

Chairman's Summary

1. The Special Committee on Preferences held discussions on issues relating to the implementation of the generalized system of preferences, and issues pertaining to the rules of origin and technical assistance in connection with the GSP. The Committee also held informal discussions on those topics. In parallel to these discussions, 78 bilateral consultations were held with respect to individual schemes.
2. The Committee agreed that the GSP was an effective instrument for trade and economic cooperation between developed and developing countries.
3. Developing countries stressed that all schemes should be extended on a long-term basis so as to ensure stability and predictability of its advantages. Developed countries concerned reaffirmed their commitment to the aims and principles of the GSP and indicated their Governments' efforts to extend the life of their schemes.
4. Developed countries described the changes and improvements made under the schemes since the last review. These involved the additions to the lists of beneficiary countries, the addition of products under some schemes and improvement in preferential limits. They noted with satisfaction that preferential imports were increasing at a steady pace and often faster than total imports. Some preference-giving countries considered that the addition of Central and Eastern European countries to the beneficiary lists was necessary to help these countries overcome the transition to an open market economy. Some developing countries considered this to be a significant development which required study of its legal and economic implications, while others wanted to confine the study to economic implications only. Strong interest was expressed in having the secretariat carry out a study on one or both aspects.
5. Developing countries emphasized that there was ample scope for improvement of the schemes in terms of trade coverage and methods of operation. They cited secretariat figures which indicated that the trade eligible for preferential treatment had remained constant over the years at no more than 50 per cent of dutiable imports. Similarly, preferential imports, which reflected the utilization of the schemes, had remained at about 25 per cent of dutiable imports. Clearly, there was a need to expand the product coverage to include all products of export interest to developing countries, in particular labour-intensive and agricultural products. It was also necessary to grant

these products deeper tariff cuts, including duty-free treatment. In this connection, developing countries expressed concern over the erosion of the preferential margins that might result from MFN tariff reductions after the conclusion of the Uruguay Round. They called for favourable adjustment of preferential margins. Similarly, the tariffication of non-tariff measures would present possibilities for favourable tariff treatment. A number of developing countries asked the secretariat to study the impact of the Uruguay Round in this regard and to identify the follow-up action required to strengthen the effectiveness of the GSP.

6. The methods of operation of the schemes had a great impact on the scheme's utilization. Developing countries explained that the built-in limitations in the schemes, such as tariff quotas, ceilings, maximum country amounts and competitive need limitations, considerably reduced the possibilities of achieving the declared objectives of the GSP, namely to promote their exports and industrialization. Graduation, both product and country-wise, further undermined the opportunities under the schemes. These measures were contrary to the GSP principles of non-discrimination and non-reciprocity, and went against the objectives of the GSP. They stressed the need to arrive at a consensus on multilaterally agreed criteria for application of such measures. In principle, these criteria should be based strictly on trade and economic considerations, to the exclusion of non-trade issues. Sustained and absolute competitiveness must be demonstrated before a preference was withdrawn from a product. Graduation measures decided upon on the basis of multilaterally agreed criteria should be applied only after sufficient time had been given to beneficiaries to allow them to adapt their supply to the new access conditions.

7. Developing countries expressed concern over the lack of progress in harmonizing the rules of origin, which were at present based on two different criteria, namely the process criterion and the percentage criterion. They felt that such harmonization was necessary to simplify the rules and would also lead to better equivalence of access to preference-giving country markets. One member State expressed preference for a switch-over to the process criterion. Developing countries stressed that donor country content as well as global cumulation should be introduced by all preference-giving countries. These measures would help promote trade cooperation between developed and developing countries and also among developing countries. They also described the difficulties in meeting the rigid process requirements under the rules, which in many instances called for multi-stage transformations or were further complicated by additional percentage requirements. One developing country suggested that private associations should be allowed to certify certificates of origin Form A. Some developed countries urged beneficiary countries concerned to notify the name and stamp of their certifying authorities to qualify for preferential treatment. A group of preference-giving countries indicated that donor country content, together with regional cumulation, could increase the efficiency of the system of preferences, bearing in mind the need for special measures in favour of the least developed countries. Some developing countries expressed dissatisfaction over the fact that the problem of the rules of origin had not been adequately discussed at the current session of the Committee and suggested that the next session should have the necessary documentation for a comprehensive and detailed review.

8. It was agreed that technical assistance was an effective tool for dissemination of GSP information and the improvement of its utilization. Developing countries stressed the need for the intensification of technical assistance taking into account increased demands from, in particular, newly designated beneficiary countries and least developed beneficiary countries. While grateful to those member States which provided financial and in-kind contributions to the UNCTAD Technical Cooperation Programme, many developing countries expressed their concern regarding the decline in the resources available for such assistance. There was consensus that, with a view to meeting the growing number of requests, every possible opportunity for fund-raising should be explored. In this regard, developing countries appealed to all potential and actual donors and UNDP to provide further assistance. It was agreed that technical assistance activities should be of a practical and pragmatic nature, provide an opportunity for informal consultations to solve immediate problems encountered and pay due attention to requests made by least developed countries.

9. While agreeing to the importance of the GSP, a number of countries felt that the system should be revitalized and that fresh and innovative approaches should be taken in its design, review and improvement. In this context, there was a general consensus that the Committee should conduct a policy review on the GSP and that the next session could serve in part as a preparatory meeting for this review. The Committee formulated a work programme for this purpose. In this process, it was felt that there was a need to take the advice of eminent persons from the academic, government and enterprise sectors. The Committee also felt that all countries should be encouraged to send all necessary data regarding the utilization of the schemes, constraints and difficulties, particularly in regard to the rules of origin, to the secretariat to enable it to prepare the necessary documentation for the review.