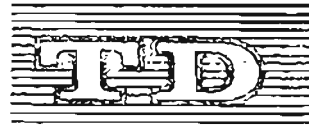




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United Nations Conference on Trade and Development

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GENERAL

TD/B/C.2/217
20 January 1983

ENGLISH
Original: SPANISH

TRADE AND DEVELOPMENT BOARD
Committee on Manufactures
Tenth session
Geneva, 14 March 1983
Item 4 of the provisional agenda

REVIEW OF THE REPORT OF THE SPECIAL COMMITTEE
ON PREFERENCES ON ITS ELEVENTH SESSION

Some considerations on the generalized system of preferences

Note by the UNCTAD secretariat

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Introduction

- (i) The purpose of this document is to provide an overview of the situation with regard to the generalized system of preferences, highlighting the factors which stand in the way of better use of the advantages granted under this important mechanism and taking into consideration recent events and discussions, particularly those which took place at the latest session of the Special Committee on Preferences.
- (ii) It examines in turn the main elements of the GSP, such as product coverage, the size of tariff cuts, safeguard clauses and rules of origin, and concludes with some recommendations on specific improvements and means of preventing any regression in the system, which would be highly damaging to the exports of developing countries.
- (iii) The aim is thereby to guide both preference-giving and beneficiary countries in the search for concrete solutions that will foster the objectives for which the GSP was established.

I. General remarks

1. Under resolution 21 (II), which was unanimously adopted at the second United Nations Conference on Trade and Development in 1968, it was agreed to establish a mutually acceptable system of generalized non-reciprocal and non-discriminatory preferences which would be beneficial to the developing countries. It was agreed that its objectives should be: (a) to increase the export earnings of those countries; (b) to promote their industrialization; and (c) to accelerate their rates of economic growth.
2. The technical, institutional and legal basis of the system was set forth in the agreed conclusions of the second part of the fourth session of the Special Committee on Preferences in 1970. In that same year, the Trade and Development Board took note of the agreed conclusions in decision 75 (S-IV) and, at its twenty-fifth session in 1971, the General Assembly included preferential arrangements as an integral part of the international development strategy. The principles and objectives of the GSP have since been upheld in various instruments.
3. Most countries began to put their offers into practice in 1971 and, today, there are 16 different schemes applied by 20 market-economy countries and 6 socialist countries of Eastern Europe. Preference-giving and beneficiary countries alike agree on the usefulness of the system, but there are sharp differences concerning its results and the way it has been applied in order to achieve the agreed objectives.
4. The schemes in force have developed to varying degrees, undergoing changes which have both positive and negative aspects; although the scales are tipping more towards an erosion, particularly as a result of actions contrary to the basic principles and agreed conclusions of 1970, the reasons which prompted the establishment of the system remain fully valid two decades later; hence the importance of finding means of ensuring that this mechanism plays an effective role that will benefit the developing countries, by achieving the objectives for which it was set up.
5. The schemes of preferences differ in terms of content, scope and application; however, they share a number of common general features which may be used as a basis for analysing them and which indicate the advantages and difficulties faced by beneficiaries in making full use of them. The main features include product coverage, the size of tariff cuts, safeguard clauses and rules of origin.

II. Product coverage

6. The GSP was originally proposed to promote exports of manufactures and semi-manufactures, but it was gradually expanded during negotiations to cover commodities as well. The number of products covered differs from one scheme to another and their scope and trade effects therefore vary according to beneficiary.
7. Generally speaking, it may be said that most industrial products and a small number of agricultural products are covered, with exceptions of varying degrees that include products of the greatest interest to developing countries. Since their implementation, the schemes have periodically broadened their offers, but

improvements have not been significant, as shown by the high proportion of imports which originate in beneficiary countries and continue to be subject to MFN duties. ^{1/} In 1980, these amounted to 50 per cent on average and, in particular, for some beneficiaries under some schemes, to over 95 per cent, so that they are practically excluded from the benefits of the GSP, as may be seen, for example, in the tables in annexes I and II concerning the United States and Japan. In addition, if trade effects are considered in the light of available figures, total MFN dutiable imports of OECD countries from developing countries in 1980 amounted to \$114.6 billion, of which \$56 billion were covered by the GSP, but only \$24.4 billion received preferences; these are important figures which also show that there is a great deal of room for improvement. This situation is due in part to reasons such as the fact that the exports of GSP beneficiaries continue to consist primarily of agricultural products, with a varying degree of processing, to which high MFN duties are applied and which preference-giving countries have not considered in their preference offers. It should also be borne in mind that product coverage is in practice even smaller, as various countries cannot meet some rules or overcome safeguards, and this further limits the use of the various GSP schemes.

8. In addition, there is a considerable number of products of interest to developing countries which are not covered by the schemes and for which industrialized countries are the major suppliers: consequently, the failure to include them protects not only domestic producers, but also those suppliers, and deprives developing countries of opportunities to expand and diversify their exports.

9. There has been an intensification of the discriminatory policy of excluding some products originating from specific countries, either under the graduation principle or for reasons such as the absence of special agreements with the preference-giving country, as in the case of textiles in EEC. This is not only contrary to the principles on which the GSP is based, but also causes serious problems for the majority of developing countries which do not enjoy such advantages.

10. Thus, there is a great deal of room for improvement in the system if the aim really is to achieve the objectives of resolution 21 (II). Improvements should be approached in a positive frame of mind so that, instead of excluding countries with the best possibilities of using preferences, offers are expanded to include the products of countries on which the GSP has had the smallest impact.

III. Size of tariff cuts

11. With regard to the size of tariff cuts granted under the GSP, most schemes provide duty-free entry for all eligible articles, while others grant partial cuts, particularly for certain products or sectors of interest to beneficiaries.

^{1/} See TD/B/C.5/PREF/6-8 and 9.

12. Within the group of products for which MFN duties have been entirely eliminated, some schemes cover a number of products with large preferential margins which could play a significant role in increasing trade: for example, between 15 and 20 points in EEC, 15 to 25 in Japan and 20 to 53 in the United States. However, most of these cases are subject to a priori or competitive-need limitations which hinder preferential imports and reduce or eliminate the positive impact which a wide preferential margin might have.

13. With regard to products for which only partial cuts are granted, some have margins of over 50 per cent in relation to MFN duties, but a large number have margins which are very small or negligible for trade promotion, including processed and semi-processed goods, particularly from the agricultural sector. Besides small preferential margins, very high tariff levels are maintained: this prevents them from competing not only with domestic producers, but also with suppliers in non-beneficiary countries, as duties are 2, 3 or even 10 times higher than the average import duties of industrialized countries. Margins of three points on an MFN tariff of 90 per cent, leaving a preferential rate of 87 per cent, as in the case of some products in the EEC scheme, or of 0.4 per cent on 12.4 per cent in the case of Japan, will not have a decisive impact on developing country exports (see the tables in annexes III and IV).

14. Since the implementation of the various schemes, each preference-giving country has periodically increased tariff margins, but by very small amounts (usually two to three points) and without covering all MFN dutiable products; many products excluded from these improvements are important; this is why there are still cases such as those indicated above. Some schemes initially introduced small cuts, which they substantially increased at later stages, but retained higher tariffs for some sensitive sectors in which they have not continued to make improvements in recent years.

15. It is important to note that GSP preferential margins have been eroded as a result of cuts made in MFN duties during the MFN and of the elimination of such barriers for various developed countries, as in the case of EEC and the establishment of a free-trade zone with the other Western European countries.

IV. Safeguard clauses

16. In their schemes, the preference-giving countries provided for safeguard machinery to maintain some control over trade resulting from new tariff advantages.

17. The safeguard mechanisms that have been applied under the GSP may be divided into two major groups: (A) escape-clause type measures; and (B) a priori limitations.

A. Escape-clause type measures

18. Preference-giving countries provide for the application of escape clauses which are based theoretically on article XIX of GATT and under which they can wholly or partially withdraw preferential tariff treatment when imports of a given product covered by the GSP increase to such an extent that they cause or threaten to cause serious damage to domestic producers of similar or directly competing products. As a rule, safeguard measures must be temporary and taken in consultation with the countries concerned, as well as exceptional and non-discriminatory. The temporary

aspect is provided for not only in article XIX of GATT, but also in the agreed conclusions of the fourth session of the Special Committee on Preferences, which state that preference-giving countries must review from time to time the safeguard measures adopted with the aim of relaxing or eliminating them as quickly as possible. Instead of being temporary, however, the exclusions made through this mechanism are becoming permanent.

19. It was also agreed in the conclusions that preference-giving countries would offer "opportunities for appropriate consultations" to beneficiary countries, in particular, to those having a substantial trade interest in the product concerned, in connection with the use of safeguard measures. Experience has, however, shown that, during the period of application of the GSP, preference-giving countries, with few exceptions, have unilaterally decided to apply such measures without appropriate consultations with developing countries and, consequently, without establishing any counterbalance for the advantages that were being granted.

20. In this context, the preference-giving countries also declared that the measures would be "exceptional" and would be decided on only after taking due account, in so far as their legal provisions permitted, of the aims of the generalized system of preferences and the general interests of the developing countries and, in particular, the interests of the least developed among the developing countries.

21. In addition, these measures should be adopted without discrimination. However, this is yet another requirement that is not being met, as measures directed only against some beneficiaries have been adopted. Escape clauses have been applied on few occasions and, while some countries have not had to resort to such measures, others have used them and this has made for uncertainty in the system, as the considerations reviewed above have not been taken fully into account in their application.

22. The countries which provide for safeguards solely of the escape-clause type are Austria, Canada (whose legislation since 1980 includes the possibility of establishing a priori limitations, although they have not been applied), Finland, Norway, New Zealand, Sweden, Switzerland, Bulgaria, Czechoslovakia, Hungary and Poland. While this type of measure is the only one for which they have provided, they have taken precautions by not including in their schemes a number of products which are classified as sensitive and are usually of great importance to developing countries.

B. A priori limitations

23. In addition to escape-clause type measures, Australia, Japan, EEC and the United States have provided for various kinds of a priori limitations that fall most heavily upon products for which beneficiaries have the best export possibilities. These restrictive measures have become one of the most negative aspects of the system and preference-giving countries have been intensifying them in recent years instead of relaxing or eliminating them. They affect a large number of products and beneficiaries and shut off opportunities for enjoying established advantages for a high percentage of the exports covered by the GSP (in 1980, 65 per cent in EEC, 41 per cent in Japan, and 51 per cent in the United States).

24. In addition to their complexity and the lack of transparency in the way they are managed internally (allocations to importers, absence of criteria for determining the degree of sensitivity, lack of information, complexity, etc.), these restrictive measures are increasing discrimination, thus further heightening the insecurity from which the GSP already suffers as a result of the absence of guarantees that preferences may really be enjoyed.

25. The objectives of resolution 21 (II) can, moreover, not be achieved as long as the attitude is more towards controlling (or hindering) the level of the benefit or increase in the share of the market, thereby ruling out further possibilities, regardless of actual or potential harm or serious prejudice to domestic production as a result of preferences.

26. As regards a priori limitations in the EEC and Japanese schemes, there are quotas or ceilings, established in terms of value or quantity, which have not been increased in a regular and significant manner in proportion to the growth of the imports of the preference-giving country. ^{2/} Many of these quotas have been increased by only 5 per cent in recent years, while others have remained constant, or, in exceptional cases, have been reduced.

27. The competitive-need ceilings in the United States scheme are a disincentive for exporters who manage to derive full advantage from the system. A minimum percentage or figure is not an appropriate criterion for terming a product from another country as competitive, as proved by the fact that many articles ~~excluded~~ specifically on percentage grounds (50 per cent) because they were supposedly competitive one year have not stood up to the weight of MFN duties in the following year and have once again become eligible. For small enterprises, this instability affects manufacturing costs and also affects importers, who cannot plan their activities properly and, on occasion, will have to cease importing.

28. The effects of these ceilings are felt not only by the more developed beneficiary countries but at various levels. One example is the situation of a country such as Haiti, which is classified as one of the least developed countries and was affected in 1981 by exporting \$1,015,000 worth of mangoes (heading 147.98 of the Tariff Schedule of the United States) accounting for 57.28 per cent of total imports.

29. A percentage ceiling has a more restrictive effect, as the greatest possible assistance is required when seeking to break into a market. However, if a product exceeds an amount as small as \$1,210,000 (1982), it is declared competitive.

30. Besides the safeguard clauses which were originally provided for or agreed, there has been an increasing use of differentiation or graduation, which not only violates principles such as non-discrimination, but is a unilateral measure that is not mutually acceptable and runs counter to the provisions of the agreed conclusions of 1970; it also represents a step backwards for the GSP, as it affects both large and small-scale exports, even those covered by a priori quantitative limitations, which would presumably already protect domestic production from any possible harm.

31. The use of graduation is even contrary to rules such as the "de minimis" provision in the United States scheme, which, in principle, was introduced to avoid excluding exports of little value and, in practice, has affected imports of less than \$1.2 million ^{3/} or products which do not exceed 50 per cent of imports or the absolute figure of \$50.9 million in 1982, should not have been excluded and have a small market share. ^{4/} There has thus been an increase in the number of products and the value of exports which are eligible, but do not benefit from the GSP and protection is being given to producers in preference-giving countries and suppliers in other industrialized countries, rather than to other beneficiaries which make less use of the system.

^{2/} For example, in the EEC scheme, see CEE items 18.04, 21.02, 24.01 and 20.06.

^{3/} Tariff Schedule of the United States (TSUS): 406.20.

^{4/} TSUS: 12, 663.70, 661.47, 663.10, 684.50.

V. Rules of origin

32. Rules of origin are one of the basic elements of the GSP and are of interest not only to preference-giving countries, but also to beneficiaries, as it is through such rules that preferences are actually granted. In the conclusions adopted by the Special Committee on Preferences in 1970, it was agreed that rules of origin should facilitate the achievement of the objectives of Conference resolution 21 (II), ensure effectively for the beneficiary countries the advantages of preferential treatment for those exports which will qualify therefor, help to ensure equivalence in conditions of access to the markets of the preference-giving countries and avoid distortion of trade.

33. Satisfactory functioning of the rules of origin would be greatly helped if it were possible to establish mutual trust between the competent authorities of the donor and beneficiary countries, particularly concerning documentation and control. It was agreed that such co-operation should be assured bilaterally and through the institutional arrangements as provided for in the relevant part of the agreed conclusions.

34. It was recognized that it was desirable to have rules of origin that were as uniform as possible and as simple to administer as practicable and that, in future, efforts should be made to achieve the goals on which there had, initially, not been sufficient progress.

35. It was also agreed that it was necessary to examine some common elements which should be harmonized since they are used in the determination of substantial transformation, as well as questions of cumulative treatment, the criterion for the treatment of developed country content and possible solutions to specific problems of the least developed among the developing countries. During the period in which the system has been in force, some progress has been made in this field, particularly as regards documentation, verification, sanctions and mutual co-operation. Progress remains to be made on fundamental elements such as those connected with origin criteria, which have come to cause serious problems for developing countries on account of their complexity and ensuing difficulties in observing some rules, especially in the case of the manufacture of goods using imported inputs.

36. No major complications arise with regard to the manufacture of goods using exclusively domestic materials or inputs. Initially, there was some divergence of opinion about what could be considered "wholly produced"; In the meantime, however, this concept has virtually been harmonized in all the schemes, thereby making it easier to understand. The concept of "substantial transformation", required for products manufactured with inputs which are imported or of uncertain origin, has been defined in different ways by donor countries, one group applying the process criterion and the other, the percentage criterion.

37. Each of these concepts has a number of advantages and disadvantages which affect users of the schemes and, although efforts have been made to improve them, significant results have not yet been achieved. A more detailed study of these criteria reveals requirements which hinder or curtail the use made of the advantages established in the various markets.

A. Process criterion

38. Under this criterion, which is used by Austria, EEC, Finland, Japan, Norway, Sweden and Switzerland, substantial transformation exists when the product obtained falls under a CCCN heading which is different from those of the materials, parts or components used.

39. Since in many cases a change of heading does not reflect substantial transformation, the so-called A and B lists were drawn up; they contain exceptions to this rule and lay down further requirements.

40. List A contains further requirements other than a change of tariff heading. These are, for example, the exclusion of some materials imported as the starting point for processing; and the exclusion of some processes which are considered unimportant and are, in some cases, subject to the conditions that processing should take place on the basis of certain materials, that such materials should be domestic and that the processes should consist of more than one stage, as well as to additional requirements, including the establishment of a maximum percentage of external inputs, with different levels and different methods of calculation, etc., a situation which is so complicated that, in practice, it constitutes a barrier to exports. Within this group of countries, a high degree of harmonization of the various conditions stipulated in the list has been achieved by EEC, EFTA and, to a lesser extent, Japan.

41. These additional requirements are justified in the case of processes which are so simple that they do not contribute to the achievement of the industrialization objectives being sought, since they do not promote the rational use of domestic inputs, installed capacity, manpower, technology, etc.; but, in a desire to compensate for such cases, countries have gone to the other extreme, establishing requirements which very few can satisfy, as the great majority do not have sufficient resources or, if they did meet the rules, production would either not be profitable or the necessary investment would be very high.

42. In addition to these conditions, other elements have the effect of raising production costs in beneficiary countries which use imported inputs that are reflected in the price of the product obtained. These include transport, taxes, administrative handling and so forth. Consequently, so strict an attitude is, in some respects, unjustified.

B. The percentage criterion

43. In the schemes of Australia, Canada, New Zealand, the United States, Bulgaria, Czechoslovakia, Hungary, Poland and the USSR, transformation is considered substantial if the value of imported materials, parts and components does not exceed a given percentage of the value of the product obtained or if the value of domestic inputs amounts to a certain minimum percentage of the value of the end products.

44. The application of this criterion gives rise to a variety of problems which must be taken into account by developing country exporters, since:

(a) The required percentage levels are not suitably harmonized. Thus for example, Australia and New Zealand require a minimum domestic value added of 50 per cent and the United States requires 35 per cent, while Canada and the socialist countries have established maximum foreign inputs of 40 per cent and 50 per cent, respectively.

(b) The starting points and elements to be considered in the calculation of the established percentage differ considerably from one scheme to another and thus create complications not only for exporters, for the purposes of calculating the percentage in question, but also for the authorities of beneficiary countries involved in the process of certification of origin. A developing country exporter wishing to export to Australia may include the manager's salary, for example, in his calculation of value added, but it cannot be included if the goods are going to the United States. If Australian inputs are used, they may be considered as domestic, whereas if United States inputs are used, 5/ they cannot be considered for the purpose of meeting the value-added requirement under that scheme. If a raw material which has been imported has been substantially transformed according to the rules of the United States scheme, it may be included in the calculation of the 35 per cent of domestic value added, whereas, for Canada, the cost of that imported raw material must be regarded as an external input, even if it has undergone major substantial transformation. 6/

(c) Situations such as those described above lead to cases in which a product that uses external inputs meets the rules of origin of one country, but does not satisfy those of another.

(d) Some products, especially those close to the established percentage limits, are subject to problems of inflation or changes in world prices, which place the exporter in the position of sometimes being able to satisfy the rule if prices remain stable, while being at any moment liable not to satisfy it if prices rise; this naturally hinders production planning. Such cases have occurred for products such as steel wire (CCCN heading 73.14), where it is required that the steel be imported in bars and subjected to extrusion and coating processes before being exported.

(e) The level of the minimum percentage of domestic value added required is often high and, thus, beyond the reach of various products, especially manufactures, whose production necessarily requires some imported inputs. Specific complaints concerning such situations have been made by preference-giving countries. Although there are no figures on any loss of preferences as a result of failure to satisfy rules of origin, a possible consequence of such failure may be seen in the data which have been supplied by preference-giving countries and which show that a large number of products that are included in the GSP have nevertheless entered paying MFN duties.

(f) The lack of harmonization frequently leads exporters to errors in calculation and in the determination of origin which may cause them to lose the preference, not to mention delays in obtaining certificates of origin from the competent export authorities, with the obvious negative repercussions on their trading activities.

(g) Such a variety of situations creates complications for beneficiaries as regards both the calculation of the percentage in question and the study of markets in which they may find preferences and programmes; in manufacturing activities, in particular, difficulties also arise for companies which market rather than produce goods.

5/ Not including TSUS 806.00 and 807.00.

6/ See TD/B/C.5/WG(VIII)/2.

45. When launching sales in a given market, a developing country exporter must make his calculations and submit them to the authorities responsible for subsequently issuing the certificate; the latter usually require calculations for all preference-granting markets in order to have up-to-date information and, subsequently, to be able to check it. This lack of harmonization also complicates the process of verification and certification by the authorities of the beneficiary country. Checking by the certifying authorities takes place within the agreed framework of co-operation. It is also in the beneficiary countries' interest to ensure that their products have the greatest possible value added, within economically reasonable technical limits, with a view to achieving the objectives set in resolution 21 (II). If this type of problem arises for the more advanced and middle-rank developing countries, it is all the more difficult for the least industrialized countries. There is thus a pressing need to establish simple rules of origin which are better suited to reality and to the possibilities of beneficiary countries, in order effectively to achieve the objectives for which the GSP was established and ensure that rules of origin do not become yet another protectionist measure.

VI. Recommendations

46. It follows from the general observations made in the foregoing chapters that the following action should be taken to improve the GSP:

(a) In view of their large number, products which are excluded from the GSP and for which developing countries are not the main suppliers should be included as rapidly as possible. Subsequently, within a reasonable period of time, other currently MFN dutiable products should be included until a considerable reduction has been achieved in the high proportion of trade originating in beneficiary countries and not covered by the GSP at the present time.

(b) Duty-free entry should be granted to all eligible products, as is the case in most of the schemes in force, and these margins should be consolidated so that they offer more security and allow full advantage to be made of the GSP. A minimum preferential margin in relation to MFN duties (50 per cent) should initially be adopted in order to eliminate ineffectual margins; it should subsequently be reduced to zero through a programme of cuts. In schemes which discriminate against products of industrialized countries, equal conditions should be applied.

(c) A common safeguard mechanism governed by well-defined objective economic criteria should be adopted if harm or serious prejudice is shown to have occurred; it should be temporary and subject to monitoring and international review; consultations with the beneficiaries most concerned should be provided for, with an evaluation of losses, which should be counterbalanced by other products so as not to limit the scope of the GSP.

(d) Quantitative ceilings and competitive-need limitations should be eliminated. Initially, they should be fixed at the same amounts as imports during the previous year, with fixed percentages and automatic increases, taking account of factors such as inflation, exchange rates and so forth. Differentiation and graduation measures are unacceptable under the GSP, as they violate the basic principles on which the system was established.

(e) Rules of origin which are difficult for the great majority of beneficiaries to satisfy should be eliminated or relaxed and realistic requirements should be established in keeping with the beneficiaries' industrial capacity, in order to promote the achievement of the objectives of the GSP.

(f) Various aspects of the rules of origin should be further harmonized and simplified in order to make them easier to use and to avoid the different kinds of administrative complications which contribute to failure to take advantage of the system.

(g) There should be full and global cumulative treatment, without further administrative requirements, in order to encourage utilization of the system.

Annex I

IMPACT OF THE UNITED STATES SCHEME ON THE EXPORTS
OF SOME BENEFICIARIES

Beneficiaries	Percentage of MFN dutiabale exports	Percentage of exports under GSP
Trinidad and Tobago	95	1.3
Bahamas	93	0.5
Virgin Islands	93	0.0
Romania	81	14.5
Turkey	81	3.7
Lebanon	80	4.7
Syrian Arab Republic	95	0.6
Oman	98	0.0
Bahrein	95	0.0
Republic of Korea	68	17.1
Singapore	62	13.7
Philippines	65	6.0
Macao	94	5.6
Brunei	97	0.0
Egypt	84	4.0
Tunisia	80	12.2
Congo	88	0.4
Togo	82	0.1
Upper Volta	65	2.5
Lesotho	62	0.6
Angola	77	0.0

Source: Based on the Report of the President of the United States to Congress on the first five years of operation of the United States scheme of generalized preferences (TD/B/C.5/L.36/Add.1), 1980. Figures refer to 1978.

Annex II

IMPACT OF THE SCHEME OF JAPAN ON THE EXPORTS
OF SOME BENEFICIARIES

Beneficiaries	Value of MFN dutiabie imports, CCCN 1-24 (Thousands of \$US)	GSP imports as percentage of dutiable MFN	Value of MFN dutiabie imports, CCCN 25-99 (Thousands of \$US)	GSP imports as percentage of dutiable MFN
Argentina	344 052	0.6	72 338	95.2
Bangladesh	16 716	0.3	15 899	100.0
Cuba	106 723	0.0	3 682	100.0
Guatemala	3 355	2.0	423	100.0
Indonesia	299 018	3.5	59 208	98.7
Senegal	5 045	4.2	4	100.0
Thailand	322 993	3.9	61 467	99.9
Sudan		0.1	54	100.0
Uruguay	1 236	11.8	474	56.3
Viet Nam	12 760	9.3	2 962	87.4

Source: Based on TD/B/C.5/PREF/9, 1981.

Annex III

SOME PRODUCTS INCLUDED IN THE EEC SCHEME WITH VERY
SMALL PREFERENTIAL MARGINS, 1982

1	2	3	4	5	6
CCON heading	Description of product	MFN	GSP	Margin in points	Margin as % (5/3)
03.01.B.II 6 ex 7	Frozen fillets	15	10	5	33.0
03.03.B.IV. (a) 1.aa.	Frozen squid	6	4	2	33.0
03.03.B.IV. (a) 2.	Cuttlefish	8	6	2	25.0
04.06	Natural honey	27	25	2 ^{a/}	7.4
06.03 A ex II	Orchids	17	15	2 ^{a/}	11.7
08.01.14	Mangoes	6	5	1 ^{a/}	16.6
08.12 A	Apricots	7	5.5	1.5	27.2
09.01.AI b	Coffee, unroasted, free of caffeine	13	9	4	30.7
09.01.A II a	Coffee, roasted, not free of caffeine	15	12	3 ^{a/}	20.0
09.01.C	Coffee substitutes	18	14	4 ^{a/}	22.2
15.12 B	Animal oils and fats	17	11	6	35.3
16.02 B II	Prepared and preserved rabbit meat	17	14	3 ^{a/}	17.6
16.02.B.III b.2	Prepared sheep meat	20	18	2 ^{a/}	10.0
16.04.ex F	Prepared fish (bonito and mackerel)	25	19	6 ^{a/}	24.0
18.03	Cocoa paste	15	11	4	26.6
18.04	Cocoa butter	12	8	4	33.3
20.02 B	Truffles	18	14	4 ^{a/}	22.2
20.02 D	Asparagus	22	20	2 ^{a/}	9.1
20.06.BI (c) 2	Grapes with added alcohol	32	25	7 ^{a/}	21.8
20.07 A III ex (a)	Other fruit juices without alcohol	42	28	14 ^{a/}	33.3
21.05 B	Composite food preparations	22	17	5 ^{a/}	22.7
24.02 A	Cigarettes	90	87	3 ^{a/}	3.3
24.02 B	Cigars	52	42	10 ^{a/}	19.2
24.02 C	Smoking tobacco	117	110	7 ^{a/}	5.9

Sources: "Scheme of the European Economic Community for 1982" (TD/B/CSP/EEC/8),
Official Journal of the European Communities, No. L 365, of 21 December 1981 and
"Handbook on the Scheme of the EEC" (UNCTAD/TAP/104/Rev.8).

a/ Products with small cuts and high duties despite preferences.

Annex IV

SOME PRODUCTS INCLUDED IN THE SCHEME OF JAPAN
WITH SMALL PREFERENTIAL MARGINS, 1982

1	2	3	4	5	6
CCCN heading	Description of product	MFN	GSP	Margin in points	Margin as % (5/3)
03.05.1 (2)	Other shrimps	6	4	2	33.3
08.01.L (1)	Fresh bananas	50	45 ^{a/}	5	10.0
08.05.4	Sweet almonds	7.8	5	2.8	35.8
08.10	Papaya and other fruit, preserved by freezing, not containing added sugar	18	10	8	44.4
09.02	Tea put up for sale by retail	20	14 ^{a/}	6	30.0
15.10	Stearin	6	4	2	33.3
16.02 ex (2)	Other prepared or preserved meat	21.3	20 ^{a/}	1.3	6.1
16.05 ex (2)	Other frozen shrimps	10.9	9 ^{a/}	1.9	17.4
18.05	Cocoa powder, unsweetened	24.1	15 ^{a/}	9.1	37.7
19.07.1	Bread and other bakers' wares	12	9.5 ^{a/}	2.5	20.8
20.01.1	Other vegetables and fruits, prepared or preserved by vinegar	20	16 ^{a/}	4	20.0
20.02.2 ex (2)	Tomatoes prepared without vinegar	12	9.5 ^{a/}	2.5	20.8
20.06.1 ex (2)	Peaches and pears, not containing added sugar	27.3	20 ^{a/}	7.3	26.7
20.06.1 ex (2)	Chestnuts, containing added sugar	28	25 ^{a/}	3	10.7
20.07.2 ex (2)	Vegetable juices, other excluding tomato juice	12.4	12 ^{a/}	0.4	3.2
21.02.1 (1)	Extracts ... containing added sugar	24	15 ^{a/}	9	37.5
21.05	Composite food preparations	16	12 ^{a/}	4	25.0
21.06.1 (1)	Natural yeast, active	17.5	12.5 ^{a/}	5	28.5
21.07.2 (2) B	Peanut butter	24.4	20 ^{a/}	4.4	18.0
22.10	Vinegar and substitutes for vinegar	10	6	4	40.0

Source: "Handbook on the scheme of Japan" (UNCTAD/TAP/81/Rev.9) and the scheme of Japan, Ministry of Foreign Affairs of Japan.

^{a/} Products which have high tariffs despite the preferential cut.

Annex V

EFFECTS OF THE COMPETITIVE-NEED CRITERION ON SOME BENEFICIARIES
OF THE UNITED STATES SCHEME

Country	1978	1979 (percentages)	1980	1981	Principal product concerned and MFN percentage applied
Zambia	92.5	99.8	13.1	52.7	Copper wire (1.3)
Nicaragua	68.0	82.1	44.5	-	Sugar (7.2)
Panama	64.8	82.1	12.5	46.5	Sugar (7.2)
Guyana	74.9	81.7	6.8	-	Sugar (7.2)
Dominican Republic	74.3	74.4	80.4	80.3	Sugar (7.2)
Philippines	71.4	34.4	46.5	48.0	Wooden boards (10) Sugar (7.2) Prepared bananas (7.5)
Guatemala	66.0	61.7	10.8	37.6	Sugar (7.2)
Peru	52.5	48.4	44.1	36.0	Copper wire (1.3)
Chile	61.6	66.9	64.3	78.9	Copper wire (1.3)
Hong Kong	50.5	53.2	49.6	55.5	Miscellaneous

Source: Based on Department of Commerce statistics and TD/B/C.5/PREF/8.