

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TD/55
14 June 1968

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Committee on Trade and Development

TARIFF RECLASSIFICATION OF PRODUCTS EXPORTED BY DEVELOPING COUNTRIES

Note by the Secretariat

1. At their twenty-fourth session the CONTRACTING PARTIES urged the developed countries to give early and sympathetic consideration to requests made by developing countries for separate identification of products for which these countries are seeking or may be seeking further concessions or duty-free entry. The CONTRACTING PARTIES further agreed to give special attention to the trade problems of developing countries, including the possibility of eliminating duties, inter alia, on products made by hand and other labour intensive products of interest to developing countries (BISD, 15th Suppl. pages 71 and 72, Sections C(d) and (i)).
2. In this connexion, it might be recalled that in its report submitted to the CONTRACTING PARTIES at their twenty-fourth session the Committee on Trade and Development pointed out that one of the technical problems which prevented certain developed countries from taking action on products of interest to the developing countries during the Kennedy Round was that their tariff nomenclature did not differentiate between products which are produced in developing countries and those emanating from developed countries, viz. handicraft products (L/2912, Annex I, paragraph 15 (vi)).
3. Proposals to the effect that such differentiation in tariff nomenclature be introduced were made by developing countries in the course of the Kennedy Round. The sense of these proposals was summed up in a note prepared by the secretariat for the Sub-Committee on the Participation of the Less-Developed Countries in the following terms:

"The customs tariffs of most developed countries are so structured that they indicate specifically and separately only the main lines of primary products exported by the developing countries (on which, in their own interest, the developed countries usually apply no, or only low, rates of duty) and not the other sectors in which the developing countries have distinct possibilities for development of trade. When concessions to the trade of developing countries are requested from the developed countries, they often argue that such concessions would benefit the developed countries more than the developing countries. ... The tariffs of the highly-developed countries should, therefore, be restructured with a view:

- (a) to separating those products which are of export interest to less-developed countries from those exported by the industrialized countries;

- (b) to securing ... , the elimination or very substantial reduction of duties levied by the highly-developed countries on products of export interest to less-developed countries and the elimination or reduction of differential duties on these products in their semi-processed and processed form".

4. At the subsequent discussion of the matter in the Sub-Committee, it was agreed that work on this question should proceed on the basis of specific suggestions from developing countries. A number of suggestions were received from the delegations of India, Pakistan and the United Arab Republic. These were circulated in documents TN.64/W/10, TN.64/W/11 and TN.64/W/11/Add.1, and TN.64/W/12 respectively and are now being made available to those members of the Committee which were not members of the Sub-Committee on Participation of Less-Developed Countries.

5. The Indian note identified four main areas in which elimination or reduction of duties on exports of developing countries could be facilitated by the opening of appropriate tariff headings: (i) handicrafts; (ii) certain tropical fruits and vegetables; (iii) certain semi-tanned hides and skins and (iv) miscellaneous. It also made specific suggestions for the creation of appropriate headings in respect of each of these categories. Thus, in regard to handicrafts, it was proposed that these be defined as products made by hand in cottage industries with or without simple hand-operated instruments or implements which have traditional or artistic characteristics typical of particular geographical regions: and further that to give duty-free treatment to them, a new tariff heading covering all handicrafts as defined above be opened in the chapter devoted to miscellaneous products. Separate identification was sought for tropical fruits and vegetables and preparations thereof falling under BTN Chapters 8 and 20 by listing these under the relevant BTN numbers separately from other fruits and vegetables and preparations thereof. Under (iii), the creation of new tariff headings was also proposed for certain types of bovine cattle leather and cowskin leather and goat and kid skin leather which was either vegetable tanned or required further processing before use in the manufacture of leather articles. The suggestions under the section "Miscellaneous" covered a variety of proposals aimed at separately identifying in tariff nomenclature on the basis of distinction in composition and end use, a number of products of Indian origin. The Pakistani list mentions under the relevant four digit BTN numbers certain products grown and produced in Pakistan. Some of these, such as apples, pears or rice, are equally produced in temperate zones. The rest of the list, however, takes the form essentially of distinguishing under the relevant tariff item numbers, products made by hand from other products classifiable under the same tariff or sub-tariff heading. (It might be noted, however, that both the Indian and Pakistani lists seek a separate heading for woven fabrics of jute above a certain unit weight). The UAR list shows broadly the same pattern as that submitted by Pakistan.

6. An examination of post-Kennedy Round tariff schedules reveals a number of tariff sub-headings as per list annexed (see Annex I) that appear to have been provided specifically to permit the separate classification of products of developing countries so that these products may be given concessional tariff treatment. The list is not exhaustive and some of the sub-headings had existed before the Kennedy Round of trade negotiations. Nor are they all related to the specific requests for tariff reclassification made in the three notes mentioned above.

7. The secretariat has no information as to whether any other requests for the creation of new tariff sub-headings were addressed to developed countries during the Kennedy Round or subsequently and of the consideration given to these requests. The Committee on Trade and Development might wish to invite developing countries making such requests to notify these to the Committee. It might also request the developed countries concerned to advise it in due course of the consideration given to these requests.

8. Since as part of their work programme the CONTRACTING PARTIES have also agreed to give special attention to the trade problems of the developing countries, including the possibility of eliminating duties on products made by hand and other labour intensive products of cottage industries, etc. (the second point in paragraph 1 above) the Committee may wish to consider how the elimination or reduction of duties on these products might be facilitated by their separate identification in tariff nomenclatures.

9. It seems evident that the request for separate tariff identification of products of developing countries in particular hand-made products or other labour intensive products of cottage industry is based on two grounds:

- (a) that for the purpose of customs control it is technically easy to distinguish such goods from similar goods processed in the developed countries;
- (b) that such goods do not normally compete with machine-made goods and consequently should not be faced with restrictive tariffs.

10. The annexed list of tariff sub-headings in post-Kennedy Round schedules to which reference has been made earlier indicates that these considerations have, in fact, led governments in a number of instances to provide separate tariff classifications for certain goods made by hand or with simple mechanical aids, such as handlooms. It is not, however, clear how far the absence of fuller action in this direction is to be related to the practical difficulties of distinguishing these goods from machine-made products or is related to other substantive problems of competition with domestic productions in the developed countries, etc.

11. In response to a request by the UNCTAD a detailed examination of the possibilities of distinguishing hand-made products from others has been made by the Customs Co-operation Council in respect of handloom fabrics. In the course of this examination the Council has also suggested the criteria that might be applied for distinguishing such fabrics from similar fabrics made on mechanical looms (see UNCTAD document TD/B/C.2/27/Add.1 Annex II). Broadly, the Nomenclature Committee of the Customs Co-operation Council reached the conclusion that the identification of handloom fabrics would be fairly easy in some cases and more difficult in others requiring specialized knowledge on the part of customs officials. Because of this, the Committee concluded that the granting of special tariff treatment for handloom fabrics should not rest solely on the customs official identification of such fabrics by reference only to their technical characteristics. It was, therefore, considered that supplementary provisions would be essential, such as:

- (a) production of a certificate from the competent authorities of the country of origin;
- (b) marking the selvages by the same authorities;
- (c) prior submission of representative samples of the fabrics.

12. Although these conclusions were based on a study related solely to handloom fabrics from India, the Customs Co-operation Council considered that after further study of information and samples of other developing countries, these conclusions might well be extended to similar fabrics of different origin.

13. In so far as other hand-made goods are concerned, it might be noted that the definition provided by India for handicrafts appears to be intended to limit the problem of identification in respect of at least certain classes of such products. "Handicrafts may be defined as products made by hand in cottage industries with or without simple hand-operated instruments or implements which have traditional or artistic characteristics typical of particular geographical regions." Prima facie, it should be possible to establish a tentative list of handicrafts conforming to such a definition as per illustrative list annexed (see Annex II).

14. The extent to which even such separate identification of handicrafts requires corroborative evidence in the form of certificates or other documentary evidence can only be determined in the light of the actual experience of governments. Before taking up this question, however, it may be useful for the Committee to seek information as to how far the problems in dealing with requests by developing countries for the creation of new tariff sub-headings are of an essentially technical character or whether they involve considerations of a more substantive character. For example, not all the products listed as hand-made products in the lists submitted by India, Pakistan and the UAR appear to possess the special

characteristics attributed to handicrafts in the definition cited earlier. Others may have these characteristics but may, nevertheless, be considered by the authorities of the importing countries to be competing with domestic products. For these and other products the problem of separate tariff identification would appear to be ~~secondary and even consequential~~ to the questions of policy. To the extent, however, that the problem is one of identifying products and product ranges which on the basis of differences of quality, process of manufacture or end use, can be regarded as non-comparable with domestic production in developed countries, the matter might lend itself for examination and appropriate action by a technical group.

Annex I

TARIFF SUB-HEADING APPEARING IN THE TARIFF SCHEDULES
RESULTING FROM THE KENNEDY ROUND

A. PROCESSED TROPICAL FRUITS AND VEGETABLES

European Economic Community

- | | |
|-------|--|
| 20.01 | Vegetable and fruit, prepared or preserved, etc.
ex mango chutney |
| 20.04 | Fruit, fruit peel and parts of plants
preserved by sugar
ex ginger |
| 20.06 | Fruit otherwise prepared or preserved, etc. |
| B II | (a) ex ginger, prepared or preserved without
added spirit, containing added sugar in
immediate containers of a net capacity of
more than 1 kg. |
| B II | (b) ex ginger, prepared or preserved not
containing added spirit, containing added
sugar in immediate containers of a net
capacity of 1 kg. or less |
| 21.04 | Sauces etc.
ex liquid mango chutney |
| 22.09 | Spirits - liqueurs and other spirituous
beverages, etc. |
| B III | ex Angostura bitters, etc.
30 with min. charge of 1.6 AV per degree
and per hl. |

Switzerland

- | | |
|-------|--|
| 20.01 | Preserved fruit (in vinegar etc.) |
| 20/22 | Tropical fruits
Other |
| 20.03 | Fruit preserved by freezing, containing
added sugar |
| .01 | Tropical fruit
Other |
| 20.04 | Fruit preserved by sugar |
| .01 | Tropical fruit
Other |

20.05	10	Unsweetened purées, etc. of tropical fruit
	20	Jams, etc. containing sugar of tropical fruits
		Other
20.06	10	Unsweetened pulp of tropical fruits
	22	Preserved tropical fruits

B. TROPICAL WOOD AND PRODUCTS

European Economic Community

44.03	A	Wood in the rough whether or not stripped of its bark, or merely roughed down; tropical wood of the species specified in Additional Note 1 to Chapter 44 of the C.C.T.
44.04	A	Wood roughly squared or half squared but not further manufactured; tropical wood of the species specified in Additional Note 1 to Chapter 44 of the C.C.T.
44.05	A	Wood sawn lengthwise, sliced or peeled but not further prepared, of a thickness exceeding 5 mm; tropical wood of the species specified in Additional Note 1 to Chapter 44 of the C.C.T.

Switzerland

44.03	.08	Wood in the rough, etc. Tropical wood
44.04	.08	Wood roughly squared or half-squared, etc. Tropical wood
44.05	.08	Wood sawn lengthwise, sliced or peeled, etc. Tropical wood

C. PRE-TANNED LEATHER

Norway

ex 41.02)	Skins having undergone processes prior to tanning - imported by tanneries for subsequent tanning
ex 41.03)	
ex 41.04)	
ex 41.05)	

European Economic Community

41.05 Other kinds of leather, except leather falling within heading 41.06, 41.07 or 41.08. Reptile leather, not further prepared than vegetable tanned, whether or not prepared in any other way, but clearly not suitable for use without further processing for the manufacture of leather goods

Sweden

ex 41.02 Bovine cattle leather etc. Pre-tanned, intended exclusively for further tanning

ex 41.03 Sheep and lambskin leather etc. Pre-tanned, intended exclusively for further tanning

ex 41.04 Goat and skin leather etc. Pre-tanned, intended exclusively for further tanning

ex 41.05 Other kinds of leather etc. Pre-tanned, intended exclusively for further tanning

Denmark

ex 41.02 Bovine cattle hides (including buffalo hides) having undergone processes prior to tanning, imported by tanneries for subsequent tanning

ex 41.05 Skins having undergone processes prior to tanning, imported by tanneries for subsequent tanning

Switzerland

ex 41.01.20 Pre-tanned hides or skins, not dried, falling within headings nos. 41.02 to 41.05 (mainly no. 41.02.52)

Canada

60600-1 Leather produced from East India banned kip n.o.p. per square foot

D. COTTON FABRICS OF COTTAGE INDUSTRY

United States

- 55.09 Woven fabrics, wholly of cotton. Made on a handloom (i.e. a non-power driven loom) by a cottage industry and which prior to exportation have been certified by an official of a government agency of the country where the fabrics are produced
- Cancelled 320.01 through 320.88
321.00 through 325.00
- Substituted 319.01 of number 14 or coarser
319.03 of number 15 to 34
319.05 of number 35 to 49
319.07 of number 50 to 59

E. CARPETS AND MATS OF SISAL, COCO, STRAW AND OTHER FIBRES

Canada

- 57015-1 Carpeting, rugs, mats and matting of sisal, palm straw or cane straw
- 57105-1 Mats with cut pile, of coco fibre - per square foot
- 57110 Mats, rugs, carpeting and matting of coco fibre n.o.p. ... per square yard
- 57205-1 Carpets of sisal, palm straw or cane straw

Switzerland

- 57.07 Yarn of coconut fibres

F. SPORTS GOODS

European Economic Community

- 97.06 Appliances, apparatus etc. for outdoor games
ex appliances etc. for cricket and polo

Annex II

ILLUSTRATIVE LIST OF "HAND-MADE" GOODS

A. OF THE "TRADITIONAL AND REGIONAL" TYPE NORMALLY NOT COMPETING WITH INDUSTRIAL GOODS

BTN	Short description	Suggested by
42.02	Travel goods	Pakistan, UAR
ex 42.05	Other leather goods of the costume type	India
44.27	Wooden small ware	India, Pakistan, UAR
ex 46.01	Plaits of cane and bamboo	Pakistan
ex 46.02	Mats of bamboo, palm leaves or straw	Pakistan
ex 46.03	Basket work of cane or bamboo	Pakistan
48.21	Paper ware	India
ex 58.09	Lace	India
ex 58.10	Embroidery made up (without carpets)	Pakistan
ex 61.01	Mens' and women's outergarments and folk costumes	Pakistan
61.05	Handkerchiefs	Pakistan
61.06	Shawls etc.	India, Pakistan
64.02-04	Shoes (slippers, zari shoes etc.)	Pakistan
65.03-06	Hats	Pakistan
67.05	Fans	Pakistan
ex 68.16	Articles of stone (statuettes and other small ware)	India, Pakistan
69.12	Tableware of pottery	Pakistan
69.13	Statuettes of ceramic ware	India
ex 71.16	Typical costume jewellery	Pakistan
ex 74.18	Domestic articles of copper ("turkish" coffee cups etc.)	Pakistan
74.19	Copper articles (e.g. spangles)	Pakistan, UAR
83.06	Statuettes etc. of box metal	India
ex 83.07	Lamps and lamp shades	
83.11	Bells and gongs	Pakistan
92.02-06	Various musical instruments	Pakistan
95.01-08	Carved articles	India, Pakistan, UAR

B. OF THE "TRADITIONAL AND REGIONAL" TYPE WHICH MAY
COMPETE WITH INDUSTRIAL GOODS¹

BTN	Short description	Suggested by
ex Chapter 50-57	Handloom weaves of various materials	India, Pakistan
58.01	Hand knotted carpets	India, Pakistan
58.02	Khilim etc. carpets	India, Pakistan
ex 58.10/59.02	Felt carpets (embroidered or not) ("Namdaz")	India, Pakistan

¹Saris etc. handloom made fall under Chapters 58 to 63 if they are woven endless in such a way that the individual piece can be separated by cutting dividing lines (see explanatory note to the BTN page 718).

C. NOT OF THE TRADITIONAL AND REGIONAL TYPE

BTN	Short description	Qualification	Suggested by
ex 39.01	Plastics	Badminton guts	Pakistan
42.01	Saddlery		Pakistan
42.02	Travel goods (other than in Annex I)		Pakistan/UAR
ex 42.03	Leather apparel	Leather jackets	Pakistan
ex 42.06	Articles of gut	Badminton guts	Pakistan
44.25	Wooden tools		Pakistan
48.17	Box files		Pakistan
ex 61.01/02	Men's and women's garments (other than in Annex I)	Of handloom material	India, Pakistan
ex 61.03/04	Men's and women's undergarments	Of handloom material	India
ex 61.07	Ties	Of handloom material	India
62.01	Travelling rugs		India
62.02	Bed linen		Pakistan
ex 62.05	Other made-up textile articles	Handloom duster cloth	Pakistan
64.02	Shoes (other than in Annex I)		Pakistan
64.05/06	Parts of footwear, leggings, etc.		Pakistan
66.02/03	Walking sticks, and parts thereof		Pakistan
70.19 and 21	Glass beads and bangles		Pakistan
ex 71.02/03	Natural and synthetic precious stones	Cut or polished	Pakistan, UAR
71.12/13/16	Jewellery		Pakistan
74.17	Cooking apparatus		Pakistan
74.18	Domestic articles of copper, (other than in Annex I)		Pakistan

BTN	Short description	Qualification	Suggested by
82.09-14	Cutlery, razor blades, spoons	Harmonium	Pakistan
83.14	Sign plates		Pakistan
ex 92.03	Organs		Pakistan
97.02	Dolls		India, Pakistan
97.03	Toys		India, Pakistan
97.06	Sports' requisites		Pakistan
99.01	Paintings		Pakistan
99.03	Antiques		UAR

