing Countries, had completed a review of his country's scheme and that its main conclusions and recommendations were being implemented in accordance with legislative procedures.

20. The Board's first conclusion was that the scheme had functioned satisfactorily in promoting trade with developing countries and there was no reason to alter the principles on which it was based. The scheme did not contain any quantitative restrictions or ceilings, and offered duty-free treatment of imports; furthermore, it was relatively simple and easy to operate. It had been recommended that the scheme be continued without any essential change for at least another decade. That basic aim had been confirmed at Cabinet level, where the extension had also been confirmed in January 1982. Secondly, the Board had called for changes in product coverage to correspond to the overall goal of gradual differentiation to the benefit of the least developed countries. That possibility was still being examined, as was the recommendation that the interests of the least developed countries be kept in mind when dealing with questions related to rules of origin. The special advantages granted to imports from those countries had already increased the share of those imports in total preferential imports from 1 per cent in 1980 to 10 per cent in 1981.

21. Thirdly, the Board had concluded that technical assistance and information related to the scheme should be intensified. A handbook on the Finnish scheme, designed for exporters in the developing countries, would be made available shortly, first in English and later in French and Spanish. Bilateral technical assistance efforts as well as support to multilateral programmes in that field would be pursued.

22. A fourth conclusion had been that product coverage as well as any other issues related to the scheme should be considered in an annual review to be undertaken by the Advisory Board on Customs Affairs, representing all interested parties and public authorities in Finland. The first review, arranged in accordance with that recommendation, had been held in April 1982, and had resulted in a recommendation to add a number of new items to list A. The Board had also recommended that three newly independent States be added to the list of beneficiaries, namely Belize, Antigua and Barbuda, and Vanuatu.

23. While indicating that only about half of the beneficiaries under the scheme had fulfilled the notification requirement and were thus able to benefit from the scheme, he noted with satisfaction that the rate of utilization in 1981 had attained nearly 80 per cent, as compared to 73 per cent in 1980.

24. He concluded by referring to the research project financed by the Ministry of Commerce and Industry to provide detailed information on the trade channels used in importing from developing countries and on the possibilities of increasing direct imports from those countries. The findings of the project clearly indicated that there was room for increasing the share of direct imports in many areas. That was undoubtedly one of the fields in which unnecessary burdens were laid on international trade flows to the detriment of the export interests of developing countries in particular.

Hungary

25. The representative of Hungary stated that her country's scheme of generalized preferences, introduced in 1972, had been repeatedly improved through extension of the product coverage, deepening of tariff cuts and enlargement of the beneficiary list, in the light of the relevant UNCTAD resolutions. As a result of the improvements made, the scheme now included 1,571 items, of which 1,400 were semi-finished and finished industrial goods and 171 agricultural and food products.

26. She indicated that her Government had recently taken further measures to increase imports from beneficiary countries. First, pursuant to Decree No. KKM-PM 1/1981./V.28./, preferential treatment had been extended to six industrial products, and further improvements were being considered. The decree had also increased export opportunities for the beneficiaries.

27. Secondly, Decree No. 5/1981./X.31./ KKM-PM had extended eligibility for preferential treatment to Guinea-Bissau, Grenada, Mozambique and Zimbabwe, on the assumption that those countries did not discriminate against products of Hungarian origin in their markets. With that measure, the list of beneficiary countries had been extended to 61.

28. Thirdly, in accordance with the relevant UNCTAD resolutions, the scheme exempted from duty all goods originating in and bought directly from the least developed countries. On the assumption that no discrimination was applied against goods originating in Hungary, duty-free treatment had been extended to Bhutan, Comoros, Western Samoa and Cape Verde since August 1981, and to Guinea-Bissau since April 1982. Accordingly, all the 31 least developed countries now enjoyed tariff exemption for all products on the Hungarian market. In that connection, she drew attention to document TD/B/C.5/PREF/14, where the word preferential in paragraph 7 should be replaced by the term duty-free.

29. She recalled that the Hungarian scheme embodied no quota limitations. She also drew attention to document TD/B/C.5/81, which showed clearly that, in 1979, 95.1 per cent of total imports from all beneficiaries received preferential treatment in the Hungarian market, thus indicating that the scheme was being applied predominantly to products in which beneficiaries had actual export possibilities.

30. She added that Hungary attached great importance to the strengthening of economic co-operation with developing countries, with which it had initiated relations after those countries had obtained their independence in the 1960s. At present, her country maintained relations with nearly 100 developing countries, trade agreements at the government level were in force with 57 countries, while agreements on technical and scientific co-operation had been concluded with 44 countries. Payments to the majority of developing countries were settled in convertible currency. Basic considerations in expanding relations with the developing countries were reciprocal advantages, and complementarity between the Hungarian economy and those of developing countries.

31. While agricultural products continued to play an important role in Hungary's imports, in the 1970s the share of products at a higher stage of processing, and especially of industrial consumer goods of the developing countries, had gradually increased. The proportion of this product group had been insignificant in the 1960s, with industrial and agricultural basic materials accounting for the bulk of imports. While in 1975 industrial consumer goods had formed a mere 4.4 per cent of Hungarian imports, they had represented 9.6 per cent in 1980, and 13 per cent in 1981. Their rise had been due not only to increased relations between Hungary and developing countries but also to her country's scheme of preferences.

32. In conclusion, she stressed that the scheme in itself merely provided developing countries with the possibility of expanding trade, and that, without their active co-operation, the desired results could not be achieved.

Japan

33. The representative of Japan stated that his country's scheme had been extended for a further period of 10 years starting from 1 April 1981. During the 11 years of its existence the scheme had substantially contributed to the expansion of Japan's imports from developing countries. In the fiscal year 1981, preferential imports, at \$5.4 billion, had been about 15 times the level in the fiscal year 1972. That was undoubtedly an impressive increase, especially when it was considered that total imports into Japan in the same period had grown only 5.6 times. Mainly owing to the great increase in preferential imports from the beneficiaries, total imports from those beneficiaries had risen eightfold in the past 10 years since 1972, whereas the rise in the corresponding figure for total imports from non-beneficiaries had been only threefold. Consequently the share of imports from beneficiaries in total imports, even when oil imports were excluded had increased from 28.2 per cent in the fiscal year 1972 to 35.8 per cent in the fiscal year 1981.

34. Among the improvements made in the scheme in the current fiscal year (April 1982 - March 1983) were, first, the deeper tariff cuts with respect to 19 items, including bananas, some garments, and dolls and certain toys. Secondly, the ceiling quota for industrial products had been increased by 6.7 per cent and flexible administration of the quota, whereby preferential treatment beyond the ceiling was possible, had been extended to six more product groups. Thirdly, Guinea-Bissau had been granted the special treatment available to the least developed countries.

35. His Government had also taken certain other measures to contribute to a further expansion of imports from beneficiary countries. They included advance implementation, as from 1 April 1982, of the across-the-board MFN tariff reductions agreed to in the multilateral trade negotiations, i.e. two years ahead of schedule. Further efforts had also been made to improve import testing and other procedures.

36. He added that the UNCTAD/UNDP technical assistance project on the GSP played a very important part in the wider appreciation of GSP schemes by developing countries. His Government welcomed the extension of financial support by UNDP until the end of 1983 and urged further extension of the financial support beyond that year. Recognizing the importance of technical co-operation in this field, his Government had provided financial and other support to those activities designed to promote wider utilization of GSP schemes. Thus, it had offered to finance regional seminars on the GSP and had provided associate experts to UNCTAD for its technical co-operation activities. It had also sponsored and financed annual seminars on customs administration, in which a number of officials of developing countries had been invited to participate.

37. His Government believed that the active participation and involvement of the officials of both preference-giving and preference-receiving countries were very important in their joint efforts to ensure more effective and wider utilization of his country's scheme. In that respect, the GSP seminars, as well as the bilateral and plurilateral consultations held during sessions of the Special Committee, provided a useful forum for discussion of the relevant issues and of the operation of the scheme.

New Zealand

38. The representative of New Zealand stated that few changes had occurred since the last session of the Special Committee. As a result of extensive revisions and improvements in previous years, his country's scheme continued to be broad in scope, embracing as far as practicable all categories of goods, including agricultural products. As the UNCTAD figures showed, the great bulk of New Zealand trade with developing countries was covered by its scheme. Furthermore, the rate of utilization was high.

39. Concerning rules of origin, he confirmed that, as from 1 July 1982, when New Zealand would have acceded to the GATT Customs Valuation Code, his country would be in a position to accept the use of Form A by preference-receiving countries in their trade with New Zealand, although use of the unrevised form would require endorsement. This move did not reflect any change in the actual rules of origin but had simply been designed to assist the use of standard documents. His country, for example, still applied full cumulation of imports shown to be "wholly obtained" in preference-receiving countries.

40. New Zealand was interested in seeing that developing countries made full use of its scheme and in that connection he drew the attention of the beneficiaries to the useful manual on the New Zealand scheme produced by the UNCTAD secretariat.

Norway

41. The representative of Norway stated that the review of his country's scheme undertaken the previous year had had two main objectives: first, to inform Parliament of the operation and results of the scheme, and second, to explore the possibilities for further changes in the product coverage. The question of extending the life of the scheme had not been an issue, since Parliament had not set a time-limit to the scheme when it had been introduced. He recalled that his Government had stated as early as 1976 at UNCTAD IV that the scheme would be continued beyond its initial 10-year period. The question of terminating it had never arisen, and it was expected that it would be continued for the foreseeable future, in line with common international practice.

42. The main conclusion of the review had been that no fundamental changes were to be made in the scheme. The overriding objective remained that of strengthening the possibilities for the developing countries to increase their share of world trade and thereby promote their economic growth. It was considered that that objective could best be fulfilled if the scheme were as transparent and predictable over time as possible.

43. The important characteristics of the scheme were therefore that it contained no quantitative restrictions and that it gave duty-free treatment to all covered products. The scheme consisted of a positive list of agricultural products in CCCN chapters 1-24 and of a negative list of exceptions lists for four of the more advanced developing countries. A new feature of the scheme introduced in 1976 had been to accord duty-free treatment on all exports to Norway, to the least developed group of countries as defined by the United Nations.

44. The product coverage of the scheme for countries other than the least developed had increased gradually and its further extension would be considered on a case-by-case basis. The review carried out would also result in some changes which would be notified in due course. In that connection, he pointed out that the product coverage was so extensive that it left little room for improvement. The utilization rate, however, was somewhat disappointing. One explanation of the relatively low rate was that so far only 73 countries had complied with the notification procedures, while more than 160 countries and territories were eligible for preferences under the scheme. NORIMPOD, the governmental office for promoting imports from developing countries, gave assistance in complying with such formalities.

45. Total imports into Norway from beneficiary countries had risen between 1979 and 1980 by 26 per cent while the corresponding figure for imports accorded GSP treatment was 28 per cent. On 1 August 1981, Hong Kong had been included in the scheme while Guinea-Bissau, Cape Verde and the Comoros had been included in the list of least developed countries eligible for duty-free treatment for all their exports.

Poland

46. The representative of Poland stated that his country's newly adopted scheme of generalized preferences had been published by the UNCTAD secretariat in document TD/B/GSP/POLAND/2 of February 1982. As a result of improvements, beneficiary status had now been extended to a total number of 120 countries, out of which 30 were least developed countries enjoying duty-free treatment for all products exported to Poland. Furthermore, the list of covered products now included more than 1000 CCCN items and sub-items. Manufactures and semi-manufactures represented 79 per cent of the items covered by the scheme, while a number of agricultural products of great importance to the developing countries were also included. Various preferential tariff margins were applied, which took into account the specific conditions and needs of the developing countries. Thus, 16 per cent of covered products were granted duty-free treatment; mainly products which represented the bulk of Polish imports from the developing countries. The substantial tariff concessions for industrial equipment and industrial consumer goods had been designed with a view to stimulating increased imports of those products from the developing countries.

47. The importance of the Polish scheme and its role in the development and diversification of Polish imports from the developing countries could be gauged from the fact that almost 55 per cent of total imports from beneficiaries were covered by it. The share of manufactured products imported under the scheme as compared with total preferential imports had been increasing and stood at 40 per cent in 1980. More detailed information illustrating the operation of the scheme would be sent to the UNCTAD secretariat in the near future.

48. He indicated that his country had also introduced other measures to create favourable conditions and promote imports of various products from the developing countries. They included long-term agreements on economic co-operation with the developing countries. Experience showed that such agreements had contributed substantially to the growth of trade, the diversification of imports from developing countries, and the development of those countries' industries. Other measures included long-term commodity contracts, industrial co-operation agreements, agreements on cultural, scientific and technical co-operation and training of specialists. He stated that it was his country's intention to expand such forms of co-operation in future.

Sweden

49. The representative of Sweden stated that her country's scheme of generalized preferences, introduced in 1972, had no time-limit and there was no intention of terminating it within the foreseeable future. A review of the first 10 years of operation carried out by the Government, business and trade unions had concluded that the scheme worked effectively and should remain basically the same.

50. Consequently, the scheme would remain open-ended and simple to operate since it had no quotas or ceilings and consisted of duty-free treatment. Although there was no change in the product coverage it had been decided that such coverage would be reviewed every five years. The only new element was the possibility of some differential treatment of beneficiaries which, for example, would give due consideration to treating the least developed countries more generously if and when changes were to be made in the product coverage. She stressed that no safeguard measures had yet been taken, nor had any new exclusions been made in the scheme.

51. She also indicated that the utilization rate of the scheme had been high, and, except for the first year of operation, it had remained around or above 70 per cent. Much, however, still had to be done as regards utilization of the trading concessions offered by the scheme. Of a total number of 162 countries and territories eligible for GSP treatment, 88 had so far taken advantage of the opportunities offered. There might be several reasons why a number of countries had not used the scheme to date, one of them being that the trading possibilities presented by Sweden might not be well known. For that reason, she drew particular attention to a special agency set up by the Government, the Import Promotion Office for Products from Developing Countries (IIPOD), which was in charge of assisting exporters in developing countries to explore their export opportunities on the Swedish market. In that connection she also emphasized that technical assistance played an important role in insuring maximum use of GSP benefits, and therefore welcomed the continuation of the UNCTAD/UNDP project.

52. In conclusion, she stated that as a result of the GSP scheme and of zero duties on an LFN basis, 90 per cent of imports from developing countries entered the Swedish market duty-free. Her Government remained committed to the aims of the GSP and looked upon it as an important part of its trade relations with developing countries.

Switzerland

53. The representative of Switzerland said that, on 1 March 1982, her country's scheme of tariff preferences had been extended for a period of 10 years. A single change had been made. The new Order stated: "The Federal Council shall periodically examine whether - and, if so, to what extent - preferences granted in respect of products from particular beneficiary countries continue to be warranted in the light of the level of development and the financial and trade situation of those countries".

54. She added that the new clause took account of the fact that the development of the trade of the third world countries should be regarded as an evolutionary and dynamic process which would depend on circumstances specific to each country. It was consequently important that the steps to be taken with a view to giving differentiated and more favourable treatment to certain countries should be no less dynamic and specific in nature. The provision in question was based on the idea that the most advanced of the developing countries should gradually take upon themselves the rights and obligations of a unitary world trading system. If such countries continued to benefit from preferences, it would be normal for them to open their markets in the longer term. Her Government intended to use that new article in the first place in a positive way, namely, to encourage the country's trading partners to practise a more liberal import policy. The development of trade should thus be facilitated rather than hampered.

55. Moreover, if it should prove necessary in the future to withdraw preferences, account would be taken in the first place of the justification for tariff advantages in the light of the development, in the widest sense of the word, of each of the beneficiary countries, i.e. not only the per capita income but also the export earnings requirements, indebtedness, production structure and exports. In the course of the examination, account would also be taken of the competitive position of the country concerned (with regard to its exports as a whole or to a particular product), its general trade policy and the situation of the other less competitive developing countries. The access of the latter to the Swiss market might be facilitated by favouring them in comparison with the more advanced countries. Lastly, the analysis would also include the state of the Swiss trade balance with the country concerned.

56. The introduction of the periodic examination clause had made it possible to extend the Swiss scheme without changing the list of beneficiary countries or the range of products covered. In conformity with the over-all objectives of the

system, the products that were granted preferences were essentially industrial products falling within chapters 25-29 of the Customs Co-operation Council Nomenclature. Preferences were also granted in respect of a number of agricultural products in chapters 1-24, including many tropical products. The main purpose was to grant initial aid to developing countries so as to facilitate their industrialization efforts. The principle underlying the granting of preferences was duty-free treatment without any quantitative restrictions. There were some industrial products which, none the less, form the subject of exceptions to duty-free treatment, since they were products in which the developing countries as a group or certain beneficiary countries in particular had already been competitive at the outset.

57. Furthermore, the Swiss scheme had, since its entry into force, included a safeguard clause but that clause had never been used.

58. As for the utilization of preferences in 1981, total Swiss imports from the developing countries had fallen slightly as compared with 1980. On the other hand, the ratio of imports from the developing countries to the total imports of Switzerland had increased from 21.3 per cent to 22.7 per cent. Imports from developing countries which had effectively taken advantage of the preferences had also increased by 6 per cent, as compared with 1980, so that the rate of utilization had risen from 31 per cent to 36 per cent. She drew the attention of all the beneficiary countries to the fact that the preferences granted by her country were still by no means being fully used and urged them to take greater advantage of them. She also pointed out that, since the duties payable on many products, particularly commodities, were very low, the developing countries had often refrained from applying for the benefit of the preferences. If, for example, imports of precious stones were excluded, the rate of utilization would be 46 per cent.

59. As to the future, an extension of the Swiss scheme was envisaged, particularly in favour of the 31 least developed countries, by granting them zero duty on all industrial products or, in other words, those countries would benefit from zero duty on textiles, clothing and footwear. As for agricultural products, duty-free status would be granted in respect of some new products, including ground-nuts, powdered cocoa and pineapples. Other preferences were also being considered for Hong Kong, Yugoslavia, Romania and Turkey. Those new measures might enter into force in July.

60. She welcomed the opportunity afforded to her delegation by the meetings of the Special Committee to become better acquainted with the views of the beneficiary countries through the consultations that it had once again held with a number of them. She added that such consultations should make it possible to detect any problems that might be raised by the Swiss scheme, problems which her authorities intended to remedy as far as possible. As a result of those consultations, it would also be possible for Switzerland to improve its scheme of preferences.

61. In conclusion, she welcomed the fact that UNDP was still aiding the UNCTAD technical assistance project on the utilization of the generalized system of preferences and reaffirmed her authorities' support for the programme.