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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Operation and effects of the generalized system of preferences

Fifth review
Selected studies submitted to the Special Committee on Preferences at its ninth session
Geneva 27 May–4 June 1980

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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;

Second session: *Proceedings of the United Nations Conference on Trade and Development, Second Session*, vol. I and Corr.1 and 3 and Add.1 and 2, *Report and Annexes* (United Nations publication, Sales No. E.68.II.D.14), annex I, A, pp. 27–58;

Third session: *Proceedings of the United Nations Conference on Trade and Development, Third Session*, vol. I, *Report and Annexes* (United Nations publication, Sales No. E.73.II.D.4), annex I, A, pp. 51–114;

Fourth session: *Proceedings of the United Nations Conference on Trade and Development, Fourth Session*, vol. I and Corr.1, *Report and Annexes* (United Nations publication, Sales No. E.76.II.D.10), part one, sect. A, pp. 6–43;

Fifth session: *Proceedings of the United Nations Conference on Trade and Development, Fifth Session*, vol. I, *Report and Annexes* (United Nations publication, Sales No. E.79.II.D.14), part one, sect. A.

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FOREWORD

The generalized system of preferences (GSP) was negotiated and implemented under the auspices of UNCTAD. Under the system, 18 developed market economy countries, including the States members of the European Communities, grant preferential tariff treatment to imports, mainly of manufactures and semi-manufactures, originating from developing countries. Preferential tariff treatment and/or other economic and foreign trade measures of a preferential nature are also granted under the GSP by six socialist countries of Eastern Europe. The declared objectives of the system are to increase the export earnings of developing countries, to promote their industrialization and to accelerate their rates of economic growth. The GSP thus constitutes an 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 fifth 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 four earlier reviews of the system, the contents of which are listed below.

FIRST REVIEW—*Operation and effects of the generalized system of preferences: Selected studies submitted to the fifth session of the Special Committee on Preferences (Geneva, 3–13 April 1973)* (United Nations publication, Sales No. E.73.II.D.16) reproducing the following documents:

TD/B/C.5/2	A comparative study of the rules of origin in force
TD/B/C.5/3	Operation and effects of the generalized preferences granted by the European Economic Community
TD/B/C.5/4	Effects of the generalized system of preferences on the tariff advantages enjoyed by the African countries associated with the European Communities
TD/B/C.5/5	Special measures in favour of the least developed among the developing countries
TD/B/C.5/6	Operation and effects of the generalized preferences granted by Japan
TD/B/C.5/7	Operation and effects of the generalized preferences granted by the United Kingdom
TD/B/C.5/8	Effects of the enlargement of the European Economic Community on the generalized system of preferences
TD/B/C.5/9	General report on the implementation of the generalized system of preferences

SECOND REVIEW—*Operation and effects of the generalized system of preferences: Selected studies submitted to the sixth session of the Special Committee on Preferences . . . (Geneva, 20–31 May 1974)* (United Nations publication, Sales No. E.75.II.D.9), reproducing the following documents:

TD/B/C.5/20	Effects of the proposed scheme of generalized preferences of the United States of America
TD/B/C.5/21	Effects of the scheme of generalized preferences of Canada
TD/B/C.5/22	Second general report on the implementation of the generalized system of preferences
TD/B/C.5/23	Operation and effects of the scheme of generalized preferences of the European Economic Community
TD/B/C.5/26	The generalized system of preferences and the multilateral trade negotiations
TD/B/C.5/WG(IV)/2	Proposals for improvement and harmonization of the rules of origin under the generalized system of preferences

THIRD REVIEW—*Operation and effects of the generalized system of preferences: Selected studies submitted to the seventh session of the Special Committee on Preferences . . . (Geneva, 5–6 January 1976)* (United Nations publication, Sales No. E.78.II.D.2), reproducing the following documents:

TD/B/C.5/34	Operation and effects of the scheme of generalized preferences of the European Economic Community
TD/B/C.5/34/Add.1	*Idem*—Addendum: Study of the operation of the scheme in 1972
TD/B/C.5/35	Operation and effects of generalized preferences granted by Japan
TD/B/C.5/36	The generalized system of preferences and the Lomé Convention
TD/B/C.5/37	Effects of the multilateral trade negotiations on the generalized system of preferences
TD/B/C.5/38 (rev.)	Scheme of generalized preferences of the United States of America
TD/B/C.5/39	Effects of the generalized system of preferences on the least developed among the developing countries
TD/B/C.5/41	Third general report on the implementation of the generalized system of preferences

FOURTH REVIEW—*Operation and effects of the generalized system of preferences: Selected studies submitted to the Special Committee on Preferences at its eighth session (Geneva, 27 June–1 July 1977)* (United Nations publication, Sales No. E.79.II.D.11), reproducing the following documents:

TD/B/C.5/48	The EEC scheme for 1976 and 1977: report by the UNCTAD secretariat
TD/B/C.5/49	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
TD/B/C.4/49/Add.1	The generalized system of preferences and the Lomé Convention: study by the UNCTAD secretariat
TD/B/C.5/49/Add.2	The generalized system of preferences and the EEC/Maghreb Co-operation Agreements: study by the UNCTAD secretariat
TD/B/C.5/50	Scheme of generalized preferences of Australia: study by the UNCTAD secretariat
TD/B/C.5/53	Fourth general report on the implementation of the generalized system of preferences: study by the UNCTAD secretariat
TD/B/C.5/WG(VI)/3	United States rules of origin and relevant procedures: report by the UNCTAD secretariat
TD/B/C.5/WG(VI)/4	Comparative analysis of the rules of origin applied by the preference-giving market economy countries: study by the UNCTAD secretariat

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NOTE. The documents listed above are indicated by an asterisk in foot-note references in this volume.

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ABBREVIATIONS

ACP	African, Caribbean and Pacific States
ASEAN	Association of South East Asian Nations
CAP	common agricultural policy (of EEC)
CCC	Customs Co-operation Council
CCCN	Customs Co-operation Council Nomenclature
CCT	Common Customs Tariff (of EEC)
c.i.f.	cost, insurance and freight
ECSC	European Coal and Steel Community
EEC	European Economic Community
EFTA	European Free Trade Association
EUA	European units of account
FAO	Food and Agriculture Organization of the United Nations
f.o.b.	free on board
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GNP	gross national product
GSP	generalized system of preferences
IMF	International Monetary Fund
IPF	indicative planning figures
ITC	International Trade Centre UNCTAD/GATT
MED	Mediterranean States having preferential agreements with EEC
MFA	Arrangement regarding International Trade in Textiles (Multi-Fibre Arrangement)
MFN	most favoured nation
n.e.s.	not elsewhere specified or included
OCAM	Common Afro-Mauritian Organization
OECD	Organisation for Economic Co-operation and Development
O.J.E.C.	*Official Journal of the European Communities*
OPEC	Organization of Petroleum Exporting Countries
SIC	Standard Industrial Classification (of the United States)
SIECA	Permanent Secretariat of the General Treaty on Central American Economic Integration
TSUS	Tariff Schedules of the United States
u.a.	units 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.

Document TD/B/C.5/67

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

Study by the UNCTAD secretariat

[*Original: English*]
[*27 March 1980*]

CONTENTS

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 fifth periodic review of the operation and effects of the system. It is confined to the developments that have taken place in the system since the fourth review by the Committee at its eighth session in 1977. A comprehensive review of the system since its entry into force is contained in a report by the UNCTAD secretariat.[1]

[1] TD/B/C.5/63 (reproduced in the present volume).

2. Chapter I describes briefly the changes and improvements made in the various schemes of generalized preferences since the fourth review. Chapter II updates to the most recent period the analysis of the trade effects of the GSP. In this connexion, the availability of data has made it possible for the first time to produce a study[2] in which the impact of only tariff preferences on United States imports from beneficiaries of its scheme is estimated.

3. An important development which took place with regard to special preferences concerns the signing of a new Convention between 58 African, Caribbean and Pacific (ACP) countries and the European Economic Community (EEC) for another five-year period ending 28 February 1985. Chapter III describes briefly the main provisions of this Convention and its relationship with the GSP.

4. The GATT multilateral trade negotiations, which concluded in November 1979, resulted *inter alia* in agreement on tariff concessions on a most-favoured-nation (MFN) basis. Chapter IV discusses the implications of such concessions for the tariff advantages granted under the GSP. A more detailed analysis of the tariff concessions resulting from the negotiations is contained in part II of a report by the Secretary-General of UNCTAD[3] containing a study of the implications of the Tokyo Round tariff reductions for the trade of developing countries, which was submitted to the Trade and Development Board at its twentieth session in connexion with its global evaluation of the results of the negotiations.

5. Technical assistance activities to assist beneficiaries in deriving the maximum advantage from the GSP have been in operation since the inception of the system. Chapter V gives a brief summary of a report on these activities[4] since the last review.

6. Finally, chapter VI recalls the main recommendations regarding the maintenance and improvement of the GSP made by the UNCTAD secretariat in the comprehensive review of the GSP mentioned in paragraph 1 above.

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[2] TD/B/C.5/66 (reproduced in the present volume).

[3] TD/B/778/Add.1.

[4] TD/B/C.5/68 (reproduced in the present volume).

Chapter I

CHANGES AND IMPROVEMENTS IN THE GENERALIZED SYSTEM OF PREFERENCES

7. This chapter describes the main improvements and changes which have been introduced in the system since the last review. Notable developments include the greater tendency among preference-giving countries to adopt special measures in favour of the least developed countries, the widespread application of cumulative treatment and the extension of preferences to China under a number of schemes. These positive developments must, however, be seen in the context of the increasing resort to graduation in preferential treatment among the beneficiary countries.

A. Beneficiaries

8. With effect from 17 October 1978, *Australia* granted beneficiary status to China under the scheme, except for certain items.[5] *Austria* added China to its beneficiary list with effect from 1 January 1980. With effect from 11 August 1977, *Canada* extended the beneficiary list under its scheme to include Portugal and what were then described as "the Portuguese adjacent islands and the Portuguese overseas territories". On 1 January 1979, the Canadian list was also extended to include Jordan, Niue, Tokelau, Mariana, Marshall and Caroline Islands, and on the same date St. Pierre and Miquelon Islands were withdrawn from the list. Finally, with effect from 6 December 1979, the Canadian list was extended to include China. In 1978 and 1979, *EEC* modified the list of beneficiaries to reflect the changes in the status of certain countries and territories. Also, since 1978 the beneficiaries have been given a statistical code number. In 1980, China was added to the list of beneficiaries.[6] *Finland* granted beneficiary status to Oman and the United Arab Emirates in 1978 and to China on 1 January 1980. *Japan* added to its list of beneficiaries the Socialist Republic of Viet Nam in the fiscal year 1977 and also added Guam, the Trust Territories of the Pacific

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[5] The products excluded from preferential treatment are: certain essential oils (tariff item No. 33.01.200); travel goods of leather and substitute leather (42.02.200 and 42.02.900); leather work gloves (ex 42.03.100); handmade leather footwear (ex 64.02.990); chinaware (69.11.00); insulators (85.25.900); paint and varnish brushes (ex 96.01.900).

[6] China is excluded with respect to the 12 industrial sensitive products and the 3 European Coal and Steel Community (ECSC) products subject to tariff quotas. Similarly, China is excluded with respect to 53 out of the 304 agricultural products covered by the scheme, and with respect to the 4 agricultural products subject to tariff quotas and the one agricultural product subject to the Community ceiling.

Islands (including the Northern Mariana Islands), the United States Virgin Islands and American Samoa in the fiscal year 1979.

9. *New Zealand* added China to the list of beneficiaries under its scheme with effect from 13 October 1978. *Norway* extended its beneficiary list by adding Bulgaria[7] on 1 January 1978 and China on 1 March 1979. With effect from 1 February 1980, China was added to the beneficiary list of *Sweden* and will enjoy the same treatment as that applied to Romania and Bulgaria. As from 30 July 1979, *Switzerland* added China to the list of beneficiary countries of its scheme.[8] In general, China will receive preferential treatment similar to that enjoyed by Spain and Greece, which by and large consists of reduced rates rather than duty-free treatment. Moreover, China is excluded from preference with respect to textiles and footwear. *Sweden* added Turkey to the list of beneficiaries of its scheme on 1 January 1978. The list of beneficiaries of the *United States of America* has been changed to reflect changes in the political status or designation of certain countries and territories. In 1979, legislation implementing the agreements reached in the multilateral trade negotiations amended the Organization of Petroleum Exporting Countries (OPEC) exclusion clause of the 1974 Trade Act, so as to permit the extension of GSP benefit to OPEC members which had concluded bilateral, product-specific trade agreements with the United States before 3 January 1980.[9]

B. Product coverage

10. *Australia* excluded five products from its scheme in 1977 with respect to all beneficiaries. With effect from 1 July 1977, *Austria* added 16 agricultural (tropical) products in Customs Co-operation Council Nomenclature (CCCN) chapters 1–24 to the scheme.[10] On 15 February 1978, unwrought lead (tariff item 78.01A) was also added to the scheme and has thus been removed from the exceptions list of products in CCCN chapters 25–99. As from 1 July 1978 meat and offal of sheep and goats (ex 02.01 B2 and 16.02 A) were withdrawn from the scheme. Implementing its offer in the multilateral trade negotiations on tropical products,[11] *Canada* added 33 products to the scheme in 1977, 29 duty-free and 4 at reduced rates. Fifteen products were excluded from the scheme as a result of the reduction of MFN rates to zero. *EEC* added 14 agricultural products in 1978 under chapters 1 to 24 of the CCCN.[12] They included horses; certain kinds of crustaceans and molluscs; Mexico lime; water melons; and certain fruit mixtures. Three agricultural products were added in 1979, including certain fish products and certain grape juices.[13]

11. *Finland* improved the product coverage in CCCN chapters 25–99 through the deletion of certain products from the negative list.[14] However, another product has been added to this negative list.[15] *Japan* added 11 agricultural products to the scheme in the fiscal year 1977.[16] They include certain fish items, certain fruits and nuts, roasted coffee and coffee substitutes, and black tea put up for retail sale. Two other agricultural products were added in fiscal year 1979, i.e. insect flower and chestnuts (tariff lines 12.07–2 and 20.06–1 ex (2)). As at 1 January 1978, *Hungary* enlarged the scope of its scheme to include 705 new products,[17] covering especially textiles, machines and tropical products. As a result of this improvement, the Hungarian scheme now covers 1,457 items, of which 165 are agricultural products and foodstuffs, and 1,292 semi-finished and finished products. On 1 July 1978, *New Zealand* introduced a new customs tariff, which had the effect of reducing the number of tariff items and the rates of duties applicable to those items.[18] The number of tariff lines covered by the scheme of New Zealand has consequently been reduced to 1,639. The number of tariff items excluded on revenue or other special grounds represents 8 per cent of the tariff lines in the new Customs tariff.

12. *Norway* withdrew 1 product from the negative list on 15 October 1977 and 2 other products on 1 September 1978.[19] It thus extended the coverage of the scheme to these 3 industrial products. With effect from 1 February 1979, Norway added 3 agricultural (tropical) products to its scheme.[20] With effect from 1 February 1980, *Sweden* added 2 products to the scheme, with respect to all beneficiaries. Bulgaria and Romania became eligible for preferential treatment for certain products for which they had been previously excluded. Moreover, certain agricultural products were granted duty-free treatment on an MFN basis and for that reason are no longer covered by the scheme.[21] With effect from 1 January 1980, *Switzerland* added 23 agricultural products[22] to the scheme in response to requests from a number of developing countries made during the multilateral trade negotiations. The *United States of America* added to the list of products covered by its scheme

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[7] In addition to the general exceptions under the Norwegian scheme, Bulgaria is subject to the same list of exceptions as applies to Romania (see TD/B/GSP/NORWAY/5).

[8] See TD/B/GSP/SWITZ/3.

[9] See TD/B/GSP/USA/10.

[10] The products added include the following tariff items: ex 03.01 A2C; ex 06.01 B2 and 3; 06.02 A1; 06.03 B and C; 06.04 B and C; 07.01 L; ex 07.04 D; ex 20.01 C1 and 2; 20.02 B2 and 3; ex 20.06 B; and ex 20.07 A3.

[11] See TD/B/GSP/CANADA/3.

[12] The corresponding Common Customs Tariff (CCT) sub-headings are: 01.01 A II; 01.01 A III; ex 03.03 A V; 03.03 B IV (a)3; 07.01 ex T(a), (b), (c); 08.02 ex E; ex 08.09; 20.02 ex H; 20.06 B II (a) 9 ex aa; 20.06 B II (b)9 ex aa; 20.06 B II (c)1 ex ee and 20.06 B II (c) 2 ex bb.

[13] The corresponding CCT sub-headings are: 03.02 A I ex (f); 03.02 A II ex (d) and 20.07 A III ex (a), (b) ex 1 and (b) ex 2.

[14] Preferential treatment was extended to: parchment dressed leather falling within CCCN headings 41.02, 41.03 and 41.04; certain textile fabrics containing more than 10 per cent of silk falling within headings 51.04, 53.11, 54.05, 55.05, 55.06, 55.08, 55.09 and 56.07; corset busks falling within heading 39.07; fans and parts thereof falling within heading 62.05; and knife blades falling within heading 82.09.

[15] Knitted or crocheted goods in the piece or cut to rectangular shape falling within heading 59.02.

[16] The corresponding tariff sub-items are: 03.02–2 ex (2); 08.01–1 ex (1) and ex (4); 08.05 ex 4; 09.01–1 (2) and 3; 09.02–1 (1) and (3); 20.01–1 ex 1 and ex 2; 20.02 ex (2); 20.06–1 ex (2) and 2 ex (2); and 21.02–2 ex (1).

[17] See TD/B/GSP/HUNGARY/1.

[18] See TD/B/GSP/NZ/2.

[19] Terry towels; face cloths and toilet gloves of cotton, in that order, falling within CCCN heading 62.02.

[20] Bananas, preserved by suger (ex 20.04); jams, fruits, etc., of bananas (ex 20.05); prepared hearts of palm (ex 21.07).

[21] See TD/B/GSP/SWEDEN/4.

[22] See TD/B/GSP/SWITZ/5.

11 products in 1978 and 21 products in 1979.[23] The 1979 additions had a trade value of about $100 million from beneficiaries, or about three times the value of additions in 1978. A portion of one item with negligible trade value was deleted in 1978. Four products were removed in 1979, of which only leather wearing apparel was of importance, accounting for $122 million in duty-free imports from 23 beneficiaries in 1978.

13. In October 1977, the *United States of America* modified the review procedures of its scheme under which the comprehensive review with respect to eligibility of articles would be carried out once, rather than twice, a year. The process by which Governments may request product additions to the scheme was clarified, making it possible for such requests to be made by direct petition to the appropriate United States body, or through regular diplomatic channels.[24] This modification has to a certain extent improved the procedure for the review of the product coverage under the scheme.

14. Under the new procedure, any interested party or foreign Government may submit a request for an increase in the product coverage, for withdrawal, suspension or limitation of the duty-free treatment granted under the scheme, or for any other modification of the product coverage. Requests by foreign Governments, whether in the form of a petition or diplomatic correspondence, should be supported by specific information, for each product covered by the request, on the current status in the foreign country of production, capacity, employment, prices, and sales together with an analysis of how those factors might change in the future both with and without the GSP treatment of the product. In addition, foreign Governments should, if available and appropriate, submit the information requested of interested parties. The United States Government believes that "by encouraging Governments to indicate the development impact of requested product changes, this procedure increases the likelihood that products which will have a positive developmental effect will be added".[25]

15. Following receipt of requests, the GSP Sub-Committee of the Trade Policy Staff Committee, the Trade Policy Review Group or the Trade Policy Committee reviews the relevant information before recommendations are made to the United States President. The reviews are conducted according to the following schedule, unless otherwise specified by Federal Register notices: (*a*) 1 June, announcement of review; (*b*) 15 July, deadline for receiving petitions; (*c*) 1 August, announcement for accepted petitions; (*d*) 15 September, public hearings; (*e*) 1 March, effective date of changes. Requests which indicate the existence of unusual circumstances warranting an immediate review may be reviewed separately. (See also para. 31 below.)

C. Tariff cuts

16. As a result of the Industries Assistance Commission report on CCCN chapter 86—Railway and tramway, locomotives, rolling stock, etc.—*Australia* reduced MFN rates on 9 tariff line items falling within this chaptre to the level of GSP rates, thereby cancelling the preferential margin for beneficiaries of its scheme. As a result of the Australian Government's decision to implement the Commission's First Report on Multilateral Trade Negotiations—General Rates of Duty, pursuant to the devaluation of the Australian dollar in November 1976, many MFN rates of duty were reduced on 29 January 1977. Fifty-five items previously included in the scheme are now accorded dutiable MFN rates and 31 items previously excluded from the scheme are now duty-free at the MFN rate.[26] With effect from 12 November 1979, Australia abolished the British preference on some 500 tariff items of interest to developing countries, thereby removing an anomaly which permitted imports of these products from the United Kingdom and Ireland to be accorded a tariff preference over similar imports from developing countries.

17. With effect from July 1977, *Austria* increased the margin of preference with respect to 45 agricultural (tropical) products.[27] Moreover, it should be recalled that under the Austrian scheme the preferential tariff cut in general amounts to 50 per cent of the basic rate (i.e. of the general tariff rate or of the rate agreed in GATT, whichever is the lower). The phased reductions of the MFN tariffs according to agreements reached in the multilateral trade negotiations will therefore be accompanied by proportionately lower preferential rates. In implementing the offer on tropical products in 1977, *Canada* increased the preferential margin on 32 products, with deeper cuts of GSP rates on 10 products and duty-free treatment for the remaining products.[28] In addition, the erosion of the preferential margin on 2 products following a reduction of the MFN rates was partly offset by the further reduction of GSP rates. On 1 January 1980, the preferential margin was increased with respect to 45 products.[29] Also, Canadian GSP rates, which are calculated as MFN rates less one third, will decrease in line with decreases in MFN rates following the implementation of the concessions accorded following the multilateral negotiations. With the expansion of duty-free treatment to jute and coir products by *EEC* in 1978, all preferential imports of industrial products in CCCN chapters 25–99 from beneficiaries are now admitted free of Customs duty up to the level of annual tariff quotas, tariff ceilings, and/or country maximum amounts. The preferential rates have been further reduced on 11 agricultural products in 1979 and on 1 agricultural product in 1980.

18. *Japan* introduced deeper tariff cuts in the fiscal year 1977 on 20 agricultural products included in the scheme. These cuts ranged from 5 to 20 percentage points, including the full elimination of tariffs on 11 items. In addition to the preferential tariff rates set for the 705 new products, the preferential rates have been further reduced by *Hungary* for 64 other products covered by the scheme. The preferential treatment under the new Customs tariff introduced by *New Zealand* consists of various tariff cuts, including duty-free treatment in a

[23] For a description of the products, see TD/B/GSP/USA/5 and 7 and Corr.1.

[24] For a complete description of the United States procedure, see TD/B/GSP/USA/3.

[25] *Ibid.*, letter of transmittal.

[26] See TD/B/GSP/AUSTRALIA/3.

[27] See TD/B/GSP/AUSTRIA/1.

[28] See TD/B/GSP/CANADA/3.

[29] See TD/B/GSP/CANADA/6.

significant number of cases. As from 1 January 1978, *Switzerland* adjusted the preferential treatment in respect of certain foodstuffs,[30] in that the fixed component of the customs duty has been eliminated for beneficiaries of the scheme, and only the variable element continues to be charged.

D. Safeguards

19. Following the *Australian* Government's consideration of various reports by the Industries' Assistance Commission, a number of beneficiaries have been excluded from preferential treatment with respect to certain products, on the grounds that imports of such products were causing injury, or threatening to cause injury, to an Australian industry. The exclusion affected 2 countries and 3 items in 1977; 4 countries and 7 products in 1978; 1 country and 3 products in 1979.[31] On the other hand, the tariff quota applying to stockings and tights[32] has been abolished, with the result that beneficiary countries now receive a margin of preference of ten percentage points without limitations.

20. Under the scheme of *Canada*, the GSP rate on rubber footwear, tariff item 61700–1, which was initially withdrawn on 28 August 1975, has been withdrawn for a further period ending 31 December 1982. Also, the GSP rate on colour television sets having a picture tube of 16 inches or more, tariff item 44533–1, which was initially withdrawn on 5 February 1977, has been withdrawn for a further period ending 31 December 1981. Finally, with effect from 9 August 1979 to 31 December 1981, the GSP rate has been withdrawn on all other colour television sets classified under tariff item 44533–1.

21. Under the *EEC* scheme for 1978, the ceilings were calculated using 1974 as a reference year for the basic amount and 1975 as a reference year for the supplementary amount. However, the 1978 ceilings could not exceed the 1977 value by more than 50 per cent. As a result of the change in the reference year only for calculation of the supplementary amount, and of the 150 per cent limitation, the ceilings were increased only marginally. For textiles and iron and steel products the tariff quotas have been maintained at the 1977 level.

22. In 1979, the ceilings were obtained using 1974 again as a reference year for the calculation of the basic amount; 1976 was used as reference year for the calculation of the supplementary amount. Here again, the over-all increase in ceilings was marginal. Moreover, the ceilings obtained could not exceed the 1978 value by more than 50 per cent and 15 per cent, respectively. For the 16 sensitive products subject to tariff quotas, quotas have been increased by 5 per cent, with the exception of those for steel, leather and footwear, for which the tariff quotas have been maintained at the 1978 level. For sensitive textiles, there was an increase of 5 per cent in the tariff quotas in the second half of 1979.

23. In 1980, the ceilings were obtained by using 1977 as a reference year for the calculation of both the basic and the supplementary amounts. However, for some products, it was felt necessary to limit the considerable improvement of the ceilings resulting from this method of calculation to a level which does not exceed 110 or 115 per cent of the corresponding preferential amounts established for 1979. The list of sensitive industrial products other than textiles was reduced to 15 by transferring the one product in question to the list of products subject to tariff ceilings, which now stands at 28. The tariff quotas for 15 products have, in general, been increased by 5 per cent.

24. With respect to sensitive textile products, EEC introduced a new system of administration and control to bring it into line with the system of quantitative import controls set up when the Arrangement Regarding International Trade in Textiles[33] (MFA) was extended at the beginning of 1978. The new system is governed by Council Regulation No. 2894/79. The permissible volume of preferential imports has been increased to 115,000 tons, an increase in volume of 30.7 per cent over 1979, and 70 per cent over 1974, the first year of the application of the GSP scheme by the enlarged Community. This was the largest single improvement ever made with respect to textile products, which the Community felt it could safely make in view of the quantitative controls of imports introduced under the MFA.

25. The main features of the new system can be described as follows:

(*a*) A new product classification by category has been adopted, corresponding to the system introduced on a quantitative basis for the MFA agreements;

(*b*) The permissible volume of preferential imports is made up of 106,000 tons of MFA products and 9,000 tons of non-MFA products;

(*c*) For MFA products, individual tariff quotas are assigned to each of the 21 beneficiaries which had agreed to the quantitative control of its exports under the MFA;[34] these individual shares are allocated as a percentage of the total volume of imports for 1977, in inverse proportion to a country's competitiveness and stage of development as defined in the Regulation;

(*d*) For non-MFA products, the old system of community ceilings, plus maximum country amounts of 30 or 50 per cent, depending on the products, has been retained.

26. As was explained in earlier studies,[35] preferential imports of products subject to tariff quotas can be made from beneficiaries only up to the amount set for this purpose at the Community level or for each member State. Also, the normal tariff is reintroduced immediately after the preferential imports of these products from any single beneficiary reach the maximum amount. For products subject to tariff ceilings, the decision to reintroduce the tariff is discretionary when the ceilings are reached but mandatory when the maximum amount is reached. For products subject to ceilings, the decision to reintroduce the tariff is discretionary with regard to both ceilings

[30] Tariff headings 17.04, 19.02; ex 19.07.30 and 21.07.20.

[31] See TD/B/GSP/AUSTRALIA/2, 4 and 5.

[32] Tariff item No. 60.03.000 and sub-item 60.04.400 (Israel is excluded with respect to this sub-item).

[33] Arrangement signed on 20 December 1973 and expiring on 31 December 1977; extended by Protocol of 14 December 1977 until 31 December 1981 (for the text of the Protocol, see GATT, *Basic Instruments and Selected Documents, Twenty-fourth Supplement* (Sales No. GATT/1978–1), p. 5).

[34] Argentina, Brazil, China, Colombia, Guatemala, Hong Kong, India, Indonesia, Republic of Korea, Macao, Malaysia, Mexico, Pakistan, Peru, Philippines, Romania, Singapore, Sri Lanka, Thailand, Uruguay, Yugoslavia.

[35] See, in particular, TD/B/C.5/34, *paras. 34–59.

and the maximum amounts. However, among this category of products, the Community has designated a list of products for which special surveillance is set up for a rapid cut-off of preferential treatment if the ceiling or the maximum amount is reached.

27. In the fiscal year 1979, *Japan* up-dated the reference year for the calculation of the basic quota from 1968 to 1975. The previous formula has, however, been maintained for 4 sensitive products, while for 49 other products ceilings have been based on a combination of 150 per cent of the value of imports from beneficiaries in 1968 plus 10 per cent of the value of imports from non-beneficiaries in 1975. Due to certain changes in classification, the number of product groups set for the administration of ceilings amounted to 189 in the fiscal year 1977, 189 in the fiscal year 1978 and 190 in the fiscal year 1979. Flexible administration of ceilings was applied to 108, 101 and 105 product groups, respectively. Flexible administration of maximum amounts was applied to 121, 122 and 123 product groups respectively.

28. As from September 1977, *Norway* withdrew preferential treatment on imports from the Republic of Korea with respect to 11 products[36] covered by the scheme.

29. As a result of the mandatory application of competitive need limitations under the scheme of the *United States of America*, the list of GSP items subject to these limitations included 320 Tariff Schedules of the United States (TSUS) items in 1978 and 337 TSUS items in 1979. Of the 320 products, 314 were excluded from duty-free treatment for only 1 beneficiary each, while 6 products were excluded for more than 1 beneficiary supplier. Imports of these products from excluded countries amounted to a little over $3 billion during the calendar year 1977.[37] Of the 337 products, 327 were excluded from preferential duty-free treatment for only one beneficiary each, while 10 products were excluded for more than one beneficiary supplier. Imports of these products from excluded countries amounted to $3.9 billion during the calendar year 1978.[38] The products excluded in 1977 and 1978 accounted for 36 per cent and 40 per cent, respectively, of total United States imports from beneficiaries of all products covered by the scheme.

30. On the other hand, under the discretionary authority of the Trade Act, 121 products which had been ineligible for preferential treatment for certain beneficiary countries or territories under the competitive need criterion during the year ending 28 February 1978 were redesignated as eligible for such treatment for these countries and territories. Trade in these items during the calendar year 1977 totalled $152.7 million. During the year ending 28 February 1979, 121 products were likewise redesignated, with a trade value of $135 million during the calendar year 1978.

31. Under the legislation implementing the decisions resulting from the multilateral trade negotiations, a provision authorizes the United States President to disregard the 50 per cent competitive need exclusion if imports of the items from the country concerned do not exceed $1 million (adjusted annually to reflect changes in the United States GNP). On the basis of 1978 trade data, some 189 products, totalling $27 million of United States imports, would have fallen below the $1 million limit. The measure will greatly reduce competitive need exclusions on minor trade items. Moreover, the annual implementation of competitive need changes and product list additions and removals has been changed from 1 March to 1 April, in order to give both United States importers and foreign manufacturers an additional month to plan for and adjust to the annual changes in the product coverage of the scheme.

E. Least developed countries

32. *EEC* added to the scheme 2 agricultural products in 1978 and 1 agricultural product in 1980 for the benefit of the least developed countries only. Since 1978, these countries have also enjoyed duty-free treatment on all agricultural products included in the scheme. However, for those sensitive agricultural products subject to quotas, the total exemption of duties was granted only in the context of such tariff quotas. Also, the exemption which these countries enjoyed since 1977 with respect to the application of maximum country amount limitations on non-sensitive industrial products was extended with respect to ceilings in 1978. In 1979, the exemption from the application of maximum country amounts and ceilings was extended to all non-sensitive and to sensitive products, with the exception of sensitive textile products. In 1980, the same exemption was extended to sensitive textile products. Thus, the least developed countries enjoy unlimited duty-free treatment for all products covered by the EEC scheme, except for 4 agricultural products, on which the total exemption of duties is granted only in the context of tariff quotas.

33. *Finland* added 7 products[39] to its scheme for the benefit of the least developed countries only. In January 1978, *Hungary* granted preferential duty-free treatment to all products originating and exported directly from 26 of the least developed countries.

F. Rules of origin

1. Modifications

34. Following the modification of the CCCN which took effect on 1 January 1978, Western European preference-giving countries and Japan made a number of consequential technical changes in lists A and B of their rules of origin.[40]

35. The EFTA preference-giving countries introduced in 1978 a system of partial regional cumulation similar to that of EEC. Under these arrangements, preference-receiving countries forming a regional grouping and wanting to take advantage of the cumulation system have to apply in advance to each EFTA preference-giving country, stating the measures taken by the grouping

[36] For the list of products, see TD/B/GSP/NORWAY/4.

[37] See TD/B/GSP/USA/5, paras. 5 and 6.

[38] See TD/B/GSP/USA/7, paras. 5 and 6.

[39] The tariff items are ex 07.05 (leguminous vegetables excluding peas and beans); ex 08.04 (fresh grapes); ex 09.01 (unroasted coffee); ex 20.06 (fruits and nuts); 61.05 (handkerchiefs); 97.02 (dolls); ex 97.05 (carnival articles). (See TD/B/GSP/FINLAND/3.)

[40] See the report by the UNCTAD secretariat, "Adaptation of origin requirements in lists A and B following amendments to the CCCN" (TD/B/C.5/WG(VII)/4).

for the purpose of making use of the cumulation arrangements. The final exporting country must guarantee that the imported material used has, in fact, acquired originating status under the GSP rules of origin applied in the importing EFTA country. Under these arrangements, such originating materials are regarded as having originated in the exporting preference-receiving country.[41] The importing EFTA country is entitled to request the verification of the origin of imported materials used in the production of the exported product.

36. *Austria* incorporated additional rules relating to lists A and B concerning several items, including certain photographic plates, magnesium oxide, tannins, essential oils, rubber slabs, sheep skins, precious and semi-precious stones, copper and other metals. *EEC* made certain technical adjustments in origin rules to reflect the addition to the scheme of some agricultural products in 1978 and 1979. *Japan* introduced a system of partial cumulative treatment for countries members of the Association of South East Asian Nations (ASEAN) with effect from 1 April 1978. Under this system, goods which are produced in one ASEAN country (A) wholly from imported products which are themselves either (*a*) wholly produced in another ASEAN country or (*b*) produced wholly from these latter products are regarded as originating in country (A). When such originating goods are then used, together with other products, as materials in manufacture in ASEAN country (A), the goods are regarded as produced wholly in country (A) for the purposes of determining the origin of the final finished product. In order to qualify for preferential treatment under these cumulative origin arrangements, a "Cumulative Working/Processing Certificate", in addition to Form A, must be issued by the authority which issued Form A in the exporting ASEAN country where the final working or processing was carried out.

37. *New Zealand* requires the presentation of a certificate of origin in Form 59A, which is different from Form A. On 1 June 1979, New Zealand introduced a revised certificate (Form 59A),[42] reflecting the replacement of the origin rules categories "wholly produced" and "wholly manufactured" with the single GSP "wholly obtained" category. On 1 January 1978, *Norway* abolished articles 7 and 11 of its origin rules. Under these articles, the certificate of origin had to be presented to the Norwegian Customs authorities within five months of the date of issue by the beneficiary country, and within ten months if goods passed through the territory of one or more countries. This time-limit could be waived only in case of *force majeure* or exceptional circumstance. Consequently, there is no longer any time-limit for presentation of the certificate of origin. According to the Norwegian origin rules, products of sea fishing and other products taken from the sea in a beneficiary country by its vessels are considered as wholly obtained. The term "its vessels" applied to vessels which were registered in the beneficiary country, which sailed under its flag, which were at least 50 per cent owned by nationals of the beneficiary country and of which the captain and officers were all nationals and at least 75 per cent of the crew were nationals of that country. The last three requirements regarding ownership, captaincy and crew were deleted from the rules as from 1 January 1978.

38. *Switzerland* made certain improvements and amendments in its origin rules with effect from 1 July 1978. The value limits on preferential imports have been raised in postal traffic (from SwF 4,000 to SwF 5,500), in passenger traffic (from SwF 800 to SwF 1,100), and for small consignments (from SwF 240 to SwF 370). The procedure has been simplified for the import of goods falling within CCCN chapters 84 and 85, dismantled or non-assembled, and for accessories, spare parts and tools delivered with any piece of equipment, machine apparatus or vehicle. The rule concerning the issuance of the provisional certificate of origin has been eliminated. With effect from 1 July 1979, Switzerland eliminated the non-qualifying process with respect to prepared or preserved fish (CCCN 16.04) in list A. This deletion represented a liberalization beneficial in particular to small developing countries without a fishing fleet. Other amendments were also made to harmonize the Swiss origin rules with those in other schemes: the time-limit for the production of the certificate of origin, Form A, which was five months for consignments transported direct from the beneficiary country to Switzerland, has been abolished. Consequently, there remains only a single time-limit of 10 months, applicable in all traffic. Moreover, beneficiary countries now have the possibility of drawing up, in the language of their choice, the notes on the back of the certificate of origin. Nevertheless, the text on the front of the certificate must always be in English or in French. In order to rationalize formalities for postal shipments, a new form APR, similar to the form EUR.2 used for trade within EFTA, has been adopted. With effect from 1 January 1980, Switzerland added certain qualifying and non-qualifying processes to list A on some of the agricultural products added to the scheme.

39. The *United States of America* Trade Act of 1974 specifies that a product qualifies for preferential treatment if it satisfies a minimum value-added requirement of 35 per cent. This requirement, which applies when the product originates from a single country, is raised to 50 per cent when the product is exported from an association of countries treated as one country. Moreover, the value of exports from each member country of such an association is aggregated for the purposes of the competitive-need limitations. The concurrent application of the increase in value-added requirements and the competitive-need limitation has been deemed so restrictive that no association of countries has so far opted for cumulative treatment. The Trade Agreements Act of 1979 has eased these two shortcomings by reducing the value-added requirement from 50 per cent to 35 per cent for an association of countries claiming preferential treatment as one country and, in the case of such a claim for preferences, by making the competitive-need limitation applicable only to individual member countries of the association. This latter aspect of the liberalization measure will allow associations of beneficiary countries to derive the full benefits of the cumulative origin rule under the scheme.

[41] This rule differs from that applied by EEC. In the EEC system, the imported material is not regarded as originating in the country of exportation; subject to various conditions, it may retain the origin of the country in which it first acquires origin. The EFTA rule appears to be more liberal, but, until experience of its application has been gained, it is not possible to be certain about its practical effects and the extent of its liberality.

[42] See TD/B/GSP/NZ/2, appendix D.

2. Seventh session of the Working Group on Rules of Origin

40. The Working Group on Rules of Origin was reconvened in October 1978 to continue consultations on concrete proposals for the further harmonization and simplification of the rules of origin applied under the GSP, and it submitted its report to the Special Committee.[43]

41. The Group, *inter alia*, noted the continuing progress on the harmonization of the rules of origin achieved so far by the preference-giving countries which base their rules on the process criterion, as also the improvements made by them and other preference-giving countries in their respective rules. It also noted that further efforts aimed at the harmonization and simplification of existing rules and procedures would be necessary and agreed that every effort should be undertaken to complete this task by the end of the present decade. In this connexion, the Group concluded that further work would be required in the Working Group.

[43] See TD/B/C.5/62.

Chapter II

TRADE IMPLICATIONS OF THE GENERALIZED SYSTEM OF PREFERENCES

42. Since the issuance of the report by the UNCTAD secretariat, "Comprehensive review of the generalized system of preferences",[44] additional GSP statistics have been received from several preference-giving countries for the years 1977 and 1978. Unfortunately, either no statistics or only incomplete statistics were reported for Australia, EEC,[45] Japan and New Zealand for these years. This up-dated information is contained in annex II below and forms the basis of the following analysis, which extends that contained in the report mentioned above.

43. As is shown in annex II below, the total imports of seven OECD preference-giving countries in 1977 amounted to $47.1 billion, of which two thirds, or $30.7 billion, were MFN dutiable and could therefore fall within the purview of the GSP. However, only $10.6 billion, or 34 per cent, of these dutiable imports consisted of products covered by the schemes, and $5.1 billion, or 48 per cent, of these covered imports actually received preferential treatment in 1977. The bulk of these imports covered by the GSP and those which received preferential treatment were industrial products falling within CCCN chapters 25–99. If the estimated 1976 preferential imports of Australia and New Zealand, the preferential imports for the fiscal year 1976 reported by Japan and the $3.7 billion reported by EEC for 1977 are added to these $5.1 billion of preferential imports, a figure of preferential imports by OECD preference-giving countries of $10.8 billion is obtained, although this would still underestimate the true amount.[46] While this figure is only slightly higher than that reported for 1976 ($10.5 billion), it is assumed that the actual figure for 1977 would be higher, in particular if data for the Japanese fiscal year 1977 rather than 1976 were available.

44. The importance of the three largest schemes to the export trade of developing countries is underlined by the fact that the preferential imports from EEC (1977), Japan (fiscal year 1976) and the United States of America (1977) taken together accounted for nearly 90 per cent of the total preferential imports of all OECD preference-giving countries ($10.8 billion).

45. The latest information provided to the secretariat by preference-giving socialist countries of Eastern Europe relates to 1977 imports by Hungary and the USSR. Out of the total imports from beneficiaries of these schemes of $7.1 billion ($504.7 million for Hungary and $6.6 billion for the USSR), almost $2 billion actually received preferential treatment ($289.2 for Hungary and $1.7 billion for the USSR). In the case of Hungary, all covered imports received GSP treatment. When these preferential imports are added to the total preferential imports of the seven OECD countries as shown in annex II below, the grand total of 1977 preferential imports amounts to $7.1 billion. Taking into account the estimated and actual preferential imports from Australia, New Zealand and Japan in 1976, plus the EEC preferential imports in 1977, the (understated) grand total for preferential imports would amount to almost $13 billion.

46. Perhaps the most important indicator of GSP performance is the ratio of preferential imports to imports covered by the scheme. This utilization rate indicates the extent to which beneficiaries are able actually to obtain preferential treatment on products which are eligible for GSP treatment. These ratios reflect not only the efforts on the part of both exporters and importers to qualify eligible imports for GSP treatment but also the limitations on preferential imports under certain schemes, such as tariff quotas, ceilings, maximum country amounts and competitive-need exclusions. They also reflect difficulties which arise in complying with the rules of origin and other requirements of the scheme.

47. The 1977 rates of utilization of the seven OECD schemes ranged from a low of 15.6 per cent for Austria[47] (compared with 12.6 per cent in 1976) to 75.8 per cent (1976: 76.3 per cent) for the scheme of Sweden. Rates for schemes of other countries in 1977 (and their 1976 levels)

[44] TD/B/C.5/63, reproduced in the present volume (see in particular chap. III and annex VII of that report).

[45] EEC provided the following partial information (amounts in $ million) on preferential imports for 1977 and 1978 respectively: CCCN chapters 1–24, $886.5 and $758.4; CCCN chapters 25–99, $2,830.0 and $2,516.0; and CCCN chapters 1–99, $3,716.5 and $3,274.5.

[46] See TD/B/C.5/63, annex VI.

[47] This relatively low utilization rate is due to the fact that eligible imports include such important products as petroleum, bananas, raw coffee and cocoa beans on which MFN duties have been temporarily suspended. Consequently, these products were excluded from the value of preferential imports in 1977. Had these products also been excluded from the total for eligible imports, the utilization rate of the Austrian scheme would be comparable to the rates for the schemes of other EFTA member States.

were: Canada, 75.1 per cent (73.3); Finland, 56.0 per cent (71.6); Norway, 51.3 per cent (50.5); Switzerland, 43.4 per cent (40.5); and the United States of America, 50.5 per cent (48.4). It should be noted that further substantial increases in these utilization ratios will be difficult to attain solely on the basis of efforts by traders, since the bulk of the remaining GSP-covered imports are subject to various limitations or competitive-need exclusions imposed under the three major schemes and/or to stringent rules of origin requirements. Consequently, any future improvement in these ratios is largely dependent on the liberalization of such limitations and rules of origin. There is also a large scope for the expansion of the product coverage of the schemes. Such an improvement would not only substantially increase preferential trade but would also allow more developing countries to benefit from the GSP.

48. As regards the expansion of product coverage, annex II below shows the scope for such improvements in the ratio of covered imports to dutiable imports, the latter setting the upper limit of such product coverage. For the seven OECD preference-giving countries for which complete information is available for 1977, these ratios range from a high of 88.6 per cent for Austria to a low of 29.9 per cent for the United States of America. The ratios for other OECD preference-giving countries are: 57.6 per cent for Canada; 37.3 per cent for Finland; 38.7 per cent for Norway; 39.0 per cent for Sweden; and 44.6 per cent for Switzerland. For Hungary, this ratio amounts to 83.3 per cent. The almost two thirds of dutiable imports that are not at present covered provide a large scope for the expansion of the product coverage for these seven OECD schemes. For most schemes, the scope for such expansion lies within the agricultural sector.

Chapter III

THE GENERALIZED SYSTEM OF PREFERENCES AND SPECIAL PREFERENCES: THE SECOND LOMÉ CONVENTION

49. The agreed conclusions on the GSP adopted in 1970 (Trade and Development Board decision 75(S-IV), annex) stipulated that developing countries sharing their tariff advantages in some developed countries as a result of the introduction of the GSP expected the new access in other developed countries to provide export opportunities at least to compensate them. The conclusions also called upon the Special Committee on Preferences to review the effects on the export earnings of the developing countries arising from the sharing of their special preferences, in order to avoid the possibility of their being adversely affected. Concern over the question of the sharing of preferences was subsequently reiterated in relevant United Nations resolutions, including those of UNCTAD, and in particular Conference resolution 96(IV).

50. At present, the major type of special preferences in operation concerns the ACP-EEC Convention of Lomé and the agreements concluded under the EEC Mediterranean policy. The accession of the United Kingdom to the Community resulted directly or indirectly in the phasing out of Commonwealth preferences granted by that country and by Australia and New Zealand. Only Canada continues to grant Commonwealth preferences. The UNCTAD secretariat has prepared a number of studies on 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 implementation of the various schemes of generalized preferences.[48]

51. The first Lomé Convention (Lomé I) was concluded on 28 February 1975 between EEC and 46 African, Caribbean and Pacific (ACP) countries for a period of five years ending on 1 March 1980. After more than a year of negotiations, a new Convention (Lomé II) was signed on 31 October 1979 by EEC and 58 ACP countries.[49] The new Convention will succeed Lomé I for a five-year period ending on 28 February 1985.[50]

52. The new Convention, which is similar in broad outlines to Lomé I,[51] is also a contractual, non-reciprocal, preferential system in favour of the ACP countries. In contrast to the GSP, which is confined to the area of tariffs, the Convention embraces the areas of trade and production and financial and technical assistance. Improvements consist of new preferential access for some agricultural products, an extended Stabex system (see sect. B below), the setting up of a new system of assistance for mineral products, referred to as the Sysmin system (see sect. C below), improved rules of origin and increased financial and technical assistance. This chapter is confined to a brief description of these improved aspects of the new Convention.

A. Trade concessions

53. Imports from ACP countries will continue to enjoy unlimited duty-free treatment, with the exception of agricultural products subject to the common agricultural policy (CAP), for which, however, the Community will grant ACP countries treatment more favourable than that applicable to third countries. Pending ratification of Lomé II, the trade arrangements concerning CAP products will be governed by separate EEC Council regulations.[52] According to the Community, products covered by the CAP represented 8.7 per cent of Community imports

[48] See TD/B/C.5/9,* paras 51–61; TD/B/C.5/4;* TD/B/C.5/7,* paras. 96–102; TD/B/C.5/36;* and TD/B/C.5/49 and Add.1 and 2.*

[49] For the list of the ACP countries, see annex III below. Lomé II made possible the accession of new countries whose economic structure and production were comparable with those of existing ACP countries. A number of countries acceded to the Convention after gaining independence. Angola and Mozambique participated in the negotiations on Lomé II but have not acceded to the Convention.

[50] For the text of the new Convention, see EEC, *The Courier* (Brussels), No. 58 (Special issue), November 1979.

[51] For a detailed description of the main provisions of Lomé I, see TD/B/C.5/36.*

[52] See *Official Journal of the European Communities* (Luxembourg), No. L.55 (28 February 1980).

from the ACP countries in 1977. Ninety-four per cent of these imports are guaranteed free access and the other 6 per cent receive preferential treatment.

54. Lomé II improved further the concessions in respect of CAP products as follows:[53]

(*a*) New concessions have been made with respect to tomatoes (of interest to Senegal), onions (of interest to Cape Verde), carrots, asparagus, certain juices and preserved fruit, mushrooms and maize of interest to a number of ACP countries; EEC did not agree to further concessions on milled rice;

(*b*) The annual tariff quota of beef and veal, of interest mainly to Botswana but also to Kenya, Swaziland and Madagascar, has been increased from 27,000 to 30,000 tons; imports of these products will continue to enjoy exemption of Customs duties plus a 90 per cent cut in the levy for the duration of the Convention;

(*c*) For imports of rum, of main interest to Caribbean countries, the Community will continue to set quotas yearly, increased at an annual rate of 18 per cent, instead of the 13 per cent under Lomé I; for imports into the United Kingdom, the increase will remain at 40 per cent; for 1979/80, the tariff quota amounted to 117,000 hectolitres;

(*d*) The sugar protocol, by which the Community undertook to purchase 1,221,500 tons of cane sugar a year at guaranteed prices and ACP countries undertook to supply such quantities, has not been renegotiated, because it had been concluded for an indefinite period; no change in that protocol may take place until a period of five years has elapsed, and the conditions for implementing the guarantee purchase will be re-examined before the end of the seventh year of their application.

B. Stabex

55. The aim of the Stabex system is to guarantee the stabilization of earnings from exports by the ACP countries to the Community of certain products. The Community has allocated 550 million European units of account (EUA) ($731 million) for the stabilization fund, an increase of 168 million EUA over the allocation under Lomé I. The system, which had originally included 12 basic products and 9 sub-products, was extended during the life of Lomé I to cover additional products. The new Convention has further extended its scope, so that the list of products has grown to 44. The list of these products is given in annex IV below.

56. Products covered by the Stabex system become eligible for compensation with respect to an ACP country if, during the year preceding the year of application, earnings from the export of each product to all destinations have represented at least 6.5 per cent of that country's total export earnings from merchandise exports. For sisal, the percentage is 5 per cent. Under Lomé I, the dependency threshold was 7.5 per cent. The ACP country concerned is entitled to request a financial transfer if its earnings from exports of each product to the Community, and under certain conditions to other ACP countries or to all destinations, are at least 6.5 per cent below a reference level calculated as the average of the four preceding years. Under Lomé I, this trigger threshold was 7.5 per cent. Both the dependency and trigger thresholds have been reduced from 2.5 per cent to 2 per cent for the "least developed, land-locked and island ACP States" (i.e. 47 countries out of 58).

57. The financial transfer bears no interest. Countries receiving such a transfer are expected to contribute to the reconstitution of the fund on more flexible terms than under Lomé I. The least developed, land-locked and island ACP countries are, however, exempted from this obligation.

C. Sysmin

58. The Sysmin system, for which the Community has allocated 280 million EUA ($382 million), has been established to assist ACP countries in their efforts to remedy the harmful effects on their earnings of serious temporary disruptions affecting the mining sector. The products covered, and the biggest ACP producers of them, are as follows:

Copper and cobalt (Zambia, Zaire, Papua New Guinea);
Phosphates (Togo and Senegal);
Bauxite and aluminium (Guinea, Jamaica, Suriname and Guyana);
Manganese (Gabon);
Tin (Rwanda);
Iron ore (exports of iron ore from current workings in Mauritania and Liberia will continue to be covered by the Stabex system from 1979 to 1984);
Iron pyrites.

59. The dependency threshold is attained when an ACP country has, during the preceding four years, derived at least 15 per cent of its export earnings from one of the products in question. For the least developed, land-locked and island ACP countries, the percentage is 10 per cent. The trigger threshold is attained when, for reasons beyond its control, an ACP country experiences at least a 10 per cent drop in production or export capacity.

60. Compensation takes the form not of a financial transfer, as under the Stabex system, but of special loans for financing projects and programmes put forward by the ACP country with a view to restoring a viable and economic line of production. Repayment of a special loan is to be made over 40 years, with a 10-year grace period; the 1 per cent interest rate is reduced to 0.75 per cent for the least developed countries.

D. Rules of origin

61. The rules of origin under Lomé II contain new provisions of a general nature and also for application to particular products. Lomé I contained a general provision for dealing with requests for derogations from rules of origin (Protocol No. 1, art. 27). This has been expanded so as to make the provisions precise, flexible and expeditious in operation. It also makes more favourable arrangements for requests from the least developed ACP States (Protocol No. 1, art. 30).

62. Provision has been made for an early joint examination of the rules of origin relating to fisheries products (Final Act, annex XXI) in respect of which the ACP States made a declaration affirming that all catches effected in waters within their national jurisdiction and

[53] The main provisions of the new Convention are described in *The Courier* (*loc. cit.*), p. 26 *et seq.*

obligatorily landed in ports of the ACP States for processing should enjoy originating status (Final Act, annex XLIV).

63. Relaxations have been made in the origin rules applying to eight tariff headings. Two have been deleted from List A (certain breakfast cereals (ex 19.05) and aluminium sulphate (ex 28.38)). Six have been added to List B (refined lanolin (ex 15.05), magnesite (ex 25.19), asbestos fibres (ex 25.24), mica waste (ex 25.26), skid chains (ex 73.29) and golfclub heads (ex 97.06)). These last four changes bring the rules for such products into line with those in the EEC-EFTA free trade agreements.

E. Financial and technical assistance

64. Financial and technical co-operation to be provided by the Community will relate to the preparation, financing and implementation of projects and programmes which contribute to the economic and social development of ACP countries.

65. The Community's financial assistance under Lomé I, including adjustments made to take account of the accession of new member States, amounted to 3.466 billion EUA ($4.329 billion). Under the new Convention, Community aid will amount to 5.227 billion EUA ($6.924 billion). This amount will comprise 4.542 billion EUA from the European Development Fund (EDF) and 685 million EUA from the European Investment Bank (EIB). The EDF contribution will be allocated as follows: 2.928 billion EUA in the form of grants; 504 million EUA in the form of special loans; 280 million EUA in the form of risk capital; 550 million EUA for Stabex and 280 million EUA for Sysmin. Thus, the bulk of the assistance is in the form of grants or concessional loans. The EIB loans will carry a 3 per cent interest rate subsidy, to be charged against EDF.

F. Concluding remarks

66. Since Lomé II has only recently been concluded, it is not possible at this stage to give a precise idea of the extent to which ACP countries share their preferences and the extent to which they have gained new access as a result of the introduction of the GSP. Nevertheless, as was the case under Lomé I, it is clear that ACP countries will continue to derive advantages in the EEC market that are far superior to those enjoyed by beneficiaries of the EEC scheme of generalized preferences. The difference in treatment has to do with the better conditions of access with respect to product coverage in agricultural products and tariff margins thereon which Lomé II provides. Where ACP and GSP beneficiaries enjoy equally duty-free treatment in industrial products, the system of *a priori* limitations, inherent in the scheme of generalized preferences, has the effect of safeguarding ACP countries' interests.

67. Comparison also shows that the Lomé II origin rules continue to be more liberal than the GSP rules in major aspects and in respect of particular products.

68. Lomé II provides, as was the case with Lomé I, for full cumulation (all ACP States are treated as one area) and also for "Community content" to count towards originating status. The latter provision is not contained in the GSP rules. Furthermore, the GSP cumulation arrangements apply only to three regional groupings and provide for only partial, not full, cumulation.

69. The additional new relaxations for particular products which were included in Lomé II (and are referred to in para. 63 above) do not appear in the GSP rules. Further, the more liberal Lomé I rules, which have been carried forward into Lomé II, do not appear in the GSP rules. Examples of such products are chocolate and food preparations containing cocoa (18.06). These products may, under Lomé II, contain up to 30 per cent of non-originating sugar, whereas under GSP rules non-originating sucrose may not be used and also the use of non-originating cocoa beans, butter or powder is limited to 40 per cent of the value of the finished product. Cocoa butter, fat or oil (18.04) must be made from originating cocoa beans under the GSP scheme, whereas Lomé II allows the use of non-originating beans. Further examples of less stringent Lomé II rules vis-à-vis the GSP concern sugar confectionery not containing cocoa (17.04), certain flour preparations (ex 19.02), tapioca and sago (19.04) and sauces, etc. (21.04).

70. The most important difference between preferential tariff concessions under Lomé II and the GSP resides in the legal status of the two systems. Although both systems give effect to the principle of non-discrimination and non-reciprocity, Lomé II is a binding commitment on the part of the contracting parties, whereas the GSP is considered as a non-binding and autonomous undertaking by the developed preference-giving countries, and preferential treatment can be reduced or withdrawn at any time. In addition to improving market access for the imports of its beneficiaries, Lomé II encompasses additional measures of trade and production co-operation, as well as financial and technical assistance, in order to ensure the success of its main objectives. The Lomé II Convention is therefore important not only because of its implications for the GSP but also because it provides a broader framework for development co-operation than the GSP. Its benefits are, however, limited to 58 developing countries.

Chapter IV

THE GENERALIZED SYSTEM OF PREFERENCES AND THE MULTILATERAL TRADE NEGOTIATIONS

71. The Tokyo Declaration,[54] which launched the multilateral trade negotiations recognized, *inter alia*, the importance of maintaining and improving the GSP, as well as the importance of the application of differential measures to developing countries in ways which would provide special and more favourable treatment for them, including, in particular, the least developed countries. These general provisions were further elaborated, to reflect the specific interests of the developing countries, in Conference resolution 91 (IV).

[54] Declaration of Ministers approved at Tokyo on 14 September 1973 (see GATT, *Basic Instruments and Selected Documents, Twentieth Supplement* (Sales No. GATT/1974-1), p. 19).

72. In a separate study,[55] the secretariat has analysed the implications of the Tokyo Round tariff reductions for the beneficiaries of the GSP schemes of EEC, Japan and the United States of America, which together account for about 90 per cent of OECD imports of GSP-covered products from developing countries. Thus, imports of both agricultural and industrial GSP-covered products by EEC, Japan and the United States from beneficiaries of their GSP schemes amounted to $19.4 billion in 1976. The trade-weighted average preferential margin of 9.2 per cent prior to the multilateral trade negotiations would decline to 6.7 per cent in the period following those negotiations, representing a 27.2 per cent erosion of preferential margins. By contrast, the average MFN tariff cut on imports of non-GSP products, valued at $15.8 billion, would amount to 22.4 per cent, owing to the decline of the average tariff from 17.4 per cent prior to the negotiations to 13.5 per cent in the period thereafter.

73. A further indication of the shortcomings of the multilateral trade negotiations in maintaining the scope of the GSP is the effective loss of preferential advantages on imports, valued at $509 million. This occurred either as a result of the elimination of GSP margins through MFN tariff reductions or by the granting of duty-free treatment to GSP covered products on an MFN basis.

74. Imports of all products valued at $7.4 billion from beneficiaries were not subjected to the MFN tariff cuts. About one half of these exceptions, or $3.7 billion, can be construed as positive from the point of view of developing countries, since they applied to GSP-covered products, and thereby preserved the existing average GSP margins of 11.4 per cent. The remaining exceptions, valued at $3.7 billion, applied to products of considerable export interest to developing countries. Their relative importance is reflected in the high trade-weighted average MFN rate of 27.5 per cent, which will be maintained in the period following the negotiations. Thus, the dual goal of developing countries, to maintain existing GSP margins to the maximum extent and to seek deeper-than-average cuts on non-GSP products of export interest to them in order to compensate for GSP losses, does not appear to have been attained.

75. In sum, these findings indicate that in respect of developing countries the tariff-cutting exercise fell short of fulfilling the objectives of the Tokyo Declaration. There was in varying degrees an across-the-board erosion of GSP margins, offset only slightly by exceptions on GSP-covered products. However, the effects of these exceptions were diluted by the loss of GSP advantages due to the elimination of preferential margins. Finally, the deep tariff cuts hoped for on non-GSP products fell short of compensating for the erosion of GSP margins due to the exemptions of other important non-GSP products provided for as a result of the multilateral trade negotiations. It also appears that certain special measures in the tariff field taken on behalf of the least developed countries will have only a marginal impact on their trade.

76. Further analysis of a more dynamic nature concerning the "net" outcome for the developing countries in the negotiations supports the above conclusions. This analysis estimates that the losses in potential trade expansion due to erosion of the GSP of $1.7 billion is offset by potential trade expansion from MFN tariff cuts on products not covered by the GSP by only $0.6 billion, thereby generating a net loss of potential trade expansion for the developing countries as a result of the tariff area covered in the negotiations of over $1.0 billion.

77. Thus, the analyses on both a static and a more dynamic basis lead to the conclusion that the expectations and objectives of the developing countries expressed in the Tokyo Declaration, in various United Nations resolutions and elsewhere, as far as tariffs are concerned, were not fully realized in the Tokyo Round.

[55] TD/B/778/Add.1 and TD/B/778/Add.1 (Summary) and Corr.1.

Chapter V

TECHNICAL ASSISTANCE UNDER THE GENERALIZED SYSTEM OF PREFERENCES

78. The UNCTAD secretariat has prepared a detailed report on the UNDP/UNCTAD project "Assistance to developing countries for the fuller utilization of the generalized system of preferences".[56] It covers the activities of the project from its inception on 1 May 1977 to 31 December 1979. The immediate objectives are to provide, assistance to preference-receiving countries on a continuing basis for the dissemination of information on the GSP schemes and their operation; for the training of officials working on matters relating to the GSP; and for mobilizing assistance from preference-giving countries aimed at enabling them to derive fuller benefits from the GSP.

79. During the period covered by the report, the project activities have been carried out with the full support of both preference-giving and preference-receiving countries. The principal activities were as follows: short-term advisory missions to preference-receiving countries continued to be undertaken; six regional and interregional seminars on the GSP were organized for officials of beneficiary countries, financed by preference-giving countries, intergovernmental organizations or from the regional indicative planning figures for Africa and for Asia and the Pacific; the preparation and distribution continued of up-to-date model handbooks relating to the schemes and of digests on the GSP, including the rules of origin provisions; the director of the project participated in training activities on customs matters organized by the Governments of Austria and Finland and in a symposium in the United Kingdom; and the project continued to provide advice by correspondence.

80. Governments of preference-giving countries have provided officials/experts in GSP matters for short-term advisory missions, free of cost to the project, and have financed regional and interregional seminars on the GSP. In the context of technical co-operation among developing countries, a number of preference-receiving countries have seconded their experts on the GSP, trained during phases I and II, for short-term advisory missions, acted as hosts

[56] TD/B/C.5/68, reproduced in the present volume.

to regional seminars and received officials from neighbouring countries for in-service training on the GSP.

81. The project has benefited from close co-operation with UNIDO and the International Trade Centre UNCTAD/GATT. UNIDO prepared case-studies on industrialization for the seminars on the GSP and contributed conference facilities and services for an interregional seminar for the least developed and middle-income developing countries. ITC prepared detailed trade data and projections and provided lecturers for the seminars.

82. The programme of work of the project is coordinated with the substantive activities on preferences undertaken by the Manufactures Division of UNCTAD and the expertise of some staff members of that Division has been made available for advisory missions and training activities when possible.

83. The project will continue to operate until 31 December 1980. Further technical assistance on the GSP is still required, particularly by countries that have not so far taken as much advantage of the GSP facilities as they could have done. The technicalities and mechanisms of the GSP are still difficult for prospective users of the GSP in several countries to understand. The main areas of difficulty are: lack of understanding by exporters, manufacturers and, in some cases, officials, of the legal language used by the preference-giving countries in the documents relating to their schemes; the classification of goods, particularly in the case of preference-giving countries not using the CCCN; the differing tariff cuts applied in the various schemes for similar products, particularly when these do not result in duty-free access; the correct application of the rules of origin; and the yearly changes in GSP limitations in some major schemes, for example *a priori* limitations and competitive-need provisions.

Chapter VI

CONCLUSIONS AND RECOMMENDATIONS

84. The agreed conclusions of the Special Committee on Preferences on the GSP[57] called for "a comprehensive review towards the end of the initial period of the system, to determine, in the light of the objectives of Conference resolution 21 (II), whether the preferential system should be continued beyond that period". In this connexion, the comprehensive review of the GSP,[58] which was prepared by the UNCTAD secretariat as background material for the Conference at its fifth session, contains in its concluding chapter specific recommendations for the maintenance and improvement of the GSP.

85. Since the review and evaluation of the GSP (item 11 (*c*) of the Conference agenda) did not lead to any agreement, the Conference decided to remit this matter to the permanent machinery of UNCTAD. The Trade and Development Board, in decision 191 (XIX), remitted the item to the Special Committee on Preferences at its ninth session. In its review and evaluation, the Special Committee may wish to take into account, *inter alia*, the recommendations contained in the comprehensive review mentioned in the preceding paragraph.

86. The first important recommendation concerns the duration of the GSP. For most preference-giving countries, the initial ten-year period will expire in June 1981. It is important, therefore, for the Special Committee to consider adopting a decision concerning the formal extension of the duration of the GSP, bearing in mind that the system could constitute an important element in the international development strategy for the third United Nations development decade.

87. The second important recommendation concerns the maintenance and improvement of the system. Evaluation of the effects of the multilateral trade negotiations on the GSP has shown that GSP margins will be eroded across-the-board and that the benefits accruing to GSP beneficiaries from MFN tariff cuts on products not covered by the GSP will fail to compensate them for such erosion. Moreover, if preference-giving countries persist in their policy of graduating major beneficiaries out of their schemes, the potential trade advantages under the system could be radically reduced. The attainment of the objectives of the GSP would call for the substantial improvement of the various elements of the system rather than a reduction of its existing benefits. The Committee may therefore wish to give special consideration to this question. Moreover, the plurilateral consultations envisaged in Board decision 179 (XVIII) between preference-receiving countries, on the one hand, and individual preference-giving countries, on the other, should provide the possibility for the concrete and substantial improvement of the various schemes.

88. The autonomous and non-binding character of the GSP and the limitations to preferential treatment inherent in the major schemes have made the system highly uncertain. As a corollary to the maintenance and improvement of the system, the third important recommendation concerns making the tariff advantages more secure and stable.

89. Generalized preferences granted by developed countries provide no more than a potential for the expansion of exports from beneficiaries of products covered by the system. It is therefore of vital importance that beneficiaries should take appropriate measures in production and trade, including trade promotion measures, in order to take full advantage of the possibilities open to them under the various schemes.

90. Technical assistance to beneficiary countries, extended by the UNCTAD/UNDP project and by individual preference-giving countries directly or through the project, has played a key role in increasing the utilization of the system. Since there is much scope for further increasing such utilization, intensive technical assistance activities should be continued. In this context, the Special Committee may wish to recommend the extension of the UNCTAD/UNDP project, which is due to expire at the end of 1980.

[57] See Trade and Development Board decision 75 (S-IV) of 13 October 1970, annex.

[58] TD/B/C.5/63, reproduced in the present volume.

ANNEXES

ANNEX I

List of the schemes of generalized preferences in force

Country	*Scheme published in UNCTAD document number*	*Date of implementation*
Australia	TD/B/480 and Amend.1–7 TD/B/GSP/AUSTRALIA/1–6	1966
Austria	TD/B/373/Add.3 and Corr.1 TD/B/373/Add.3/Amend.1–3; 4 and Corr.1; 5 TD/B/GSP/AUSTRIA/1–7	1 April 1972
Bulgaria	TD/B/378/Add.1 TD/B/GSP/BULGARIA/1 and 2	1 April 1972
Canada.....	TD/B/373/Add.4 TD/B/373/Add.4/Annex I (Vol. I, II and III) TD/B/373/Add.4/Annex I (Vol. I)/Amend.1–5 TD/B/GSP/CANADA/1–7	1 July 1974
Czechoslovakia	TD/B/GSP/CZECH/1	28 February 1972
EEC	TD/B/GSP/EEC/1 and Amend.1 and 2; 2–5; 6 and Add.1	1 July 1971
Finland	TD/B/GSP/FINLAND/1 and 2; 3 and Corr.1; 4	1 January 1972
Hungary.....	TD/B/378/Add.3 and Amend.1 TD/B/378/Add.3/Annex TD/B/378/Add.3/Annex II TD/B/GSP/HUNGARY/1	1 January 1972
Japan	TD/B/GSP/JAPAN/1–3	1 August 1971
New Zealand.....	TD/B/610 and Add.1 and Add.1/Corr.1 TD/B/GSP/NZ/1 and 2; 3 and Amend.1; 4	1 January 1972
Norway	TD/B/578 and Amend.1–3 TD/B/GSP/NORWAY/1 and 2; 3 and Amend.1 and 2; 4–8	1 October 1971
Poland	TD/B/GSP/POLAND/1	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/1–4	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/1–5	1 March 1972
United States of America	TD/B/373/Add.5 TD/B/373/Add.5/Amend.1 and Corr.1; Amend.2; 3 and Corr.1; 4 TD/B/373/Add.5/Annex TD/B/GSP/USA/1–6; 7 and Corr.1; 8 and Corr.1; 9; 10	1 January 1976
USSR	TD/B/378/Add.5	1 January 1965

ANNEX II

Imports of preference-giving countries in 1977 and 1978 from beneficiaries of their schemes

(*Millions of dollars*)

Preference-giving country and CCCN chapters (*1*)	*Total imports* (*2*)	*MFN dutiable imports* (*3*)	*GSP imports*		*Shares (percentage)*	
			covered (*4*)	*preferential* (*5*)	(*4*)/(*3*) (*6*)	(*5*)/(*4*) (*7*)
1. *Austria*						
1–24.....1977	430.0	359.7	277.0[a]	14.7	77.0	5.3
1978	466.4	371.2	227.3[a]	28.4	61.2	12.5
25–99.....1977	1 042.7	885.6	826.4[a]	157.4	93.3	19.0
1978	1 180.0	956.2	912.6[a]	179.3	95.4	19.7
1–99.....1977	1 472.7	1 245.3	1 103.4[a]	172.1	88.6	15.6
1978	1 646.4	1 327.4	1 139.9[a]	207.7	85.9	18.2
2. *Canada*						
1–99.....1977	4 005.9	992.8	571.5	428.9	57.6	75.1
3. *Finland*						
1–24.....1977	366.6	94.0	23.0	9.4	24.4	40.8
1978	357.5	93.9	32.6	22.8	34.7	69.9
25–99.....1977	485.6	27.0	22.1	15.9	82.0	71.9
1978	464.0	30.8	28.1	21.4	91.2	76.2
1–99.....1977	852.2	121.0	45.1	25.3	37.3	56.0
1978	821.5	124.7	60.7	44.2	48.7	72.8
4. *Norway*						
1–24.....1977	267.0	(18.1)[b] 30.4	12.0	4.9	39.3	40.6
1978	274.2	(20.5)[b] 35.4	11.7	3.3	33.1	28.3
25–99.....1977	1 017.2	148.2	57.2	30.6	38.6	53.5
1978	912.5	106.0	59.4	30.2	56.0	50.9
1–99.....1977	1 284.2	178.6	69.2	35.5	38.7	51.3
1978	1 186.7	141.4	71.1	33.5	50.3	47.2
5. *Sweden*						
1–24.....1977	622.2	51.1	36.0	30.7	70.1	85.3
1978	662.0	67.7	45.2	37.1	66.8	82.1
25–99.....1977	2 204.4	512.0	183.7	135.9	35.9	74.0
1978	2 070.8	500.2	208.2	150.1	41.6	72.1
1–99.....1977	2 826.6	563.1	219.7	166.6	39.0	75.8
1978	2 732.8	567.9	253.4	187.2	44.6	73.9
6. *Switzerland*						
1–24.....1977	718.5	623.6	101.6	81.3	16.3	80.1
1978	751.9	640.2	128.1	107.4	20.0	83.9
25–99.....1977	1 359.5	1 337.5	772.7	297.8	57.8	38.5
1978	1 576.3	1 550.9	983.1	372.2	63.4	37.9
1–99.....1977	2 078.1	1 961.1	874.3	379.1	44.6	43.4
1978	2 328.3	2 191.0	1 111.2	479.6	50.7	43.2
7. *United States of America*						
1–99.....1977	34 597.9	25 654.2	7 677.6	3 878.0	29.9	50.5
1978	41 420.1	21 641.4	9 740.8	5 204.1	45.0	53.4
8. *Hungary*						
1–24.....1977	362.5	222.8	218.0	218.0	97.9	100.0
25–99.....1977	142.2	87.1	71.2	71.2	81.6	100.0
1–99.....1977	504.7	309.9	289.2	289.2	83.3	100.0
9. *USSR*						
1–99.....1977	6 624.9	—	—	1 689.7	—	—
I. TOTAL, 1977, developed market economy countries *minus* Canada (2) and United States (7) (1 and 3–6)						
1–24	2 404.3	1 158.8	449.6	141.0	38.8	31.4
25–99	6 109.4	2 900.3	1 862.1	637.6	64.2	34.2
1–99	8 513.7	4 059.1	2 311.7	778.6	57.0	33.7

Preference-giving country and CCCN chapters (*1*)	*Total imports* (*2*)	*MFN dutiable imports* (*3*)	*GSP imports*		*Shares (percentage)*	
			covered (*4*)	*preferential* (*5*)	(*4*)/(*3*) (*6*)	(*5*)/(*4*) (*7*)
II. TOTAL, 1977, developed market economy countries (1–7)						
1–99	47 117.5	30 706.1	10 560.8	5 085.5	34.4	48.2
III. TOTAL, 1977, Hungary and USSR (8 and 9)						
1–99	7 129.6	—	—	1 978.9	—	—
IV. GRAND TOTAL, 1977 (1–9)						
1–99	54 247.1	—	—	7 064.4	—	—

Source: Data supplied to UNCTAD by preference-giving countries.

[a] Includes the import of a number of important products such as bananas, raw coffee and cocoa beans, and petroleum and petroleum products, on which MFN duties have been temporarily suspended. Since these products, although formally covered by the Austrian scheme, could not benefit from GSP treatment, the utilization rates for Austria in column (7) are substantially understated.

[b] The value of citrus fruits which received temporary duty-free treatment is shown in parentheses. Import figures for CCCN chapters 1–24, in both column (3) and column (4), have been reduced by this amount for the beneficiaries affected.

ANNEX III

List of ACP countries

Bahamas[c]
Barbados[c]
Benin[a]
Botswana[a, b]
Burundi[a, b]
Cape Verde[a, c]
Central African Republic[a, b]
Chad[a, b]
Comoros[a, c]
Congo
Djibouti[a]
Dominica[a, c]
Equatorial Guinea
Ethiopia[a]
Fiji[c]
Gabon
Gambia[a]
Ghana
Grenada[a, c]
Guinea[a]
Guinea-Bissau[a]
Guyana
Ivory Coast
Jamaica[c]
Kenya
Kiribati
Lesotho[a, b]
Liberia
Madagascar[c]
Malawi[a, b]
Mali[a, b]
Mauritania[a]
Mauritius[c]
Niger[a, b]
Nigeria
Papua New Guinea[c]
Rwanda[a, b]
Samoa[a, c]
Sao Tome and Principe[a, c]
Senegal
Seychelles[a, c]
Sierra Leone[a]
Solomon Islands[a, c]
Somalia[a]
Saint Lucia[a, c]
Sudan[a]
Suriname
Swaziland[a, b]
Togo[a]
Tonga[a, c]
Trinidad and Tobago[c]
Tuvalu[a, c]
Uganda[a, b]
United Republic of Cameroon
United Republic of Tanzania[a]
Upper Volta[a, b]
Zaire
Zambia[a]

[a] Least developed ACP State (article 155 of the Convention).
[b] Land-locked ACP State (article 155 of the Convention).
[c] Island ACP State (article 155 of the Convention).

ANNEX IV

Products covered by the Stabex system[a]

	Nimexe code
1. Groundnuts, shelled or not	12.01–31 to 12.01–35
2. Groundnut oil	15.07–74 and 15.07–87
3. Cocoa beans	18.01–00
4. Cocoa paste	18.03–10 to 18.03–30
5. Cocoa butter	18.04–00
6. Raw or roasted coffee	09.01–11 to 09.01–17
7. Extracts, essences or concentrates of coffee	21.02–11 to 21.02–15
8. Cotton, not carded or combed	55.01–10 to 55.01–90
9. Cotton linters	55.02–10 to 55.02–90
10. Coconuts	08.01–71 to 08.01–75
11. Copra	12.01–42
12. Coconut oil	15.07–29, 15.07–77 and 15.07–92
13. Palm oil	15.07–19, 15.07–61 and 15.07–63
14. Palm nut and kernel oil	15.07–31, 15.07–78 and 15.07–93
15. Palm nuts and kernels	12.01–44
16. Raw hides and skins	41.01–11 to 41.01–95
17. Bovine cattle leather	41.02–05 to 41.02–98
18. Sheep and lamb skin leather	41.03–10 to 41.03–99
19. Goat and kid skin leather	41.04–10 to 41.04–99
20. Wood in the rough	44.03–20 to 44.03–99
21. Wood roughly squared or half-squared, but not further manufactured	44.04–20 to 44.04–98
22. Wood sawn lengthwise, but not further prepared	44.05–10 to 44.05–79
23. Fresh bananas	08.01–31
24. Tea	09.02–10 to 09.02–90
25. Raw sisal	57.04–10
26. Vanilla	09.05–00
27. Cloves—whole fruit, cloves and stems	09.07–00
28. Sheep's or lamb's wool, not carded nor combed	53.01–10 to 53.01–40
29. Fine animal hair of Angora goats—mohair	53.02–95
30. Gum arabic	13.02–91
31. Pyrethrum—flowers, leaves, stems, peel and roots: saps and extracts from pyrethrum	12.07–10 and 13.03–15
32. Essential oils, not terpeneless, of cloves, of niaouli and of ylang-ylang	33.01–23
33. Sesame seed	12.01–68
34. Cashew nuts and kernels	08.01–77
35. Pepper	09.04–11 and 09.04–70
36. Shrimps and prawns	03.03–43
37. Squid	03.03–68
38. Cotton seeds	12.01–66
39. Oil-cake	23.04–01 to 23.04–99
40. Rubber	40.01–20 to 40.01–60
41. Peas	07.01–41 to 07.01–43, 07.05–21 and 07.05–61
42. Beans	07.01–45 to 07.01–47, 07.05–25 and 07.05–65
43. Lentils	07.05–30 and 07.05–70
44. Iron ore (ores, concentrates, roasted iron pyrites)	26.01–12 to 26.01–18

[a] Article 25 of the Convention. The question of tobacco is to be re-examined under the new Convention, as well as the case of sisal products. Iron ore, the only mineral included in the Stabex system, will continue to be covered in respect of exports from mines currently being worked for another five years (1979–1984). After that it will be covered by the new system for minerals.

Document TD/B/C.5/63

COMPREHENSIVE REVIEW OF THE GENERALIZED SYSTEM OF PREFERENCES

Report by the UNCTAD secretariat

[*Original: English*]
[*9 April 1979*]

CONTENTS

ANNEXES

INTRODUCTION

1. Section VIII of the agreed conclusions on the generalized system of preferences (GSP) adopted by the Special Committee on Preferences at the second part of its fourth session[1] provided that the questions relating to the implementation of the GSP should be dealt with by means of:

(*a*) An annual review and analysis of the functioning of the system;

(*b*) A triennial review to assess the benefits of the system for the beneficiary countries and the possibilities of improvement of the system and of its operation;

(*c*) A comprehensive review towards the end of the initial period of the system, to determine, in the light of the objectives of Conference resolution 21 (II), whether the preferential system should be continued beyond that period.

2. The Special Committee on Preferences has, since the implementation of the GSP, carried out four periodic reviews of the operation and effects of the system, in April 1973, May 1974, January 1976 and June/July 1977.[2] The third periodic review also served for the purposes of the triennial review.

3. At its fifth session, the United Nations Conference on Trade and Development had before it a report by the Secretary-General of UNCTAD giving a brief review and evaluation of the GSP.[3] This report, in which the issues are discussed in greater detail, was intended to provide all the elements necessary for a comprehensive review.

Chapter I

ORIGIN AND IMPLEMENTATION OF THE GENERALIZED SYSTEM OF PREFERENCES

4. The negotiations leading to the adoption and implementation of the GSP took nearly a decade. Several years had elapsed before the principle of preference received acceptance and more than two years were needed for working out the details of the various schemes of preferences. The schemes were put into effect after a certain period of delay and in some cases the delay was considerable.

A. Agreement on the principle of preferences

5. Customs tariffs constituted and still constitute a major obstacle in international trade. The substantial reduction of tariffs has been the main objective of the intermittent negotiations held within the framework of GATT since its inception. These negotiations, carried out on the basis of reciprocity, served mainly the interests of developed countries. With the increasing membership of GATT, in particular of developing countries, a problem arose with regard to the participation of these countries in the negotiations. The principle of reciprocity became an acute problem when, in the preparatory work for the Kennedy Round negotiations, a decision had to be made regarding the participation of the developing countries. Among the arguments advanced in this respect, was that equal (MFN) treatment of unequal partners could not provide equitable benefits for the developing countries. These countries therefore asked for special and preferential treatment in their favour, without reciprocity of concessions on their part.

6. Proposals for special tariff treatment in favour of developing countries were first formally discussed at the GATT ministerial meeting held in May 1963, and afterwards in a Working Party set up for this purpose. This new emphasis on the trade and development problems of developing countries culminated in a revision of the General Agreement on Tariffs and Trade in 1965 by the addition of part IV, which called, however, for less than full reciprocity on the part of developing countries. In effect, although it is stated in paragraph 8 of article XXXVI of the Agreement that the developed countries would not expect reciprocity for commitments made by them in trade negotiations with the developing countries, a separate note to the article specified that what was meant by the article was that the developing countries were not expected to "make contributions which are inconsistent with their individual development, financial and trade needs".[4] Insistence on reciprocity in the negotiations reflected the strong determination of developed countries to uphold the MFN principle, lest it should undermine the very foundation of the Agreement. On the whole, part IV constituted a compromise falling far short of the expectations and development needs of the

[1] See Trade and Development Board decision 75 (S-IV) of 13 October 1970, annex.

[2] See the reports of the Special Committee on Preferences on its fifth, sixth, seventh and eighth sessions: *Official Records of the Trade and Development Board, Thirteenth Session, Supplement No. 3* (TD/B/442); *ibid., First part of the Fourteenth Session, Supplement No. 3* (TD/B/489); *ibid., Seventh Special Session, Supplement No. 6* (TD/B/598) and *ibid., Seventeenth Session, Supplement No. 4* (TD/B/653).

[3] TD/232, reproduced in *Proceedings of the United Nations Conference on Trade and Development, Fifth Session*, vol. III, *Basic Documents* (United Nations publication, Sales No. E.79. II.D.16).

[4] The same wording was later used in the Tokyo Declaration (Declaration of Ministers, approved at Tokyo on 14 September 1973). For the text of the Declaration, see GATT, *Basic Instruments and Selected Documents, Twentieth Supplement* (Sales No. GATT/1974-1), p. 19.

developing countries. Further discussion on preferences within the framework of GATT had therefore come to a standstill.

7. An opportunity to reopen the debate came when the United Nations Conference on Trade and Development met for the first time in the spring of 1964. At that session, tariff preferences in favour of developing countries formed one of the key issues in the search for effective solutions to the trade problems of developing countries. The Conference adopted certain principles to govern international trade relations and trade policies conducive to development. General Principle Eight recommended that developed countries should accord preferential concessions in favour of developing countries without requiring any concessions in return from developing countries. The majority of these countries were in favour of preferences, and the others including the United States of America, were opposed to them and supported instead the application of the MFN principle in the extension of concessions by developed to developing countries. Consequently, the developed market economy countries either abstained or voted against this principle. In its recommendation A.III.5, the Conference recognized the urgent need for the diversification and expansion of the export trade of developing countries in manufactures and semi-manufactures and considered it desirable to obtain the widest possible agreement with respect to the extension of preferences. For this purpose, it recommended the Secretary-General of the United Nations to appoint a special committee of governmental representatives with a view to working out the best method of implementing such preferences on the basis of non-reciprocity from developing countries, and to discussing further the differences of principle referred to above and reporting to the continuing machinery established following the first session of the Conference.

8. The Special Committee which the Secretary General of the United Nations convened in New York in May 1965 enabled the governments concerned to clarify their different positions. However, since the divergencies could not be overcome, the Committee recommended that the issue of preferences be further pursued, in view of the desirability of attaining agreement. In 1966, the Trade and Development Board established the Group on Preferences as a subsidiary organ of the Committee on Manufactures with basically the same terms of reference as those of the Special Committee mentioned above. The first session of the Group, which was held in July/August 1966, failed to achieve any progress largely because the developed countries which were examining the issue among themselves within the framework of OECD, had not reached any agreement. These parallel discussions were being conducted in the Special Group set up by the OECD Council in December 1965 with a view to defining a common position for the developed market economy countries.

9. A breakthrough with regard to preferences came about following a statement made by the President of the United States at the meeting of the Latin American Heads of State at Punta del Este in April 1967. In it, the President of the United States recognized that comparable tariff treatment might not always permit developing countries to advance as rapidly as desired and that the granting of temporary tariff advantages for all developing countries by all developed countries would be one way of dealing with this question.[5] This statement unlocked the negotiations and from that time onwards progress could be made both within OECD and in the UNCTAD Group on Preferences. Thenceforth, attention was concentrated mainly on how, rather than whether, to grant preferences.

10. At the second session of the Conference, held at New Delhi in 1968, the issue of preferences was at the centre of the negotiations. The Conference had before it the Charter of Algiers adopted at the Ministerial Meeting of the Group of 77 in October 1967 by the developing countries, which set out, *inter alia*, the principles to be observed in implementing a generalized system of preferences.[6] The main principles were first of all that the preferential arrangement should provide for unrestricted and duty-free access to the markets of all the developed countries for all manufactures and semi-manufactures, including all processed and semi-processed products, from all developing countries. Secondly, the escape clause action to be governed by objective criteria should be temporary in nature and subject to international consultation, approval and review. Thirdly, special measures should be taken in favour of the least advanced among the developing countries. Fourthly, developing countries enjoying special preferences in certain developed-country markets should obtain at least equivalent advantages for sharing such preferences as a result of the introduction of generalized preferences.

11. The Conference also had before it a report by the Special Group on Trade with Developing Countries of OECD[7] setting out a number of general considerations regarding temporary special tariff treatment by developed countries in favour of all developing countries. These considerations encompassed certain principles on which all schemes subsequently introduced were based. First, that the preferential arrangements envisaged would not imply the granting of reciprocal advantages by developing countries to the exports of developed countries. Secondly, that special tariff treatment should apply in principle to all manufactured and semi-manufactured products, the other products, meaning agricultural and primary products, to be included on a case-by-case basis. Thirdly, that preferences should be granted to any country, territory or area claiming developing status (principle of self-election), but preference-giving countries might decline to grant such treatment to a particular country on compelling grounds. Some important questions regarding

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[5] The shift by the United States of America to a favourable position was explained by the United States Assistant Secretary of State for Economic Affairs as follows: "Politically, we found ourselves virtually isolated from all the developing countries and most of the industrialized countries as well. Economically, our reservation in principle and scepticism precluded our having much influence over the proliferation of discriminatory arrangements and also reduced our influence with regard to the specific workings of a preference scheme which other industrialized countries indicated they might put into effect, whether or not the United States took part" (see United States, *The Future of United States Foreign Trade Policy: Hearings before the Sub-Committee on Foreign Economic Policy of the Joint Economic Committee, Ninetieth Congress, First Session*, vol. I (Washington, D.C., U.S. Government Printing Office, 1967), p. 79).

[6] See *Proceedings of the United Nations Conference on Trade and Development, Second session*, vol. I, *Report and Annexes* (United Nations publication, Sales No. E.68.II.D.14), annex IX.

[7] TD/56. *Ibid.*, vol. III, *Problems and Policies of Trade in Manufactures and Semi-Manufactures* (United Nations publication, Sales No. E.68.II.D.16), p. 78.

the preferential arrangements remained open, in particular whether the improved access should take the form of duty-free treatment or substantial reductions below MFN rates, and whether safeguard action should take the form of the traditional escape clause or of *a priori* limitations in the form of tariff quotas.

12. Divergencies persisted at the Conference because the positions regarding the main elements of a system of preferences were far apart. The compromise reached found expression in Conference resolution 21 (II), in which the principle and objectives of preferences in favour of developing countries were formally accepted. Paragraph 1 of the resolution states that the Conference "agrees that the objectives of the generalized non-reciprocal, non-discriminatory system of preferences in favour of the developing countries, including special measures in favour of the least advanced among the developing countries, should be: (*a*) to increase their export earnings; (*b*) to promote their industrialization; (*c*) to accelerate their rates of economic growth". The year 1969 was set as the time-limit for settling the details of the preferential arrangements, and a Special Committee on Preferences was established by the Conference to conduct the necessary negotiations.

B. Working out the details

13. The Special Committee on Preferences concluded its work of elaborating a generalized system of preferences at the second part of its fourth session, in October 1970. At its first session, held from 29 November to 6 December 1968, the Special Committee had reviewed the progress made since the second session of the Conference and drew up a time-table of work. OECD prospective preference-giving countries had reported that they had tried to expand the area of agreement and to elaborate the work already done. It had been agreed to move from generalities to specifics and 1 March 1969 had been agreed upon as the specific date when each prospective preference-giving country should be prepared to submit two lists of products to be examined among OECD countries. The first would be a list of manufactured and semi-manufactured products falling within CCCN chapters 25–99 on which countries were not prepared to grant preferences—the "negative list". The second would be a list of products falling within CCCN chapters 1–24 on which countries were prepared to grant preferences—the "positive list". Countries were invited to state clearly all the assumptions, qualifications and conditions on which the granting of preferences could be considered and on the basis of which the lists had been prepared. Those lists and submissions would subsequently be exchanged within OECD and further discussions would take place, providing an opportunity for each country to review its own lists and the assumptions on which they were based.

14. The Special Committee had agreed that there should be a short second session, possibly in late April 1969, at which a further interim report should be made and agreement reached on the means for handling the detailed intensive consultations with the developing countries at the third session, which would be held in late June of the same year. These means would include the establishment of any necessary working group to facilitate the work of the third session, and the determination of the group's composition and terms of reference. The developed countries would, if possible, provide substantive documentation in good time before the session opened.

15. The Special Committee held its second session from 28 April to 2 May 1969. The developed countries reported that they had continued intensive consideration of the possible elements of a system of preferences and that their work was going forward mainly on the national level and also within OECD. The task had proved to be more difficult and delicate than had been anticipated. Most countries had been able to deliver illustrative lists to OECD by 1 March 1969. The United States of America had been unable, owing to a change of administration, to submit its proposals.

16. At that session, the Special Committee identified the substantive aspects of the system on which further detailed consultation would be necessary in the Committee or in its working groups.[8] It also established a Working Group on Rules of Origin to initiate consultations on the technical aspects of the rules of origin.

17. At its third session, held from 30 June to 3 July 1969, the Special Committee agreed on a timetable and other procedural arrangements for the conduct of detailed intensive consultations. The Committee also recommended that the Trade and Development Board at its ninth session should continue the existence and working of the Special Committee, in order that the latter might submit its final report at a subsequent session of the Board. In its resolution 61 (IX) of 12 September 1969, the Trade and Development Board decided to continue the existence of the Special Committee and requested it to submit its final report, to be prepared at the Special Committee's fourth session, to the Board at a special session.

18. In accordance with this resolution, the Special Committee held the first part of its fourth session from 31 March to 17 April 1970. At this part of the session, detailed and intensive consultations were held between the prospective preference-giving countries and developing beneficiary countries, on the basis of the preliminary submissions transmitted by the developed countries members of OECD, and by New Zealand. The Committee also undertook a substantive examination of the questions related to the contribution of the socialist countries of Eastern Europe in the light of Conference resolution 21 (II). The Special Committee agreed that it had not been able to complete its work and that it would therefore be necessary to convene a resumed fourth session.

19. The second part of the fourth session was held from 21 September to 12 October 1970. After intensive consultations on the preliminary offers of the OECD prospective preference-giving countries, arrangements concerning the establishment of a generalized, non-discriminatory, non-reciprocal system of preferences for the exports of developing countries to the markets of developed countries were drawn up and agreed upon. The agreed conclusions adopted by the Special Committee, of which the Board took note at its fourth special session, defined the technical, institutional and legal aspects of

[8] The following areas were identified for consultations: product coverage and the extent of preferences; the safeguard mechanism; the duration of the scheme; special measures for the least advanced countries; existing and reverse preferences; institutional arrangements; measures which the socialist countries of Eastern Europe could take in the light of Conference resolution 15 (II).

the system. In these agreed conclusions, the Special Committee also welcomed with appreciation the joint declaration of several socialist countries of Eastern Europe announcing the measures which their countries intended to take to contribute to the attainment of the objectives of Conference resolution 21 (II). These measures consist of tariff preferences in the case of countries having a customs tariff[9] and of other special measures of a preferential nature designed to expand imports from developing countries. The Special Committee decided that its report and the report on the first part of the fourth session, together with the substantive documentation containing the preliminary submissions of the OECD prospective preference-giving countries, constituted the final report of the Special Committee on Preferences under Conference resolution 21 (II).

20. At its fourth special session, held on 12 and 13 October 1970, the Trade and Development Board, by its decision 75 (S-IV), adopted the report of the Special Committee on Preferences on its fourth session and took note of the agreed conclusions in that report. In proclaiming the Second United Nations Development Decade, starting from 1 January 1971, the General Assembly of the United Nations, at its twenty-fifth session, included the preferential arrangements as an integral part of the International Development Strategy.

21. In agreeing to the preferential arrangements drawn up in UNCTAD, the prospective preference-giving countries indicated their determination to seek as rapidly as possible the necessary legislative or other sanction with the aim of implementing the preferential arrangements as early as possible in 1971. Accordingly, the prospective preference-giving countries concerned submitted a formal application to the Contracting Parties for a waiver in accordance with article XXV:5 of their obligations under article I of the General Agreement on Tariffs and Trade, so as to permit the implementation of a generalized system of preferences. By their decision of 25 June 1971 the Contracting Parties to the Agreement decided to waive the provisions of article I of the Agreement for a period of 10 years to the extent necessary to permit developed Contracting Parties to accord preferential tariff treatment to products originating in developing countries and territories.[10]

[9] The preference-giving socialist countries of Eastern Europe having a customs tariff now include Bulgaria, Czechoslovakia, Hungary, Poland and the USSR.

C. Implementation

22. The GSP now consists of 16 separate schemes involving 19 market economy countries and 6 socialist countries of Eastern Europe.[11] The countries or groups of countries applying the schemes and the years of the entry into force of their schemes are: Australia (1966); Austria (1 April 1972); Bulgaria (1 April 1972); Canada (1 July 1974); Czechoslovakia (28 February 1972); EEC (1 July 1971); Finland (1 January 1972); Hungary (1 January 1972); Japan (1 August 1971); New Zealand (1 January 1972); Norway (1 October 1971); Poland (1 January 1976); Sweden (1 January 1972); Switzerland (1 March 1972); the United States of America (1 January 1976); and the USSR (1 January 1965).

23. It should be noted that Australia, which had been applying a system of tariff preferences in favour of developing countries prior to the adoption of the GSP, implemented a new and substantially broader scheme under the GSP on 1 January 1974. Similarly, the USSR scheme had been introduced prior to the GSP, in accordance with Conference recommendations A.III.2 and A.III.1. An important development occurred on 1 January 1974, when three preference-giving countries (Denmark, Ireland and the United Kingdom) aligned their schemes in effect since 1972 with that of EEC, as a result of their accession to the Community.

[10] See decision of 25 June 1971 (L/3545), reproduced in GATT, *Basic Instruments and Selected Documents, Eighteenth Supplement* (Sales No. GATT/1972-1), p. 24.

[11] For a list of the schemes in force, see document TD/B/C.5/67 (reproduced in the present volume), annex I. The German Democratic Republic does not have customs tariffs but, after endorsing in 1973 the Joint Declaration of Socialist Countries of Eastern Europe, it undertook to apply other economic and foreign trade measures which, as a rule, are of a preferential nature designed to expand imports from the developing countries.

Chapter II

NATURE AND SCOPE OF THE GENERALIZED SYSTEM OF PREFERENCES

24. Although the GSP consists of a series of individual schemes, the schemes have many elements in common. These common elements, and changes and improvements made in the various schemes, are described in detail in this chapter.

A. Beneficiaries

25. Since the introduction of the schemes, most of the preference-giving countries have substantially extended the lists of beneficiaries, constituting one of the main improvements of the system. A consolidated list of beneficiaries of individual preference-giving country schemes early in 1979 is contained in annex I to this report. The great majority of countries members of the Group of 77 are recognized as beneficiaries in most of the schemes of generalized preferences. In addition, the following beneficiaries not members of the Group of 77 enjoy preferences under one or more of the schemes: Albania, Bulgaria (which is itself a preference-giving country), China, Greece, Israel, Mongolia, Muscat, Nauru, Portugal, Samoa, Spain, Tonga and Turkey.

B. Product coverage

26. In considering the product coverage of the GSP, it is relevant to establish how many dutiable products (those attracting an MFN rate greater than zero) are

Generalized system of preferences: summary of product coverage

Preference-giving country (1)	Number of MFN dutiable tariff line items imported from beneficiaries: Total (2)	Covered by GSP (3)	Percentage shares: (3)/(2) (4)	Value of GSP covered in relation to total MFN dutiable imports (5)
Australia	1 289	919	71	53
Austria	1 355	1 205	89	89
Canada	683	511	75	57
EEC	1 905	1 649	87	61
Finland	956	367	38	23
Japan	2 549	2 186	86	12
New Zealand	1 088	857	79	93
Norway	1 093	722	66	47
Sweden	1 400	1 079	77	20
Switzerland	1 895	1 706	90	45
United States of America	3 091	1 887	61	31

covered by the system. However, since not all dutiable products are necessarily imported by preference-giving countries from beneficiaries of their schemes, it becomes particularly relevant to determine how many of the dutiable products currently imported from beneficiaries are covered by the GSP. This information, broken down at the tariff line level of national Customs tariffs, is given for each preference-giving market economy country in annex II below. The essence of this information is summarized in the table above.

27. The percentage shares of tariff line items covered by the GSP in the total number of MFN dutiable tariff line items imported from beneficiaries vary widely as between preference-giving countries—from 38 per cent in the case of Finland to as high as 90 per cent in the case of Switzerland. With the notable exception of Austria and New Zealand, the percentage shares of the trade coverage of the schemes (i.e. the value of imports of GSP-covered products expressed as the percentage share of total value of MFN dutiable imports from beneficiaries) are generally much lower than those of tariff line coverage, ranging from 12 per cent for Japan to 61 for EEC. This shows that, on the whole, the MFN dutiable items excluded from GSP treatment, although relatively small in number, account for a significant share of those preference-giving countries' dutiable imports from beneficiaries of their schemes.

28. While comparable information on product and trade coverage is not readily available for the preference-giving socialist countries of Eastern Europe, it may be noted that the schemes of Bulgaria and the USSR cover all MFN dutiable items. With the exception of 12 tariff items, the scheme of Czechoslovakia covers also all MFN dutiable products. The Hungarian Customs tariff contains 2,903 MFN dutiable tariff lines, of which 685 (24 per cent) are covered by the scheme. Agricultural products in CCCN chapters 1–24 account for 364 dutiable tariff lines, of which 87, or 24 per cent, are covered by the scheme. Industrial products and raw materials in CCCN chapters 25–99 account for 2,539 dutiable tariff lines, of which 598, or 24 per cent, are covered by the scheme. The Polish Customs tariff contains 2,030 MFN dutiable tariff lines, of which 989, or 49 per cent, are covered by the scheme. Agricultural products in CCCN chapters 1–24 account for 315 dutiable tariff lines, of which 207, or 66 per cent, are covered by the scheme. Industrial products and raw materials in CCCN chapters 25–99 account for 1715 dutiable tariff lines, of which 782, or 46 per cent, are covered by the scheme.

29 The more complete information contained in annex II below shows that the product and trade coverage vary from scheme to scheme, and while generally most of the industrial products (CCCN chapters 25–99) are covered by the schemes, only a limited number of agricultural products (CCCN chapters 1–24) are included in such schemes. Textiles, leather and articles of leather, footwear and petroleum products are the major industrial products excluded from various schemes. As mentioned above, these products, although small in number, account for a large part of the preference-giving countries' industrial imports from beneficiaries.

30. The above analysis shows that there is generally a large scope for the improvement of the product and trade coverage of various schemes. It should be noted in this respect that a number of preference-giving countries have substantially extended the product coverage since the entry into force of their schemes. However, the initial coverage of some of these schemes was rather limited.

31. Notable changes and improvements made with respect to the product coverage in CCCN chapters 25–99 are as follows: in 1974, Australia extended preferences to a wide range of products under the revised scheme. In 1975, Austria extended preferences to practically the entire textile sector. In 1976, Bulgaria removed all the exceptions from its scheme. In 1976, New Zealand added a large number of products under the revised scheme. Initially, EEC granted preferential treatment with respect to cotton textiles only to those beneficiaries which were signatories of the long-term Arrangement Regarding International Trade in Cotton Textiles or to those which undertook vis-à-vis the Community commitments similar to those existing under that Arrangement. In 1977, all beneficiaries of the scheme (except Romania) became eligible for preferences with respect to cotton textiles and substitutes. Following the regular reviews of the product coverage of its scheme, the United States of America

has added a number of new products and removed a number of others from its scheme.[12] In contrast to the broad coverage of industrial products, the GSP covers only selected agricultural products in CCCN chapters 1–24 which vary from one scheme to another. The product coverage in these chapters has been expanded significantly by EEC since 1974 and to varying degrees under the other schemes. Also, as part of their contribution to the GATT multilateral trade negotiations, the following countries added a number of tropical products to their schemes, generally as of 1 January 1977: Australia, EEC, Finland, New Zealand, Norway, Sweden and Switzerland. On 31 March 1977 Canada introduced tariff measures to implement on a provisional basis its offer on tropical products in accordance with the agreement reached at the multilateral trade negotiations.

C. Depth of tariff cut

32. In considering the preferential tariff treatment applied under the GSP, it is relevant, first, to determine to what extent the products attracting MFN duties greater than zero are eligible for preferential treatment, and, secondly, the depth of the preferential tariff cut. Since the MFN duties are applied at the level of tariff lines in the national customs tariffs, the scope of GSP treatment can be determined in terms of the number of tariff lines covered by the GSP in relation to the total number of MFN dutiable tariff lines. However, since imports from beneficiaries under certain tariff lines may not have occurred, it is of special relevance, in determining the ratio of GSP-covered to the total number of dutiable tariff lines, to take into account the tariff lines under which imports were recorded. Furthermore, since the amount of imports varies from one tariff line to another, it is also important to determine the ratio of GSP-covered to total MFN dutiable imports from beneficiaries.

33. Regarding the depth of preferential tariff cut, two elements are essential. First, whether the MFN duty has been fully eliminated or only partially reduced by GSP treatment, and secondly, the level of GSP margins. The developing countries have from the outset asked for preferential duty-free entry for all dutiable products without any limitations on preferential imports. In fact, unlimited preferential duty-free entry would place their products in the markets of the preference-giving countries on an equal footing with the corresponding domestically produced goods. Their GSP-covered exports would thus benefit fully from trade creation effects resulting from preferential duty-free treatment. This would also give them the full advantage of the trade diversion effects of preferences with regard to imports of the like or directly competitive products by preference-giving countries from MFN sources.

34. The level of GSP margins depends on the level of MFN duties and the depth of preferential tariff cut. The maximum margins are obtained when GSP duty-free entry is granted, i.e. when they are equal to MFN rates. The higher the MFN rates, the greater are the margins on the one hand and the price effects of the GSP treatment on the expansion of exports and export earnings of beneficiaries, on the other. More important, the GSP duty-free treatment would completely eliminate tariff escalation and the generally high effective tariff protection, provided such treatment applied to all dutiable products at all stages of processing.

35. Annex II below gives in a summary and comparative form information on MFN and GSP treatment applied by individual preference-giving market economy countries on imports from beneficiaries of their respective schemes. This information is shown by two broad product categories, i.e. agricultural products in CCCN chapters 1–24 and industrial products and raw materials in CCCN chapters 25–99.

36. The preferential tariff cut currently applied by individual preference-giving countries may be summarized as follows.

37. *Australia* grants, with respect to products covered by the scheme, preferential rates that are generally 10 percentage points (or *ad valorem* equivalent for specific rates of duty) below the relevant General Tariff rates. Moreover, duty-free treatment is granted where the General Tariff rate is 12.5 per cent *ad valorem* or less.

38. Out of 2,040 tariff lines covered by the Australian scheme, imports in 1978 from beneficiaries were recorded under 919 tariff lines and only 353, or 38 per cent, of these tariff lines enjoyed duty-free GSP rates. The value of imports under these duty-free items accounted for 39 per cent of the total value of Australian imports from beneficiaries of products covered by its scheme.

39. *Austria* grants various tariff cuts on agricultural products in CCCN chapters 1–24 covered by the scheme. Greece, Portugal, Spain and Turkey receive, for many of these covered products—but not for all—generally smaller tariff cuts than the other beneficiaries. For industrial products in CCCN chapters 25–99 covered by the scheme, the preferential tariff cut amounts to 50 per cent of the basic MFN rates; however, for textile products falling within chapters 50 to 62 and chapter 65, the tariff reduction for all beneficiaries, excluding Hong Kong, is only 35 per cent. Moreover, the preferential tariff reductions on imports of all covered industrial products from Greece, Portugal, Spain and Turkey are set at 30 per cent of the basic rates.

40. Out of 2,540 tariff lines covered by the Austrian scheme, imports from beneficiaries in 1976 were recorded under 1,205 tariff lines and only 43, or 4 per cent, of these tariff lines enjoyed duty-free GSP rates. The value of imports under these duty-free items accounted for 15 per cent of the total value of Austrian imports from beneficiaries of products covered by its scheme.

41. *Bulgaria* grants a 50 per cent reduction of the MFN rate on all products in CCCN chapters 1–99, and duty-free entry on the imports from the least developed among the developing countries.

42. *Canada* grants the British preferential rate or a one-third reduction of the MFN rate, whichever is lower, on all products covered by the scheme.

43. Of 1,174 tariff lines covered by the Canadian scheme, imports in 1976 from beneficiaries were recorded under 511 tariff lines and 172, or only 34 per cent, of

[12] The United States conducts a comprehensive review once a year with respect to the eligibility of articles under the scheme. Any interested party or foreign Government may submit a request for an increase in the product coverage, for withdrawal, suspension or limitation of the duty-free treatment granted under the scheme, or for any other modification of the product coverage. For a description of this procedure, see TD/B/GSP/USA/3.

these tariff lines enjoyed duty-free GSP rates. However, these duty-free tariff lines accounted for 51 per cent of the total value of Canadian imports from beneficiaries of products covered by its scheme.

44. *Czechoslovakia* grants a 75 per cent reduction of MFN rates on products covered by its scheme.

45. *EEC* grants varying degrees of tariff cuts on agricultural products in CCCN chapters 1–24 covered by the scheme and duty-free treatment on industrial products in CCCN chapters 25–99 covered by the scheme.

46. Out of 2,419 tariff lines covered by the EEC scheme, imports in 1976 from beneficiaries were recorded under 1,649 tariff lines, and 1,501, or 91 per cent, of these tariff lines enjoyed duty-free GSP rates. The bulk (1,448) of these tariff lines cover industrial products, and the remaining 53 tariff lines agricultural products. Imports under these duty-free tariff lines accounted for 86 per cent of the total value of the EEC imports from beneficiaries in 1976 of products covered by the scheme.

47. *Finland* grants duty-free treatment on all products covered by the scheme.

48. *Japan* grants varying degrees of tariff cuts on agricultural products in CCCN chapters 1–24 covered by the scheme and duty-free treatment on industrial products in CCCN chapters 25–99 covered by the scheme, with the exception of 44 selected products for which the reduction is 50 per cent of the MFN rate.

49. Out of 4,095 tariff lines covered by the scheme of Japan, imports from beneficiaries were recorded in 1976 under 2,186 tariff lines, and 1,683, or 77 per cent, of these tariff lines enjoyed GSP duty-free. The bulk (1,639) of these duty-free tariff lines covered industrial products and raw materials, and only 44 tariff lines agricultural products. Imports under these duty-free tariff lines accounted for 61 per cent of the total value of Japanese imports from beneficiaries in 1976 of products covered by the scheme.

50. *Hungary* grants reductions ranging from 50 to 100 per cent of the MFN rates on products covered by its scheme and duty-free entry for imports of all dutiable products originating in the least developed among the developing countries.

51. Out of 685 tariff lines covered by the Hungarian scheme, some 495, or 72 per cent, received reduced GSP rates and 190 tariff lines, or only 28 per cent, GSP duty-free treatment. Corresponding figures for agricultural products in CCCN chapters 1–24 were: 87 items covered, of which 55, or 63 per cent, at reduced rates and 32 items, or 37 per cent, at duty-free GSP rates; and for industrial products and raw materials in CCCN chapters 25–99, 598 items covered, of which 440, or 74 per cent, at reduced rates and 158, or 26 per cent, at duty-free GSP rates.

52. *New Zealand* grants varying degrees of tariff cuts, including the total elimination of tariffs, on products covered by its scheme.

53. Out of 2,776 tariff lines covered by the scheme of New Zealand, imports from beneficiaries were recorded in 1976 under 857 tariff lines, and 368, or 43 per cent, of these tariff lines enjoyed GSP duty-free treatment. Imports under these duty-free tariff lines accounted for 54 per cent of the total value of New Zealand's imports from beneficiaries in 1976 of products covered by its scheme. It should be noted, however, that on 1 July 1978 New Zealand introduced a new customs tariff. Its over-all effect was to reduce the number of tariff items and to reduce the rates of duty applicable to those items. The number of tariff lines covered by the scheme of New Zealand has consequently also been reduced. At present, 1,639 tariff lines are covered by the scheme, and, according to information received from the New Zealand Government, the level of GSP margins is as follows:

GSP margin in percentage points as from 1 July 1978	*Number of tariff lines*
2.5	1
5	450
7.5	11
10	596
12.5	29
15	235
17.5	23
20	262
22	2
25	1
*	21
**	8

* Specific rates reduced to free.
** Specific margins.

54. *Norway* grants duty-free treatment on all products covered by the scheme and on imports of all dutiable products originating in the least developed countries.

55. *Poland* grants varying degrees of tariff cuts, including the total elimination of tariffs, on products covered by its scheme.

56. Out of 989 tariff lines covered by the Polish scheme, 759, or 77 per cent, receive reduced GSP rates and 230 tariff lines, or only 23 per cent, enjoyed GSP duty-free treatment. Corresponding figures for agricultural products in CCCN chapters 1–24 were: 207 items covered, of which 128 or 62 per cent at reduced rates and 79, or 38 per cent, at GSP duty-free rates; and for industrial products and raw materials in CCCN chapters 25–99, 782 items covered, of which 631, or 81 per cent, at reduced rates and 151, or 19 per cent, at GSP duty-free rates.

57. *Sweden* grants duty-free treatment for all products covered by its scheme.

58. In general, *Switzerland* grants duty-free treatment under its scheme, the main exceptions being some agricultural products, textiles and footwear, for which partial tariff reductions apply. For all products covered by the scheme, Greece and Spain enjoy only partial tariff reductions. Moreover, the preferential rates are not applicable to textiles and footwear imported from Bulgaria, the Democratic People's Republic of Korea, Hong Kong, the Republic of Korea, Macao and Romania.

59. Out of 3,300 tariff lines covered by the Swiss scheme, imports from the main beneficiaries were recorded in 1976 under 1,706 tariff lines, and 1,325, or 78 per cent, of these tariff lines enjoyed GSP duty-free treatment. Imports under these duty-free tariff lines accounted for 63 per cent of the total value of 1976 Swiss imports from beneficiaries of products covered by its scheme.

60. The *United States of America* grants duty-free treatment on all products covered by its scheme.

61. The *USSR* grants duty-free treatment on all dutiable products originating in beneficiary countries.

62. Major improvements have been made during the operation of the GSP, in particular in those schemes

which at the outset did not provide for duty-free treatment. On 1 April 1974, Switzerland implemented the second stage of its scheme by applying duty-free treatment to most industrial products covered by the scheme and also to most agricultural products; initially, the tariff cut on these products amounted to 30 per cent. In 1975, Austria implemented the second stage of its scheme by increasing the preferential margin from 30 to 50 per cent of the basic rates for all products in CCCN chapters 25–99 covered by the scheme, with the exception of the newly added cotton textiles, for which the margin was set at 35 per cent. In May 1976, Bulgaria increased the preferential margin from 30 to 50 per cent of the MFN rates on all products covered by its scheme. The revised scheme introduced by New Zealand in July 1976 resulted in a significant improvement in the preferential tariff treatment. In June 1976, Canada extended duty-free treatment for handicraft products originating from beneficiaries of its scheme. After a full-scale review of its scheme in 1976, Australia increased the preferential margin on a large number of products. Also, EEC and Japan increased the preferential tariff cuts on agricultural products. In October 1978, Czechoslovakia increased the preferential margin from 50 to 75 per cent of MFN rates on products covered by its scheme.

D. Safeguard mechanism

63. The safeguard mechanism applied under the GSP can be divided into two broad categories: measures of the escape-clause type and *a priori* limitations.[13]

64. Generally, all schemes contain escape-clause provisions whereby the preference-giving country reserves the right to withdraw, in whole or in part, the preferential tariff treatment when the product in question is imported in such increased quantities as to cause or threaten to cause serious injury to domestic producers of like or directly competitive products. According to information received from preference-giving countries, such escape clauses have been resorted to only occasionally and only by some countries. One was invoked by the United Kingdom in 1973 with respect to certain leather imports from some Latin American countries. Another was invoked in 1975 by Canada with respect to rubber footwear imported from countries other than those of the Commonwealth, and in 1977 with respect to colour television sets. Canada has also excluded two items from the scheme on these grounds. As from 1 September 1977, Norway withdrew from its scheme preferential treatment for the Republic of Korea with respect to some leather and textile products. Following the regular reviews of its scheme, the United States of America deleted a number of articles from the list of those eligible for preferential treatment.

65. *A priori* limitations serve to regulate preferential imports on the basis of trade performance of beneficiaries, on a collective and/or individual basis. Under the schemes of EEC and Japan, this mechanism takes the form mainly of temporary suspension of preferential treatment when preferential imports reach predetermined limits established in accordance with a specific formula. The United States scheme relies on "competitive-need criteria" for excluding individual beneficiaries from preferential treatment with respect to particular products for which these countries are considered to be competitive in the United States market. The scheme of Australia incorporates both quantitative limitations and competitive-need exclusions. The nature of these *a priori* limitations is briefly described below.

EEC

66. Preferential imports of agricultural products are admitted without limitations and an escape-clause type of safeguard is applied. However, four products covered by the scheme are subject to Community tariff quotas which are allocated among the EEC member States: cocoa butter and soluble coffee; preserved pineapples other than slices, etc.; preserved pineapples in slices, etc.; and raw unmanufactured Virginia-type tobacco. Another product, raw or unmanufactured tobacco, other than Virginia-type, is subject to a Community ceiling. Although the preferential imports of only five agricultural products are subject to limitations, these products account for a substantial amount of the total imports from beneficiaries of agricultural products covered by the EEC scheme.

67. In contrast to agricultural products, the preferential imports of all industrial products are subject to *a priori* limitations in form of tariff quotas (sensitive products), tariff ceilings (ex-sensitive products), ceilings (semi-sensitive and non-sensitive products), and maximum country amounts. Preferential imports of products subject to tariff quotas can be made from beneficiaries only up to the amount set for this purpose at the Community level and imports exceeding the tariff quotas become subject to the MFN rate. The tariff quotas are allocated according to fixed percentage shares among the member States. However, preferential imports from individual beneficiaries within these tariff quotas cannot exceed maximum amounts ranging from 10 to 50 per cent of the Community tariff quota. The normal tariff is reintroduced immediately after preferential imports from any single beneficiary reach the maximum amount.

68. The level of ceilings (including tariff ceilings) is normally calculated according to the following formula:

Basic amount: c.i.f. value of EEC imports of the product in a reference year from beneficiaries of the scheme, excluding those already enjoying various preferential tariff arrangements granted by the Community;

plus

Additional amount: 5 per cent of the c.i.f. value of EEC imports in a reference year from non-beneficiary countries and from the beneficiaries already enjoying various preferential tariff arrangements.

69. For products subject to tariff ceilings, the decision to reintroduce the tariff is discretionary when the ceilings are reached but mandatory when the maximum country amount is reached. For products subject to ceilings, the decision to reintroduce the tariff is discretionary with regard to both the ceilings and the maximum country amount. However, among this category of products, the Community has designated a list of semi-sensitive products for which special surveillance is set for a rapid cut-off of preferential treatment if the ceiling or the maximum country amount is reached.

70. The reference year for the calculation of the basic amount should be changed after each three-year period

[13] For a discussion of the concept of *a priori* limitations and their application, see TD/B/C.5/3,* chap. III.

and that for the calculation of the additional amount every year, provided that this entails no reduction in the ceiling. In fact, as is shown below, the reference year for the calculation of the additional amount has not been adjusted regularly.

	Reference year for:	
	Basic amount	*Additional amount*
Scheme for the year:		
1971	1968	1969
1972	1968	1969
1973	1968	1970
1974	1971	1971
1975	1971	1972
1976	1971	1972
1977	1972	1974
1978	1974	1975

71. The formula has not, however, been applied to textile products and a number of other industrial products considered as sensitive. Moreover, major departures from the formula occurred in 1976, when, instead of the formula, a flat rate increase of 15 per cent was applied to 1975 ceilings, and also in subsequent years, for example in 1977 and 1978, when ceilings obtained by the application of the general formula were not allowed to exceed their previous years' levels by more than 50 per cent.

72. Although the ceilings and tariff quotas were generally increasing from year to year, their level was below the current EEC imports from beneficiaries for textiles and many other industrial products classified as sensitive or semi-sensitive under the EEC scheme. In fact, ever since the introduction of the scheme the initial ceilings for textile products determined in metric tons have been increased by 5 per cent annually rather than by the application of the formula. For other industrial products in which the developing countries were major or important suppliers of the EEC market, the ceilings calculated by formula were below the level of current EEC imports from these countries because the reference year used for the calculation of the basic amount was lagging from 3 to 5 years behind the year of operation of the scheme. As a result of such restrictive ceilings, a large amount of imports of GSP products was not eligible for preferential treatment. Yet, the limitation of preferential imports from individual beneficiaries when such imports reached the fixed percentage of the ceiling (the maximum amount) constituted the main mechanism for reducing the level of preferential imports under the scheme. While the normal maximum amounts were fixed at 50 per cent of the ceiling, this percentage was substantially reduced for sensitive and semi-sensitive products, even down to 10 per cent.

73. Major changes in the administration of preferential imports of industrial products under the scheme of the enlarged Community in effect since 1974 occurred in 1975, with a drastic reduction in the number of sensitive industrial products subject to tariff quotas from 48 to 13, and in 1977 with the introduction of a new system for the administration of preferential imports of textiles, both cotton and non-cotton. Annex III below shows the level and operation of the ceiling and the maximum country amount limitations on preferential imports in 1974, 1975, 1977 and 1978 of industrial products as grouped in the EEC scheme under various product categories (textiles, iron and steel, and other industrial products) and by the various types of import control (sensitive products subject to tariff quotas, ex-sensitive products subject to tariff ceilings, semi-sensitive products subject to ceilings under special surveillance and non-sensitive products subject to normal ceilings).[14] The utilization of tariff quotas, tariff ceilings and ceilings is also shown for 1974 and 1975.

74. As was indicated above, preferential imports of sensitive products are limited by Community tariff quotas fixed in advance and allocated among the EEC member States. The maximum amounts serve to further limit within each tariff quota the preferential imports from individual beneficiary suppliers. The lower the maximum amount percentage, the greater its restrictive effect on preferential imports.

75. In the case of industrial products, other than textiles and iron and steel, the normal 50 per cent maximum amount is applicable to only one product and low maximum amounts of 15, 20 and 30 per cent to all other products. It can be noted from annex III below that, ever since the reduction of the number of tariff quotas in 1975, all products have been affected by the maximum amount limitations in all subsequent years except in 1978. Likewise, most textile products and all iron and steel products subject to tariff quotas have been affected by the maximum amounts. It should also be noted that under the new system introduced in 1977 for the administration of preferential imports of textiles, tariff quotas have been established for selected beneficiaries. In this way, the general maximum amounts have been turned into individual country quotas, making way for open discrimination among the beneficiaries.

76. Such discrimination among beneficiaries had already been introduced, in 1975, with the establishment of the special 15 per cent maximum amounts for industrial products (other than textiles and iron and steel) transferred from the category of sensitive products to ex-sensitive products subject to tariff ceilings. As is shown in section B of annex III, the application of general and, in particular, of special maximum amounts was so effective in limiting preferential imports from the principal supplying beneficiaries and those supplying substantial quantities that there was no need to apply tariff ceiling limitations on any of the products in question. As a result, the tariff ceilings remained unutilized; for example, in 1975 and 1976 (years for which information is available) only 43 and 46 per cent of tariff ceilings were utilized respectively. Thus, more than half of the over-all value of tariff ceilings was sterilized, although these tariff ceilings were generally below the level of actual EEC imports from beneficiaries of the products concerned.

77. Contrary to what happened in the case of the ex-sensitive products subject to tariff ceiling, the ceiling limitations have been effectively applied with respect to semi-sensitive industrial products subject to ceilings under special surveillance. The number of semi-sensitive products rose continuously from 58 in 1974 to 76 in 1978. The number of these products affected by the ceiling and maximum amount limitations also rose from 10 and 23 in 1975 to 21 and 41 in 1978, respectively. The low level

[14] For the details concerning the administration of preferential imports and the trade effects under the EEC scheme, see documents TD/B/C.5/17/Add.2, 3, 7, 10, 11, 13–15, 17, 18, 21, 22 and 25; TD/B/C.5/EEC/1 and 2; TD/B/C.5/30/Add.2, 4 and 12; TD/B/C.5/34 and Add.1;* TD/B/C.5/48,* annexes I–V; and TD/B/C.5/,06 annex, tables 1–4.

of ceilings compared with the level of actual imports from beneficiaries and the continuous reduction of the maximum amount percentages have been the main reasons for the increasingly restrictive effects of ceilings and maximum amounts on preferential imports of industrial products classified as semi-sensitive. While in 1974 half of the maximum amounts were set at 50 per cent of the ceilings, in 1978 the 50 per cent maximum amount was applicable only to less than one third (32 per cent) of the industrial products, and lower percentage maximum amounts ranging from 15 to 45 per cent applied to the remaining two thirds of these products. Owing to the maximum amount limitations, the ceilings for semi-sensitive industrial products have been under-utilized, except for petroleum products, which were allowed to exceed the ceilings.

78. Semi-sensitive textile products (both cotton and non-cotton) have also been significantly affected by the ceilings and maximum amounts during the whole period under consideration. Information is lacking on the application of ceilings and maximum amounts to semi-sensitive iron and steel products, since such limitations, imposed by individual EEC member States rather than at the Community level, are not publicised.

79. As to non-sensitive industrial products subject to ceilings, only a few such products have been affected by the ceiling and maximum amount limitations.

80. The main conclusion which arises from past experience is that the maximum amount limitations have been the most restrictive elements in the administration of preferential imports of industrial products under the EEC scheme. They have been responsible for the sterilization of a large part of the tariff quotas, tariff ceilings and ceilings under special surveillance because, after the exclusion of the principal and substantial suppliers, there were no other beneficiaries in a position to take advantage of such tariff quotas and ceilings. Moreover, the sterilization occurred even though the tariff quotas and ceilings were often fixed at a level much below the current imports from beneficiaries. The maximum amount limitations have also been used as a tool for further selectivity and differential treatment among beneficiaries, which is inconsistent with one of the basic principles of the GSP, i.e. non-discrimination.

Japan

81. Products in CCCN chapters 25–99 covered by the Japanese scheme are subject to ceiling limitations. These products are subdivided into a number of product groups for the purposes of setting and administering the ceilings. The ceiling for each product group is set for each fiscal year (April/March) and is equal to the value (or quantity) of imports from beneficiaries in a reference year ("basic quota") plus 10 per cent of the value (or quantity) of imports from other sources in the year two years before the year for which the ceiling is set. Preferential treatment for all beneficiaries is to be suspended once the ceiling has been reached. Also, preferential treatment for a beneficiary is to be suspended for a particular group of products if preferential imports from that beneficiary exceed 50 per cent of the ceiling.

82. Preferential imports under the ceilings are administered according to one of the following three methods, depending on the sensitivity of the product groups:[15] daily control, monthly control, or prior allotment.

83. As in the case of EEC, the ceilings set by Japan often fall short of its current imports from beneficiaries because of the considerable time-lag inherent in the base year. 1968 served as the base year for the calculation of the basic quota from the entry into force of the scheme until the fiscal year 1977, when the base year was moved to 1975. The previous formula has, however, been maintained for four sensitive products, while for 49 other products ceilings have been based on a combination of 150 per cent of the value of imports from beneficiaries in 1968 plus 10 per cent of the value of imports from other beneficiaries in 1975.

84. In 1973, Japan introduced a system of flexible administration of ceilings, whereby preferential imports would be allowed to exceed the ceilings or maximum amounts until such time as it might later be decided to reintroduce the MFN rate of duty. This system was applied to over half of the ceilings and to two thirds of the maximum amounts in the fiscal year 1978. The flexible administration of preferential imports is applied to products posing no threat or injury to Japanese domestic industry. Also, the number of product groups has tended to be reduced, allowing for greater flexibility in the utilization of ceilings.

85. A summary of the application by Japan of the ceiling and maximum country amount limitations on preferential imports of industrial products in the fiscal years 1972 (the first full year of the implementation of the scheme), 1976, 1977 and 1978 is given in annex IV below. This annex also contains information on the level of ceilings, the number of product groups subject to flexible administration of ceilings and maximum amount limitations, and on the level of preferential imports in 1972 and 1976.

86. In contrast to the experience under the EEC scheme, the ceilings rather than the maximum amounts have represented the main limitations on preferential imports. It can be seen from annex IV that the number of products affected by the ceiling limitations has on the whole declined, from 36 per cent in 1972 to 24 per cent in 1977. This decline occurred exclusively in the product groups subject to monthly control (relatively the least strict type of import control under the scheme), and it was mainly due to the introduction of the flexible administration of ceilings since 1973. On the other hand, in the case of product groups subject to daily control (a stricter type of control) the number of product groups affected by ceilings increased in relative terms from 52 per cent in 1972 to 62 per cent in 1977.[16] As to the product groups subject to prior allotment (the most rigid type of import control under the scheme) there was no need for the application of either the ceiling or the maximum amount limitations, since entitlement to preferential imports is set in advance for each product group.

87. The number of product groups affected by the maximum amount limitations was relatively small, in particular with regard to products subject to monthly

[15] For more details on the administration of the ceilings, see TD/B/C.5/6,* paras. 53–60.

[16] For details of products and beneficiary countries affected by ceiling and maximum amount limitations, see TD/B/C.5/17/Add.4, 6, 8, 9, 12, 16, 19, 20, 23 and 24 and TD/B/GSP/JAPAN/1.

control. This is explained by two factors. First, the product groups are generally broadly defined, so that only under few of these product groups did imports from individual beneficiary countries reach the maximum amounts, i.e. 50 per cent of the ceiling. Secondly, for a large number of the product groups the flexible administration of the maximum amounts introduced in 1973 allowed preferential imports from single beneficiary suppliers to exceed the 50 per cent limit.

United States of America

88. The "competitive-need criteria" in the United States scheme provide for the withdrawal of preferential treatment for a particular product from a beneficiary when United States imports in a calendar year of such an article from that beneficiary exceed $25 million or 50 per cent of total United States imports of the article. Each year, the $25 million limit is raised in proportion to the previous year's growth of the United States GNP. Moreover, the 50 per cent limit does not apply in cases where a like or a directly competitive product is not produced in the United States.

89. As a result of the growth of GNP, the value limit stood at $33.4 million in 1978. Also, the list of products not produced in the United States has been expanded, thereby making them exempt from the 50 per cent criterion.

90. Despite these improvements, the competitive-need criteria have had a very restrictive effect on the scheme. It can be seen from annex V below that, as a result of the competitive-need exclusions, the United States has, in 1976 and 1977, denied preferential treatment for imports of products covered by the scheme amounting to $1.9 billion and $2.8 billion, respectively, or 31 and 37.2 per cent of the total value of United States imports of such products from beneficiaries affected by such exclusions. The corresponding percentages for the denial of preferential treatment on imports of products covered by the scheme from all beneficiaries in those two years amounted to 28.6 and 36.4 per cent respectively. The 50 per cent criterion was responsible for the greatest number of products affected by the competitive-need exclusions. While the fixed value criterion involved only a small number of products, in terms of value, its use accounted for the bulk of imports which were denied preferential treatment.

91. There were 38 beneficiaries affected by competitive-need exclusions in 1976, 44 in 1977 and 38 in 1978. These exclusions involved 336 products in 1976, 295 in 1977 and 320 in 1978. Beneficiaries were affected with respect to one or more products. However, for certain beneficiaries the exclusions involved a large number of products. Thus, in 1978, 64 products originating in Mexico were excluded on competitive-need grounds, followed by "other Asian countries" (60 products), Hong Kong (46 products), the Republic of Korea (28 products) and India (20 products).

92. In terms of trade, the competitive-need exclusions affected beneficiaries to varying degrees. The hardest hit in 1977 was the Dominican Republic, 82.9 per cent of United States imports from that country of products covered by the scheme being denied preferential treatment, followed by Panama (78.9 per cent), Chile (78.1 per cent), the Philippines (76.1 per cent), Nicaragua (67.9 per cent), Peru (66.7 per cent), El Salvador (66.5 per cent) and Guyana (58.2 per cent).[17]

93. The above considerations clearly illustrate the highly restrictive effects of competitive-need exclusions on the expansion of the developing countries' exports and export earnings under the United States scheme. They also underline the importance of the elimination, or at least the relaxation, of these competitive-need criteria for the expansion of the export earnings of beneficiaries of the United States scheme.

Australia

94. Preferential imports into Australia of selected products are limited by annual tariff quotas. As a result of the 1976 review, 13 quotas were abolished, which reduced the total number to 31. On the whole, the quota levels represent a small portion of current imports from beneficiaries of products covered by the quotas.

95. Australia considers that a basic purpose of its scheme is to assist developing countries to become competitive in its market. Therefore, preferences would not be granted to those products in which developing countries are already competitive, or are likely quickly to become competitive, in the Australian market. There are no objective criteria as to what is meant by "competitiveness"; however, under the new procedures introduced on 1 July 1976, proposals for the addition or withdrawal of specific products are referred to the Industries Assistance Commission for inquiry and report.

96. The 1976 review of the scheme resulted in the exclusion of 7 beneficiary countries in respect of products falling within 47 tariff lines. Moreover, the inquiry and report procedure has begun to be applied. It seems that competitive-need exclusions are not permanent, since preferential treatment in some cases has been re-established.

E. Rules of origin

97. To qualify for preferential treatment, goods must satisfy the direct consignment rule and comply with the origin criteria specified in the respective schemes.

98. In general, goods are considered to have originated in a preference-receiving country if they have been wholly produced or have undergone substantial transformation in that country.[18] Western European preference-giving countries and Japan base their requirements for substantial transformation on the process criterion, i.e. the transformation must be such as to result in the exported goods being classified under a CCCN heading other than that or those relating to the materials or components used in production. There are, however, a number of exceptions to this rule, for which additional requirements

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[17] For details of products and countries affected by competitive-need exclusions and of the value of imports consequently denied preferential treatment, see TD/B/C.5/30/Add.4 and Add.14, and United States Executive Orders No. 11888 (24 November 1975), No. 11906 (25 February 1976), No. 11934 (30 August 1976), No. 11974 (25 February 1977), No. 12032 (27 December 1977) and No. 12041 (25 February 1978).

[18] The scheme of the USSR does not contain specific provisions on the origin of goods and that of Bulgaria states only that originating products are those entirely produced or mainly processed in a beneficiary country.

are specified in lists A and B. Lists A prescribe either working or processing which, although resulting in a change of tariff heading, are not deemed sufficient for conferring origin on the products obtained, or working or processing which are deemed sufficient for conferring origin only under certain conditions such as compliance with a value-added rule. Lists B, on the other hand, prescribe specific processes of production which are regarded as conferring origin, although the materials used may fall in the same CCCN heading as the product obtained.

99. Preference-giving countries applying the process criterion have to a certain extent liberalized their origin rules through the deletion of some process requirements in lists A and the enlargement of lists B. They have also gradually harmonized the process requirements so that their lists A and B now concord to a large extent with one another. On the whole, however, lists A still contain stringent requirements, in particular where multi-stage processes apply, as in the case of textiles. There is also considerable scope for adding more liberal qualifying processes in lists B.[19]

100. The preference-giving countries which define substantial transformation in terms of the percentage criterion include Australia, Canada, Czechoslovakia, Hungary, New Zealand, Poland and the United States of America. Substantial transformation takes place if the value of imported materials does not exceed a specified percentage of the value of the finished product, or if the value of originating material and certain domestic costs of processing are equal to or exceed a specified percentage. The United States rule is the only rule drawn up exclusively in terms of domestic content (cost of domestic materials and direct cost of processing) in the beneficiary country which cannot be expressed in an inverse manner, i.e., in terms of non-originating materials or added value.

101. The method of calculation and the minimum percentage requirement for the domestic content or non-originating content vary from scheme to scheme. In Australia, Czechoslovakia, Hungary, Poland and New Zealand, the percentage for domestic content is 50; in Canada, the percentage for non-originating content is 40; in the United States, for domestic content and direct cost of processing, it is 35; and for other preference-giving countries applying the percentage criterion in addition to the process criterion, the requirement for domestic content varies from 50 per cent to as much as 95 per cent.

102. The other main condition for qualifying for preferential treatment relates to direct consignment. Goods eligible for preferences must, in general, be consigned directly to the preference-giving country, transportation from the beneficiary being effected without passing through the territory of any other country, or alternatively passing through the territory of one or more countries, with or without trans-shipment or temporary storage, provided that the goods remain under customs control and do not enter into trade or consumption there.

103. The direct consignment rule initially applied by Australia, Japan and the United Kingdom (prior to joining EEC) under their respective origin requirements provided that at the time the goods left the country it must be the intention of the exporter to ship them to the preference-giving country concerned. This provision was subsequently relaxed in order to facilitate preferential imports from developing countries, in particular from land-locked countries. Australia has dropped altogether the direct consignment requirements. The United States is the only preference-giving country still requiring that the final destination be known at the time of the exportation of goods. EEC, Japan and Switzerland permit transportation through third countries only if it is justified for geographical reasons or exclusively on account of transport requirements.

104. A condition which is common to practically all rules is that products must not have entered into commerce in the country of transit. The prohibition of the resale of goods in transit causes many difficulties for exporting countries which do not have direct trade links with preference-giving countries. A relaxation of this rule has, however, been made by Austria, Finland, Norway, Sweden and New Zealand.

105. Since the introduction of the GSP, various forms of cumulative origin have been adopted under the rules of preference-giving market economy countries. Australia and New Zealand grant full and global cumulation, in that all processes or value added in any of the preference-receiving countries may be added up or cumulated, in order to determine whether the percentage requirement has been satisfied. EEC grants partial cumulation to ASEAN, the Central American Common Market and the Andean Group. Cumulation applies only to inputs which, having acquired originating status in one preference-receiving country, undergo further processing in another preference-receiving country, member of the same grouping, before exportation to EEC. The EFTA countries and Japan have also introduced a system of partial regional cumulation. In the case of the United States, full cumulation may be granted to an association of preference-receiving countries which is a free-trade area or a customs union. In this case, the percentage requirement is increased from 35 per cent to 50 per cent and the competitive-need criterion is applied to the association as a single area. Because of these two restrictive elements, no interest has been expressed so far by beneficiaries in receiving cumulative treatment.

106. The developing countries have requested from the outset that they should be treated by all preference-giving countries as one area for purposes of origin, i.e. that they should be accorded full and global cumulative origin. Indeed, full and global cumulation for developing countries as a whole could significantly relax the substantial transformation requirement, facilitate the harmonization of various origin systems under the GSP and, more important, promote industrial and trade co-operation among the GSP beneficiaries.

107. Under the GSP, claims for preferential treatment must be supported by certificates of origin (Form A). This Form is accepted by almost all preference-giving countries; only New Zealand requires presentation of a different certificate, while Australia requires, in principle, a separate declaration signed by the exporter on the invoice, but Form A is accepted as an alternative. Since the introduction of the GSP, Form A has been revised to reflect the rules of the United States and Canada introduced at a later stage. An important relaxation of rules regarding documentary evidence is that preference-giving countries no longer require notification of names and specimen(s) of signature(s) of certifying authorities.

[19] See TD/B/C.5/WG(IV)/2.*

Notification is required only with respect to the names and addresses of the governmental authorities empowered to issue the certificates of origin, together with impressions of stamps used by these authorities. Compliance with this notification requirement is vital, since a beneficiary which has not satisfied it is unable to claim preferential treatment for the goods. There are still a number of developing countries which have not fulfilled the notification requirements with respect to one or more preference-giving countries.

F. Least developed among developing countries

108. Section V of the agreed conclusions on the GSP (referred to in para. 1 above) details the special measures to be taken in favour of the least developed among the developing countries to enable them to benefit to the fullest extent possible from the trade opportunities under the system. Paragraph 4 of that section provides further that, during the annual review of the operation of the GSP, special attention should be given by the Special Committee on Preferences to the effects of the system on the volume of exports and export earnings of the least developed countries.[20]

109. In all its studies and reports on the operation and trade effects on individual schemes submitted in connexion with the periodic reviews of the GSP, the UNCTAD secretariat has endeavoured to give prominence to the data relating to imports from the least developed countries. In addition, two separate studies[21] have been carried out examining the effects of the various schemes on these countries' export trade. The experience so far has shown that GSP benefits to the least developed countries are limited, for a number of reasons. First, exports of the least developed countries are relatively small and confined largely to agricultural products and industrial raw materials. While the latter products are by and large MFN duty-free and therefore fall outside the scope of the GSP, agricultural products are only partially covered by the system. Even when the least developed countries export GSP-covered products, they often fail to ask for or are denied preferential treatment because of lack of adequate commercial expertise and of the administrative structure required to cope with the complexities of the various GSP schemes and origin requirements.

110. Nearly all the least developed countries have recognized beneficiary status under the schemes of generalized preferences; however, as annex I below shows, the schemes of Czechoslovakia, Hungary, the USSR and the United States of America do not include some of these countries.

111. Only five of the GSP schemes include special measures in favour of the least developed countries. In June 1976, Norway extended preferential duty-free treatment to all imports from the least developed countries. In June 1977, Bulgaria extended duty-free entry for all dutiable imports from the least developed countries specified under its scheme. In 1978, Hungary and Czechoslovakia extended the duty-free treatment to all dutiable imports from the least developed countries, beneficiaries of their respective schemes. In 1977, EEC exempted the least developed countries from the levying of tariffs when imports from these countries reach the maximum country amounts with respect to non-sensitive industrial products and textiles. This exemption was extended in 1978 to ceilings with respect to the same product categories. The tariff treatment applied by EEC to the least developed countries in 1979 is as follows: for industrial products in CCCN chapters 25–99, these countries enjoy unrestricted duty-free treatment for all products covered, except for sensitive textile products. For agricultural products in CCCN 1–24, they enjoy duty-free treatment on all products covered. However, for those agricultural products subject to tariff quotas, the total exemption of duties is granted only in the context of such tariff quotas. Moreover, two agricultural products have been included in the scheme for the benefit of the least developed countries only. This is the first time that EEC has expanded the product coverage of its scheme in favour of the least developed countries.

[20] The least developed countries are identified in annex I below.

[21] See TD/B/C.5/5* and TD/B/C.5/39.*

Chapter III

TRADE IMPLICATIONS OF THE GENERALIZED SYSTEM OF PREFERENCES

112. In view of the relatively short time the GSP has been in operation,[22] and of the prevalence of inflation and exchange rate instability and in view also of the lack of detailed trade and other relevant data, it would be difficult to make a meaningful evaluation of the GSP in terms of the attainment of the three objectives of the system. However, the trade and tariff data received from most preference-giving countries provide a clear indication of the positive effects which generalized tariff preferences have had on the export trade of the beneficiary countries.[23]

113. Annex VI below summarizes, by two broad product categories (agricultural products in CCCN chapters 1–24 and industrial products and raw materials in CCCN chapters 25–99), imports into preference-giving countries[24] from beneficiaries of their respective schemes in 1976 or 1975. In order to arrive at comparable trade

[22] The scheme of the enlarged EEC became operative on 1 January 1974, the scheme of Canada entered into force in July of the same year, and that of the United States of America only in January 1976.

[23] See the replies received from preference-giving countries (TD/B/C.5/30 and addenda).

[24] Australia, Austria, Canada, EEC, Finland, Japan, Hungary, New Zealand, Norway, Sweden, Switzerland, the United States of America and the USSR.

figures, estimates had to be made for certain preference-giving countries which supplied only partial information, and the import values expressed in national currencies of preference-giving countries had to be converted into United States dollars.

114. As is shown in that annex, total imports of EEC and ten other OECD preference-giving countries from beneficiaries of their respective schemes amounted to $157.9 billion in 1976. Almost 50 per cent, or $78.1 billion, of these imports were MFN dutiable and could therefore fall within the purview of the GSP. However, only $26.3 billion, or one third, of these dutiable imports consisted of products covered by the schemes, and $10.5 billion, or 40 per cent, of these imports covered are estimated to have actually received preferential treatment in 1976.[25] Industrial products in CCCN chapters 25–99 constituted the bulk of imports covered by the GSP and of those which received preferential treatment.

115. EEC ($4.4 billion), Japan ($1.8 billion) and the United States of America ($3.2 billion) together accounted for nearly 90 per cent of the total preferential imports of all OECD preference-giving countries. This underlines the importance of these three schemes for the export trade of the developing countries. These are also the schemes which are beset with limitations or competitive-need exclusions. Through a highly complex system of tariff quotas, ceilings, maximum country amounts and administrative procedures, EEC and Japan control and limit the preferential imports of all industrial products, and EEC also those of certain major agricultural products. The United States, on the other hand, excludes from preferential treatment individual beneficiary countries with respect to those products covered by the scheme for which such beneficiaries are considered competitive. It is estimated that the preferential imports in 1976 under these three schemes would have been greater by about $4–5 billion, or some 50 per cent, had there been no *a priori* limitations and competitive-need exclusions. In addition to their immediate restrictive effects on preferential trade, these limitations and exclusions generate uncertainty about preferential treatment and thereby inhibit investments in the beneficiary countries for the expansion of the existing capacities, or the establishment of new capacities, for the production of goods to be exported under the GSP.

116. The latest information supplied to the secretariat by preference-giving socialist countries of Eastern Europe relates to 1975 data and covers only Hungary and the USSR. The total preferential imports of these two preference-giving countries in that year amounted to $1.7 billion. If this figure is added to the figure of $10.5 billion for total preferential imports of OECD preference-giving countries in 1976, a total of $12.2 billion is obtained. Certainly, this figure would have been much larger, had 1976 data been available for the two socialist countries and had data on preferential imports also been available from the other socialist preference-giving countries, i.e., Bulgaria, Czechoslovakia and Poland.

117. It is difficult to compare these aggregate figures with those for earlier years, because the schemes were implemented at different times and the available information varies from scheme to scheme with respect to detail. Studies published by the UNCTAD secretariat on individual schemes indicate that preferential trade has grown considerably, even in the face of world-wide recession in 1974–1975. The growth in preferential imports[26] was 68 per cent for EEC from 1974 to 1976 (an average annual rate of 34 per cent); 377 per cent for Japan for the fiscal year 1972 to the fiscal year 1976 (an average annual rate of 94 per cent) and 27 per cent for the United States from 1976 to 1977, the first two years of the scheme's operation.[27] The growth of preferential imports for other OECD preference-giving countries for which such information is available was: 615 per cent for Finland for 1972–1976 (an average annual rate of 154 per cent), 170 per cent for Sweden for 1973–1976 (an average annual rate of 57 per cent) and 41 per cent for Switzerland for 1973–1976 (an average annual rate of 14 per cent). The growth in preferential imports for Hungary and the USSR, respectively, was 114 per cent for 1973–1975 (an average annual rate of 57 per cent) and 181 per cent for 1971–1975 (an average annual rate of 45.3 per cent).

118. Another important indication of GSP performance is the ratio of preferential imports to that of imports covered by the scheme. This utilization rate indicates the extent with which beneficiaries are able actually to obtain preferential treatment on products which are eligible for GSP treatment. These ratios reflect not only the efforts on the part of traders to qualify for imports under the GSP but also the limitations on preferential imports under certain schemes such as tariff quotas, ceilings, maximum country amounts and competitive-need exclusions. They also reflect difficulties which arise in complying with the rules of origin and other requirements of the schemes.

119. The 1976 rates of utilization ranged from 12.6 per cent for the scheme of Austria[28] to 76.3 per cent for the scheme of Sweden. Rates for other schemes in 1975 were: Finland, 71.6 per cent; Japan, 51.9 per cent; Norway, 50.5 per cent; Switzerland, 40.5 per cent; United States of America, 48.4 per cent; EEC, 33.3 per cent (estimated). Improvement in these ratios in the future could be greatly facilitated if the individual schemes were liberalized by the reduction or elimination of the *a priori* limitations which some of them contain and by improvements in the rules of origin and deeper tariff cuts where duty-free treatment is not granted.

120. The utilization of the GSP varies widely as between beneficiaries, as well as between the schemes. The over-all trade advantages under the GSP are by and large pre-determined by its product coverage. Since the GSP covers mostly industrial products and only selected agricultural products, beneficiary countries with

[25] Preferential imports from Canada, Australia and New Zealand were estimated on the basis of other GSP statistics available to the secretariat. (See foot-notes to annex VI below.)

[26] These growth rates are based on data expressed in the national currency of each preference-giving country (and European units of account for EEC) and are therefore not subject to the distortions which could arise if the rates were calculated on the basis of values expressed in dollars.

[27] Preferential imports of the United States in 1977 amounted to $3.9 billion.

[28] This relatively low utilization rate is due to the fact that eligible imports include such important products as petroleum, bananas, raw coffee and cocoa beans, in which MFN duties have been temporarily suspended. Consequently, these products were excluded from the value of preferential imports in 1976. Had these products also been excluded from the total for eligible imports, the utilization rate of the Austrian scheme would be comparable to the rates for the schemes of other EFTA members.

a broader industrial base and diversified industrial imports naturally stand to benefit more than those relying heavily on exports of agricultural products and industrial raw materials. Roughly a dozen of the industrially more advanced beneficiary countries supply 80 per cent or more of total preferential imports. Thus, under the eight schemes for which sufficiently detailed import data were supplied to the secretariat,[29] nine to fourteen beneficiary countries supplied the bulk of preferential imports. However, owing to limitations on preferential imports or competitive-need exclusions imposed under some schemes, the rates of utilization by these major beneficiary suppliers are comparable to those of other beneficiaries.[30]

121. At the other end of the spectrum, the least developed among the developing countries stand to benefit from the GSP only to a very limited extent. Their exports consist mainly of agricultural products and industrial raw materials, and while the former are only marginally covered by the GSP, the latter are largely admitted at MFN zero duties and cannot therefore fall within the scope of the GSP. Moreover, those countries often lack the adequate administrative and commercial structures that are required for a better understanding and use of highly complex schemes, including extremely diverse and often unduly stringent rules of origin. Information available from the eight preference-giving countries mentioned above indicates that the number of the least developed countries which actually received preferential treatment varied from one scheme to another. The number of such countries receiving preferential treatment was 5 under the scheme of Norway; 14 under the schemes of Finland, Hungary and Sweden; and 22, 23 and 28 under the schemes of Austria, Japan and the United States of America, respectively. While some of the least developed countries did not export products covered by the various schemes, several of them, no doubt for the reasons mentioned in this paragraph, did not avail themselves of the trade advantages offered, although they do export products covered by such schemes. The experience gained so far suggests that, if those countries are to take full advantage of the GSP, the coverage of the schemes should be extended to all MFN dutiable products exported by them, unlimited preferential duty-free entry should be granted to such products, and substantial harmonization and simplification of the GSP rules of origin should be made. Also, technical assistance to those countries in connexion with the GSP, in particular with regard to the rules of origin, needs to be intensified.

122. Despite the inadequacies of various schemes, preferential imports have grown remarkably during the short time the GSP has been in operation, owing to the joint efforts of preference-giving countries, which have been continuously improving their schemes, and the preference-receiving countries, which have intensified their efforts to utilize the preferential tariff advantages. It should be noted that as a result of these efforts for a better utilization of preferences, the growth rates for preferential imports have generally exceeded those for imports eligible for preferences.

123. The trade data in annex VI below indicate also the scope which exists for the expansion of preferential trade. The maximum level of preferential imports is the level of dutiable imports. As mentioned above, in 1976 only one third of the MFN dutiable imports of the OECD preference-giving countries from beneficiaries were covered by their respective schemes, and only an estimated 40 per cent of these imports received preferential treatment. It would appear, therefore, that major efforts should be made to extend the product coverage and to eliminate or significantly liberalize the other constraints on preferential imports, so that the preferences can be utilized to the maximum.

[29] Austria, Finland, Japan, Norway, Sweden, Switzerland, the United States of America and Hungary.

[30] For detailed information on the utilization of the GSP by individual preference-giving countries or groups of countries, see TD/B/C.5/30 and addenda.

Chapter IV

IMPACT OF TARIFF LIBERALIZATION ON THE GENERALIZED SYSTEM OF PREFERENCES

124. Tariff liberalization effected by preference-giving countries, on a preferential basis among themselves or on an MFN basis, affects GSP advantages to the extent that such liberalization includes products covered by the GSP. Tariff liberalization of the first kind occurred with the enlargement of EEC and with the establishment of the Western European free trade area. The second type concerns the continuing GATT multilateral trade negotiations, which aim, *inter alia*, at a general reduction of tariffs and whose effect on the GSP will be felt across-the-board.

A. The enlargement of EEC and the establishment of a free trade area in Western Europe[31]

125. The enlargement of EEC resulted from the accession on 1 January 1973[32] of Denmark, Ireland and the United Kingdom to the Community of six origina member States. The process of tariff alignment and of the full application of the Common Customs Tariff (CCT) by the new member States was completed on 1 July 1977. The process also involved the adoption of common trade and agricultural policies and other measures of economic integration, including a progressive dismantling of all other obstacles to trade between the original six and the three acceding countries.

126. Before this enlargement, imports of GSP-covered products from developing countries received preferential treatment in the market of the six EEC member States, while the same products originating in the new member States faced full MFN rates in that market. Similarly, in each of the new member States, imports from developing countries of products covered by those States' respective schemes received preferential treatment, while imports of the same products from EEC were subject to MFN rates. As a result of the enlargement, the developing countries lost the advantages of trade diversion inherent

[31] For full details, see TD/B/C.5/8.*

[32] See *Official Journal of the European Communities*, Special Edition (Luxembourg), 15th Year, No. L 73 (27 March 1972).

in GSP treatment in the markets of the six original member States of EEC, as well as in the markets of the three new member States. Also, the full trade liberalization between the original six and the new member States resulted in a less favourable treatment for developing countries with respect to all their imports into those markets. Moreover, as from January 1974, the acceding States aligned their schemes of generalized preferences with that of the Community. This changeover resulted in the replacement of the relatively liberal schemes of Denmark and the United Kingdom by a more restrictive EEC scheme characterized by tariff quotas, ceilings and maximum country amount limitations on preferential imports.

127. Following a five-year transitional period ending on 1 July 1977, EEC also concluded free-trade agreements with the non-acceding EFTA countries, i.e., Austria, Finland, Iceland, Norway, Portugal, Sweden and Switzerland. These agreements, basically similar in nature, called for the dismantling of customs duties, including those of a fiscal nature, and of quantitative restrictions affecting industrial products and certain processed agricultural products. The tariff treatment granted under the free trade agreements is clearly more favourable than that applied under the GSP. While virtually all industrial products under the free trade agreements generally receive unlimited duty-free treatment, the GSP schemes of EFTA countries and EEC contain lists of exceptions and in addition the scheme of EEC includes *a priori* limitations. Thus, as in the case resulting from the enlargement of EEC, imports from developing countries were put at a further disadvantage vis-à-vis the same or competitive products supplied from within the area.

128. To sum up, as a result of the enlargement of EEC and the establishment of a free trade area in Western Europe for manufactures, the value of preferences under the schemes of these preference-giving countries has been considerably eroded. In order to offset this erosion to the maximum extent, it would be necessary for these countries to grant imports from developing countries treatment equal to that granted to the same products traded among themselves. This would call for the inclusion of all industrial products, without exception, in the schemes and for the provision of unlimited duty-free entry for such products. As far as tariff protection is concerned, such a treatment would put products of developing countries on the same competitive footing with those traded among Western European countries. However, developing countries would still remain at a competitive disadvantage, because non-tariff barriers, mainly quantitative restrictions, still affect a number of products of major export interest to them, whereas quantitative restrictions have been completely removed in Western European intra-trade.

B. The generalized system of preferences and the multilateral trade negotiations

129. At the Ministerial Meeting at Tokyo in 1973, it was agreed, *inter alia,* that the multilateral trade negotiations should aim to secure additional benefits for the international trade of developing countries. The Ministers recognized the importance of the application of differential measures to developing countries in ways which would provide special and more favourable treatment for them in areas of the negotiations where this was feasible and appropriate. They also recognized the importance of maintaining and improving the GSP.[33]

130. At the fourth session of the United Nations Conference on Trade and Development, the developing countries indicated the specific areas of major importance to them and where they expected concessions from the developed countries in the tariff negotiations. In particular, they called for the binding of commitments and concessions in their favour; the inclusion of all developing countries as beneficiaries in the schemes of generalized preferences; the advance implementation of concessions in their favour; special priority in the scope, content and depth of tariff concessions for tropical products requested by developing countries on a non-reciprocal basis, and, as appropriate, on a preferential basis. In addition, the developing countries requested deeper-than-formula tariff cuts for products of interest to them which were not covered by the GSP; the binding in GATT of preferential tariff margins; and effective compensation in the event of the erosion of preferential margins resulting from MFN tariff cuts.[34]

131. At the time of writing, it appeared that the major concerns of the developing countries regarding the erosion of their GSP advantages, as expressed in the Tokyo Declaration and in Conference resolution 91 (IV), were not heading for a satisfactory conclusion. MFN tariff reductions in the multilateral trade negotiations were bound to erode GSP tariff margins across-the-board for manufactured and semi-manufactured products in CCCN chapters 25–99 covered by the GSP. Agricultural products in CCCN chapters 1–24 would also be affected to the extent that the MFN tariffs were reduced on products covered by the GSP.

132. Developing-country exports of industrial products are likely to be adversely affected by the multilateral trade negotiations in two ways: first, practically all industrial products covered by the scheme will be subject to MFN tariff cuts; second, sensitive industrial products, which are excluded from the majority of schemes, will also most likely be placed on full or partial exceptions lists as a result of the negotiations; i.e. there will be no MFN tariff cuts or only lower-than-average cuts on these products. In the first case, there will be a significant erosion of existing GSP margins and, in the second case, the developing countries stand to receive less-than-average or no MFN cuts on products not covered by the GSP, which will be far from sufficient to compensate them for the erosion of the GSP margins. For these reasons, and because of the harmonizing effect of the generally accepted tariff-cutting formula,[35] the expected erosion of GSP

[33] Declaration of Ministers, approved at Tokyo on 14 September 1973 (see foot-note 4 above).

[34] See Conference resolution 91 (IV), sect. II.

[35] The Swiss formula, accepted as the "working hypothesis" in the negotiations, is expressed as follows:

$$Z = \frac{ax}{x + a}$$

where Z is the post-Tokyo Round rate,
x is the initial pre-Tokyo Round rate, and
a is a constant.

It should be noted that this formula is designed to have a harmonized effect i.e., the higher the pre-Tokyo Round MFN rate, the deeper will be the tariff cut. Also, the higher the coefficient a, the less will be the post-Tokyo Round tariff reduction. In this analysis, a is equal to 14, as originally proposed under the Swiss formula.

margins will generally be greater than the average over-all tariff cut resulting from the negotiations. Thus, the trade expansion effects resulting from high GSP margins will be substantially reduced.

133. The principal benefits in the tariff field which could accrue to developing countries from the multilateral trade negotiations arise from MFN cuts on, or inclusion in the GSP of, tropical products which are produced largely by developing countries, and from MFN tariff cuts on products excluded from the GSP, provided such products are not placed in the exceptions lists. However, in contrast to the trade expansion effects of GSP margins resulting from both trade diversion and trade creation, the developing countries can benefit only from the trade creation which may result from MFN cuts on products not covered by the GSP.

134. Preliminary analysis of the static effects of the negotiations on preferential margins under the schemes of EEC, Japan and the United States of America, which together account for more than 90 per cent of GSP imports by OECD preference-giving countries, indicates that the trade-weighted average pre-Tokyo Round GSP tariff margin on industrial products of 8 per cent would be reduced to 4.7 per cent as a result of the application of the tariff-cutting formula. This 3.3 percentage point reduction in the GSP margin represents a 40 per cent reduction in average preferential tariff advantages to the beneficiaries of the three schemes.[36] If the negotiating authority contained in the United States Trade Act of 1974, wherein all duties of 5 per cent or below can be reduced to zero, were taken into account, the 8 per cent pre-Tokyo Round average margin for the three major schemes would be reduced to 5.5 per cent, representing a decline of 30 per cent in preferential tariff advantages. Moreover, an across-the-board application of the tariff-cutting formula to industrial products represents a decline in the tariff revenue forgone of $203.8 million, or 41.6 per cent of the pre-Tokyo Round amount. This decline is an indication of the loss of the potential advantages to traders and/or consumers under the three schemes. If, in addition, tariffs of 5 per cent or less were reduced to zero in the case of the United States, the decline in tariff revenue forgone would amount to $246.7 million, or 50.3 per cent.

135. Furthermore, the harmonizing effect of the tariff formula would radically change the structure of GSP margins. For example, 80 per cent of the value of imports of products covered by the combined three schemes fell below the pre-Tokyo MFN tariff of 12 per cent, whereas the same value of imports in the post-Tokyo period would fall below the tariff of 7 per cent. Furthermore, in the pre-Tokyo period imports occurred under tariff margins which were as high as 20 per cent or more, which provided a basis for high GSP trade expansion effects. By contrast, there would be virtually no trade affected by such high margins in the post-Tokyo period. In addition, a substantial amount of imports ($1.7 billion) on which beneficiaries at present have a preferential margin under the United States scheme would lose the advantage of these preferences, because the products would become free of any MFN duty.

136. As mentioned above, the application of the harmonizing tariff-cutting formula to products not covered by the GSP schemes of EEC, Japan and the United States and not included in their full or partial exceptions lists should lead to the expansion of developing country exports in the form of trade creation. Preliminary analysis of the static effects of the application of the tariff-cutting formula to the products *not* covered by the GSP, and on the assumption that none of these products are on the exceptions list, indicates that the pre-Tokyo trade-weighted average MFN tariff on these products for the combined three markets amounted to 5 per cent. The post-Tokyo reduced trade-weighted average amounts to 2.9 per cent, or a reduction of 40 per cent.[37] If the United States reduced all rates 5 per cent or below to zero, as provided for in the Trade Act, this post-Tokyo MFN rate would decline to 3.2 per cent, making a decline of 40 per cent.[38]

137. In contrast to the GSP-covered products, there would be a less radical shift in the structure of tariffs affecting the bulk of the value of non-GSP-covered imports from the developing countries in the post-Tokyo Round period. This is largely due to the harmonizing effect of the tariff-cutting formula, which reduces higher tariffs proportionately more than lower tariffs. Since 80 per cent of the value of imports of these non-GSP-covered products in the pre-Tokyo period were subject to the relatively low tariffs of 6 per cent or below, the application of the tariff-cutting formula would bring this trade into an only slightly lower tariff range of 5 per cent or less. Furthermore, as will be discussed below, the reduction of the MFN rates on non-GSP-covered products will not have an optimum trade expansion effect, since many of these products are subject to non-tariff barriers, such as the quantitative restrictions on textile products under the MFA.

138. Preliminary estimates by the UNCTAD secretariat of the trade expansion effects of the GSP and the MFN tariff cuts resulting from the multilateral trade negotiations for industrial products covered by the GSP under the combined schemes of EEC, Japan and the United States, as measured by the volume of trade creation and trade diversion, support the static implications of the negotiations on the GSP discussed above. Taking the pre-Tokyo MFN tariff rates on industrial products covered by the three major schemes[39] as the GSP margins in 1976, the combined trade expansion effects of these three schemes would have amounted to some $5.7 billion.[40] By contrast, the post-Tokyo GSP

[36] The 1976 trade-weighted tariff averages under the three schemes for pre-Tokyo Round periods were: EEC, 11.4 per cent; Japan, 7.7 per cent; United States, 7.4 per cent, and, under the application of the Swiss formula, the corresponding post-Tokyo Round tariff averages would be: EEC, 5.9 per cent; Japan, 4.7 per cent; United States, 4.4 per cent.

[37] The pre-Tokyo Round 1976 trade-weighted tariff averages for these non-GSP-covered products for the three schemes were: EEC, 5.3 per cent; Japan, 1.6 per cent; United States, 10.5 per cent; under the application of the Swiss formula, the corresponding post-Tokyo tariff averages would be: EEC, 3.9 per cent; Japan, 1.4 per cent; United States, 4.8 per cent.

[38] The United States trade-weighted tariff averages under this assumption are 10.5 per cent and 8.2 per cent for the pre-Tokyo and post-Tokyo periods, respectively.

[39] This analysis is based on 1976 trade flows, with the product coverage of the schemes adjusted to reflect the reduction of trade expansion effects of preferences due to *a priori* limitations under the schemes of EEC and Japan and the competitive-need exclusions under the United States scheme.

[40] See annex VII below.

margins would have generated a trade expansion of $3.6 billion, representing a $2.1 billion, or 37 per cent, reduction in trade relative to the pre-Tokyo situation. This post-Tokyo trade expansion would be lower, amounting to $3.4 billion, or 40 per cent below the pre-Tokyo figure, if the United States eliminated MFN tariffs of 5 per cent or less, as authorized in the 1974 Trade Act.

139. The offsetting benefits which could accrue to the developing countries through trade expansion in the form of trade creation arise from the application of the tariff-cutting formula to exports of products not covered by the GSP and not subject to full or partial exceptions from the general tariff cuts. Unlike the trade expansion effects of preferential tariff margins which generate both trade creation and trade diversion expansionary effects for developing countries, the MFN tariff cuts on non-GSP-covered products generate only trade creation effects. Thus, the important trade diversion effects which provide trade expansion only to beneficiaries of the GSP on products covered by the schemes do not operate in this case. In those non-GSP-covered product lines where the developing countries have a demonstrated comparative advantage, such as textiles, footwear, etc., the existence of non-tariff barriers such as quantitative restrictions, voluntary export restraints, orderly marketing arrangements, etc., effectively neutralize the trade expansion effects which would occur with unfettered international competition. The estimates of benefits discussed ignore this effect of non-tariff barriers and assume that only tariffs operate as the principal trade barrier. Thus, they overstate the trade expansion effects of tariff liberalization on those non-GSP-covered products of particular interest to developing countries which, in fact, are subject to restrictive non-tariff barriers.

140. Annex VII below indicates that the estimated trade creation effect which could accrue to developing countries as a result of MFN tariff reductions on products not covered by the GSP for the combined markets of EEC, Japan and the United States would amount to $1.70 billion (or $1.72 billion if the United States reduced all tariffs of 5 per cent or less to zero). Given the estimated net loss in trade expansion from the erosion of GSP margins as a result of the multilateral trade negotiations of $2.1 billion (or $2.3 billion) on GSP-covered products, mentioned above, the net trade expansion effects of the negotiations, taking into account both losses on GSP-covered products and gains on non-GSP-covered products, amount to a net loss of $0.4 billion ($0.6 billion) for the developing countries. If those textile products not covered by the United States scheme were to be put on the exceptions list produced in the negotiations, the net over-all trade effects of the negotiations on developing countries would amount to a loss of $1.2 billion ($1.4 billion).

141. Thus these preliminary estimates, on both a static and a dynamic basis, support the conclusion that the commitments to maintain the GSP, as set out in the Tokyo Declaration and in Conference resolution 91 (IV), will not be fulfilled so far as the maintenance of the levels of preferential tariff margins prevailing before the Tokyo Round is concerned. In order to offset the probable erosion of tariff margins, it is important that other elements of the GSP, such as product coverage, depth of tariff cut and rules of origin, be substantially improved. It is also important that limitations on preferential imports and competitive-need exclusions be relaxed and eliminated.

Chapter V

THE GENERALIZED SYSTEM OF PREFERENCES AND SPECIAL PREFERENCES

142. In section II, paragraph 2, of the agreed conclusions on the GSP,[41] it was stated that "developing countries which will be sharing their existing tariff advantages in some developed countries as a 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". In section VIII, the Special Committee on Preferences is called upon, *inter alia*, to review the effects on the export earnings of these countries of the sharing of their preferences, in order to avoid their being adversely affected.

A. Types of special preferences

143. Two types of special preferences in favour of various developing countries were in operation at the time the GSP was adopted in 1970. The first type related to preferential agreements or special trading arrangements concluded by EEC with African countries signatories to the 1969 Yaoundé Convention and to the 1969 Arusha Agreement, and with various Mediterranean countries.[42] The other type encompassed Commonwealth preferences granted by Australia, Canada, New Zealand and the United Kingdom.

144. Since the implementation of the GSP, the character of special preferences and the geographical coverage underwent important changes, due in particular to the enlargement of EEC. The Lomé Convention concluded between EEC and 46 African, Caribbean and Pacific (ACP) countries was signed on 28 February 1975,[43] for an initial period of five years. It included African countries signatories to the earlier Yaoundé Convention, Commonwealth developing countries eligible for association under Protocol No. 22 and other African countries of comparable economic structure and production. Eight new countries subsequently acceded to the Convention, bringing the

[41] See foot-note 1 above.

[42] For a description of the special preferential arrangements applying before the introduction of the GSP, see TD/B/C.5/8,* paras. 17–27.

[43] For the text of the Lomé Convention, see *Official Journal of the European Communities* (Luxembourg), 19th year, No. L 25 (30 January 1976).

total of the ACP countries to 57.[44] The other developing Commonwealth countries, i.e. the major developing Asian members of the Commonwealth, were not eligible for association. Their Commonwealth preferences in the United Kingdom market were phased out during the transition period of the accession of the United Kingdom to EEC, which was completed on 1 July 1977.[45] The Community also concluded a series of co-operation agreements with Mediterranean countries on the basis of a newly defined global policy towards those countries.[46]

145. As was mentioned above, developed countries granting Commonwealth preferences included Australia, Canada, New Zealand and the United Kingdom. The accession of the United Kingdom to the Community in 1973 brought with it the phasing out of Commonwealth preferences in the period ending 1 July 1977. Similarly, because of that accession, New Zealand also phased out the British preferential system by 1 July 1977 and the Commonwealth preferences by mid-1978. Thus, only Australia and Canada still grant special preferences to a number of developing countries which are also beneficiaries of their respective schemes of generalized preferences.[47] However, these special preferences have by and large been merged with generalized preferences.

146. A change in the geographical coverage of special preferences meant also a change in their character. The Lomé Convention, which was a successor to the Yaoundé Convention, encompassed, in addition to trade, financial and technical assistance, other innovative steps for development co-operation, in particular a system of stabilization of export earnings for selected products in primary and processed form, trade promotion and industrial co-operation. However, the fundamental innovation consisted in the fact that the trade concessions under the Lomé Convention were granted by the Community to the ACP countries without reciprocity on the part of those 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 countries concerned. As in the case of the Lomé Convention, the agreements with Mediterranean Arab countries do not call for reciprocity on the part of those countries.

147. After these changes had taken place, concern over the question of the sharing of special preferences as a result of the introduction of the GSP was subsequently reiterated in relevant United Nations resolutions and in particular at the fourth session of the United Nations Conference on Trade and Development, held in 1976. Section I, A, paragraph (*a*) of Conference resolution 96 (IV) stated 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".

B. Effects of the generalized system of preferences on special preferences

148. In its first periodic review of the operation and effects of the 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 at that time.[48] In the subsequent annual reviews of the GSP, the question of special preferences continued to be examined on the basis of 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. At its eighth session, held in June/July 1977, the Special Committee on Preferences had before it two studies by the UNCTAD secretariat in connexion with the question of the sharing of preferences by ACP and Maghreb countries in the EEC market.[49] Three aspects were examined. The first aspect concerned the comparison of the implications of special preferences and of generalized preferences for exports of ACP and Maghreb countries to the EEC market. The second aspect dealt with 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 the extent to which they have gained new access as a result of the introduction of schemes of generalized preferences by other developed countries.

149. In essence, the studies showed that total EEC imports from the ACP and Maghreb countries in 1974 had amounted to $16 billion, of which only $1.1 billion consisted of products now competing on a preferential basis with the exports of GSP beneficiaries. Furthermore, such competition was not on an equal basis, since the exports of the ACP and Maghreb countries to EEC generally did not face limitations on preferential treatment, and enjoyed larger preferential tariff margins and more liberal rules of origin. In fact, the main competition for the ACP and Maghreb countries came from EFTA members and other Mediterranean countries which also received preferential treatment on a more liberal basis than GSP beneficiaries. Moreover, the ACP and Maghreb countries were by and large compensated by generalized preferences they received in the markets of other preference-giving countries, since roughly $1 billion of the exports of the ACP and Maghreb countries were covered by GSP schemes other than that of EEC.

150. It can be concluded, therefore, that developing countries enjoying special preferences in the EEC market derive far greater benefits than those granted under the EEC scheme of generalized preferences and as such can

[44] ACP countries are identified in annex I below.

[45] For a description of the treatment of Commonwealth developing countries in the United Kingdom market during the transitional period of accession, see TD/B/C.5/23,* paras. 72–81.

[46] Mediterranean countries are identified in annex I below.

[47] For a list of the beneficiary countries concerned, see annex I below.

[48] See TD/B/C.5/9,* paras. 51–61, TD/B/C.5/4,* and TD/B/C.5/7,* paras. 96–100.

[49] See TD/B/C.5/49/Add.1 and 2.

be considered as only nominal beneficiaries of that scheme. The sharing of special preferences as a result of the introduction of the Community scheme of generalized preferences has been minimal and has been largely compensated by the advantages opened up under the other GSP schemes. Finally, the main competition in industrial exports facing developing countries enjoying special preferences in the EEC market comes mainly from EFTA countries rather than from beneficiaries of the EEC scheme of generalized preferences.

Chapter VI

CONCLUSIONS AND RECOMMENDATIONS

151. The generalized, non-reciprocal and non-discriminatory system of tariff preferences was established in order to help developing countries to increase their export earnings, promote their industrialization and accelerate their rates of economic growth. During the short time it has been in operation, the GSP has asserted itself as a viable trade policy instrument for the establishment of more equitable trade and economic relations between developed and developing countries. The need to maintain and improve the system in order to achieve its declared objectives has been recognized in the Tokyo Declaration and reaffirmed by the United Nations Conference on Trade and Development at its fourth session, held at Nairobi. At its fifth session, the Conference may therefore wish to consider the adoption of the following measures for the maintenance and improvement of the GSP.

A. Basic principles

152. Conference resolution 21 (II) called for the establishment of a generalized, non-discriminatory and non-reciprocal system of preferences. These principles have been reaffirmed in subsequent resolutions in UNCTAD, and in particular by the Conference in its resolution 96 (IV), which states, *inter alia*, that "preference-giving countries should implement the provisions of Conference resolution 21 (II) regarding the generalized, non-reciprocal and non-discriminatory system of preferences". Moreover, the resolution emphasizes that "the generalized system of preferences has been instituted to help to meet the development needs of developing countries and should only be used as such and not as an instrument of political or economic coercion or of retaliation against developing countries, including those that have adopted or may adopt, singly or jointly, policies aimed at safeguarding their national resources".

153. For various reasons, some preference-giving countries have not recognized as beneficiaries all those developing countries which claim developing status. Furthermore, in the administration of their schemes, certain preference-giving countries differentiate among beneficiaries with regard to the product coverage, the depth of tariff cut and/or the level of preferential imports admitted. Strictly speaking, such differentiation and selectivity contravenes the principle of non-discrimination. Also, certain preference-giving countries specify conditions for eligibility for preferences which indirectly imply a certain degree of reciprocity of concessions or a certain pattern of behaviour. These conditions would thus seem to be incompatible with the principle of non-reciprocity embodied in the GSP.

154. The principles on which generalized, non-reciprocal and non-discriminatory preferences should be based need to be reaffirmed, and the preference-giving countries should agree to take appropriate measures for the full observance of these principles. To this effect, they should extend generalized tariff preferences to all developing countries without discrimination, reciprocity or any other conditions.

B. Legal basis

155. In agreeing to the GSP, the preference-giving countries considered that the tariff preferences each of them granted would be temporary in nature, that their grant did not constitute a binding commitment, and that it did not in any way prevent the subsequent withdrawal of those preferences in whole or in part. This uncertainty as to preferential treatment inhibits investments in production for export under the GSP and thus prejudices the achievement of the long-term objectives of the system, i.e. to promote the industrialization of developing countries and accelerate the rates of their economic growth.

156. In order to make the GSP more secure, the developing countries have from the outset insisted that the system should become a permanent feature of the trade policies of developed countries. In this connexion, in paragraph 15 of Conference resolution 91 (IV) it was recommended that the countries participating in the multilateral trade negotiations should give consideration to the views of developing countries with regard, *inter alia*, to the binding in GATT of the GSP preferential margins and to effective compensation in the case of the erosion of such margins resulting from MFN tariff cuts. While recognizing the problem of uncertainty inherent in the GSP concessions, the preference-giving countries have not been prepared so far to improve the legal basis of the system. In view of the commitment by preference-giving countries to maintain and improve the GSP, the status of generalized preferences should be given special consideration at the fifth session of the Conference, with a view to achieving the necessary stability of the system.

C. Duration

157. It was unanimously agreed at the fourth session of the Conference that the GSP should continue beyond the initial period of 10 years originally envisaged, in view, in particular, of the need for long-term export planning in the developing countries.[50] In order to make this agreement more secure, it would be necessary formally

[50] See Conference resolution 96 (IV), sect. I, A, para. (*c*).

to extend the duration of the GSP for at least another period of 10 years, and to provide for a comprehensive review before the end of that period, in order to determine, in the light of the objectives of the system, whether it should be continued beyond that second 10-year period. Thus, the GSP should constitute an important element in the international development strategy for the 1980s in the area of trade.

D. Product coverage

158. Product coverage varies as between individual schemes. While industrial products are generally covered, with the exception of a relatively small number of "sensitive" products, only selected agricultural products are included. On the whole, products currently covered by the GSP account for only one third of the OECD preference-giving countries' MFN dutiable imports from beneficiaries of their respective schemes. This proportion varies from one preference-giving country to another, ranging from 12 per cent to 93 per cent. Consequently, there is wide scope for the improvement of the GSP product and trade coverage. It would be desirable to include all dutiable products of export interest to developing countries in the GSP. To this end, agreement could be sought on a timetable whereby the product coverage would be extended so as progressively to increase the share of eligible products in total imports by preference-giving countries of dutiable imports from beneficiaries, aiming at full or substantial coverage of all dutiable imports from beneficiaries during the next five years.

E. Depth of tariff cut

159. Preferential duty-free entry is applicable to industrial products (CCCN chapters 25–99) under most of the schemes, and varying degrees of tariff cut, including duty-free entry, are accorded to agricultural products (CCCN chapters 1–24). Since, as a result of the multilateral trade negotiations the MFN tariffs on industrial products will be further reduced, all preference-giving countries which have not yet done so should extend preferential duty-free entry to all industrial products covered by their schemes. Also, preferential duty-free entry, or substantially deeper tariff cuts, should be provided for agricultural products covered by the schemes. The extension of duty-free entry for GSP products by preference-giving countries which have not yet extended such entry will also serve to offset the erosion of GSP margins resulting from the multilateral trade negotiations.

F. Safeguards

160. An escape-clause type of safeguard is generally provided under the GSP schemes. While, according to notifications received, the escape action has been taken sparingly, and by only few preference-giving countries, the decision to apply it has been made unilaterally each time by the preference-giving country concerned. In order to remove any uncertainty as to preferential treatment which might arise from discretionary and unilateral escape action, it would be necessary to base such action on objective economic criteria and multilateral procedures. Thus, preferential treatment on a product would be withdrawn or reduced only when, after prior consultations with preference-receiving countries, it had been established, on the basis of such criteria, that preferential imports had been the direct cause of serious injury to domestic producers of the importing preference-giving country. The safeguard action should be temporary in nature and subject to international surveillance and review.

161. In addition to the escape clause for safeguard action, a number of preference-giving countries rely on *a priori* limitations in the form of tariff quotas, ceilings and maximum country amounts or competitive-need exclusions. These *a priori* limitations and exclusions not only substantially limit preferential imports but also create uncertainty about preferential treatment. As mentioned above, it is estimated that preferential imports in 1976 under the schemes of EEC, Japan and the United States of America would have been greater by about 50 per cent, or by some $4-5 billion, had there been no limitations and competitive-need exclusions. The uncertainty surrounding the application of *a priori* limitations and exclusions discourages investments in beneficiary countries for the expansion of production or the establishment of new capacity for the production of goods affected by such constraints.

162. In the application of *a priori* limitations, in particular maximum country amounts, and of competitive-need exclusions, the tendencies towards graduation and differentiation among developing countries are becoming more pronounced. The rationale for this differentiation is to reserve preferential access for products of less developed or non-competitive developing countries. In fact, these limitations and exclusions serve primarily as an additional protective device against preferential imports in general. These limitations and exclusions are contrary to the principal objective of the GSP, which is to increase the export earnings of developing countries.

163. It is evident, therefore, that a general liberalization of *a priori* limitations and competitive-need exclusions is desirable, and serious consideration should be given by the preference-giving countries concerned to an early elimination of such constraints on all products covered by their schemes. If, in order to avoid the exclusion of highly sensitive products from the schemes, the limitation of preferential imports of such products should prove indispensable, it should be exercised through ceilings, rather than through the more rigid tariff quotas, maximum country amounts or competitive-need exclusions. The method of calculating these ceilings should be such that they cover imports from beneficiaries up to the level attained in the previous year and provide for a reasonable rate of growth. If ceilings were calculated in this way, the maximum amount limitations would become practically superfluous and, by the same token, discrimination among beneficiaries which arises from the application of this constraint would also be eliminated. The ceiling approach would also allow those preference-giving countries whose only protection in their schemes against injurious imports is recourse to escape-clause safeguard action to extend their product coverage to those sensitive industrial products which they currently exclude from their schemes.

G. Rules of origin

164. Rules of origin serve to ensure that only those goods covered by the GSP that have been wholly obtained or substantially transformed in preference-

receiving countries are entitled to preferential treatment. Western European preference-giving countries and Japan base their definition of substantial transformation on the process criterion, and other preference-giving countries base it on the value-added criterion. While the former countries have to a large extent harmonized their substantial transformation rules, i.e., their lists of processes A and B, no harmonization has so far been attempted by the latter countries, although substantial differences exist among their percentage value-added rules. As a result of differences in the definition of "substantial transformation" between various origin systems, a product may qualify for preferential treatment in one preference-giving country and not in another. Further harmonization of these rules is therefore essential in order to ensure equivalence of conditions of access to markets of preference-giving countries and to avoid distortion of trade. On the whole, the GSP rules of origin are very diverse and complex and certain requirements are unduly stringent. The need for the further liberalization and simplification of the origin systems under the GSP has, therefore, been generally recognized.

165. Full and global cumulative origin is accorded under the schemes of Australia and New Zealand, which allows an exporting beneficiary country to count as originating any materials, parts, components or processes of any other beneficiary country. The United States scheme also provides for full cumulation, but only to regional groupings, and the schemes of EEC and the EFTA preference-giving countries, and of Japan, accord varying degrees of partial cumulation, but to regional groupings only. The adoption of full and global cumulation by all preference-giving countries would substantially liberalize the existing requirements and facilitate their further harmonization and simplification.

166. The task of harmonization and improvement has been entrusted from the outset to the Working Group on Rules of Origin, which agreed at its seventh session, in October 1978, that every effort should be undertaken to complete the harmonization and simplification of the rules of origin by the end of the present decade.[51] The Conference may wish to reaffirm and strengthen this undertaking. It should be borne in mind in this connexion that the tariff reductions resulting from the multilateral trade negotiations, when fully implemented, will significantly reduce the GSP margins. By the same token, preference-giving countries would not then feel the same need to apply stringent rules of origin in order to prevent possible abuse of preferential treatment, since the incentive to traders to circumvent the rules would also be weaker, on account of the reduced preferential margins. In consequence, the preference-giving countries could, without much real cost to themselves, substantially liberalize and simplify their GSP rules of origin, including the adoption of full and global cumulative treatment.

H. Special measures in favour of the least developed countries

167. Section V of the agreed conclusions of the Special Committee on Preferences on the GSP spells out the special measures in favour of the least developed countries which should enable those countries to benefit to the fullest extent possible from the GSP. The need for such special measures has been subsequently reaffirmed in various UNCTAD resolutions. Experience so far has shown that GSP benefits to the least developed countries are limited for a number of reasons. Firstly, their exports are relatively small and confined largely to agricultural products and industrial raw materials. While the latter products are by and large MFN duty-free and therefore fall outside the scope of the GSP, agricultural products are only partially covered by the system. Even when the least developed countries export products covered by the GSP they often fail to ask for, or else are denied, preferential treatment because, on account of their limited commercial expertise and administrative structure, they are unable to cope with the complexities of the various schemes and their origin requirements.

168. Various measures need to be taken in favour of the least developed countries in order to enable them to take the maximum advantage of the GSP. First, the various schemes should be improved so as to provide preferential and unlimited duty-free entry for all MFN dutiable products exported by those countries. Origin requirements with regard to such products should be liberalized and harmonized, including simplification of administrative procedures. Secondly, continued technical assistance and advice should be extended to them, to enable them better to understand and utilize the trade advantages available under the various schemes, in particular assistance in connexion with the rules of origin and their application. However, the improvements in the GSP in favour of the least developed countries, and technical assistance to these countries to understand and utilize the GSP better will have only a limited impact on their export trade, unless they are given substantial financial and technical assistance for the establishment and development of industries relevant to the GSP.

I. Utilization of the GSP

169. Only about 40 per cent of the preference-giving countries' imports of products covered by the GSP from beneficiaries of their respective schemes received preferential treatment in 1976. Limitations on preferential imports applied under some major schemes, and the stringency and diversity of the rules of origin, are mainly responsible for this rather low rate of utilization. It should be noted, however, that as a result of technical assistance extended by the UNCTAD/UNDP project and by individual preference-giving countries, and also of the efforts of the preference-receiving countries themselves, the rate of utilization of the GSP has been increasing continuously. However, a number of developing countries, owing to the inadequacy of their commercial and administrative structures, have so far benefited to only a small extent from the GSP.

170. There is much scope for the increased utilization of the GSP. In addition to improvements in various schemes, described above, it is vital that preference-receiving countries take appropriate measures in their production and trade, including trade promotion measures to improve their performance under the GSP. For that purpose, there is also a clear need to maintain and intensify technical assistance to developing countries, in

[51] See the report of the Working Group on its seventh session (TD/B/C.5/62), para. 43, II.

particular to the less advanced ones. In this connexion, it should be noted that the UNCTAD/UNDP project on technical assistance on the GSP has been extended to the end of 1980. Likewise, the technical assistance provided by preference-giving countries to preference-receiving countries through financial support to the project, direct participation in the project activities in the field and on a bilateral basis needs to be continued and intensified. An important ingredient of technical assistance in connexion with the GSP would be the prompt dissemination of detailed information on individual schemes to both exporters in preference-receiving countries and importers in preference-giving countries and their education, especially with regard to the application of rules of origin.

J. Maintenance of the GSP

171. In the Tokyo Declaration, Ministers recognized the importance of maintaining and improving the GSP in the multilateral trade negotiations. Despite this commitment, the GSP margins are likely to be eroded across the board as a result of agreed MFN tariff cuts. A preliminary analysis shows that the application of the agreed tariff-cutting formula on industrial products covered by the GSP would result in a reduction of the average preferential margin for the combined schemes of EEC, Japan and the United States of America by 42 per cent, i.e., by from 7.9 percentage points to 4.3 percentage points. This erosion of GSP margins would be even greater, from 7.9 to 3.9 percentage points, or 49 per cent, if the United States eliminated MFN rates of 5 per cent or below on GSP covered products, as authorized by legislation. This erosion of GSP margins would result in a loss of advantage to traders and/or consumers in proportion to the substantial reduction in tariff revenue forgone but, more important, it would result in a significant reduction in the trade expansion effects of the GSP. This loss of GSP trade advantages would be offset only to a small extent by trade advantages resulting from MFN tariff reductions on products not covered by the GSP. In this situation, it seems fitting that the preference-giving countries should improve the GSP significantly, in order to honour their commitments expressed in the Tokyo Declaration.

ANNEXES

ANNEX I

Beneficiaries of the schemes of generalized preferences

(March 1979)

ACP signifies an African, Caribbean or Pacific country signatory to 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.

	Preference-giving countries															
Beneficiaries	*Australia*	*Austria*	*Bulgaria*	*Canada*	*Czechoslovakia*	*European Economic Community*	*Finland*	*Hungary*	*Japan*	*New Zealand*	*Norway*	*Poland*	*Sweden*	*Switzerland*	*United States of America*	*USSR*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*	*(11)*	*(12)*	*(13)*	*(14)*	*(15)*	*(16)*	*(17)*
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	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Burundi (ACP) (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Cape Verde (ACP) (LDDC)	×	×	×	×	×	×	×		×	×	×		×	×	×	
Central African Empire (ACP) (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Chad (ADP) (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Chile	×	×		×		×	×	×	×	×	×		×	×	×	
Colombia	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Comoros (ACP) (LDDC)	×	×	×	×		×	×			×	×		×	×	×	
Congo (ACP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Costa Rica	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Cuba	×	×		×	×	×	×	×	×	×	×	×	×	×		
Cyprus (CP) (MED)	×	×		×	×	×	×		×	×	×	×	×	×	×	×
Democratic Kampuchea	×	×	×	×	×	×	×	×	×	×	×	×	×	×		
Democratic People's Republic of Korea	×						×						×	×		
Democratic Yemen (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×		×
Djibouti (ACP)	×	×		×						×	×		×	×		
Dominican Republic	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	
Ecuador	×	×	×	×	×	×	×	×	×	×	×	×	×	×		×
Egypt (MED)	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17
I. Members of the Group of 77 (*continued*)																
El Salvador	×	×	×	×	×	×	×		×	×	×	×	×	×	×	×
Equatorial Guinea (ACP)	×	×		×	×	×	×	×	×	×	×	×	×	×	×	×
Ethiopia (ACP) (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Fiji (ACP) (CP)	×	×	×	×	×	×	×		×	×	×	×	×	×	×	
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) (CP)	×	×	×	×		×	×	×	×	×	×	×	×	×	×	
Liberia (ACP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Libyan Arab Jamahiriya	×	×	×		×	×	×		×	×	×	×	×	×		×
Madagascar (ACP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Malawi (ACP) (LDDC) (CP)	×	×	×	×		×	×	×	×	×	×	×	×	×	×	
Malaysia (CP)	×	×		×	×	×	×	×	×	×	×	×	×	×	×	×
Maldives (LDDC) (CP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	
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) (CP)	×	×	×	×	×	×	×	×	×	×	×		×	×	×	
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 (ACP) (CP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Singapore (CP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Somalia (ACP) (LDDC)	×	×	×	×	×	×	×	×	×	×	×		×	×	×	×
Sri Lanka (CP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Sudan (ACP) (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Suriname (ACP)	×	×	×	×		×	×		×	×	×	×	×	×	×	×
Swaziland (ACP) (CP)	×	×	×	×		×	×	×	×	×	×	×	×	×	×	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
I. Members of the Group of 77 (*continued*)																
Syrian Arab Republic (MED)	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Thailand	×	×	×	×	×	×	×		×	×	×	×	×	×	×	×
Togo (ACP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Trinidad and Tobago (ACP) (CP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	
Tunisia (MED)	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Uganda (ACP) (LDDC) (CP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×		×
United Arab Emirates	×	×	×	×	×	×	×		×	×	×	×	×	×		×
Abu Dhabi	×	×											×	×		
Dubai	×	×											×	×		
Ras-al-Khaimah	×	×											×	×		
Fujairah	×	×											×	×		
Ajman	×	×											×	×		
Sharjah	×	×											×	×		
Umm Al Qaiwan	×	×											×	×		
United Republic of Cameroon (ACP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
United Republic of Tanzania (ACP) (LDDC) (CP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Upper Volta (ACP) (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Uruguay	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Venezuela	×	×	×	×	×	×	×	×	×	×	×	×	×	×		×
Viet Nam	×	×		×		×	×			×	×		×	×		
Yemen (LDDC)	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Yugoslavia	×	×		×	×	×	×		×	×	×		×	×	×	
Zaire (ACP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
Zambia (ACP) (CP)	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×
II. Other countries																
Albania	×									×						
Bulgaria	×	×		×			×		×	×	×		×	×	×	
China	×									×	×					
Greece (MED)	×	×		×					×	×				×		
Israel (MED)	×	×		×			×		×	×	×		×	×	×	
Mongolia	×						×		×	×			×			
Muscat		×												×		
Nauru (CP)	×	×		×	×	×	×			×	×		×	×	×	
Portugal	×	×		×					×	×					×	
Samoa (ACP) (LDDC) (CP)	×	×	×	×	×	×	×		×	×	×		×	×	×	
Spain (MED)		×								×				×		
Tonga (ACP) (CP)	×	×		×		×			×	×	×		×	×	×	
Turkey (MED)	×	×		×	×		×		×	×	×		×	×	×	
III. Territories[a]																
A. *EEC member States*																
1. France and Netherlands																
Mayotte		×				×										
French Southern and Antarctic Territories		×		×		×					×		×			
Adelie Land														×		
Crozet														×		
Kerguelen														×		
New Amsterdam														×		
New Hebrides (condominium)	×	×							×	×	×		×	×	×	
French Oceania (Polynesia)	×	×		×		×				×	×		×	×	×	
Alofi														×		
Clipperton														×		
Futuna	×	×				×				×	×		×	×	×	
Horn														×		
Loyalty														×		
Marotiri														×		
Marquesas														×		

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
III. Territories[a] (*continued*)																
New Caledonia	×	×		×		×				×	×		×	×	×	
Rapa														×		
Société (Tahiti)														×		
Tubai														×		
Tuamotu														×		
Uvéa														×		
Wallis	×	×				×				×	×		×	×	×	
St. Pierre and Miquelon	×	×									×		×	×		
Netherlands Antilles	×	×		×		×			×	×	×		×	×	×	
Aruba														×		
Bonaire														×		
Curaçao														×		
Saba														×		
St. Eustache														×		
St. Martin														×		
2. United Kingdom																
Belize (CP)	×	×		×		×			×	×	×		×	×	×	
Bermuda (CP)	×	×		×		×			×	×	×		×	×	×	
Brunei (CP)	×	×		×		×			×	×	×		×	×	×	
Cayman Islands (CP)	×	×		×		×			×	×	×		×	×	×	
Caicos Islands (CP)	×	×		×		×			×	×	×		×	×	×	
Gibraltar (CP)	×	×		×		×			×	×	×			×	×	
Hong Kong (CP)	×	×		×		×			×	×			×	×	×	×
West Indies		×				×								×		
Windward Islands (CP)	×										×			×		
Dominica (CP) (ACP)[b]		×		×					×	×	×		×	×	×	
Grenadines		×								×				×		
St. Lucia (ACP)[b]		×		×					×	×	×		×	×	×	
St. Vincent		×		×					×	×	×		×	×	×	
Leeward Islands (CP)	×										×			×		
Anguilla (CP)	×	×		×					×	×	×		×	×	×	
Antigua (CP)	×	×		×					×	×	×		×	×	×	
Montserrat (CP)	×	×		×					×	×	×		×	×	×	
Nevis (CP)	×	×		×					×	×	×		×	×	×	
St. Kitts (CP)	×	×		×					×	×	×		×	×	×	
Virgin Islands (CP)	×	×		×					×	×	×		×	×	×	
British Pacific Ocean (CP)						×				×	×			×		
Ducie														×		
Tuvalu (ACP)[b]	×	×		×					×	×	×		×	×	×	
Fanning										×				×		
Gilbert	×	×		×					×	×	×		×	×	×	
Henderson														×		
Ocean										×				×		
Oeno														×		
Phoenix										×				×		
Canton and Enderbury											×			×		
Pitcairn (CP)	×	×		×						×	×		×	×	×	
Solomon (ACP)[b]	×	×		×					×	×	×		×	×	×	
Santa Cruz										×				×		
Washington										×				×		
British Territories in the Indian Ocean and the South Atlantic	×	×		×		×				×	×		×	×	×	
Aldabra											×					
Amirantes														×		
Chagos Archipelago											×			×		
Ascension				×										×		
Desroches											×			×		
Diego Alvarez (Gough)											×			×		
Falkland Islands (Malvinas) and dependencies (CP)	×	×		×		×			×	×	×		×	×	×	
Farquhar											×					
St. Helena (CP)	×	×		×		×			×	×	×		×	×	×	
Tristan da Cunha				×		×					×			×		
Turks Islands (CP)	×	×		×		×			×	×	×		×	×	×	
British Antarctic territory						×					×					

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
III. Territories[a] (*concluded*)																
B. *Australia*																
Australian Antarctic Territories...						×				×						
Australian Islands											×					
Cocos (Keeling) Islands (CP)...				×		×				×				×	×	
Corn and Swan Islands										×	×			×	×	
Christmas Island (CP)				×		×				×					×	
Heard and McDonald Islands...						×				×	×				×	
New Guinea (CP)[c]		×							×					×	×	
New Ireland										×				×		
Norfolk Island (CP)				×		×				×	×			×	×	
C. *New Zealand*																
Overseas territories of New Zealand		×				×					×			×		
Cook (CP)	×	×		×		×			×		×		×	×	×	
Niue	×	×		×		×			×		×			×	×	
Ross Dependencies, Tokelau (Union)	×	×		×		×			×		×		×	×	×	
D. *Portugal*																
Macao.....	×	×		×		×				×			×	×	×	
Timor	×			×											×	
E. *Spain*																
Canary Islands						×										
Spanish territory in Africa	×			×										×		
Ceuta	×			×										×		
Melilla	×			×										×		
F. *United States of America*																
Puerto Rico												×				
Territories and dependencies in Oceania		×				×					×			×		
Baker														×		
Carolines				×		×				×	×			×		
Guam	×	×		×		×				×	×		×	×		
Howland.....											×			×		
Jarvis.....														×		
Johnston	×	×				×					×		×	×		
Manua														×		
Marianas				×		×				×	×			×		
Marshalls				×		×				×	×			×		
Midway	×	×				×					×		×	×		
Palau														×		
Palmyra										×				×		
Rose														×		
Samoa	×	×		×		×				×	×		×	×		
Sand	×	×				×					×		×	×		
Sporades of Central Polynesia..														×		
Swain's Island		×				×				×	×		×	×		
Tutuila										×				×		
Wake.....	×	×				×					×		×			
Trust Territory of the Pacific Islands	×	×				×				×	×		×			
Virgin Islands	×	×		×		×				×	×		×			
G. *Other*																
Kuria-Muria Islands.....														×		
Dependencies of Mauritius	×															

[a] 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.

[b] This territory has in the meantime become an independent country.

[c] New Guinea covers Entrecasteaux and Louisiade Archipelago, Admiralty Islands, Bougainville, New Britain and New Ireland.

ANNEX II

Generalized system of preferences: product coverage

(Number of tariff lines for all products and those imported from GSP beneficiaries)

Preference-giving country and CCCN chapters	Number of tariff lines											
	All products		Traded products			GSP-covered products				Percentage shares		
							Traded					
	Total	Dutiable	Total	MFN dutiable	Free	Total	Total	GSP free	GSP reduced rate	(7)/(3)	(8)/(5)[a]	(9)/(8)[b]
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Australia (1975)												
1–24	493	293	294	175	119	115	66	21	45	39	38 (42.9)	32 (54)
25–99	4 524	2 444	1 826	1 114	712	1 925	853	332	521	79	77 (55.1)	39 (37)
1–99	5 017	2 737	2 120	1 289	831	2 040	919	353	566	75	71 (53.3)	38 (39)
Austria												
1–24	826	536	397	257	140	184	112	43	69	35	44 (70.1)	38 (87)
25–99	2 973	2 371	1 300	1 098	202	2 356	1 093	0	1 093	99	100 (94.5)	0 (0)
1–99	3 799	2 907	1 697	1 355	342	2 540	1 205	43	1 162	87	89 (88.9)	4 (15)
Canada												
1–24	479	296	258	179	79	70	54	38	16	24	30 (30.3)	70 (47)
25–99	2 274	1 207	760	504	256	1 104	457	134	323	91	91 (65.0)	29 (51)
1–99	2 753	1 503	1 018	683	335	1 174	511	172	339	78	75 (57.0)	34 (51)
European Economic Community												
1–24	1 396	844	636	395	241	352	201	53	148	42	51 (29.5)	26 (15)
25–99	2 411	2 205	1 667	1 510	157	2 067	1 448	1 448	0	94	96 (88.7)	100 (100)
1–99	3 807	3 049	2 303	1 905	398	2 419	1 649	1 501	148	79	87 (60.6)	91 (86)
Finland												
1–24	932	578	255	177	78	101	44	44	0	17	25 (8.2)	100 (100)
25–99	5 133	3 530	979	779	200	1 398	323	323	0	40	41 (56.4)	100 (100)
1–99	6 065	4 108	1 234	956	278	1 499	367	367	0	36	38 (22.7)	100 (100)
Japan												
1–24	963	681	587	410	177	199	128	44	84	29	31 (12.8)	34 (18)
25–99	4 577	4 010	2 449	2 139	310	3 896	2 058	1 639	419	97	96 (11.6)	80 (68)
1–99	5 540	4 691	3 036	2 549	487	4 095	2 186	1 683	503	87	86 (11.8)	77 (61)
New Zealand[c]												
1–24	598	390	244	148	96	226	85	39	46	58	57 (80.5)	46 (96)
25–99	4 076	3 073	1 168	940	228	2 550	772	329	443	83	82 (98.2)	43 (45)
1–99	4 674	3 463	1 412	1 088	324	2 776	857	368	489	80	79 (93.3)	43 (54)
Norway												
1–24	920	534	263	151	112	216	78	78	0	40	52 (31.9)	100 (100)
25–99	4 384	3 182	1 128	942	186	2 633	644	644	0	83	68 (51.5)	100 (100)
1–99	5 304	3 716	1 391	1 093	298	2 849	722	722	0	77	66 (46.6)	100 (100)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Sweden												
1–24	1 015	326	365	146	219	232	92	92	0	71	63 (7.1)	100 (100)
25–99	4 260	3 152	1 508	1 254	254	2 695	987	987	0	86	79 (32.6)	100 (100)
1–99	5 275	3 478	1 873	1 400	473	2 927	1 079	1 079	0	84	77 (20.1)	100 (100)
Switzerland												
1–24	617	538	372	327	45	200	149	106	43	37	46 (8.9)	71 (68)
25–99	3 255	3 122	1 611	1 568	43	3 100	1 557	1 219	338	99	99 (59.4)	78 (62)
1–99	3 872	3 660	1 983	1 895	88	3 300	1 706	1 325	381	90	90 (44.8)	78 (63)
United States of America												
1–24	967	773	684	538	146	287	250	250	0	37	46 (57.0)	100 (100)
25–99	4 355	3 899	2 862	2 553	309	2 486	1 637	1 637	0	64	64 (28.0)	100 (100)
1–99	5 322	4 672	3 547	3 091	455	2 773	1 887	1 887	0	59	61 (30.9)	100 (100)

Source: Computer tapes supplied by preference-giving market-economy countries for 1976 (Australia 1975).

[a] Figures in parentheses represent the value of imports of GSP-covered products as the percentage share of the total value of MFN dutiable imports from beneficiaries in 1976 (the fiscal year 1975/76 ending 30 June for Australia, and the fiscal year 1976/77 ending 31 March for Japan). (Source: annex VI below.)

[b] Figures in parentheses represent the value of imports of GSP-covered products entitled to preferential duty-free treatment as the percentage share of the total value of GSP-covered imports from beneficiaries in 1976 (for Australia, 1975).

[c] On 1 July 1978, New Zealand introduced a new customs tariff. Its over-all effect was to reduce the number of tariff items. As a result, the total number of tariff line items covered by New Zealand's scheme amounts now to 1639, as compared with 2776 shown in column (7) of this table.

ANNEX III. The EEC (9) scheme of generali[illegible]pref[illegible]

(Value: thousands of EU[illegible]uan[illegible]

TABLE A. Sensitive industr[illegible]produ[illegible]

Product category (1)	(2)	1974 Tariff quotas[a] (3)	Maximum amount limitation (percentages) General 10 (4)	15 (5)	20 (6)	25 (7)	30 (8)	35 (9)	40 (10)	50 (11)	Special (12)	'5 Tariff quotas[a] (13)	Maximum am[illegible]limita[illegible] Gral 10 (14)	15 (15)	20 (16)	30 (18)
I. Industrial products other than textiles and ECSC iron and steel products	Number	48			24		23			1		13		2	4	7
	Affected by:															
	Ceiling															
	Maximum amount	31			16		15					13		2	4	7
	Value of ceiling	382 700										178 943				
	Utilization value	248 149										146 474				
of which: footwear	Number	3			1		2					3		2	1	
	Affected by:															
	Ceiling															
	Maximum amount	3			1		2					3		2	1	
	Value of ceiling	29 288										31 629				
	Utilization value	20 011										21 928				
II. (*a*) Textiles: cotton	Number	17					17					17				17
	Affected by:															
	Ceiling															
	Maximum amount	9					9					11				11
	Quantity of ceiling	25 606										26 700				
	Utilization quantity	16 740										17 608				
(*b*) Textiles: other than cotton	Number	13			4		8			1		13			3	9
	Affected by:															
	Ceiling															
	Maximum amount	7			2		5					9			3	6
	Quantity of ceiling	14 679										15 380				
	Utilization quantity	6 816										6 514				
(*c*) All textiles (total (*a*) and (*b*))	Number	30			4		25			1		30			3	26
	Affected by:															
	Ceiling															
	Maximum amount	16			2		14					20			3	17
	Quantity of ceiling	40 385										42 080				
	Utilization quantity	23 556										24 122				
	Value of ceiling	122 338										164 308				
	Utilization value	80 943										94 187				
(i) Beneficiary countries	Number															
	Affected by:															
	Ceiling															
	Maximum amount															
	Quantity															
(ii) Selected countries and territories	Number															
	Affected by:															
	Ceiling															
	Maximum amount															
	Quantity															
III. ECSC iron and steel	Number	4					1			3		3				1
	Affected by:															
	Ceiling															
	Maximum amount															
	Value of ceiling	39 968										40 977				
	Utilization value	6 242										8 512				
IV. I to III	Number	82			28		49			5		46		2	7	34
	Affected by:															
	Ceiling															
	Maximum amount	47			18		29					33		2	7	24
	Value of ceiling	545 006										384 228				
	Utilization value	335 334										249 173				
I and III	Number	52			24		24			4		16		2	4	8
	Affected by:															
	Ceiling															
	Maximum amount	31			16		15					13		2	4	7
	Value of ceiling	422 668										219 920				
	Utilization value	255 391										154 986				

Sources and notes: See end of table D.

'erences: administration of preferential imports

ntity: metric tons)

ucts (CCT chapters 25–99)

ition (percentages)				1977									1978								
					Maximum amount limitation (percentages)									Maximum amount limitation (percentages)							
					General									General							
35 (19)	40 (20)	50 (21)	Special (22)	Tariff quotas (23)	10 (24)	15 (25)	20 (26)	25 (27)	30 (28)	35 (29)	40 (30)	50 (31)	Special (32)	Tariff quotas (33)	10 (34)	15 (35)	20 (36)	25 (37)	30 (38)	35 (39)	40 (40)	50 (41)	Special (42)
				13		3	4		5			1		13		3	4		5			1	
				13 249 492[a] 181 081[a]		3	4		5			1		11 154 810[a] n.a.		3	4		4				
				3		2	1							3		2	1						
				3 33 210 29 085[a]		2	1							3 33 210 n.a.		2	1						
		1																					
		1		30			1		21	1	7		21 (10 %)	30			2		20		8		21 (10%)
				17 41 719 36 676[a] 228 204[a] 196 216[a]			1		13	1	2		15 10 %	15 20 860 n.a.			2		11		2		
				30			1		21	1	7		21 (10 %)	30			2		20		8		21 (10%)
				17 41 719			1		13	1	2		15	15 20 860			2		11		2		
				12										(12)									
				1 027		No maximum amount								514		No maximum amount							
		2		3					1		1	1		3					1		1	1	
				43 026 9 387[a]										43 026 n.a.									
		3		46		3	5		27	1	8	2		46		3	6		26		9	2	
				30 520 722[a] 387 134[a]		3	5		18	1	2	1		26 197 836 20 860 tons n.a.		3	6		15		2		
		2		16		3	4		6		1	2	21	16		3	4		6		1	2	
				13 292 518[a] 190 918[a]		3	4		5			1	15	11 197 836[b]		3	4		4				

TABLE B. **Industrial products subject to**

Product category (1)	(2)	1974 Tariff ceilings or ceilings[c] (3)	Maximum amount limitation (percentages) General 10 (4)	15 (5)	20 (6)	25 (7)	30 (8)	40 (9)	45 (10)	50 (11)	Special (12)	19 Tariff ceilings or ceilings[c] (13)	Maximum amoun Gen- 10 (14)	15 (15)	20 (16)	25 (17)
I. Industrial products other than textiles and ECSC iron and steel products	Number											34	1		8	
	Affected by:															
(a) Subject to tariff ceilings	Ceiling											1				
	Maximum amount											4	1		1	
	Value of ceiling											276 401				
	Utilization value											118 188				
(b) Subject to ceilings (semi-sensitive)	Number	58			14		15			29		57			15	
	Affected by:															
	Ceiling	10					3			7		10			1	
	Maximum amount	23			9		10			4		27			9	
	Value of ceiling	337 679										379 440				
	Utilization value	353 586										362 098				
of which: petroleum products	Number	3			3							3			3	
	Affected by:															
	Ceiling	3			3							2			2	
	Maximum amount	3			3							2			2	
	Value of ceiling/quantity of ceiling	163 604 u.a.										183 236 u.a.				
	Utilization: value/quantity	186 640 u.a.										219 514 u.a.				
II. (a) Textiles: cotton	Number	17					5			12		17				
	Affected by:															
	Ceiling	7					4			3		9				
	Maximum amount	5					4			1		11				
	Quantity of ceiling	4 033										4 239				
	Utilization quantity	3 525										4 491				
(b) Textiles: other than cotton	Number	12					4			8		12				
	Affected by:															
	Ceiling	3					1			2		3				
	Maximum amount	3					1			2		8				
	Quantity of ceiling	22 408										23 529				
	Utilization quantity	10 281										8 188				
(c) All textiles (i) Subject to tariff ceilings	Number															
	Affected by:															
	Ceiling															
	Maximum amount															
	Quantity of ceiling															
(ii) Subject to ceilings (semi-sensitive)	Number	29					9			20		29				
	Affected by:															
	Ceiling	10					5			5		12				
	Maximum amount	8					5			3		19				
	Quantity of ceiling	26 441										27 768				
	Utilization quantity	13 806										12 679				
	Value of ceiling	363 196										315 341				
	Utilization value	165 734										143 987				
III. ECSC iron and steel products subject to ceilings (semi-sensitive)	Number	2								2		3				
	Affected by:															
	Ceiling															
	Maximum amount															
	Value of ceiling	16 389										21 331				
	Utilization value	9 380										2 335				
IV. I to III	Number	89			14		24			51		123	1		23	
	Affected by:															
	Ceiling	20					8			12		23			1	
	Maximum amount	31			9		15			7		50	1		10	
	Value of ceiling	717 264										992 513				
	Utilization value	528 700										662 608				
I and III	Number	60			14		15			31		94	1		23	
	Affected by:															
	Ceiling	10					3			7		11			1	
	Maximum amount	23			9		10			4		31	1		10	
	Value of ceiling	354 068										677 172				
	Utilization value	362 966										482 621				

Sources and notes: See end of table D.

75						1977										1978									
limitation (percentages)						Tariff ceilings or ceilings	Maximum amount limitation (percentages)									Tariff ceilings or ceilings	Maximum amount limitation (percentages)								
							General										General								
30	40	45	50	Special			10	15	20	25	30	35	40	50	Special		10	15	20	25	30	40	45	50	Special
(18)	(19)	(20)	(21)	(22)		(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)
5			20	28		25			6		3		1	15	25	26			6		3	1		16	26
1																									
2				(16)		16			5		3		1	7	(15)	12			1					1	(17)
						288 099										304 979									
						125 455[a]										n.a.									
16			26			75	5	18	4	15	2	7	24			76	5	16	9	14	7	1	24		
3			6			11	2	3		1		1	4			21	3	2	2	4		1	9		
10			8			37	5	12	1	9		2	8			41	4	11	5	9	3		9		
						404 392										439 191[b]									
						436 037[a]										n.a.									
						3		3								3		3							
						3		3																	
						3		3								3		3							
						2 678 500[b] tons										2 678 500 tons									
						384 028[a]										n.a.									
5			12																						
3			6																						
4			7																						
4			8																						
			3																						
1			7																						
						12								12		12								12	
																6						6			
						2								2		5						5			
						2 615										1 308									
9			20			16				4				12		16			2		4			10	
3			9			2								2		3								3	
5			14			7				1				6		10			2		1			7	
						29 169										14 589									
						18 347[a, d]										n.a.									
						549 863[a, d]										n.a.									
						317 403[a, d]										n.a.									
			3	1		3								3	1	3								3	(1)
						23 084										23 084									
						8 595[a]										n.a.									
30			69	29		131	5	24	4	22	2	8	66		26	133	5	24	9	21	8	1	65		(27)
7			15			13	2	3		1		1	6			30	3	2	2	4		7	19		
17			22	(16)		62	5	17	1	13		3	23		(15)	58	4	14	5	10	3	5	17		(17)
						1 649 736[a]										n.a.									
						1 499 679[a]										n.a.									
21			49	29		103	5	24	4	18	2	8	42		26	105	5	22	9	17	8	1	43		(27)
4			6			11	2	3		1		1	4			21	3	2	2	4		1	9		
12			8	(16)		53	5	17	1	12		3	15		(15)	43	4	12	5	9	3		10		(17)
						1 099 873[a]										767 254[b]									
						1 182 276										n.a.									

TABLE C. Summar

Product category (1)	(2)	1974 Tariff quotas/ ceilings Ceilings[a] (3)	Maximum amount limitation (percentages) General 10 (4)	15 (5)	20 (6)	25 (7)	30 (8)	40 (9)	45 (10)	50 (11)	Special (12)	1 Tariff quotas/ ceilings Ceilings[a] (13)	Maximum amou Ge 10 (14)	15 (15)	20 (16)	2 (1
I. Industrial products other than textiles and ECSC iron and steel products	Number	106			38		38			30		104	1	2	27	
	Affected by:															
	Ceiling	10					3			7		11			1	
	Maximum amount	54			25		25			4		44	1	2	14	
	Value of ceiling	720 379										834 784				
	Utilization value	601 735										626 760				
II. ECSC iron and steel products	Number	6					1			5		6				
	Affected by:															
	Ceiling															
	Maximum amount															
	Value of ceiling	56 357										62 308				
	Utilization value	15 622										10 847				
III. Subtotal (I and II)	Number	112			38		39			35		110	1	2	27	
	Affected by:															
	Ceiling	10					3			7		11			1	
	Maximum amount	54			25		25			4		44	1	2	14	
	Value of ceiling	776 736										897 092				
	Utilization value	617 357										637 607				
IV. Textile products	Number	59			4		34			21		59			3	
	Affected by:															
	Ceiling	10					5			5		12				
	Maximum amount	24			2		19			3		39			3	
	Quantity of ceiling	66 826										69 848				
	Utilization: quantity	37 362										36 801				
	Value of ceiling	485 534										479 649				
	Utilization value	246 677										238 174				
V. Total listed	Number	171			42		73			56		169	1	2	30	
	Affected by:															
	Ceiling	20					8			12		23			1	
	Maximum amount	78			27		44			7		83	1	2	17	
	Value of ceiling	1 262 270										1 326 741				
	Utilization value	864 034										875 781				

Sources and notes: See end of table D.

5						1977												1978									
mitation (percentages)						Tariff quotas/ ceilings	Maximum amount limitation (percentages)											Tariff quotas/ ceilings	Maximum amount limitation (percentages)								
al e							General												General								
30	40	45	50		Special	Ceilings	10	15	20	25	30	35	40	50		Special		Ceilings	10	15	20	25	30	40	45	50		Special
18)	(19)	(20)	(21)		(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)		(32)		(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)		(42)
3			46		(28)	113	8	28	4	23	2	8	40			25		115	8	26	9	22	8	1	41			26
4			6			11	2	3		1		1	4					21	3	2	2	4		1	9			
9			8		(16)	66	8	21	1	17		3	16			(15)		54	7	16	5	13	3		10			(17)
						1 326 281[a]												898 980[b, c]										
						1 354 762[a]												n.a.										
1			5		(1)	6				1		1	4			1		6				1	1		4			(1)
						18 432[a]												66 110										
																		n.a.										
9			51		(29)	119	8	28	4	24	2	9	44			26		121	8	26	9	23	9	1	45			27
4			6			11	2	3		1		1	4					21	3	2	2	4		1	9			
9			8		(16)	66	8	21	1	17		3	16			(15)		54	7	16	5	13	3		10			(17)
																		965 090[b, c]										
																		n.a.										
5			21			58		1		25	1	7	24			21 (10%)		58		4		24	8		22			21 (10%)
3			9			2							2					9						6	3			
2			14			26		1		14	1	2	8			(15) (10%)		30		4		12	2	5	7			
																		36 757										
																		n.a.										
						778 067[a]												n.a.										
						513 619[a]												n.a.										
4			72		(29)	177	8	29	4	49	3	16	68			47		179	8	30	9	47	17	1	67			48
7			15			13	2	3		1		1	6					30	3	2	2	4		7	12			
1			22		(16)	92	8	22	1	31	1	5	24			(30)		84	7	20	5	25	5	5	17			(17)
						2 170 458[a]												n.a.										
						1 886 813[a]												n.a.										

TABLE D

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

Product category (1)	(2)	1974 Ceiling (3)	1974 Maximum amount limitation (4)	1975 Ceiling (5)	1975 Maximum amount limitation (6)	1977 Ceiling (7)	1977 Maximum amount limitation (8)	1978 Ceiling (9)	1978 Maximum amount limitation (10)
I. Other industrial products	Affected	1	3	3	8	1	7	—	7
	Value.....	1 500 000		1 725 000		..		..	
	Utilization ...	957 000		611 000		..		..	
II. Other textiles	Affected	—	1	—		—	—	—	
	Quantity	8 000		8 400		..		..	
	Value.....	43 544		50 075		..		..	
	Utilization:								
	Quantity ..	2 000		2 940		..		..	
	Value.....	13 204		17 526		..		..	
III. Jute and coir products	Number	—		9		11		11	
	Value.....	—		3 021		..		..	
	Utilization ...	—		3 021					

Sources: TD/B/C.5/30/Add.2; TD/B/C.5/34*; TD/B/C.5/48*; TD/B/C.5/60; TD/B/C.5/17/Add.2, 3, 7, 10, 11, 13, 14, 15, 17, 18, 21, 22, 25; TD/B/GSP/EEC/1; and TD/B/GSP/EEC/2.

[a] The data on the value and/or quantity of tariff quotas, tariff ceilings and ceilings for 1974, 1975 and 1977 and their utilization are based on EEC notifications.

[b] Excluding a tariff quota for plywood (CCT 44.15). In 1977, the tariff quota for this product was equal to 97.8 million EUA and utilization amounted to 58.2 million EUA.

[c] Excluding a tariff quota for petroleum products (CCT ex 27).

[d] Includes textiles subject to both tariff ceilings and ceilings (semi-sensitive).

The Japanese scheme of generalized preferences: administration of preferential imports of products in CCCN chapters 25–99

(*Value: millions of yen*)

Type of import control (No. of product groups and attendant trade)	*Fiscal year*			
	1972	*1976*	*1977*	*1978*
I. *Daily control*				
A. Number of product groups	73	40	42	40
of which:				
Affected by:				
Ceilings	38	24	26	..
Maximum amount limitation..	8	10	6	..
Subject to flexible administration of:				
Ceilings	18[a]	19	11	9
Maximum amounts	13[a]	6	6	5
B. Value of ceilings	40 706	15 310	17 501	18 029
			+62 317 tons[b]	+3 724 tons[b]
			+ 7 660 doz.[c]	+7 660 doz.[c]
C. Value of preferential imports ...	40 360	28 988	..	..
II. *Monthly control*				
A. Number of products groups....	127	127	135	135
of which:				
Affected by:				
Ceilings	39	33	135	135
Maximum amount limitation..	4	7	7	..
Subject to flexible administration of:				
Ceilings	92[a]	101	97	92
Maximum amounts	70[a]	106	103	103
B. Value of ceilings	176 451	321 118	568 988	570 212
			+49 526 tons[b]	+48 908 tons[b]
C. Value of preferential imports ...	43 995	374 018	..	..
III. *Prior allotment*				
A. Number of products groups	11	11	12	14
of which:				
Affected by:				
Ceilings	—	—	—	—
Maximum amount limitation..	—	—	—	—
Subject to flexible administration of:				
Ceilings	—	—	—	—
Maximum amounts	—	11	12	14
B. Value of ceilings	12 370	20 641	23 884	24 207
				+61 076 tons
C. Value of preferential imports ...	8 034	14 178	..	..
IV. *Total of I, II and III*				
A. Number of product groups	211	178	189	189
of which:				
Affected by:				
Ceilings	77	57	44	..
Maximum amount limitation..	12	17	13	..
Subject to flexible administration of:				
Ceilings	110[a]	120	108	101
Maximum amounts	83[a]	123	121	122
B. Value of ceilings	229 527	357 069	610 373	612 448
			+111 843 tons[b]	+113 708 tons[b]
			+ 7 660 doz.[c]	+ 7 660 doz.[c]
C. Value of preferential imports...	92 389	417 184	..	..

Source: TD/B/C.5/17/Add. 4, 6, 8, 9, 12, 16, 19, 20, 23, 24; TD/B/GSP/JAPAN/1; and TD/B/C.5/30/Add. (to be issued).

[a] Fiscal year 1973.

[b] Ceilings for various products (mainly leather and metals).

[c] Dozen of footwear.

The United States scheme of generalized preferences: effects of competitive-need exclusions on imports from individual beneficiaries and the number of items of the Tariff Schedule of the United States affected

(*Value: thousands of dollars*)

Beneficiary country or territory and year (*1*)	*Imports covered by the scheme*			
	Number of items affected (*2*)	*Total value* (*3*)	*Value excluded by competitive need criteria* (*4*)	*Percentage share* (*4*)/(*3*) (*5*)
Argentina				
1976	7	112 002.6	2 473.8	2.2
1977	6	151 932.1	64 747.0	42.6
1978	3			
Barbados				
1976	2	21 089.8	3 512.2	16.7
1977	1	15 517.6	1 516.0	9.8
1978	1			
Bermuda				
1976	1	374.9	47.2	12.6
1977	1	506.9	109.8	21.7
1978	1			
Bolivia				
1976	—	—	—	—
1977	1	16 222.0	—	—
1978	—	—	—	—
Botswana				
1976	—	—	—	—
1977	1	12 263.5	—	—
1978	—			
Brazil				
1976	16	289 167.0	36 539.1	12.6
1977	12	507 917.2	131 950.2	26.0
1978	6			
Cayman Islands				
1976	—	—	—	—
1977	1	1 015.5	75.8	7.5
1978	2			
Chile				
1976	5	123 872.2	98 268.6	79.3
1977	11	137 945.5	107 684.9	78.1
1978	5			
Colombia				
1976	5	51 544.2	28 787.9	55.9
1977	1	29 634.6	2 630.9	8.9
1978	3			
Costa Rica				
1976	2	27 534.3	233.5	0.8
1977	3	31 987.9	465.9	1.4
1978	2			
Cyprus				
1976	3	380.0	68.7	18.1
1977	1	307.5	8.5	2.8
1978	1			
Dominican Republic				
1976	12	253 063.9	223 747.3	88.4
1977	12	204 515.8	169 507.9	82.9
1978	9			
El Salvador				
1976	1	47 930.5	34 477.7	71.9
1977	1	34 765.5	22 780.3	65.5
1978	1			
Ethiopia				
1976	1	766.1	—	—
1977	—	—	—	—
1978	—			

(1)	(2)	(3)	(4)	(5)
Guatemala				
1976	1	95 370.7	—	—
1977	1	77 935.8	31 457.2	40.4
1978	1			
Guyana				
1976	1	13 943.5	12 601.1	90.4
1977	1	6 236.0	3 631.9	58.2
1978	—			
Haiti				
1976	3	51 650.7	17 106.9	33.1
1977	3	56 894.6	17 413.2	30.6
1978	2			
Honduras				
1976	1	25 504.8	1 230.8	4.8
1977	2	41 530.3	2 634.9	6.3
1978	2			
Hong Kong				
1976	50	860 240.3	380 139.8	44.2
1977	40	1 159 806.7	566 767.7	48.7
1978	46			
India				
1976	31	138 316.9	11 861.9	8.6
1977	26	98 927.3	14 220.4	14.4
1978	20			
Israel				
1976	10	135 731.1	1 425.6	1.1
1977	6	156 824.8	1 353.7	8.6
1978	6			
Ivory Coast				
1976	—	—	—	—
1977	1	53 406.5	25 744.7	48.2
1978	1			
Jamaica				
1976	2	29 276.3	20 073.1	68.6
1977	2	13 978.8	6 095.1	43.6
1978	2			
Kenya				
1976	—	—	—	—
1977	1	2 208.1	29.2	1.3
1978	—			
Korea, Republic of				
1976	16	591 401.0	145 129.3	24.5
1977	12	800 958.7	176 217.2	22.0
1978	28			
Madagascar				
1976	2	5 706.4	1 007.0	17.6
1977	1	4 803.1	1 057.6	22.0
1978	1			
Malaysia				
1976	3	71 417.5	19 554.0	27.4
1977	4	103 659.5	34 835.2	36.6
1978	2			
Malta				
1976	—	—	—	—
1977	1	2 646.8	48.2	1.8
1978	—			
Mexico				
1976	83	1 038 626.4	424 812.5	40.9
1977	66	1 244 061.3	501 222.5	40.3
1978	64			
Netherlands Antilles				
1976	1	3 636.0	1 048.9	28.9
1977	1	5 214.9	1 533.9	29.4
1978	1			
Nicaragua				
1976	5	53 241.0	32 397.8	60.9
1977	2	34 552.7	23 463.0	67.9
1978	2			

(1)	(2)	(3)	(4)	(5)
Other Asian countries				
1976	41	1 054 803.5	161 358.4	15.3
1977	47	1 350 487.7	340 648.9	25.2
1978	60			
Pakistan				
1976	3	8 827.6	—	—
1977	—	—	—	—
1978	—			
Panama				
1976	1	31 712.5	21 923.7	69.1
1977	2	27 965.0	22 069.3	78.9
1978	2			
Peru				
1976	8	174 038.1	98 884.8	56.8
1977	4	131 496.4	87 672.6	66.7
1978	9			
Philippines				
1976	12	322 204.3	25 894.9	8.0
1977	13	359 008.0	273 168.7	76.1
1978	13			
Portugal				
1976	11	49 762.3	7 969.1	16.0
1977	12	69 605.9	6 428.0	9.2
1978	13			
Romania				
1976	2	23 284.8	63.1	0.3
1977	2	28 847.1	313.8	0.1
1978	4			
Singapore				
1976	3	133 167.3	32 535.1	24.4
1977	3	193 039.6	36 475.1	18.9
1978	2			
Sri Lanka				
1976	—	—	—	—
1977	—	3 498.9	—	—
1978	1			
Suriname				
1976	1	124.8	—	—
1977	—	—	—	—
1978	—			
Syrian Arab Republic				
1976	—	—	—	—
1977	1	238.0	—	—
1978	—			
Thailand				
1976	7	55 492.3	17 375.4	31.3
1977	5	57 413.0	26 364.0	45.9
1978	5			
Trinidad and Tobago				
1976	1	28 813.9	548.8	1.9
1977	1	15 586.7	597.4	3.8
1978	1			
Turkey				
1976	4	16 331.1	1 399.1	8.6
1977	4	12 319.8	1 818.7	14.8
1978	4			
Yugoslavia				
1976	7	185 196.6	996.0	0.5
1977	1	150 433.1	16 135.1	10.7
1978	3			
Zambia				
1976	—	—	—	—
1977	1	91 331.5	70 044.0	76.7
1978	1			

(1)	(2)	(3)	(4)	(5)
TOTAL, items affected				
1976	336[a]	6 125 547.2	1 865 493.1	30.5
1977	295	7 499 448.2	2 790 938.4	37.2
1978	320			
TOTAL, all beneficiaries				
1976	—	6 519 552.0	1 865 493.1	28.6
1977	—	7 677 617.0	2 790 938.4	36.4
1978	—			

Sources: UNCTAD secretariat documents TD/B/C.5/30/Add.4 and 14; United States Executive Orders No. 11888 of 24 November 1975; No. 11906 of 25 February 1976; No. 11934 of 30 August 1976; No. 12032 of 27 December 1977; No. 12041 of 25 February 1978.

[a] Of which 69 in Executive Order No. 11888 but deleted in Executive Order No. 11906, and 14 in Executive Order No. 11934.

Imports of preference-giving countries in 1976 from beneficiaries of their schemes

(Millions of dollars)

Preference-giving country and CCCN chapters (1)	*Total imports* (2)	*MFN dutiable imports* (3)	*GSP imports* Covered (4)	*GSP imports* Preferential (5)	*Shares (per cent)* (4)/(3) (6)	*Shares (per cent)* (5)/(4) (7)
1. Australia[a]						
1–24	192.4	102.3	43.0	28.6[b]	42.0	66.5[b]
25–99	1 879.4	665.6	366.4	150.2[b]	55.1	41.0[b]
1–99	2 071.8	767.9	409.4	178.8[b]	53.3	43.6[b]
2. Austria						
1–24	311.6	256.7	179.6[c]	7.5	70.1	4.2
25–99	1 015.9	866.4	818.5[c]	118.6	94.5	14.5
1–99	1 327.5	1 123.1	998.3[c]	126.1	88.9	12.6
3. Canada[d]						
1–24	561.2	278.4	84.4	56.1[b]	30.3	66.5[b]
25–99	4 027.3	925.8	602.2	246.9[b]	65.0	41.0[b]
1–99	4 588.5	1 204.2	686.6	303.0[b]	57.0	44.1[b]
4. EEC[d]						
1–24	12 749.3	10 326.4	3 043.2	962.6[e]	29.5	31.6
25–99	65 263.1	11 415.3	10 124.8	3 483.5[e]	88.7	34.4
1–99	78 012.4	21 741.7	13 168.0	4 446.1[e]	60.6	33.8
5. Finland						
1–24	274.9	89.3	7.4	4.9	8.2	67.2
25–99	447.3	38.5	21.7	15.9	56.4	73.1
1–99	722.2	27.8	29.1	20.8	22.7	71.6
6. Japan[f]						
1–24	4 031.1	3 051.6	391.5	366.2	12.8	93.5
25–99	9 426.8	3 317.7			92.2	
	(32 939.8)	(26 276.1)	3 059.3	1 423.3	(11.6)	46.5
1–99	13 457.9	6 379.3			54.1	
	(36 970.9)	(29 927.7)	3 450.8	1 789.5	(11.8)	51.9
7. New Zealand[g]						
1–24	88.2[h]	44.7[h]	36.0[h]	23.9[b]	80.5	66.5[b]
25–99	529.5[h]	117.3[h]	115.2[h]	47.2[b]	98.2	41.0[b]
1–99	617.7[h]	162.0[h]	151.2[h]	71.1[b]	93.3	47.1[b]
8. Norway						
		(15.9)[i]				
1–24	195.4	23.7	7.6	2.1	31.9	28.3
25–99	976.3	71.3	36.7	20.3	51.5	55.1
1–99	1 171.8	95.0	44.3	22.4	46.6	50.5
9. Sweden						
1–24	569.4	462.6	32.9	28.8	7.1	87.6
25–99	2 163.4	478.9	156.2	116.0	32.6	74.3
1–99	2 732.8	941.5	189.1	144.8	20.1	76.3
10. Switzerland						
1–24	499.8	410.1	36.3	26.2	8.9	72.1
25–99	1 041.3	1 008.5	598.9	230.9	59.4	38.6
1–99	1 541.1	1 418.6	635.2	257.1	44.8	40.5
11. United States of America						
1–99	27 600.8[h]	21 076.8[h]	6 519.6	3 153.7	30.9	48.4
12. Hungary (1975)						
1–24	220.7	164.6	158.6	158.6	96.4	100.0
25–99	306.0	101.3	94.1	94.1	92.9	100.0
1–99	526.7	265.9	252.7	252.7	95.0	100.0
13. USSR						
1–99	6 215.9[h]	—	—	1 405.9[h]	—	—
I. Total, developed market economy countries, minus Australia (1), Canada (3), EEC (4), New Zealand (7) and United States of America (11)						
1–24	5 963.3	4 335.2	655.5	435.8	15.1	66.5
25–99	39 072.0	28 847.7	4 691.3	1 924.9	16.3	41.0
1–99	45 035.3	33 182.9	5 346.8	2 360.7	16.1	44.2

(1)	(2)	(3)	(4)	(5)	(6)	(7)
II. Total, developed market economy countries, minus United States of America (11)						
1–24	19 554.5	15 087.1	3 862.1	1 504.0	25.6	38.9
25–99	110 771.3	41 971.7	15 899.9	5 852.8	37.9	36.8
1–99	130 325.8	57 058.8	19 762.0	7 356.9	34.6	37.2
III. Total, developed market economy countries (1–11)						
1–99	157 927.0	78 135.7	26 281.5	10 510.6	33.6	40.0
IV. Total, Hungary and USSR (12 and 13)						
1–99	6 742.6	—	—	1 658.6	—	—
V. Grand total (1–13)						
1–99	164 669.2	—	—	12 169.2	—	—

Source: Data supplied by preference-giving countries and/or UNCTAD secretariat estimates.

[a] Fiscal year 1975/76 (ending 30 June).

[b] Estimated preferential imports for Australia, Canada and New Zealand are based on the average 1976 utilization rates (66.5 per cent for CCCN 1–24, and 41.0 per cent for CCCN 25–99 (see total I, column 7)) for OECD preference-giving countries which supplied complete information (Austria, Finland, Japan, Norway, Sweden and Switzerland).

[c] Includes the imports of a number of important products, such as bananas, raw coffee and cocoa beans, and petroleum and petroleum products, on which MFN duties have been temporarily suspended. Since these products, although formally covered by the Austrian scheme, could not benefit from GSP treatment, the utilization rates for Austria in column (7) are substantially understated.

[d] UNCTAD secretariat calculations.

[e] Source: TD/B/C.5/30/Add.12. The value of preferential imports reported by EEC has been converted from Eurodollars to United States dollars at 1 Eurodollar = $1.27.

[f] Fiscal year 1976 (ending 31 March 1977); data supplied by Japan for total and dutiable imports do not include petroleum products falling within two tariff headings and one sub-heading—27.09, 27.10–1 and 27.11—of the Japanese customs tariff; secretariat estimates of these imports for the calendar year 1976 have been added and are shown within parentheses. Totals have been adjusted to reflect these changes.

[g] Fiscal year 1976/77 (ending 30 June).

[h] The values of imports were reported in national currency.

[i] The value of citrus fruits which received temporary duty-free treatment is shown in parentheses. Import figures for CCCN chapters 1–24, in both column (3) and column (4), have been reduced by this amount for the beneficiaries affected.

ANNEX VII

Estimated trade expansion effects on GSP-covered and non-GSP-covered products imported from beneficiaries of the schemes of generalized preferences of EEC, Japan and the United States of America, prior to and following the Tokyo Round of multilateral trade negotiations, based on 1976 trade flows

(*Thousands of dollars*)

TABLE A

GSP-covered imports

	Trade creation		*Trade diversion*		*Trade expansion*		
Schemes (*1*)	*Pre-Tokyo Round* (*2*)	*Post-Tokyo Round* (*3*)	*Pre-Tokyo Round* (*4*)	*Post-Tokyo Round* (*5*)	*Pre-Tokyo Round* [(*2*) + (*4*)] (*6*)	*Post-Tokyo Round* [(*3*) + (*5*)] (*7*)	*Losses due to erosion of GSP margins* [(*6*) − (*7*)] (*8*)
EEC	159 870.0	107 894.8	2 218 194.1	1 513 596.8	2 378 064.1	1 621 491.6	— 756 572.5
Japan	259 187.5	131 799.7	841 091.9	493 937.3	1 100 279.4	625 737.0	— 474 542.4
United States of America:							
Straight formula[a]	641 573.1	377 396.9	1 629 695.9	1 016 738.2	2 271 269.0	1 394 135.1	— 877 133.9
⩽ 5% = 0[b]	641 573.1	357 988.4	1 629 695.9	805 868.4	2 271 269.0	1 163 856.8	— 1 107 412.2
Combined:							
Straight formula[a]	1 060 630.6	617 091.4	4 688 981.9	3 024 272.3	5 749 612.5	3 641 363.7	— 2 108 248.8
⩽ 5% = 0[b]	1 060 630.6	597 682.9	4 688 981.9	2 813 402.5	5 749 612.5	3 411 085.4	— 2 338 527.1

Source and notes: As for table C.

TABLE B

Non-GSP-covered imports

	Trade creation		
Schemes (*1*)	*All products* (*2*)	*Of which United States textiles* (*3*)	*Minus United States textiles* [(*2*) − (*3*)] (*4*)
EEC	42 364.3	—	42 364.3
Japan	470 063.4	—	470 063.4
United States of America:			
Straight formula[a]	1 191 870.8	823 435.2	368 435.6
⩽ 5% = 0[b]	1 211 873.2	824 965.3	386 907.9
Combined:			
Straight formula[a]	1 704 298.5	823 435.2	880 863.3
⩽ 5% = 0[b]	1 724 300.9	824 965.3	899 335.6

Source and notes: As for table C.

TABLE C

Net over-all trade expansion effects

Schemes (*1*)	*GSP imports* *Covered* (*2*)	*GSP imports* *Not covered* (*3*)	*Net effects* [(*2*) + (*3*)] (*4*)	*Net effects (minus United States textiles)* (*5*)
EEC	–756 572.5	42 364.3	–714 208.2	–714 208.2
Japan	–475 542.4	470 063.4	–5 478.8	–5 478.8
United States of America:				
Straight formula[a]	–877 133.9	1 191 870.8	314 736.9	–508 698.3
⩽ 5% = 0[b]	–1 107 412.2	1 211 873.2	104 461.0	–720 504.3
Combined:				
Straight formula[a]	–2 108 248.6	1 704 298.5	–403 950.1	–1 228 385.3
⩽ 5% = 0[b]	–2 339 527.1	1 724 300.9	–615 226.2	–1 440 191.5

Source: UNCTAD secretariat estimates.

[a] Straight application of the Swiss tariff-cutting formula, using a coefficient of 14.

[b] Same as *a*, but reducing all tariffs equal to or less than 5 per cent to zero, as provided for in the United States Trade Act of 1974.

Document TD/B/C.5/66

EVALUATION OF THE TRADE BENEFITS UNDER THE UNITED STATES SCHEME OF GENERALIZED PREFERENCES

Study by Mr. Tracy Murray

[*Original: English*]
[*20 February 1980*]

CONTENTS

FOREWORD

The present study was prepared at the request of the UNCTAD secretariat by Mr. Tracy Murray, Professor of International Economics and Business, University of Arkansas, United States of America. The views expressed therein do not necessarily reflect those of the UNCTAD secretariat.

INTRODUCTION

This study attempts to evaluate the trade benefits under the United States scheme of generalized preferences by isolating the effects of tariff preferences from the other factors which have influenced the United States imports from beneficiaries during the period under consideration.

Chapter I contains a summary and conclusions. The analytical framework, including the findings, is presented in chapter II. The quantitative results of the estimates are given in chapter III. The annex to the study describes the methodology and data used, and provides in tabular form the estimated effects of the GSP and other factors on United States imports of products covered by the sample from beneficiaries.

Chapter I

SUMMARY AND CONCLUSIONS

1. The basic assumption in this study is that the preferential tariff reductions applied under the generalized system of preferences stimulate, through their price effects, an increase in a preference-giving country's imports from beneficiaries of the GSP of products covered by the system. This increase is associated with three factors. Imports from beneficiaries increase at the expense of imports of like products from non-beneficiary suppliers (trade diversion). Secondly, they increase at the expense of the output of producers in the importing preference-giving country (trade creation). Thirdly, imports from beneficiaries increase in response to an absolute increase in consumption in the preference-giving country, which is stimulated by the lower price of imports covered by the GSP that is a consequence of preferential tariff reduction.

2. However, the GSP tariff margins are not the only factor influencing imports from beneficiaries of products covered by the GSP. Such imports are also affected by the changes in economic activity in the preference-giving country, changes in relative production costs, and by a host of other factors unrelated to incomes and prices, such as changes in consumers' tastes, conditions of access to the market, etc.

3. Detailed statistics received from the United States of America on its imports from beneficiaries of its scheme of generalized preferences and the availability of other relevant data[1] have made it possible to carry out this in-depth study, which attempts to isolate the "pure" effects of generalized preferences on the expansion of the United States imports from beneficiaries of its scheme. For this purpose, the actual change in the United States import flows has been broken down into a number of components, each component being related to a causal factor such as the tariff margin under the GSP, the real growth in consumption, general inflation, change in comparative advantage, etc.[2]

4. The data required to calculate the above elements are quite exhaustive, and it became clear during the early investigation that the scope of the study would have to be narrowed if it was to remain manageable. Consequently, the study is limited to a sample of representative products accounting for roughly 20 per cent of United States imports from beneficiaries of products which actually received duty-free treatment under the GSP in 1977, excluding sugar, copper, and leather and leather apparel, which accounted for $400 million in duty-free imports under the GSP in that year. The trade coverage of the products used in the sample is quantified in table 1 in chapter III below.

5. Estimates of the effects of the GSP on imports of other products covered by the United States scheme but not constrained by the competitive-need criteria[3] were calculated on the assumption that trade in these products behaved in the same way as trade in the sample products.

6. Estimated effects of the GSP on United States imports from beneficiaries of its scheme are quantified in table 2 in chapter III below. As can be seen from that table, United States imports from beneficiaries of all products covered by its scheme increased at current prices by $1.537 billion, or 78 per cent, from 1974 ($1.963 billion) to 1977 ($3.5 billion). However, inflation alone ($1 billion) accounted for 65 per cent of the increase. Thus, in real terms, at 1974 prices, these imports increased only by $537 million, or 27 per cent. The increase in imports stimulated by the GSP ($345 million) accounted for a significant part of the total increase. If the GSP had not existed, the total increase would have been only $192 million.

7. The study showed that the three major determinants of the growth in United States imports from beneficiaries of its scheme were, in order of importance, inflation ($1 billion), change in competitive-need position ($547 million) and the GSP ($345 million). The income effect[4] was quite small, in fact negative, the reason being that the 1975 recession occurred during the sample period 1974–1977). Factors not explicitly considered in the study (i.e. factors other than prices and incomes) had a negative impact on United States imports from beneficiaries.

[1] See annex below.

[2] The approach adopted is illustrated in chapter II of the study, and the methodology used is described in the annex to the study.

[3] As explained in an earlier study of the United States scheme by the UNCTAD secretariat ("Trade implications of the United States scheme of generalized preferences" (TD/B/C.5/47, para. 13)), "the competitive-need criteria [of the United States] provide for the withdrawal of preferential tariff treatment when the United States imports during a calendar year of a particular article from a single beneficiary exceed either an absolute dollar amount or 50 per cent of total United States imports of the article".

[4] The expression "income effect" as used in this study means the effect on consumption due to a change in real incomes in the preference-giving country.

Chapter II

ANALYTICAL FRAMEWORK

8. The preferential tariff reductions stimulate an increase in the exports of beneficiaries to the preference-giving countries. This increase is associated with three factors:

(*a*) Imports from beneficiaries increase at the expense of non-beneficiaries as importers switch their sources of imports to take advantage of the preferential tariff reductions;

(*b*) Imports from beneficiaries increase at the expense of the output of domestic producers, because such imports are more price-competitive, thanks to the preferential tariff reductions;

(*c*) Imports from beneficiaries increase in response to an absolute increase in consumption which is stimulated by the lower domestic price that is a consequence of the tariff reduction.

9. If preferential tariff margins were the only factor influencing international trade, the sum of these three factors could be calculated as

Trade benefits under the GSP = M(post-GSP)—M(pre-GSP),

where M(post-GSP) = Value of imports of products covered by the scheme of preferences which the preference-giving countries imported from beneficiaries immediately after the scheme was introduced; and

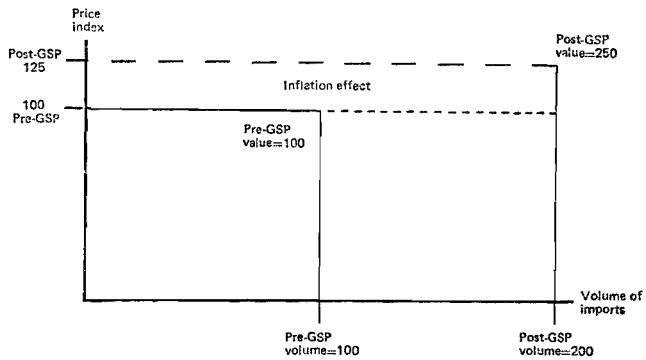
M(pre-GSP) = Corresponding value of imports of products covered by the scheme of preferences which occurred immediately before the introduction of the scheme.

However, preferential tariff margins are not the only factor influencing trade flows between the beneficiary developing countries and the preference-giving countries. Such trade flows are also affected by changes in economic activity in the preference-giving countries (which influence income and therefore consumer spending); by changes in relative production costs (which cause the competitive position of exports of beneficiaries to improve or deteriorate); and by a host of other factors not related to incomes or prices, such as changes in consumer taste, constraints imposed by trade restrictions or exchange controls, and other variations in the markets of preference-giving countries. Finally, account must also be taken of the change in the value of trade that is due to purely inflationary conditions.

10. The approach used in this study to disaggregate the various dynamic elements which determine the growth in exports of beneficiary countries to the preference-giving countries is illustrated below by an example. Let the pre-GSP value of the preference-giving country's imports of products covered by the scheme of preferences from beneficiaries be $100 million; also let the index of prices of these products be 100 (on a percentage basis). After the scheme is introduced, let it be assumed that the value of trade increases to $250 million. Further, during the period elapsing before and after the introduction of the scheme (pre-GSP to post-GSP) the price level increases to an index of 125. The change in the value of trade as reported in the trade statistics is $150 million

FIGURE I

Illustration of a preference-giving country's imports of products covered by the scheme from beneficiaries: pre-GSP to post-GSP period



($250 million—$100 million). The question is how much of the $150 million increase in trade is attributable to the scheme and how much to other factors. This problem is illustrated in figure I.

11. Obviously, the price level has risen, which means that part of the increase in the value of trade is accounted for by inflation; this effect is indicated as the area in the figure which is above the price line at 100 (identified as the *inflation effect*). This effect can be calculated quite easily by comparing the post-GSP value of trade with the post-GSP volume of trade (the value deflated by the change in the price index). In the example,

	Pre-GSP trade ($ million) (price index=100)	*Post-GSP trade ($ million) (price index=125)*
Value	100	250
Volume	100	200
Inflation effect		+50

12. After adjustment is made for the inflation effect, a change in the volume of trade of $100 million ($200 million—$100 million) is observed. This change of $100 million will be referred to as the *gross residual* and incorporates changes in trade due to:

(*a*) Price effects: the preferential tariff margins and any change in competitive position due to a change in relative production costs (prices) between beneficiaries and other suppliers to the market;

(*b*) Income effect: any change in consumption due to a change in real income in the preference-giving country;

(*c*) Net residual: other factors not accounted for.

13. To carry the example one step further, let it be assumed that the preference-giving country increased its consumption of the products eligible for preferential treatment covered in the example by 10 per cent. Since this is a general increase in consumption, it should affect all suppliers equally, i.e. imports from beneficiaries, imports from non-beneficiaries and domestic production should all increase by 10 per cent. Thus, the volume of imports from beneficiaries might be expected to increase from the pre-GSP level of $100 million to $110 million (i.e. to increase by 10 per cent) in the absence of other

factors which influence trade. This increase in trade volume is the *income effect*.

14. After allowance for the income effect, the gross residual is reduced to $90 million ($200 million—$110 million). The resulting residual is due to price factors (the GSP and any change in competitive position) and other factors (the net residual). Isolating the price effects is the most problematical part of the study.[5] At this point, it is assumed that the price effects have been calculated to be $70 million. Thus, the unexplained *net residual* is $20 million ($90 million—$70 million).

15. Finally, the price effects of $70 million must be apportioned between the GSP effect and the "change in competitive position" effect. This apportionment will be accomplished by making two price-effect calculations. First, the price effect will be calculated by using the beneficiary country's export prices which incorporate duty-free preferential treatment (in the example, this figure is calculated as $70 million).

16. Secondly, the price effect is calculated by using the beneficiary country's export prices which would prevail if full most-favoured-nation (MFN) tariff rates were assessed (i.e. as if the GSP did not exist). For illustrative purposes, let this figure be calculated as $50 million. The GSP effect will be the difference between these two price-effect calculations:

$$\textit{GSP effect} = \begin{pmatrix}\text{price-effect}\\ \text{calculation}\\ \text{with GSP}\end{pmatrix} - \begin{pmatrix}\text{price-effect}\\ \text{calculation}\\ \text{without GSP}\end{pmatrix}$$
$$= \$70 \text{ million} - \$50 \text{ million}$$
$$= \$20 \text{ million}$$

[5] The techniques used in this study to isolate the price effects are detailed in the annex.

And of course, the *change in competitive-position effect* is the price effect calculated without the GSP (i.e. $50 million).

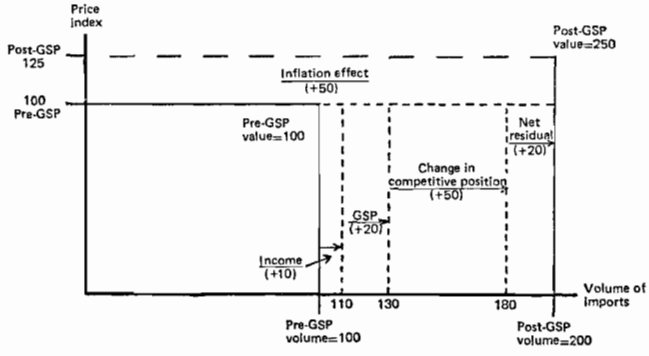
17. To summarize, the allocation of the preference-giving country's imports of products from beneficiaries eligible for preferential treatment is presented below:

Post-GSP value of trade	250
less inflation effect	—50
=post-GSP volume of trade	200
less income effect	—10
less price effects:	
GSP effect	—20
Change in competitive-position effect	—50
less net residual	—20
(=pre-GSP volume of trade which also equals the pre-GSP value of trade)	100

Diagrammatically, the allocation is illustrated in figure II.

FIGURE II

Illustration of the preference-giving country's imports of products from beneficiaries eligible for preferential treatment: pre-GSP to post-GSP period



Chapter III

QUANTITATIVE RESULTS

18. The data required to calculate the elements described in the previous chapter are quite extensive. First, price data are required to estimate the change in competitive position and, since there are three competing suppliers (beneficiaries, non-beneficiaries and domestic producers), three price variables are needed. Price statistics are available for domestic wholesale prices but are not available for imports by source—at best, a single weighted price index would be available for all imports combined. Thus, separate import price indexes have to be calculated for beneficiaries and for non-beneficiaries (i.e. price indexes for products imported into the preference-giving country). Once calculated, these price indexes can also be used for calculating the inflation effect.

19. Secondly, in order to calculate the income effect, data are nedeed to quantify the size of the preference-giving country's market. An apparent consumption variable is generally used for this measurement, where

Apparent consumption=domestic production—exports+imports.

Thus, data are needed concerning the preference-giving country's production, exports and imports—and the data have to be concorded to ensure that they cover exactly the same products.

20. Finally, information about tariff rates is required, in order that price indexes for imports from beneficiaries may be adjusted for preferential treatment.

21. Early during the investigation, it became clear that the scope of the study would have to be quite narrow, lest it become unmanageable. Consequently, this study is limited to a sample of products eligible for preferences being imported into the United States. Hence, the results should be considered not as an exhaustive final study but instead as a first step towards quantifying the impact of the GSP on exports of developing countries to the preference-giving countries.

22. Ideally, in this study the growth of United States imports of products covered by the scheme from 1975 (the latest pre-GSP year) to 1976 (the first year of the United States scheme) should be examined. However, 1975 was a recession year for the United States; its imports in that year were significantly below normal trade flows and hence are not considered representative of the pre-GSP trade pattern. Instead, 1974 was selected as the pre-

GSP base year. Moreover, because of normal start-up problems affecting trade in goods covered by the scheme, it was considered inadvisable to use 1976 as a representative year for measuring post-GSP trade. For this reason, 1977 was chosen as the post-GSP base year.

23. In order to concord the data concerning the production, exports and imports of the United States, it was necessary to define product aggregations in conformity with Standard Industrial Classification (SIC) of the United States, which is more aggregated than the Tariff Schedule of the United States (TSUS). Altogether, the sample consists of 48 SIC product categories covering 522 tariff lines (TSUS 5-digit definition). The products represented in the sample include only items eligible for preferential treatment which are not significantly affected by the competitive-need criteria; both agricultural and industrial products are included in the sample. However, a few major products (sugar, copper, and leather and leather apparel) were excluded *a priori* from the study because of their dominance in the preferential trade of the United States and because of the risk that the data regarding the country's imports of these products would unduly bias the results. In addition, trade in these products is affected by certain restrictions and other non-market factors, and hence, if these products had been included in the study, the results might have been unduly distorted.

24. The coverage of the sample of products used in this study is quantified in table 1. In total, the sample represents roughly 20 per cent of United States imports which actually received duty-free treatment under the scheme of preferences during 1977 (excluding sugar, copper, and leather and leather apparel, which accounted for $400 million in the duty-free trade in 1977).

25. The estimates of the various effects were calculated for each SIC product group and then aggregated to determine the total results for the sample products. Estimates for the other products covered by the scheme but not constrained by the competitive-need criteria were calculated on the assumption that trade in these other products behaved in a manner similar to trade in the sample products.

TABLE 1

United States imports from beneficiary developing countries

(Billions of dollars)

Product groups	*1977*	*1977 (at 1974 prices)*	*1974*
1. Imports of products covered by the scheme of preferences	7.7	6.1	6.3
2. Exclusions on account of competitive-need criteria	−2.8	−2.2	−3.0[a]
3. Exclusions for other reasons	−1.0	−0.8	−1.1[a]
4. Received preferential treatment	=3.9	3.1	2.2[a]
5. Preferential trade excluded from the study[b]	−0.4	−0.3	−0.2[a]
6. Maximum product coverage for this study	=3.5	2.5	2.0[a]
7. Actual sample[c]	0.6	0.5	0.4
8. Sample coverage (item 7÷item 6)	18%	20%	18%

Source: UNCTAD secretariat calculations.

[a] Estimated from the list of products eligible in 1976.

[b] Sugar, copper and leather and leather apparel were excluded from this study, even though some trade in these products received preferential treatment; for a number of reasons, these products are considered non-representative of the majority of the products covered by the United States scheme.

[c] The actual sample included 522 products (defined at the 5-digit TSUS level of aggregation) spread throughout the United States tariff schedule.

TABLE 2

Estimated effects of the generalized system of preferences, 1974–1977

(Millions of dollars)

Category of imports	*Total, sample products*	*Other GSP products*[a]	*Total, all products*
1. 1974 imports	358	1 605	1 963
2. *Plus* income effect	−3	−15	−18
3. =1974 imports, adjusted	355	1 590	1 945
4. *Plus* price effects:			
GSP effect	+89	+256	+345
Change in competitive position	+141	+406	+547
5. *Plus* net residual	−87	−250	−337
6. =1977 imports (at 1974 prices)	498	2 002	2 500
7. *Plus* inflation effect	+129	+871	+1 000
8. =1977 imports (at 1977 prices)	627	2 873	3 500

Source: The methodology and data used in deriving these estimates are described in the annex to this study.

[a] Sugar, copper, and leather and leather apparel are excluded from these estimates; see table 1.

26. The results are presented in table 2. The calculation procedure is slightly different, as explained above, but it is straightforward, as described below:

(*a*) The data for category 1 (1974 imports) and category 8 (1977 imports) are taken from the UNCTAD data tapes on United States imports;

(*b*) The inflation effect was removed by deflating the 1977 value of imports (category 8) to obtain the 1977 "volume" of imports (category 6);

(*c*) The 1974 value of imports was adjusted for impor changes due to the income effect, in order to obtain the volume of trade that would have occurred in 1977 in the absence of other factors influencing trade; the result is category 3, entitled "1974 imports, adjusted";

(*d*) The difference between categories 6 and 3 (i.e. the sum of categories 4 and 5) is the 1974–1977 change in the volume of trade due to changes in the competitive position, the GSP tariff margins, and other non-price factors (the precise techniques used to isolate these effects are described in the annex to this study); in essence, the price effects were estimated as follows:

(i) Two price-effect calculations were made, the first using price data including GSP tariff reductions, and the second using price data, including MFN tariff rates;

(ii) The change in competitive-position effect (category 4.b) is the second of these price calculations;

(iii) The GSP effect (category 4.a) is the difference between the two price calculations;

(*e*) The net residual (category 5) is the 1974–1977 change in the volume of trade minus the two price effects.

27. The 1974–1977 increase in United States imports of products eligible for preferential treatment (excluding sugar, copper, leather and leather apparel) from

beneficiaries amounted to $1,537 million. Inflation alone accounted for 65 per cent of this change ($1,000 million). Though this is not surprising, the negative income effect is. The inference to be drawn is that the volume of consumption of these products actually declined between 1974 and 1977. However, upon closer examination, the reason is found to be that the 1975 recession depressed consumption so much that by 1977 consumption levels in the United States were still below 1974 levels (in volume); actually, the negative income effect is quite small, representing less than 1 per cent of 1974 imports.

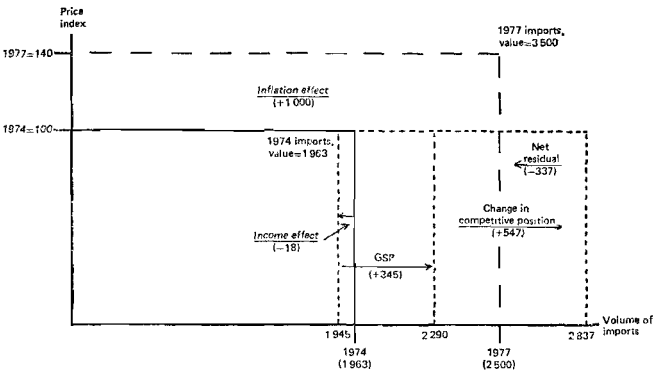
28. The other factors influencing trade, including prices, were responsible for an over-all change in the volume of trade of $555 million, or 36 per cent of the 1974–1977 change. However, this over-all change consists of a positive price effect of $892 million (58 per cent of the 1974–1977 change in the volume of trade) and a negative net residual of $337 million (22 per cent of the 1974–1977 change).

29. The GSP stimulated United States preferential imports from beneficiaries by an estimated $345 million, or 22 per cent of the 1974–1977 change in the volume of trade. The amount of the increase was equivalent to $483 million at 1977 prices.

30. The relative magnitudes of these effects are represented in figure III. The horizontal axis measures the volume of trade (i.e. United States imports valued at 1974 prices). The vertical axis measures prices (the price index is based on 1974=100); thus, import values are equal to the areas of the various rectangles in the figure. The solid line indicates the 1974 value of imports ($1,963 million). The 1974 imports, adjusted for the income effect, are $1,945 million. The effect on the GSP was to increase the volume of imports from $1,945 million

FIGURE III

Representation of the relative magnitude of the effects on United States trade of the GSP: 1974–1977



to $2,290 million, and the change in competitive position further increased the volume of imports to $2,837 million. The other factors influencing the volume of imports (i.e. factors other than income or prices) had a negative effect, resulting in a 1977 volume of imports of $2,500 million. The rectangle formed by the broken line represents the 1977 value of imports of $3,500 million, which includes the inflation effect of $1,000 million.

31. On the basis of these estimates, it may be concluded that, ifthe scheme o f preferences had not been introduced, the 197 7 volume of imports would have been $2,155 million ($2,500 million—$345 million), and the 1977 value of imports would have been $3,017 million ($3,500 million—$483 million).

ANNEX

Technical note

Methodology

The task of this study was to determine what shares in the actual increase in United States imports under the GSP were accounted for by the numerous factors that contributed to that increase in trade. The study explicitly considers inflation, changes in the size of the market for eligible products (called the income effect), changes in the competitive position of beneficiary suppliers, and the GSP tariff margins. Obviously, other factors also influence trade; quantitatively, these other factors are included in the net residual, i.e. the change in actual United States imports of eligible products not caused by changes in prices or incomes.

In order to apportion the actual increase in United States imports among these factors, a number of relationships must be defined. First, by definition:

$$M77 = M74 + IE + GSP + CCP + NR + INF \quad (1)$$

where M77 = Value of United States imports of GSP products from beneficiaries which actually occurred during 1977;

M74 = Corresponding value of imports during 1974;

IE = Change in imports from beneficiaries caused by an increase in the total United States market for GSP products;

GSP = Increase in imports from beneficiaries caused by the GSP tariff margins;

CCP = Change in imports from beneficiaries caused by a change in the competitive position (i.e. relative prices) of beneficiary suppliers;

NR = Net residual (i.e. the change in imports from beneficiaries which is not associated with changes in prices or income);

INF = Change in the value of imports from beneficiaries caused by inflation.

Thus, seven variables are to be quantified.

M77 and M74 are readily available from the UNCTAD data tapes on United States imports. NR is calculated from the above definitional equation. Hence, there remain four variables to be quantified.

The inflation effect (INF) is simply the difference between the value of imports in 1977 (M77) and the value that would prevail if 1974 prices were used. Thus:

$$INF = M77 - (M77/PB) \quad (2)$$

where PB is the price index of United States imports from beneficiaries in 1977 divided by the corresponding price index for 1974.[a]

The income effect (IE) measures the change in United States imports from beneficiaries caused by a change in the size of the total United States market for GSP products. The total market (apparent consumption or AC) is defined (for 1977) as:

$$AC77 = DP77 - EX77 + M77 \quad (3)$$

where DP77 = United States domestic production of GSP products;

EX77 = United States exports of GSP products;

M77 = United States imports of GSP products from all sources.

A similar definition applies for 1974. The growth in the United States market is AC77/AC74, which must be deflated to calculate the real growth in the United States market (RG). On the assumption that all suppliers (beneficiaries, non-beneficiaries and domestic producers) share equally in the increase in the United States market, the equation is:

$$IE = M74 \times RG - M74 \quad (4)$$

where RG is the growth in the United States market, deflated.

This leaves only the two price effects to be quantified. Economic theory predicts that if the beneficiary price index increased less than the price indexes of the other suppliers (non-beneficiaries and domestic producers), the beneficiaries would experience an improvement in their competitive position and, consequently, the volume of imports from beneficiaries would increase at the expense of other suppliers. And, of course, the converse would also be true: if the prices of beneficiaries increased more, the volume of imports would decline. This relationship, in implicit equation form, is:

$$PE = f(PB/PNB,D) \quad (5)$$

where PE = Change in imports from beneficiaries caused by the change in relative prices charged by beneficiary suppliers and other suppliers (non-beneficiaries and domestic producers);

PB = Price index of United States imports from beneficiaries;

PNB,D = Weighted price index of United States imports from non-beneficiaries and of United States domestic products.

However, before the price effects (GSP and CCP) can be quantified, this implicit equation must be explicitly specified. Unfortunately, economic theory cannot specify the functional form, it can only indicate the direction of the causal relationship. To guard against basing the results purely on an arbitrary choice of the explicit relationship, two techniques were used to calculate the price effects.[b] The fact that both techniques yielded very similar results was encouraging.

The first technique assumes that the price effect can be allocated between the GSP and the change in competitive position (CCP) by using a constant elasticity of substitution; the second technique allocates the price effect according to the significance of the GSP tariff margins as a percentage of the total change in relative prices between the pre-GSP and post-GSP periods. These two techniques will be specified in turn, starting with the elasticity of substitution approach. By definition:

$$PE = ES \times (M74,A) \times [(PB/PNB,D) - 1]^b \quad (6)$$

where ES = Elasticity of substitution;

(M74,A) = Imports from beneficiaries during 1974, adjusted for the income effect;

(PB/PNB,D)−1 = Change in relative price in percentage terms measured using price indexes with 1974 = 100.

Equation 6 measures the price effect using prices that include GSP tariff margins. The change in competitive position is estimated using

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[a] Thus:

$$(M77/PB) = \frac{Q77 \times PB77}{PB77/PB74} = Q77 \times PB74,$$

where Q77 is the quantity of United States imports from beneficiaries during 1977 and PB77 and PB74 are the price indexes for 1977 and 1974, respectively.

[b] This relationship comes from the definition of the elasticity of substitution (ES), namely:

$$ES = (dQ/Q)/\text{The percentage change in relative prices}$$

Thus: $dQ = ES \times Q \times \text{Percentage change in relative prices}$

where Q is the quantity (or volume, since prices are constant) of imports and dQ is the change in that quantity or volume.

prices inclusive of MFN tariffs, i.e. as though the GSP did not exist. Thus:

$$CCP = ES \times (M74,A) \times ([PB(1+t)/PNB,D]-1) \quad (7)$$

where t is the MFN tariff rate.

Finally, the effect of the GSP is the difference between these two estimates:

$$GSP = PE - CCP. \quad (8)$$

In order to use equations 6, 7 and 8 to estimate the price effects, the elasticity of substitution (ES) had to be estimated. It was estimated on the assumption that the net residual was "on the average" equal to zero.

The second technique was based on the assumption that the net residual was zero (this assumption was subsequently relaxed (see below)). The allocation of the price effect between GSP and a change in competitive position (CCP) was assumed to be proportional to the relative price variable with and without GSP duty-free treatment. To specify, equations 6, 7 and 8 can be rewritten as:

$$PE = M77 - INF - IE - M74 = GSP + CCP. \quad (6a)$$

This results from rewriting equation 1 on the assumption that NR=0. This total price effect is the result of the change in relative prices, inclusive of the GSP. CCP is that share of the total price effect that would occur if MFN tariffs were assessed. Thus:

$$CCP = \frac{[PB(1+t)/PNB,D]-1}{(PB/PNB,D)-1} \times PE \quad (7a)$$

where the numerator is the percentage change in relative prices when GSP does not apply (i.e. when MFN tariffs are assessed), and the denominator is the percentage change in relative prices when GSP duty-free treatment applies.

Finally, as before:

$$GSP = PE - CCP. \quad (8a)$$

One last problem arose that necessitated a slight modification in the estimation technique. Economic theory specifies an inverse relationship between the change in relative prices and the price effect. This relationship was observed for 32 of the 48 SIC product groups in the sample. For the other 16 product groups, it is clear that factors other than prices are more important in determining United States imports than prices. In fact, these other factors overpower prices, the net residual being larger in magnitude than the GSP effect and the changes in competitive position combined. The problem with these cases is that the observed 1974–1977 change in the volume of trade (net of the income effect) was not suitable for estimating the elasticity of substitution, nor could it be used to allocate the total price effect via the share approach. Thus, the sample of 48 SIC product groups was subdivided into four classes as defined below:

Class A: The beneficiaries experienced an improvement in their competitive position and the 1974–1977 change in the volume of trade was positive, indicating that price changes were the major factor influencing the change in trade. The net residual should be small. There are 20 Class A SIC product groups.

Class B: The beneficiaries experienced a deterioration in their competitive position and the 1974–1977 change in the volume of trade was negative, indicating that price changes were the major factor influencing the change in trade. The net residual should be small. There are 12 Class B SIC product groups.

Class C: The beneficiaries experienced an improvement in their competitive position but the 1974–1977 change in the volume of trade was negative. Thus, factors other than prices were the major determinant of trade. The net residual should be large and negative. There are 6 Class C SIC product groups.

Class D: The beneficiaries experienced a deterioration in their competitive position but the 1974–1977 change in the volume of trade was positive, again indicating that non-price factors were the major determinant of trade. The net residual should be large and positive. There are 10 Class D SIC product groups.

The elasticity of substitution was estimated, first, for products in Class A (ESA) and, secondly, for products in Class B (ESB); empirically, ESA=–6.7 and ESB=–0.8.[6] Next, the price effects and the net residual were estimated for Class A products and aggregated. The estimates for Class C (which, like Class A, includes products in which beneficiaries experienced an improvement in their competitive position) are extrapolated from the aggregate results for Class A products. Similarly, Class B price effects and the net residual were estimated, aggregated and then extrapolated to obtain the estimates for Class D products.

Finally, the same approach was used to obtain the share technique estimates. The only difference is that the net residual is, by assumption, equal to zero for Class A and Class B products but is non-zero (and large) for Class C and Class D products.

As mentioned earlier, the results of these two techniques were quite similar. Nevertheless, to avoid an arbitrary selection of one set of estimates rather than the other, the two estimates for each effect were averaged to produce the estimates contained in the table below. The estimates for the "total sample products" are the ones that appear in table 2 of the foregoing study.

Data

Data were required for the following variables:

1. United States imports in 1974 and 1977 (for M74 and M77);
2. United States production in 1974 and 1977 (for IE);
3. United States exports in 1974 and 1977 (for IE);
4. Price indexes for United States production (for PNB,D);
5. Price indexes for United States imports from non-beneficiaries (for PNB,D);
6. Price indexes for United States imports from beneficiaries (for INF and PB).

In addition, of course, a concordance between United States import products, United States export products, and domestic production is required. The data sources are as follows:

The concordance: United States Department of Commerce, Bureau of Census, *United States Foreign Trade Statistics: Classifications and Cross-Classifications (1974)*.

United States imports: UNCTAD data tapes on United States imports.

United States production: United States Department of Commerce, Bureau of Census, *Current Industrial Reports (M3–1.7): Manufactures' Shipments, Inventories, and Orders 1958–1977* and the *Annual Survey of Manufactures*.

United States exports: United States Department of Commerce, Bureau of Census, *United States Exports: SIC-based Products*.

Price indexes for United States production: United States Department of Labor, Bureau of Labor Statistics, *Wholesale Prices and Price Indexes*.

Price indexes for United States imports by source: These data had to be constructed from United States import data; value data were divided by quantity data to obtain unit value data. Separate weighted unit-value indexes were calculated for beneficiaries and for non-beneficiaries. The weights were based on trade for those countries which exported to the United States during 1974 and 1977; countries which exported to the United States in only one of the years were assigned weights of zero.

[6] All elasticity techniques estimate changes in percentage terms and, therefore, are highly sensitive to the base value from which percentage changes are measured. The large difference between ESA and ESB is due to this fact. Class A includes only products in which the beneficiaries gained a competitive advantage; ESA = –6.7 implies that a 1 per cent decrease in relative prices results in a 6.7 per cent increase in United States imports from beneficiaries. For Class B, the beneficiaries experienced a deterioration in their competitive position; thus, imports from beneficiaries declined. However, it is impossible for these imports to decline by more than 100 per cent (whereas increases over 100 per cent are very possible). Thus, in the case of declining competitive advantage, the elasticity of substitution will have a significantly lower value, i.e. for Class B product groups.

Estimated effects of the generalized system of preferences and other factors influencing United States imports from beneficiary developing countries: 1974–1977

(Millions of dollars)

Category of imports	Sample products by class				Total sample products[a]
	A	*B*	*C*	*D*	
1. 1974 imports	107.6	106.6	70.0	74.4	358
2. *Plus* income effect	−23.2	+2.7	+10.3	+6.9	−3
3. =1974 imports, adjusted	84.4	109.0	80.3	81.3	355
4. *Plus* price effects:[b]					
GSP effect	+37.0	+13.5	+29.9	+8.8	+89
Change in competitive position	+116.6	−47.9	+106.8	−34.5	+141
5. *Plus* net residual[b]	−4.4	−9.3	−158.7	+85.1	−87
6. =1977 imports (at 1974 prices)	233.6	65.3	58.3	140.7	498
7. *Plus* inflation effect	−19.9	+72.5	+0.7	+75.3	+129
8. =1977 imports (at 1977 prices)	213.7	137.8	59.0	216.0	627

[a] Sugar, copper and leather and leather apparel are excluded from these estimates (see table 1 of the present study).

[b] The two price effects and the net residual figures are averages of the estimates obtained by using the two methods.

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UNCTAD/UNDP PROJECT "ASSISTANCE TO DEVELOPING COUNTRIES FOR THE FULLER UTILIZATION OF THE GENERALIZED SYSTEM OF PREFERENCES"

Report by the UNCTAD secretariat

[*Original: English*]
[*7 March 1980*]

CONTENTS

* Incorporating TD/B/C.5/68/Corr.1 (30 April 1980).

INTRODUCTION

1. This report covers the activities undertaken under the UNCTAD/UNDP project "Assistance to developing countries for the fuller utilization of the generalized system of preferences" (INT/77/002), from its inception on 1 May 1977 to 31 December 1979. The project is regarded as phase II of the project "Training and advisory services on the generalized system of preferences" (INT/71/027), which ended on 30 April 1977.

2. The current project was originally scheduled to run from 1 May 1977 to 31 December 1978. However, at the mid-term review in February 1978, UNCTAD and UNDP agreed to extend its duration to 31 December 1980. Activities financed from the project budget are on a reduced scale compared with those of phase I; however, the project serves as a focal point for bilateral contributions from Governments of preference-giving and preference-receiving countries for the accomplishment of activities which could not otherwise be undertaken.

3. The Director and an administrative support staff of one officer are the only project personnel financed by the project budget. The services of expert officials from preference-giving countries, including one associate expert from the Government of the Federal Republic of Germany and, on some occasions, of experts from preference-receiving countries made available in the context of technical co-operation among developing countries, have comprised the major part of the resources for carrying out project activities.

Chapter I

SUMMARY AND CONCLUSIONS

4. This report covers the activities of the UNCTAD-executed UNDP interregional technical assistance project in connexion with the GSP from the inception of the project to the end of 1979. The project is regarded as phase II of an earlier project connected with the GSP, also executed by UNCTAD, which ended on 30 April 1977. The long-range objectives of the project are to promote the expansion and diversification of exports from developing countries through the optimum utilization of advantages offered by the GSP. The immediate objectives are to provide assistance to preference-receiving countries on a continuing basis for the dissemination of information on the GSP schemes and their operation, for the training of officials working on GSP-related matters, and for mobilizing assistance from preference-giving countries aimed at enabling them to derive fuller benefits from the GSP.

5. During the period covered by the present report, the project activities have been carried out with the full support of both preference-giving and preference-receiving countries. The principal activities were as follows: short-term advisory missions to preference-receiving countries continued to be undertaken; six regional and interregional seminars on the GSP were organized for officials of beneficiary countries, financed by preference-giving countries, intergovernmental organizations or UNDP (under the regional IPFs for Africa and for Asia and the Pacific); the preparation and distribution of up-to-date model handbooks relating to the schemes and of digests on the GSP, including the rules-of-origin provisions were continued; the Director of the project participated in training activities on customs matters, organized by the Governments of Austria and Finland, and in a symposium in the United Kingdom; and advice by correspondence continued to be provided under the project.

6. Governments of preference-giving countries have provided officials expert in GSP matters for short-term advisory missions, free of cost to the project, and have financed regional and interregional seminars on the GSP. In the context of technical co-operation among developing countries, a number of preference-receiving countries have seconded their experts on the GSP, trained during phases I and II, for short-term advisory missions, acted as hosts to regional seminars and received officials from neighbouring countries for in-service training on the GSP.

7. The project has benefited from close co-operation with GATT, UNIDO and the International Trade Centre UNCTAD/GATT. UNIDO prepared case-studies on industrialization for the seminars on the GSP and contributed conference facilities and services for an interregional seminar for the least developed and middle-income developing countries. ITC prepared detailed trade data and projections and provided lecturers for the seminars.

8. The programme of work of the project is co-ordinated with the substantive activities on preferences undertaken by the Manufactures Division of UNCTAD and the expertise of some staff members of that Division has been made available for advisory missions and training activities when possible.

9. During the period covered by this report, it proved possible to fulfil the objectives and work plan, despite a reduction in project personnel, compared with phase I. The need for a permanently assigned expert on rules of origin presented a difficulty. To meet the programme of work in this area, it was necessary to rely on the services of experts from preference-giving countries. However, problems of availability at the time required and of a suitable working language often arose in regard to the services of the experts which these countries had offered to make available free of cost. This created on occasion considerable difficulties in meeting the requests of beneficiary countries and the schedules of missions. Responding to the request of UNCTAD, the UNDP Regional Bureau for Asia and the Pacific approved recently the appointment of a regional adviser on GSP rules of origin to assist manufacturers, exporters and officials in the region, in conformity with the needs of this interregional project. The UNDP Regional Bureau for Africa is considering making a similar appointment for that region. The difficulties caused by the lack of a continuously available expert on rules of origin were alleviated when the Government of the Federal Republic of Germany seconded to the project one associate expert to serve from 1 October 1978 to September 1980.

10. It is clear that the success of the activities undertaken has depended to a great extent on the co-operation of the Governments of both preference-giving and preference-receiving countries. The former financed or contributed to specific activities or gave assistance in a broader context. The latter provided valuable support, particularly in the context of technical co-operation among developing countries.

11. The project will continue to operate until 31 December 1980. Further technical assistance on the GSP is still required, particularly by countries that have not so far taken as much advantage of the GSP facilities as they could have done. The technicalities and mechanisms of the GSP are still difficult for prospective users of the GSP in several countries to understand. The main areas of difficulty are: lack of understanding by exporters, manufacturers and, in some cases, officials, of the legal language used by the preference-giving countries in the documents relating to their schemes; the classification of goods, particularly in the case of preference-giving countries not using the CCCN; the differing tariff cuts applied in the various schemes for similar products, particularly when these do not result in duty-free access; the correct application of the rules of origin; and the yearly changes in GSP limitations in some major schemes, for example, *a priori* limitations and competitive-need provisions.

Chapter II

PROJECT ACTIVITIES

12. The project activities in the period under review included:

(*a*) Carrying out short-term advisory missions to beneficiary countries, at the request of Governments, to provide GSP information for exporters and manufacturers;

(*b*) Organizing and conducting regional and interregional seminars on the GSP for government officials and, in certain cases, representatives of the business community from beneficiary countries;

(*c*) Preparing model handbooks on the various schemes and digests of the GSP rules of origin and the schemes, for use by government officials and exporters in developing countries;

(*d*) Participating in training activities related to the GSP organized by government agencies in countries such as Austria, Finland and the United Kingdom;

(*e*) Co-operating with and assisting subregional bodies concerned with economic integration on questions related to the GSP;

(*f*) Securing financial support from preference-giving countries and international organizations for the holding of regional and interregional seminars.

13. A detailed description of these activities is given in the following paragraphs.

A. Short-term advisory missions

14. During the period covered by this report, 42 short-term advisory missions were carried out to the following countries: Bangladesh, Benin (2), Bolivia, Botswana, the Central African Republic, Chile, China, Colombia, Costa Rica, Cuba, the Dominican Republic, El Salvador, Guatemala, Guyana, Haiti, Honduras (2), Jamaica, Kenya, Madagascar, Malawi, Malaysia (2), Mexico, Morocco, Nepal (2), Nicaragua, the Niger, Pakistan, Panama, Paraguay, Peru, the Philippines, Senegal (2), Singapore, Togo, the Upper Volta and Zaire. In this way, information and assistance were provided to more than 2,000 exporters, manufacturers and officials in these countries.

15. The activities carried out during these missions were:

(*a*) The dissemination of information to exporters, manufacturers and government officials on the GSP at national seminars or meetings with exporters and manufacturers' associations;

(*b*) Consultations with government authorities on the utilization of the GSP, problems faced in preference-giving countries and other issues related particularly to the correct application of the GSP rules of origin;

(*c*) The provision, with the assistance of ITC, of information for identifying new market opportunities for goods included in the GSP;

(*d*) The provision of advice and assistance for the establishment of focal points for the national dissemination of information on the GSP, including the preparation of appropriate documentation for the business community.

16. Priority was given to countries not visited in the course of the earlier (phase I) project which had made concrete requests for assistance. Countries in the least developed category were also visited, although their main exports are not very well covered in some of the schemes, with a view to examining what more might be done in these countries. Second visits were paid to some countries for a mixture of reasons: because of their development conditions; because a project team was visiting a neighbouring country in any case; or because a specific request was received to visit other cities of a country, a previous mission having visited the capital city only.

17. The missions were planned well in advance, with the full involvement of the government authorities. Their success depended on action by the latter, first by preparing the ground in the business community through the distribution of pamphlets on the GSP, direct invitations to exporters and manufacturers and the selection of appropriate hours for meetings, and secondly by making available conference facilities, including interpretation if the team included experts who did not speak the official language used.

18. Information supplied under the project included all documentation required for conducting the national seminars and documents that would help government authorities to operate the various GSP schemes. These authorities were advised on the procurement of documentation related to the GSP, such as the official texts of the schemes and national Customs tariffs. Prior to the launching of a mission, data were assembled, with the aid of computerized material produced by the Manufactures Division, showing the utilization of the different GSP schemes by individual countries to be visited. The UNDP resident representatives in the countries concerned were always involved in the planning of these missions and generally assisted in their detailed preparation and development. In some cases these tasks were passed on to the field representative of the International Trade Centre UNCTAD/GATT.

19. Advisory missions were usually composed of the Director of the project, GSP experts from the preference-giving countries, officials from preference-receiving countries with good knowledge and background on GSP utilization, when possible, and staff of the Manufactures Division where necessary. On one occasion, a consultant from the Centre was included, because the Government concerned requested that the mission should provide advice not only on GSP technicalities but also on export marketing. The participation of expert officials from preference-giving countries proved to be most valuable, because exporters could deal directly with them on concrete issues, and was always very much appreciated by all concerned with using the GSP in the beneficiary countries. This participation is considered to be part of the bilateral technical assistance of preference-giving countries to the beneficiary countries visited in this way.

20. In each country visited, users of the GSP, namely exporters, manufacturers and government officials, participated in a seminar lasting 2 or 3 days. These seminars provided an opportunity for the discussion of specific problems and difficulties encountered in the application of the GSP concessions. Frequently, many participants were not even aware of the existence of the GSP; in such

cases the seminar had to start at a very low level with an explanation of the main features of the different schemes. (Although phase I started as long ago as 1972, project teams continue to find that there is little knowledge of the GSP in a number of countries.) During some seminars, the best ways for the government agencies in charge or associations or chambers of commerce and industry to disseminate GSP information were discussed. In some countries, the missions encountered efficient administration of the GSP, but in others the officials involved were new to their jobs, particularly where the rotation of personnel within the administration was the normal practice. In the latter cases, the team had to explain every detail of GSP operations, in order to enable the officials to provide the correct certification of GSP exports and pass on more explicit information on the GSP to exporters and manufacturers.

B. Training activities

21. During the period covered by the report, six regional and interregional seminars were organized and conducted for officials in charge of the administration of the GSP in their countries and, in some cases, for representatives of the business community. Since the project budget was inadequate to finance these activities, the Director successfully approached Governments and institutions of preference-giving countries. In addition, the UNDP regional IPFs for Africa and for Asia and the Pacific provided the necessary funds for seminars in those regions (see sect. G below).

22. The particulars of these seminars are as follows:

(*a*) Regional seminar for the countries of the Common Afro-Mauritian Organization (OCAM), financed from the UNDP regional IPF for Africa (Bangui, November 1977);

(*b*) Seminar for the countries of the Cartagena Agreement (the Andean Group) on the administration of the GSP (Lima, April 1978);

(*c*) Regional seminar for the Commonwealth African countries, financed by the Commonwealth Secretariat, London (Nairobi, June 1978);

(*d*) Interregional seminar on the GSP, financed by the Commission of the European Communities (Brussels, July 1978);

(*e*) Regional seminar for Asian countries, financed from the UNDP regional IPF for Asia and the Pacific and by the Indian Government (New Delhi, April 1979);

(*f*) Interregional seminar on the GSP for the least developed and middle-income developing countries, financed by the Government of Switzerland and with the Government of Austria acting as host, with the co-operation of UNIDO (Vienna, July 1979).

23. About 140 officials were trained in these seminars, and the objectives were:

(*a*) To review the 16 GSP schemes and discuss the GSP rules of origin;

(*b*) To exchange experience among the participants on the operation of the GSP in their respective countries;

(*c*) To examine the relationship between the function of the GSP as a mechanism for export promotion and its function as an incentive for industrialization;

(*d*) To investigate measures to be adopted within the beneficiary countries for the fuller utilization of the GSP.

C. Participation in governmental activities related to the GSP

24. The Director of the project participated in the training courses for Customs officials organized annually by the Governments of Austria and Finland. He also participated in the symposium London IMPO/EXPO 1979 organized by the United Kingdom Trade Agency for Developing Countries.

D. Preparation of model handbooks

25. During the period covered by the report, the following digests and handbooks on the GSP were prepared or updated and distributed among beneficiaries:

(*a*) Digests of GSP schemes (revised);

(*b*) Digests of rules of origin and related documentation (updated in line with the latest changes agreed in OECD and in the UNCTAD Working Group on Rules of Origin);

(*c*) Handbooks on the scheme of EEC for 1978 and 1979;

(*d*) Handbooks on the scheme of Japan for 1977, 1978 and 1979;

(*e*) Handbooks on the schemes of Austria, Finland, Norway, Sweden and Switzerland (revised);

(*f*) Handbooks on the scheme of the United States of America for 1978 and 1979;

(*g*) Handbook on the scheme of Canada;

(*h*) Handbook on the schemes of Bulgaria, Hungary, Poland, Czechoslovakia and the USSR;

(*i*) Handbook on handicrafts (containing special provisions for handicrafts not included in the various GSP schemes).

26. The handbooks are revised every year, if necessary, and supplemented with statistical and other material for the use of officials and the business community in the beneficiary countries. Copies are made available to Governments and are distributed among participants in the interregional, regional and national seminars. It is planned to produce and distribute handbooks on the schemes of Australia and New Zealand during 1980.

27. This documentation, although prepared on the basis of official texts and not to be regarded as a substitute for those texts, nevertheless can provide those interested in the operation of the GSP with information in a consolidated and concise form and in simple language regarding the tariff advantages available to developing countries under the various schemes. Thus, the handbooks are considered to be of value for exporters and manufacturers in the beneficiary countries generally, and not just for the participants in the seminars.

28. Many direct requests for GSP information were received from exporters and manufacturers, and answers were provided as part of the service offered by the project.

E. Co-operation with subregional groupings

29. At the request of the Board of the Cartagena Agreement, an advisory mission visited in 1977 the member countries (Bolivia, Colombia, Ecuador, Peru and Venezuela), together with officers of the secretariat of

the Board, to discuss ways of improving the dissemination of GSP information in the subregion. Seminars were conducted in three industrial and exporting cities of Colombia, with the strong participation of the business communities. In 1978, similar activities were undertaken in five Central American countries under the auspices of and in co-operation with the Permanent Secretariat of the General Treaty on Central American Economic Integration (SIECA).

30. In 1977, the project also provided the Andean Group countries with the services of a consultant to study the preferential treatment of goods of export interest to them. His report was distributed by the Board of the Cartagena Agreement to Governments of the member States. Similarly, in 1979 the project provided a consultant to SIECA for the study of the preferential treatment of goods of export interest to the Central American countries.

31. In April 1978, a seminar was conducted at Lima on the administration of the GSP for officials of the five Andean countries. Each country sent two representatives to that meeting.

32. In 1979, at the request of the OCAM Secretariat, advisory missions visited five African countries, namely, the Central African Republic, the Niger, Senegal, Togo and the Upper Volta.

F. Collaboration by other United Nations bodies

33. As in phase I, there has been close contact with the International Trade Centre UNCTAD/GATT. During the period under review, the co-operation of the Centre has been particularly helpful in providing trade statistics for the advisory missions and for the regional and interregional seminars, as well as lecturers for the seminars, to speak about export marketing and other issues related to the GSP. In a recent mission to Pakistan (October 1979), a consultant whose services were provided by the Centre took an active part in seminars held at Karachi, Lahore and Peshawar. This joint mission was appreciated by government officials and particularly by exporters, who were apprised of the broader scope for marketing their products in the preference-giving countries.

34. There was effective collaboration by UNIDO, particularly in connexion with the regional and interregional seminars. UNIDO prepared case studies which were presented and discussed with the participants, thus giving them a clear picture of the concrete measures that export-oriented industries have to take on their establishment and during their development. UNIDO also made an important contribution to the seminar for the least developed and middle-income developing countries held at Vienna in July 1979, in terms of both substantive and physical inputs.

G. Activities financed under the UNDP regional IPFs for Africa and for Asia and the Pacific

35. As already stated, the UNDP regional IPF for Africa provided the resources for a seminar for the OCAM countries in 1977. The sum involved was $27,698, approved under regional project RAF/77/025.

36. In 1979, the UNDP Regional Bureau for Asia and the Pacific approved project RAS/77/038, with a total UNDP input of $137,700, likewise for implementation in association with the interregional GSP project under review. This regional project provides for the appointment of an expert on GSP rules of origin and Customs procedures to assist countries of the Asian and the Pacific region and for the organization of a seminar for the Asian GSP beneficiary countries. The expert is already on duty. This Regional Bureau has also approved a revision of project RAS/78/037, to provide for a regional seminar on the GSP for the South Pacific island countries, which is to be organized under the interregional project at a budgeted cost of $46,620.

H. Co-operation and assistance by Governments of preference-giving and preference-receiving countries

37. Since the project, under its terms of reference, serves as a focal point for contributions from Governments to amplify its activities, the Director of the project held consultations with Governments of preference-giving and preference-receiving countries in this connexion, with most positive results. Estimated expenditure through such voluntary contributions during the period covered by this report amounted to $473,934 ($456,834 from preference-giving countries and intergovernmental bodies, together with $17,100 from preference-receiving countries in the form of technical co-operation among developing countries).

38. With the additional funds made available from UNDP regional IPFs ($165,398), expenditure not covered by the project budget amounted to $639,332, i.e. 84 per cent of total project expenditure.

39. Contributions by preference-giving countries took the form of the secondment of experts on the GSP to project training activities or to the short-term advisory missions, the financing of regional and interregional project seminars and, in the case of the Federal Republic of Germany, the secondment of one full-time associate expert. The preference-receiving countries seconded officials expert in GSP matters—trained under the earlier (phase I) project—for short-term advisory missions under technical co-operation among developing countries.

40. The following preference-giving countries and intergovernmental bodies contributed to project activities during the period under review: Austria, Canada, the Commission of the European Communities, the Commonwealth Secretariat, the Federal Republic of Germany, Finland, Hungary, Japan, Norway, Sweden, Switzerland, the United Kingdom and the United States of America. Details appear in the annex to this report.

41. The following preference-receiving countries also made contributions within the context of technical co-operation among developing countries: Colombia, India, the Ivory Coast and the Philippines. Furthermore, the Government of India acted as host to the regional seminar for Asian countries in April 1979, allocating for this purpose an amount of Rs.57,000 originally earmarked for technical activities of the International Trade Centre UNCTAD/GATT in India.

42. The Governments of the Philippines and India provided in-service training on the GSP for officials from other preference-receiving countries.

ANNEX

Expenditure in support of project activities through voluntary contributions[a]

(Dollars)

	1977	*1978*	*1979*	*Total*
Austria	8 300	13 888	36 500	58 688
Canada	3 500	7 730	5 300	16 530
Finland	—	16 063	—	16 063
Germany, Federal Republic of	—	11 891	52 500	64 391
Hungary	—	—	300	300
Japan	—	2 488	1 500	3 988
Norway	—	840	4 000	4 840
Sweden	—	2 656	700	3 356
Switzerland	—	748	90 500	91 248
United Kingdom	—	—	4 500	4 500
United States of America	5 800	16 310	3 500	25 610
Commonwealth Secretariat	—	35 000	—	35 000
European Economic Community	3 500	125 820	3 000	132 320
TOTAL[b]	21 100	233 434	202 300	456 834

Source: Compiled by the UNCTAD secretariat.

[a] Estimates, converted at official United Nations rates of exchange at relevant dates.

[b] Excluding expenditure by preference-receiving countries under technical co-operation among developing countries estimated to have totalled $17,100.

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