

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

NTM/W/13  
26 August 1985

Limited Distribution

---

Group on Quantitative Restrictions  
and Other Non-Tariff Measures

ANALYSES OF THE GROUP'S DOCUMENTATION

Note by the Secretariat

1. In its 1984 report, the Group recommended that further analyses of quantitative restrictions and other non-tariff measures should be undertaken by the secretariat (L/5713, paragraphs 44(d) and 65(c)).
2. This note contains a number of analyses of the Group's documentation prepared by the secretariat on its own responsibility. It is organized as follows:

	<u>Page</u>
I. Quantitative Restrictions	2
II. Other Non-Tariff Measures	37

I. Quantitative Restrictions

3. Paragraph 44(d) of last year's report (L/5713) requested the secretariat to undertake an analysis of the trade effects of quantitative restrictions, especially those affecting products of particular export interest to developing countries. Annex A therefore attempts to separate out the different effects that quantitative restrictions may have and provides a guide to some quantitative studies of these effects.

4. Annex B attempts to give a brief outline and evaluation of the changes in quantitative restrictions that have been notified to the Group. It has been prepared with a view to assisting the Group in its review of progress made in achieving the objectives laid down by Ministers in the area of quantitative restrictions.

5. Annex C lists quantitative restrictions affecting selected sectors of export interest to developing countries. It has been prepared at the request of the Group (NTM/12, paragraph 20) to serve as a basis for the Group's review of progress made towards the objectives laid down by Ministers with regard to such restrictions.

II. Other Non-Tariff Measures

6. Techniques for liberalizing other non-tariff measures were dealt with only briefly in the secretariat's earlier note (Annex 3 of L/5713). Annex D to this note explores these in somewhat more detail and makes a number of suggestions designed to assist the Group to come to grips with this complex area.

## I. QUANTITATIVE RESTRICTIONS

### ANNEX A

#### EFFECTS OF QUANTITATIVE RESTRICTIONS

1. In accordance with paragraph 44(e) of the Group's 1984 Report and the secretariat's statement at the Group's meeting of March 1985 (NTM/11, paragraphs 11 and 12), this note attempts to separate out the various effects of quantitative restrictions, dealing first with those effects of quantitative restrictions which are common to other forms of protection such as tariffs, with effects of quantitative restrictions in particular and with the effects of different forms of quantitative restrictions. The note then goes on to provide a brief guide to some quantitative studies. It is hoped that this analysis goes some way to explaining why the text of the General Agreement permits the use of import duties, providing only that they should be the subject of negotiation, but prohibits quantitative restrictions except in circumstances which are carefully defined (e.g. in Articles XI:2, XII, XVIII, XIX, XX and XXI). This note is also designed to give some insight into why the General Agreement lays down detailed rules about the way in which quantitative restrictions are to be administered (e.g. in Articles XIII and XIV).

2. By definition, quantitative restrictions that are not redundant set a limit to imports into the country imposing the measure and thus have a direct effect on trade. Their resource allocation effects can, however, vary considerably depending on the level of the quantitative restriction and the way in which it is administered.

#### Effects of protection

3. When restrictions are imposed, whether they take the form of quantitative restrictions or of tariffs, prices of the protected goods and of domestically-produced close substitutes will tend to increase, while imports of these goods will fall. Often introduced to assist marginal producers or marginal plants, restrictions give windfall gains to those already earning a competitive rate of return before the introduction of the restriction. In the case of products for which there is only a small number of domestic producers and with imports restricted, oligopolistic behaviour among domestic producers will be easier and domestic producers of the restricted goods may find it possible to increase prices particularly if their number is limited or if one producer is a strong price leader.

4. Unprotected sectors will bear costs as a result of a number of mechanisms. These sectors are put at a relative disadvantage in competing for scarce factors of production. They will have to pay higher prices for inputs when the production of these inputs has been protected. Consumer demand for goods produced by them may fall as a result of the greater proportion of income that consumers will spend on purchases of the protected goods. Reduced imports of protected goods may maintain the exchange rate at a higher level than would otherwise be the case and thus handicap export industries in export markets and all unprotected industries in the home market. The foreign exchange earnings of trading partners will fall as a result of the reduced imports of the protected goods; this will lead to reduced demand by these trading partners for imports from the country taking the protective action. For all these reasons, export industries will thus become less competitive and exports will fall.

5. Employment may be maintained or even increased (at least temporarily) in the protected sector, but the costs imposed on the unprotected sectors will cause employment in them to be lower than it would otherwise have been. Higher prices will result in a loss of consumer welfare. The increase in prices of the protected goods is, of course, also inflationary.

6. Thus it must be emphasized that each protective measure has its costs, and that the longer term effect of such measures is generally to lead to a less efficient allocation of resources, reduced income and employment, and lower growth. In some cases, protection granted to infant industries may allow them to become competitive.

7. If restrictions are imposed on one product, other products are likely to be affected. Importers will attempt to circumvent the restriction by importing products which are either upstream or downstream of the restricted product in the flow of production, or products which can be substituted for it. It will then be necessary to restrict imports of these other products. If restrictions are imposed on a raw material or semi-manufacture, thus increasing its price, producers of downstream products will be affected and it will be difficult to refuse them protection against foreign producers who do not suffer this handicap. For these reasons, there is a tendency for restrictions to be applied to whole sectors of production.

8. In addition, restrictions have a demonstration effect. If one sector receives protection, producers or workers in other quite unrelated sectors may be encouraged to ask for the same. Especially if interest groups are well organized and well connected, such requests may be difficult to refuse.

9. Restrictions are sometimes applied to ranges of goods for balance-of-payments purposes. The fact that they are never, in practice, applied to all products means that the distortions between different import-competing industries are not avoided. Even if the restrictions initially provided a uniform level of protection across the board, changes taking place in the economy (e.g. in the relative cost of labour and capital or in technology) would lead to differences in the level of protection enjoyed by different sectors of production and thus to wasteful distortions of competition.

10. Import restrictions have effects not only on the country imposing them but on countries exporting to it. Exporters affected by restrictions in one of their markets will naturally attempt to increase sales in other foreign markets. They have to bear the cost of restructuring their sales or, if this is not possible, of cutting back production.

11. Once access to one market is restricted and affected exporters are looking around for markets, there is a tendency for governments in other countries to come under pressure from their producers to restrict imports. Such pressure is particularly difficult to withstand if the industry is capital intensive and exporters are selling, in the short run, at a price which covers little more than their variable costs and if few markets remain open.

12. The demonstration effect works at the international, as well as the domestic, level and a government in one country may agree to impose a restriction simply because other governments have given in to otherwise unrelated requests for protection.

13. Restrictions, once imposed, therefore have an inevitable tendency to multiply. The likelihood of additional restrictions creates uncertainty which make trade-related investment decisions more difficult.

14. Particular reference should be made to import restrictions which are discriminatory, either because the products restricted are defined in such a way as in practice to affect only certain producing countries, or because the restriction is applied to imports from some countries and not from others. These restrictions also have a tendency to proliferate - if imports from certain sources are restricted, imports from other sources are likely to increase - and to distort rational production patterns. The discriminatory nature of the restrictions is alien to the multilateral system and creates political friction.

#### Effects of quantitative restrictions

15. The preceding paragraphs relate to protection in any form, including quantitative restrictions.

16. Import duties, for instance, have effects which are similar to those described above. The essential difference between a tariff and a quantitative restriction is that the former provides for a defined margin of protection, while otherwise allowing competitive forces to work unaffected and the autonomous adjustment process to continue to function in response to market forces. Quotas, by contrast, lead to a margin of protection which is difficult to predict in advance of its establishment, which is difficult to estimate once in force, and which may change substantially over time as competitive conditions alter. This lack of transparency of the protective effect of quotas makes it difficult for governments to assess the extent of the distortions that are being introduced into the economy. It also makes it more difficult for consumers and other industries to be aware of the costs that quota measures are imposing on them and to mobilize themselves to resist their introduction. Thus, the fact that the extent of the protection afforded by a quantitative restriction is much less visible than that of a tariff makes it easier to grant high degrees of protection.

17. The revenue produced by tariffs goes to the treasury of the importing country. No such revenue is produced by a quantitative restriction unless the quota permits are sold by the government (which is a rare practice). Instead, the administration of quantitative restrictions entails government outlays for administrative costs. Import permits have a scarcity value (or economic rent) which accrues to their holders, thus creating additional vested interests.

18. In addition, tariffs are more transparent than quantitative restrictions and there is therefore more scope for the arbitrary and discriminatory application of quantitative restrictions. The administrative procedures for the granting of import licences can themselves create obstacles to trade because of unjustifiable complexities, delays and expense. These tend to affect more adversely the inexperienced exporter or the new entrant e.g. in certain developing countries in cases where, for example, information of a detailed or complex nature may be required from suppliers abroad.

19. These factors mean that quantitative restrictions have the effect of creating greater uncertainties for traders than import duties. In

addition, tariffs usually remain unchanged for long periods (inter alia, because they are bound in the GATT) but decisions relating to permitted levels of imports under a régime of quantitative restrictions are taken more frequently. This adds to the uncertainty and prevents rational investment decisions.

20. The effects of quantitative restrictions which are maintained in conformity with GATT provisions should be distinguished from the effects of those which do not. The rules are designed to limit the proliferation of restrictive measures - if measures are taken outside the rules no such limitation operates. Measures which are contrary to the rules also invite retaliation. The rules have an essential part to play here too, since they set limits to this process and are designed to prevent the outbreak of trade wars.

#### Effects of quotas and licences without quotas

21. The effects of quantitative restrictions are either implemented by means of quotas setting predetermined limits, expressed either in quantity or value terms, to permitted imports or by means of licences issued (or refused) as requests are received without quota limitations. Restrictions applied by means of import licences without a quota create more uncertainty than those applied by means of quotas and are, if anything, more open to arbitrary implementation because each application is the subject of an administrative decision.

22. Quotas may, however, have undesirable effects of their own. They are often allocated among supplying countries on the basis of their shares in some historical period. If this continues for any length of time, it has the effect of freezing the pattern of trade to the detriment of exporting countries which improve their relative competitive position and of new entrants to the world market. Traditional exporters, on the other hand, may find such market sharing arrangements convenient as it provides them with security. Where quotas are distributed to importers on the basis of past performance, they reduce competition and efficiency in the importing sector. If the restricted items are essential inputs and allocated to manufacturers on this basis they may freeze the pattern of domestic production. If the criterion for quota allocation is manufacturing capacity, they may encourage investment in excess capacity. In short, whatever the criteria established for allocating quotas, they are likely over time to introduce distortions and reduce efficiency.

23. Quotas also distort patterns of production and trade in other ways. If a quota covers a number of products, exporters will tend to trade up, concentrating on those with a higher unit value, leaving lower priced goods to domestic producers. The effect of this trend is to penalize lower income consumers. Administrations are thus led to setting quotas for numerous narrowly defined groups of products. If quotas are small they may be difficult for exporters to use because sales in small quantities are uneconomic. Importing countries have a tendency to claim that the fact that quotas are unfilled is evidence that they are not restrictive.

#### A guide to some quantitative studies of the effects of quantitative restrictions

24. In recent years, there has been an increased interest in attempting to quantify the effects of trade restrictive non-tariff measures, in

particular quantitative restrictions. An annotated list of some of the studies which have been made is appended. The list is not exhaustive, though it does represent the main general approaches that have been used to measure the effects or costs of protection. While some of these studies attempt to measure actual effects, others estimate them by means of a more or less sophisticated economic model.

25. Omitted from this list are (i) studies which have calculated only indices of the frequency of application of trade restrictions, indices which give no indication of the severity of impact of these restrictions, (ii) studies of the effects of "voluntary export restraints". No studies earlier than 1970 have been included with the exception of that by Pryor, one of the few that addresses itself to the trade policies of centrally-planned economies.

26. The overwhelming concentration of studies on the costs of restrictions to importing rather than exporting countries reflects the fact that the importing country bears most of the cost of protection and the concern to convince importing countries not only that their trade restrictions have adverse effects as well as the "beneficial" ones for which they are imposed, but that often these adverse effects outweigh the benefits sought.

27. Any reading of the studies listed should bear in mind not only the problems mentioned in the secretariat's earlier analysis (NTM/W/9, paragraph 6), but also that no study deals with each of the effects listed in the present note, and the fact that all attempted estimates are based, of necessity, on simplified assumptions and are, to that extent at least, subject to some qualification. Some of the questions that can be raised are to be found in critical commentaries such as those listed in part B of the Appendix; the critical commentaries listed here do, in fact, cover a number of the studies referred to in part A of the Appendix.

28. Some studies identify product specific effects.

#### Price effects

29. A number of studies have addressed themselves to the evaluation of the effect on domestic prices in the importing country of non-tariff import restrictions. Given the same ex post facto problems of making such measurements, the results are mainly obtained from comparisons of domestic and "world" prices. See numbers 2, 5, 11, 13, 15, 26, 27 in the list.

30. While the evaluation of the tariff equivalent of a non-tariff restriction does not provide a measure of the effects of the restriction, it does enable a direct comparison of non-tariff restrictions with the more tangible tariffs. A considerable number of studies have, therefore, focused on tariff equivalents, among them numbers 2, 10, 14, 17, 18, 19, 20, 22, 32, 34, 35. Pursuing the comparison with tariffs, attempts have been made to assess the effective rate of protection provided by non-tariff restrictions, an example of which is number 6.

#### Quantity effects

31. Given the difficulties of measuring, ex post facto, the effect of trade restrictions on the quantity of imports/exports, few studies are devoted to such an attempt. Among them are numbers 1, 10, 11, 17, 29 and

30 in the list. Certain studies have used a "proxy" for the value of trade, as is the case with numbers 4 (import penetration ratios), 25, 29 and 31 (percentages of managed imports).

#### Miscellaneous

32. Two studies are included in the list, each of which uses other approaches to estimating the impact of non-tariff restrictions. Study number 7 investigates the premium rates paid for the securing of import licences, while the author of study number 9 has asked exporters to rank the barriers faced by their products in terms of restrictiveness.

33. Other studies examine the economy-wide effects of quantitative restrictions.

#### Income, employment, factor allocation effects

34. Looking more broadly at the impact of trade restrictions on the economy of the importing country, certain studies have estimated the effects on income, employment and/or factor allocation. They include numbers 8, 11, 12, 13.

#### Costs to consumers

35. The total costs to consumers in the importing country is not only the price effect of import restrictions but certain welfare effects deriving from product substitution, etc. Estimates of costs to consumers can be found in numbers 3, 23, 24, 28.

#### Total welfare effect

36. A global approach to the effects of trade restrictions in the importing country estimates the overall welfare effect, including such elements as income, employment, costs, value of trade, etc. Such global estimates can be found in studies 11, 16, 21, 30, 33.

#### Balance-of-payments, exchange rate effects

37. Reflecting a general concern with the costs of protection, few studies have been devoted to an estimation of some of its hoped-for benefits. Study number 8 looks at the balance-of-payments effect, and number 11 at the exchange-rate effect.

### Appendix

#### QUANTIFICATION OF QUANTITATIVE RESTRICTIONS

##### An Annotated Bibliography

#### A. INDIVIDUAL STUDIES

1. ALLEN, R.L. and WALTER, J.  
An Analysis of the Impact of Nontariff Measures Imposed by Developed Market Economy Countries on Representative Products of Export Interest to Developing Countries. UNCTAD Secretariat Working Paper. (Geneva: U.N., mimeo 1970).

Effects: value of trade.  
Products: of export interest to developing countries.  
Importers: developed market economy countries.

2. ANJARIA, S.I. et al.  
Developments in International Trade Policy. I.M.F. Occasional Paper No.16. (Washington: I.M.F. 1982).  
Effects: prices, tariff equivalents.  
Products: agricultural commodities.  
Importers: EEC, Japan, USA.
3. AUSTRALIAN INDUSTRIES ASSISTANCE COMMISSION  
Report on Textiles, Clothing and Footwear. (Canberra, 1980).  
Effects: costs of protection to consumers.  
Products: textiles, clothing, footwear.  
Importer: Australia.
4. BALASSA, B. and C.  
Industrial Protection in the Developed Countries, in The World Economy, Vol.7, No.2 (June 1984), pp.179-196.  
Effects: import penetration ratio, ratio of imports to GDP.  
Products: iron and steel, passenger vehicles, telecommunications equipment; textiles, clothing, other consumer products.  
Importers: EEC, Japan, USA.  
Exporters: all; developing countries.
5. BALDWIN, R.E.  
Foreign Trade Régimes and Economic Development: The Philippines. (New York. 1975).  
Effects: prices.  
Importer: Philippines.
6. BALDWIN, R.E.  
Nontariff Distortions of International Trade. (Washington: Brookings Institution, 1970).  
Effects: effective rate of protection (tariffs + NTBs).  
Products: textiles, apparel.  
Importer: USA.
7. BHAGWATI, J. and SRINIVASAN, T.N.  
Foreign Trade Regimes and Economic Development: India. (New York: National Bureau of Economic Research, 1975).  
Effects: premium rates for import licences.  
Products: various.  
Importer: India.
8. CABLE, V. and WEALE, M.  
Economic Costs of Sectoral Protection in Britain, in The World Economy, Vol.6 (Dec. 1983), pp. 421-438.  
Effects: income, employment, balance of payments.  
Products: textiles, clothing, motor vehicles.  
Importer: Britain.

9. CAO, A.D.  
Non-Tariff Barriers to U.S. Manufactured Exports, in Columbia Journal of World Business (Summer 1980), pp.93-102.  
Effects: ranking by exporters of the effects of barriers on their exports.  
Products: manufactures.  
Exporter: USA
10. CLINE, W.R. et al.  
Trade Negotiations in the Tokyo Round: a Quantitative Assessment. (Washington: Brookings Institution. 1978).  
Effects: trade creation and diversion, erosion of GSP (mainly tariffs, but also NTBs).  
Products: agricultural products.
11. DEARDORFF, A.V. and STERN, R.M.  
A Disaggregated Model of World Production and Trade: An Estimate of the Impact of the Tokyo Round, in Journal of Policy Modeling, 1981, 3(2), pp. 127-152.  
Effects: value of imports and exports, employment, economic welfare, exchange rates, prices.  
Products: all.  
Importers/exporters: 18 industrialized and 16 developing countries.
12. DE MELO, J.A.P.  
Estimating the Costs of Protection: a General Equilibrium Approach, in Quarterly Journal of Economics, Vol.92 (May 1978), pp.209-226.  
Effects: sectoral factor allocation, aggregate employment, income.  
Importer: Colombia.
13. DIXON, P.B. et al.  
ORANI: A Multisectoral Model of the Australian Economy. (Amsterdam: 1982).  
Effects: overall effects of protectionist policies.  
Importer: Australia
14. F.A.O.  
Protectionism in the Livestock Sector. (Rome. 1980).  
Effects: tariff equivalents.  
Products: beef.  
Importers: Canada, EEC, Japan, USA.
15. HARLING, K.F.  
Agricultural Protectionism in Developed Countries: Analysis of Systems of Intervention, in European Review of Agricultural Economics, Vol.10 (1983), pp.223-247.  
Effects: prices.  
Products: nine agricultural commodities.  
Importers: Canada, Germany, Britain.
16. JACKSON, J.H.  
Perspectives on the Jurisprudence of International Trade, in American Economic Review 74, Papers and Proceedings (May 1984), pp.277-281.  
Effects: quantifiable costs of import regulations.  
Importer: USA.

17. JAGER, M. and LANJOUW, G.J.  
An Alternative Method for Quantifying International Trade Barriers, in Weltwirtschaftliches Archiv, 113 (No.4, 1977), pp.719-740.  
Effects: tariff equivalents, quantity effects.  
Product: newsprint.  
Importer: Netherlands.
18. JAPAN ECONOMIC INSTITUTE  
Agricultural Protectionism. (Tokyo. 1983).  
Effects: tariff equivalents.  
Products: agricultural commodities.  
Importers: EEC, Japan, USA.
19. JENKINS, G.P.  
The Costs and Consequences of the New Protectionism. (Harvard Institute for International Development, Discussion Paper No.99. July 1980).  
Effects: tariff equivalents (calculated on basis of quota charges).  
Products: textiles.  
Importer: Canada.
20. KOESTER, U.  
Policy Options for the Grain Economy of the European Community: Implications for Developing Countries. IFPRI Research Report No.35. (Washington. 1982)  
Effects: tariff equivalents.  
Products: grain.  
Importer: EEC.
21. MAGEE, S.P.  
The Welfare Effects of Restrictions on U.S. Trade, in Brookings Papers on Economic Activity No.3 (1972), pp.645-801.  
Effects: total costs of import restrictions.  
Products: all.  
Importer: USA.
22. MORICI, P. and MEGNA, L.L.  
U.S. Economic Policies Affecting Industrial Trade: A Quantitative Assessment. (Washington, 1983).  
Effects: tariff equivalents of trade barriers 1976 (forecasts for 1985).  
Products: various industries.  
Importer: USA
23. MORKRE, M.E. and TARR, D.G.  
Effects of Restrictions on United States' Imports: Five Case Studies and Theory. (U.S. Federal Trade Commission: Staff Report of the Bureau of Economics. June 1980).  
Effects: costs to consumers.  
Products: footwear, clothing, sugar.  
Importer: USA.

24. MUNGER, M.C.  
The Costs of Protectionism: Estimates of the Hidden Tax of Trade Restraint. (St. Louis, Miss.:Centre for the Study of American Business, Working Paper No.80. 1983).  
Effects: economy-wide costs of protection to consumers (tariffs, QRs and other NTBs) for 1980.
25. PAGE, S.A.B.  
The Revival of Protectionism and its Consequences for Europe, in Journal of Common Market Studies, Vol.20 (1981), pp.17-40.  
Effects: percentage of "managed" to total imports, 1974-1980.  
Importers: OECD + 3 developed + 15 oil-exporting + 81 non-oil developing.
26. PRYOR, F.L.  
Trade Barriers of Capitalist and Communist Nations Against Foodstuffs Exported by Tropical Underdeveloped Nations, in The Review of Economics and Statistics, Vol.48 (Nov. 1966), pp.406-411.  
Effects: price differentials.  
Products: 9 tropical foodstuffs.  
Importers: 18 countries, inc. 8 Eastern Bloc.
27. RONINGEN, V. and YEATS, A.  
Nontariff Distortions of International Trade: Some Preliminary Empirical Evidence, in Weltwirtschaftliches Archiv, 112 (No.4, 1976), pp.613-625.  
Effects: price differentials.  
Products: 26 product groups.  
Importers: France, Japan, Sweden, USA.
28. TARR, D.G. and MORKRE, M.E.  
Aggregate Costs to the United States of Tariffs and Quotas on Imports: General Tariff Cuts and Removal of Quotas on Automobiles, Steel, Sugar and Textiles. (U.S. Federal Trade Commission: Staff Report of the Bureau of Economics. December 1984)  
Effects: aggregate costs and benefits.  
Products: automobiles, steel, sugar, textiles.  
Importer: USA.
29. UNCTAD.  
Problems of Protectionism and Structural Adjustment. Report by the UNCTAD Secretariat. Part I: Restrictions to Trade and Structural Adjustment. TD/B/1039 (Part I). (Geneva: mimeo, 28 January 1985)  
Effects: percentage of "managed" imports; estimated effects of liberalization.  
Products: all; developing country exports.  
Importers: major developed countries; selected developing countries.  
Exporters: developing countries.
30. VALDES, A. and ZIETZ, J.  
Agricultural Protection in OECD Countries: Its Cost to Less-Developed Countries. (Washington: International Food Policy Research Institute, Research Report No.31. 1980).

Effects: trade and welfare effects of 50% reduction of  
tariff equivalent of tariffs and NTBs.

Products: 99 agricultural commodities.

Importers: 17 developed countries.

Exporters: 56 developing countries.

31. WAITER, I.  
Nontariff Protection among Industrial Countries: Some Preliminary  
Empirical Evidence, in *Economia Internazionale*, 25 (May 1972),  
pp.335-354.  
Effects: ratios of imports under restriction.  
Products: all.  
Importers: 19 market-economy industrial countries.
32. WHALLEY, J.  
An Evaluation of the Recent Tokyo Round Trade Agreement Using General  
Equilibrium Computational Methods, in *Journal of Policy Modeling*, Nov.  
1982, 4(3), pp. 341-361.  
Effects: tariff equivalents.  
Importers: EEC, Japan, USA.
33. WHALLEY, J.  
The North-South Debate and the Terms of Trade: An Applied General  
Equilibrium Approach, in *Review of Economics and Statistics*, Vol.66  
(May 1984), pp.224-234.  
Effects: welfare impact of simulated abolitions of  
tariffs and NTBs.  
Products: 6 product groups.  
Importers: 7 country groups.
34. WOLF, M.  
Managed Trade in Practice: Implications of the Textile Arrangement, in  
W.R. CLINE (Ed.), *Trade Policies in the 1980s*. (Washington, 1983).  
Effects: tariff equivalents.  
Products: textiles.  
Importer: Canada.
35. YEATS, A.J.  
Trade Barriers Facing Developing Countries. (New York. 1979).  
Effects: tariff equivalents.  
Products: agricultural commodities, apparel, all  
sectors.  
Importers: EEC, Japan, USA.

B. CRITICAL COMMENTARIES

36. DEARDORFF, A.V. and STERN, R.M.  
Methods of Measurement of Nontariff Barriers. (Geneva: UNCTAD.  
1985. ST/MD/28).  
Assessment of different methods of measurement.
37. HAVRYLSHYN, O. and ALIKHANI, I.  
Protection Levels and Policies in Developing and Industrial Countries.  
Annotated Bibliography and Data Bank Summary. (IBRD: International  
Trade Division. Mimeo: August 1982).  
Bibliography of IBRD studies estimating effective rates  
of protection for more than 30 countries.
38. HOLZMAN, F.D.  
Comparison of Different Forms of Trade Barriers, in Review of  
Economics and Statistics, 51 (May 1969), pp.159-165.  
Critique of the use of price differentials.
39. JAGER, H. and LANJOUW, G.J.  
An Alternative Method for Quantifying International Trade Barriers, in  
Weltwirtschaftliches Archiv, Vol.113 (1977), pp. 719-739.  
Critique of the use of tariff equivalents for  
inter-country comparisons.
40. OECD  
Costs and Benefits of Protection (OECD 1985).
41. SHOVEN, J.B. and WHALLEY, J.  
Applied General Equilibrium Models of Taxation and International  
Trade: An Introduction and Survey, in Journal of Economic Literature,  
Vol.XXII, 3 (Sept. 1984).

ANNEX B

PROGRESS IN ELIMINATING/LIBERALIZING QUANTITATIVE RESTRICTIONS

This note is based on the specific written proposals by contracting parties referred to in L/5713, paragraph 44(h) (NTM/W/12 and Add.1-7). It is also based on other notifications taken into account in the NTM/W/6/- documentation up to and including NTM/W/6/Rev.2/Add.2.<sup>1</sup> There are a number of difficulties in interpreting the data. It is sometimes unclear, for instance, whether or not the movement of a product from one category of restrictions to another represents progress towards the objectives laid down by Ministers. Changes in nomenclature which frequently take place for statistical or other purposes also cause difficulties. This note nevertheless attempts to give a brief outline and evaluation of the changes that have been notified. It is limited to quantitative restrictions on imports and does not deal with any other measures.

Argentina

In December 1983 a serious balance-of-payments deficit necessitated the introduction of strict import controls, in the form of temporary prohibitions and non-automatic licensing of a wide range of goods (L/5687). Argentina will consult in the Committee on Balance-of-Payments Restrictions during the course of 1985.

Bangladesh

In the 1984 consultations in the Committee on Balance-of-Payments Restrictions (BOP/247), it was noted that some liberalization had taken place under certain import facilities (Wage Earners Scheme, export promotion licences). Bangladesh consults in the Committee on Balance-of-Payments Restrictions.

Brazil

Two notifications have been made (L/5618 and L/5726) modifying the list of products to which the issuance of licences has been temporarily suspended. The modifications are numerous and an overall trend is not clearly discernible. Brazil consults in the Committee on Balance-of-Payments Restrictions.

Canada

Increases have been notified for the twelve months to 30 November 1985, in the quotas on footwear maintained under Article XIX (L/5263/Add.19 and L/5351/Add.20). From 30 April 1985 all leather shoes and sandals valued for duty at CAN\$35 or more per pair and all leather boots valued at CAN\$60 or more are exempt from quota (L/5351/Add.23). No modifications have been notified concerning other restrictions, for all but one of which a GATT justification is cited.

---

<sup>1</sup> It does not include quantitative restrictions on textiles imposed under the MFA.

### Colombia

A wide range of goods have been transferred from the free-import list to the prior-licensing list (L/5542 and Add.1-3) in view of serious balance-of-payments problems. Colombia will consult in the Committee on Balance-of-Payments Restrictions during the course of 1985.

### EEC

The EEC has notified various corrections to the NTM/W/6/- documentation. The 1 March 1984 compensatory measures under Article XIX:3(a) for United States action on specialty steel included quotas on imports of styrene, polyethylene and various sporting equipment (L/5524/Add.15). The quota levels were increased for the year from 1 March 1985 (L/5524/Add.50). In its submission to the Group (NTM/W/12) the EEC proposes the liberalization of twenty-eight quantitative restrictions maintained by different member States on imports from all or selected sources.

### Hungary

On 1 January 1985 Hungary completed the process of eliminating all import quotas introduced in September 1982 for balance-of-payments reasons under Article XII:2(a) of the General Agreement (L/5771 and NTM/W/12/Add.6).

### India

The overall effect of changes in India's annual Import Policy (notified to the Committee on Import Licensing: LIC/3/- series) has been towards liberalization. It was estimated, for example, that import possibilities increased by 29.6 per cent between 1982/83 and 1983/84 (BOP/W/81). India consults in the Committee on Balance-of-Payments Restrictions.

### Indonesia

The notification to the Group (see NTM/W/6/Rev.2), updating the earlier notification of measures taken under Article XVIII:C (L/5452), shows some increase in restriction, inter alia, on certain products of the paper, glass and metal industries, carpets, heavy equipment. Certain mechanical appliances and generators were liberalized.

### Israel

The list of imports subject to licensing submitted for the 1984 consultation in the Committee on Balance-of-Payments Restrictions (BOP/230) showed some net increase in restrictions over the list for the 1982 consultation (BOP/244). Inter alia, new restrictions had been imposed on some preserved vegetables, clothing, footwear, furniture, certain products of the chemical and allied industries, while a few items had been liberalized, inter alia, certain medical and paper products. On 3 October 1984 a temporary prohibition was imposed, for balance-of-payments reasons, on imports of certain luxury goods (L/5697 and Add.1). These prohibitions were replaced by a special import deposit on 5 February 1985 (L/5784). Israeli consults in the Committee on Balance-of-Payments Restrictions.

### Japan

Increased quotas for 1984-87 were announced on 27 April 1984 for beef, oranges and orange juice, while the quota for grapefruit juice was to be increased for 1984-85 and eliminated thereafter. Further relaxation of restrictions was also announced for dried leguminous vegetables, groundnuts, corned beef, fruit purée and paste, fruit pulp, canned pineapple, non-citrus fruit juices, and tomato juice, ketchup and sauce (L/5648). Quotas on imports of certain types of leather and leather products have been liberalized since October 1984 (NTM/W/12/Add.7).

### Korea (Republic of)

As the first step of a five-year import liberalization programme aiming to bring the import liberalization ratio to 95.2 per cent in 1988 (see NTM/W/12/Add.4), 634 items were transferred to the Automatic Approval list in 1984, including those industrial products notified to the Group, inter alia, certain products of the chemical and allied industries, furskins, copper articles, electrical and other machinery, vehicles, optical and photographic equipment (NTM/W/6/Rev.2/Add.1). The Republic of Korea consults in the Committee on Balance-of-Payments Restrictions.

### Mauritius

In February 1984 it was notified that the wide-ranging restrictions imposed for balance-of-payments reasons in October 1981 were being gradually phased out, with the expectation of complete removal by end 1984 (NTM/W/6/Rev.2).

### New Zealand

In July 1984 quantitative restrictions were eliminated on some eighty tariff items, including, inter alia, certain oil seeds, tobacco products, coal and petroleum products, textile articles, glassware, iron, steel and copper products, electrical and other machinery, sports equipment (NTM/W/6/Rev.2). Plans for the gradual dismantling of the import licensing system are proceeding on two fronts: the allocation, each year, of additional licences by tender, and industry development plans, some of which already include defined dates for the removal of licensing (NTM/W/12/Add.8).

### Norway

Automatic or liberal licensing has been eliminated for imports from all countries under thirty-five sub-positions and for imports from certain countries under eighteen positions and 184 sub-positions; bilateral quotas for three positions and eighty-nine sub-positions have been abolished; all quantitative restrictions on imports from Hungary, referred to in paragraph 4 of the latter's Protocol of Accession, have been abolished (see NTM/W/12/Add.5). The products affected by the above liberalization measures include, inter alia, sugar and certain items of clothing from all countries; some petroleum oils, textiles, clothing from Eastern European countries; certain tyres, engines, radio and television receivers, tape recorders, textiles from Japan; certain items of clothing, cutlery, tyres from the Republic of Korea (NTM/W/6/Rev.1, L/5640/Add.2,

NTM/W/6/Rev.2/Add.2). The global quotas imposed under Article XIX on imports of certain items of clothing were terminated on 1 July 1984 on accession to the MFA (COM.TEX/27/Add.12, COM.TEX/SB/1007). These restrictions, unless replaced by bilateral arrangements, are being phased out.

#### Pakistan

On 1 July 1983 a new licensing system was introduced, based on a "negative list" and accompanied by some measure of liberalization. Further liberalization took place in September 1983 and in the 1984/85 Import Policy Order. The changes included, inter alia, the liberalization of imports of milled wheat, sugar, certain fertilizers, certain vehicles, various consumer durables, certain machinery; the transfer of certain items from the negative to the tied list and the transfer of others, including radio-telephones, railway equipment, aircraft and boats, from the negative to the State-trading list (L/5250/Rev.1, BOP/250). Pakistan consults in the Committee on Balance-of-Payments Restrictions.

#### Philippines

The Consolidated Rules and Regulations to Govern Import Transactions, effective from 15 October 1984, have been notified to the GATT (L/5745), although the annexes detailing the products affected have not been included. No evaluation of changes in policy is, therefore, possible. The Philippines consults in the Committee on Balance-of-Payments Restrictions.

#### Portugal

The value of quotas maintained on imports of consumer goods and CKD motor vehicles has been increased to maintain, as far as possible, the level of imports in terms of quantity (L/5543 and Add.1, L/5558 and Add.1). No change has been notified in Portugal's other quantitative restrictions, although the import régime is being reviewed in view of accession to the EEC. Portugal consults in the Committee on Balance-of-Payments Restrictions.

#### South Africa

As part of a continuing process of liberalization, the percentage of tariff items subject to import control was reduced from seventy-seven in 1983 to fifty-five in 1984. The liberalized items included, inter alia, products of the chemical and allied industries, certain leather articles, paper products, textile and clothing items, ceramic products, jewellery, various articles of iron, steel, copper, aluminium and lead, electrical and other machinery, vehicles, aircraft, toys (NTM/W/6/Rev.1/Add.2). Two further lists of items being considered for removal from import control were published on 11 January and 6 February 1985 (NTM/W/12/Add.3).

#### Spain

In its submission to the Group (NTM/W/12/Add.2), Spain proposes the elimination of restrictions on imports of a first list of products including, inter alia, various medicaments, exposed and developed cinematographic film, silk and silk yarn, jute, pearls, clock cases, cuff links.

Sweden

With effect from 1 January 1984 the last global quota on non-agricultural imports was eliminated (rubber or plastic boots), as also the last bilateral quota on imports from Japan (china tableware). With effect from 1 January 1985 bilateral quotas on imports from Czechoslovakia, Hungary, Poland and Romania were eliminated on a wide range of textile products, certain boots, ceramic domestic products and zinc oxide (NTM/W/6/Rev.1/Add.1 and NTM/W/12/Add.1).

United States

On 20 July 1983, under the provisions of Article XIX, a quota was imposed on imports of certain specialty steel articles (L/5524).

Yugoslavia

In September 1983 changes were notified to the list of products subject to licensing (L/5146/Rev.1). Some products were removed from the list including, inter alia, certain gaseous hydrocarbons, petroleum coke, bitumen and certain x-ray plates and film. Other products were transferred from the licensing to the quota list, including various mineral fuels and oils. Additions to the licensing list included, inter alia, various aircraft, side-arms, fire-arms, war munitions. Yugoslavia consults in the Committee on Balance-of-Payments Restrictions.

ANNEX C

QUANTITATIVE RESTRICTIONS AFFECTING SELECTED SECTORS  
OF EXPORT INTEREST TO DEVELOPING COUNTRIES

1. This annex, which has been drawn up in response to the request contained in NTM/12, paragraph 20, deals with the following sectors:

Canned Products  
Leather  
Footwear  
Tableware  
Electronic Products

2. The notes on each of these sectors reflect the specific written proposals by contracting parties (NTM/W/12 and Addenda 1-8) referred to in the Group's Report (L/5713, paragraphs 44(h)). They are also based on other notifications taken into account in the NTM/W/6/- documentation up to and including NTM/W/6/Rev.2/Add.2.

3. The tables on each sector bring together relevant information contained in documentation and analyses available to the Group. They should be read together with the 1984 report of the Group which reproduces points made by delegations on this information, for instance, on the grounds and GATT justification for measures. For further details regarding the application of these measures, the country notes and Column 6 of the NTM/W/6/- documentation should be consulted. The symbols in the NTM/W/6/- documentation are also used, as relevant, in column 2 of the tables:

AL Automatic licensing  
ALX Automatic export licensing  
BQ Bilateral quota  
DL Discretionary licensing - includes cases where global quotas may have been established, but not published (see GQ)  
DLX Discretionary export licence  
EL Emergency licence  
GQ Global quota - where restriction applies to goods of most, if not all, countries and where the amount of the quota is published  
GQX Global export quota (see GQ)  
L Licensing - method unspecified  
LL Liberal licensing - where maintaining countries consider their licensing régime to be a purely formal requirement involving no restriction  
LLX Liberal export licensing  
LS Licence suspended  
LX Export licence  
MP Minimum import price system  
MPX Minimum export price system  
P Prohibition or embargo - with the possible exception of purchases for government use  
PL Prior licensing  
PLX Prior export licensing  
PX Export prohibition  
Q Quota - unspecified (see also BQ, GQ, DL, QC)  
QC Quota allocated by country  
QX Export quota - unspecified

R     Restriction - either unspecified, or specified in the "Comments"  
      column  
RX    Export restriction - either unspecified, or specified in the  
      "Comments" column  
SR    Seasonal restriction  
ST    State trading  
VER   "Voluntary" export restraint operated by the country affected.

Abbreviations used in column 4 are as follows:

AILP        Agreement on Import Licensing Procedures  
BOP         Balance of payments  
Prot.acc.   Protocol of Accession.

CANNED PRODUCTS

Definition

For purposes of this paper, this sector includes:

- Meat, Fish, Crustaceans and Molluscs

- 1602: Other Prepared or Preserved Meat or Meat Offal
- 1604: Prepared or Preserved Fish, including Caviar and Caviar Substitutes
- 1605: Crustaceans and Molluscs, Prepared or Preserved

- Fruit and Vegetable Products

- 2001: Vegetable and Fruit, prepared or preserved by vinegar and acetic acid
- 2002: Vegetables, prepared or preserved otherwise
- 2005: Jams, Fruit Jellies, Marmalades, Fruit Furée and Fruit Pastes, being cooked preparations
- 2006: Fruit, otherwise prepared or preserved, whether or not containing added sugar or spirit
- 2007: Fruit and vegetable juices, unfermented and not containing spirit

Notes

For implementation during fiscal year 1984, Japan announced a number of import liberalization measures pertaining, inter alia, to this category of products (see Japan in Annex A). New Zealand's industry development plan for canned fruit aims at achieving an overall liberalization of imports of canned fruit; licence is to be tendered over a three-year period, followed by a five-year phase-out of import licensing (NTM/W/12/Add.8). Balance-of-Payments difficulties have led to stricter import controls being exercised by some developing countries, for example Argentina and Colombia prohibit imports of a large number of products in this category; Israel increased restrictions in some preserved vegetable products and the Philippines limited imports of canned sardines and mackerel.

Canned Products

Meat and Fish

(Total Number of CCCN Headings: 3)

Reporting Country	Type of Measures	CCCN Headings	1. GATT Justification/ 2. Grounds Cited
Austria	GQ, DL, DLX	1602	1. Prot. acc. 2. -
Brazil	L, R, ALX, PLX	1602 1604 1605	1. Art.VIII (questioned), Art.XVIII (questioned) 2. -
Colombia	ALX	1602 1604 1605	1. Art.VIII:4 (questioned) 2. -
EEC (Community) R		1604	1. - 2. -
EEC (France)	R, Q	1602 1604	1. - 2. Imports into New Caledonia
Egypt	L	1602 1604	1. Art.XVIII:B 2. -
Espana	GQ	1602	1. Prot.acc. (questioned) 2. -
Finland	DL	1602	1. - 2. -
Ghana	DL	1602 1604	1. Art.XVIII:B 2. -
Hungary	GQ	1602 1604	1. Prot.acc. 2. -
India	R, L, LX	1602 1604 1605	1. Art.XVIII:B, Art.XX(b) 2. -
Israel	DL	1602 1604 1605	1. BOP exception to General Agreement 2. -
Jamaica	DL, LX, Q, R	1602 1604 1605	1. Art.XI:2 2. -
Japan	DL, GQ	1602	1. - 2. -

Reporting Country	Type of Measures	CCCN Headings	1. GATT Justification/ 2. Grounds Cited
Kenya	DL	1602 1604 1605	1. Art.XVIII (questioned), Art.XII (questioned) 2. -
Korea, Rep. of	DL, DLX	1602 1604 1605	1. Art.XVIII:B, Art.XI:2, Art.XI:2(a) 2. -
Malta	P, L	1602 1604	1. - 2. -
New Zealand	GQ, R	1602	1. Art.XX(b) 2. -
	GQ	1604 1605	1. - 2. -
Norway	DL, GQ	1602	1. - 2. -
Philippines	Q	1604	1. Art.XVIII:B, AILP 2. -
Portugal	MPX	1604 1605	1. - 2. -
South Africa	L	1604 1605	1. Art.XX(g) 2. -
Switzerland	AL, BQ, GQ	1602	1. Art.VIII (questioned), Prot.acc. 2. -
Thailand	MPX	1605	1. Art.XX(d) 2. -
Turkey	R	1602 1604 1605	1. Art.XVIII:B 2. -
Yugoslavia	Q	1602 1604	1. Art.XVIII (questioned) 2. -

Canned Products

Fruit and Vegetables

(Total Number of CCCN Headings: 5)

Reporting Country	Type of Measures	CCCN Headings	1. GATT Justification/ 2. Grounds Cited
Austria	DL, GQ	2007	1. Prot.acc. 2. -
Brazil	ALX, L, R, PLX	2001 2002 2005 2006 2007	1. Art.VIII (questioned), Art.XVIII(questioned) 2. -
EEC (Community)	R	2002 2007	1. - 2. -
EEC (France)	BQ	2007	1. - 2. -
EEC (Italy)	R	2007	1. - 2. -
Egypt	L	2001 2006	1. Art.XVIII:B 2. -
Espana	GQ	2005 2006 2007	1. Prot.acc. (questioned) 2. -
Finland	DL, GQ	2001 2002 2005 2006 2007	1. - 2. -
Ghana	DL	2001 2002 2005 2006 2007	1. Art.XVIII:B 2. -
Israel	DL	2002 2005	1. - 2. -
	DL	2006 2007	1. BOP exception of General Agreement (questioned) 2. -
Jamaica	DL, LX	2001 2006 2007	1. Art.XI:2 2. -
	R	2005	1. - 2. -
Japan	GQ, DL	2005 2006 2007	1. - 2. -
Korea, Rep. of	DLX, DL	2002 2005 2006 2007	1. Art.XI:2(a), XVIII:B 2. -

Reporting Country	Type of Measures	CCCN Headings	1. GATT Justification/ 2. Grounds Cited
Malawi	L	2002	1. - 2. -
Malta	L, P	2002 2006 2007	1. - 2. -
New Zealand	GQ	2001 2002 2005 2006 2007	1. - 2. -
Nigeria	PL	2001 2002 2005 2006 2007	1. Art.XVIII:B 2. -
Norway	DL, GQ	2001 2002 2005 2006 2007	1. - 2. -
Portugal	MPX	2002	1. - 2. -
South Africa	LL	2001	1. Art.XI:2(b) 2. -
	DL, LL	2002	1. Art.XI:2 2. -
Sweden	R	2006	1. Art.XX(b) 2. -
Switzerland	AL, DL, GQ	2001 2002 2007	1. Art.VIII (questioned), Prot.acc. 2. -
Thailand	P	2007	1. Art.XVIII:C (questioned) 2. -
Turkey	R	2001 2002 2005 2006 2007	1. Art.XVIII:B 2. -
Yugoslavia	Q	2001 2002 2005 2006 2007	1. Art.XVIII (questioned) 2. -

LEATHER

Definition

For purposes of this paper, this sector includes:

- Chapter 41: Raw Hides
- Chapter 42: Articles of Leather
- Chapter 43: Furskins

Notes

Some clear indications of changes in quantitative restrictions affecting this product sector are available. With effect from October 1984, Japan converted restrictions covering some items under Chapter 41 into no-ceiling quotas; with respect to some other items under Chapter 41, increases of quota and publication of the size of quota were instituted from the same date (NTM/W/12/Add.7). Norway eliminated import licensing requirements for certain sub-positions in Chapter 42 with effect from 1 January 1985 (NTM/W/6/Rev.2/Add.2, Annex 3). The list of products being considered by the South African authorities for removal from import control includes, inter alia, a number of sub-positions in Chapters 41, 42, 43 (NTM/W/12/Add.3); a number of items under these Chapters were liberalized by South Africa in 1984 (NTM/W/6/Rev.1/Add.2). Some changes were seen in the import restrictions maintained by developing countries in this sector: for example Argentina and Colombia prohibit imports of most items; Brazil temporarily suspended the issue of licences for a number of products including articles of leather and articles of furskin; Bangladesh introduced a negative list in 1985 which includes hides, skins and leather goods but brought about some liberalization in certain leather goods under its various import facilities; Israel imposed temporary prohibitions on furskins; the Republic of Korea announced a phased programme of import liberalization which includes furskins and articles of furskins.

Leather

(Total Number of CCCN Headings: 19)

Reporting Country	Type of Measures	CCCN Headings	1. GATT Justification/ 2. Grounds Cited
Brazil	LS	4201 4202 4203 4204 4205 4206 4303	1. Art.XVIII:B 2. -
Colombia	DL, P	4102 4105 4106 4108 4201 4202 4203 4206 4301 4302 4303 4304	1. Art.XVIII:B 2. -
Côte d'Ivoire	L	4202 4205	1. Art.XVIII (questioned) 2. -
Espana	R	4202 4303	1. Prot.acc. (questioned) 2. -
Ghana	DL	4102 4103 4104 4105 4106 4108 4110 4201 4202 4204 4205 4206	1. Art.XVIII:B 2. -
Hungary	GQ	4203	1. Prot.acc. 2. -
Indonesia	R	4101 4102 4103 4104	1. Art.XVIII:C 2. -
Israel	DL	4202	1. BOP exception of General Agreement 2. -
Japan	GQ	4102 4103 4104	1. No GATT Article/Provision cited 2. Historical, social
Korea, Rep. of	LL	4301 4302 4303 4304	1. Art.XVIII:B 2. Subject to recommendation of Ministry of Agriculture and Fisheries, Quarantine Act
Malawi	L	41 42 43	1. No GATT Article/Provision cited 2. -
Malta	DL, L, P, Q	4202 4203	1. No GATT Article/Provision cited 2. -

Reporting Country	Type of Measures	CCCN Headings	1. GATT Justification/ 2. Grounds Cited
New Zealand	DL, GQ	4102 4103 4104 4105 4106 4108 4201 4202 4203 4204 4205 4302 4303 4304	1. No GATT Article/Provision cited 2. Subject to phased liberalization provision of footwear industry level, country note
Nigeria	DL, P	4102 4103 4104 4105 4108 4202 4203 4301 4302 4303 4304	1. Art.XVIII:B 2. -
Norway	AL, BQ	4202 4203	1. No GATT Article/Provision cited 2. Bilateral agreements to accession of affected country, country note
Pakistan	P	4201 4202 4203 4205 4301 4302 4303 4304	1. Art.XVIII:B 2. -
Portugal	LL	4101 4102	1. No GATT Article/Provision cited 2. -
South Africa	LL	4101 4104 4105 4301 4302	1. Art.XX(b), no GATT Article/Provision cited 2. Country note
Tunisie	P	41 42 43	1. Art.XVIII:B 2. -

FOOTWEAR

Definition

For purposes of this paper, this sector includes:

Chapter 64: Footwear, Gaiters and the Like; Parts of Such Articles

Notes

Canada's global quota on imports of certain types of footwear maintained under Article XIX was liberalized through an increase in quota levels (L/5351/Add.17 and Add.20) and exemptions granted from the quota (L/5351/Add.23). The European Economic Community propose the liberalization of certain restrictions e.g. elimination of quota by the Benelux countries in respect of footwear with uppers of textile material and partial elimination of quota by Italy in respect of footwear for sports or gymnastics (NTM/W/12). A liberalization in Japan's quota régime in respect of some items is being considered by the authorities with a view to implementing changes from September 1985 (NTM/W/12/Add.7). New Zealand's seven year Industry Development Plan in respect of footwear commenced from 1 July 1983; it provides, inter alia, for a liberalization of imports of finished footwear through the tendering of an additional 6 per cent of the domestic market (NTM/W/12/Add.8); in July 1984, New Zealand had exempted from import licensing some eighty tariff items, including some products in the footwear sector (NTM/W/6/Rev.2). Import licensing requirements in respect of Norway's bilateral quotas covering imports from Macau of some items were removed with effect from 1 January 1985 (NTM/W/6/Rev.2/Add.2). With effect from 1 January 1984, Sweden eliminated its global quota on certain types of boots and bilateral quotas in respect of some other items on imports from Czechoslovakia, Hungary, Poland and Romania (NTM/W/12/Add.1). Changes in import restrictions maintained by developing countries include, for example the prohibitions on imports instituted by Argentina and Colombia; temporary suspension of licences by Brazil on a number of articles of footwear; the inclusion of footwear in the "negative" list introduced by Bangladesh in 1985; temporary prohibitions imposed on imports of footwear by Israel.

Footwear

(Total number of CCCN Headings: 6)

Reporting Country	Type of Measures	CCCN Headings	1. GATT Justification/ 2. Grounds Cited
Brazil	LS	64	1. Art.XVIII:B 2. -
Canada	GQ	64	1. Art.XIX 2. -
Colombia	DL, P	6401 6402 6403 6404 6406	1. Art.XVIII:B 2. -
Côte d'Ivoire	L	6401 6402 6404 6405	1. Art.XVIII (questioned) 2. -
Espana	R	6401 6402	1. Prot.acc. (questioned) 2. -
Ghana	DL	6401 6402 6403 6404 6405 6406	1. XVIII:B 2. -
Hungary	GQ	6401 6402	1. Prot.acc. 2. -
Israel	DL	6401 6402 6403 6404	1. BOP exception of General Agreement 2. -
Japan	GQ	6402	1. No GATT Article/Provision cited 2. Historical and social
Malta	L, Q	64 6402	1. No GATT Article/Provision cited 2. -
New Zealand	GQ	6401 6402 6403 6404 6405 6406	1. No GATT Article/Provision cited 2. Country note
Nigeria	DL, P	64 6405	1. Art.XVIII:B 2. -
Norway	AL	6401 6402 6406	1. No GATT Article/Provision cited 2. Country note
Pakistan	P	64	1. Art.XVIII:B 2. -

Reporting Country	Type of Measures	CCCN Headings	1. GATT Justification/ 2. Grounds Cited
Portugal	DL	6401 6405	1. No GATT Article/Provision cited 2. -
Senegal	P, Q	64	1. No GATT Article/Provision cited 2. -
South Africa	LL	6401 6402 6403 6404 6405 6406	1. No GATT Article/Provision cited 2. Country note
Sweden	BQ	6401 6402	1. No GATT Article/Provision cited 2. Prots.acc. of certain countries
Tunisie	P	64	1. Art.XVIII:B 2. -

TABLEWARE

Definition

For purposes of this paper, this sector includes:

- 6911: Tableware of porcelain or china
- 6912: Tableware of other kinds of pottery

Notes

New Zealand's import liberalization measures for some items would fall under the industry development plan for ceramics (NTM/W/12/Add.8). Sweden eliminated its bilateral quota on imports of china tableware from Japan with effect from 1 April 1985; with effect from 1 January 1985, bilateral quotas on imports of tableware and other articles from Czechoslovakia, Poland, Romania and Hungary were also eliminated (NTM/W/12/Add.1). South Africa's liberalization of import control regulations, which took effect on 1 January 1984, covered items of kitchen and householdware of porcelain or china and of other kinds of pottery. Changes in the import restrictions maintained by developing countries include, for example the prohibitions maintained by Argentina and Colombia; temporary suspension of licenses by Brazil; the inclusion of certain ceramic manufactures in Bangladesh's "negative" list; temporary prohibitions imposed by Israel.

Ceramic Products

(Total Number of CCCN Headings: 2)

Reporting Country	Type of Measures	CCCN Headings	1. GATT Justification/ 2. Grounds Cited
Brazil	LS	6911 6912	1. Art.XVIII:B 2. -
Colombia	P	6911 6912	1. Art.XVIII:B 2. -
EEC (France)	R	6911 6912	1. No GATT Article/Provision cited 2. Country note
EEC (Greece)	R	6911	1. No GATT Article/Provision cited 2. Country note
Espana	R	6911 6912	1. Prot.acc.(questioned) 2. -
Ghana	DL	6911 6912	1. Art.XVIII:B 2. -
Israel	DL	6911 6912	1. BOP exception to General Agreement 2. -
Korea, Rep. of	LL	6911 6912	1. Art.XVIII:B 2. -
New Zealand	GQ	6911 6912	1. No GATT Article/Provision cited 2. Country note
Norway	BQ	6911 6912	1. Prot.acc. 2. Bilateral agreements in connection with accession of countries
Pakistan	L, P	6911 6912	1. Art.XVIII:B 2. Import from tied sources only
Thailand	P	6911	1. No GATT Article/Provision cited 2. -

ELECTRONIC PRODUCTS

Definition

For purposes of this paper, this sector includes:

- 8515: Radiotelegraphic and radiotelephonic transmission and reception apparatus; radio-broadcasting and television transmission and reception apparatus, television cameras etc.
- 8521: Thermionic, cold cathode and photo cathode valves and tubes, diodes, transistors and similar semi-conductor devices etc.

Notes

In July 1984, New Zealand exempted some eighty tariff items from import licensing, including certain products (NTM/W/6/Rev.2); under New Zealand's industry development plan concerning the electronic industry, import licensing would be gradually phased out (NTM/W/12/Add.8). Norway eliminated bilateral quotas on imports from Japan of certain products with effect from 1 January 1984. The items being considered by South Africa for removal from import control include certain sub-positions (NTM/W/12/Add.3). There were some changes in restrictions applied by developing countries, for example Brazil temporarily suspended the issuance of licences for a number of products in this category; Bangladesh brought about some liberalization in items like computers and spares under its various import facilities; Philippines provisionally suspended certain electronic products and components and placed other such goods, previously freely importable, under prior certification. India introduced a new scheme in 1984 allowing exporters of computer software to import computer systems and data processing related hardware; Israel's temporary prohibitions covered, inter alia, certain electronic products; the Republic of Korea's phased programme of import liberalization includes colour television sets; Pakistan permitted imports of computers in 1983 and, in 1984, certain electronic goods were removed from the country's "negative" list.

Electronic Products

(Total Number of CCCN Headings: 2)

Reporting Country	Type of Measures	CCCN Headings	1. GATT Justification/ 2. Grounds Cited
Brazil	LS, DL	8515 8521	1. Art.XVIII:B 2. Subject to authorization by Spec. Secret. for Data Process
Colombia	DL	8515 8521	1. Art.XVIII:B 2. -
Côte d'Ivoire	L	8515	1. Art.XVIII (questioned) 2. -
EEC (France)	R	8515 8521	1. No GATT Article/Provision cited 2. Country note
EEC (Greece)	R, Q	8515	1. No GATT Article/Provision cited 2. Country note
Espana	R	8515 8521	1. Prot.acc. (questioned) 2. Country note
Hungary	GQ	8515	1. Prot.acc. 2. -
Indonesia	R	8515 8521	1. Art.XVIII:C 2. -
Israel	DL	8515	1. BOP exception of General Agreement 2. -
Korea, Rep. of	LL	8515 8521	1. Art.XVIII:B 2. Elec. Appl. Safety Control Act, Subject to recommendation of Electronic Ind.Assoc. of Korea
Malaysia	P	8515	1. Art.XX(a), XX(b) 2. -
Malta	DL, P, Q	8515	1. No GATT Article/Provision cited 2. -

---

Reporting Country	Type of Measures	CCCN Headings	1. GATT Justification/ 2. Grounds Cited
New Zealand	GQ, DL	8515 8521	1. No GATT Article/Provision cited 2. Country note
Nigeria	DL	8515	1. Art.XVIII:B 2. -
Pakistan	P, L, ST	8515	1. Art.XVIII:B 2. Import from tied sources only
Portugal	GQ	8515	1. BOP exception to General Agreement 2. -
South Africa	LL	8515 8521	1. No GATT Article/Provision cited 2. Country note
Sri Lanka	Q	8515	1. Art.XVIII:B 2. -
Switzerland	DL	8515	1. Art.XVI(b), (ii) 2. National Security
Tunisie	P, EL	8515	1. Art.XVIII:B 2. -
Yugoslavia	Q	8515	1. Art.XVIII:B 2. -

## II. OTHER NON-TARIFF MEASURES

### ANNEX D

#### TECHNIQUES FOR LIBERALIZING OTHER NON-TARIFF MEASURES

1. Techniques for liberalizing other non-tariff measures were only briefly touched upon in an earlier note by the secretariat (see Annex 3 of L/5713). That note indicated that the main techniques are:

- (a) request and offer procedure with multilateral review of progress at the bilateral or plurilateral level;
- (b) establishment of multilaterally-agreed interpretations of existing international rules or of new international rules.

2. This annex describes these techniques in somewhat more detail. The appendix further analyzes the types of problems identified in the Inventory of Non-Tariff Measures, focusing mainly on those not dealt with in the MTN Codes. It is hoped that this analysis will assist delegations to decide how these problems might be tackled.

3. The work of the Group in this area is directed towards the achievement of progress in liberalizing other non-tariff measures, adequate attention being given to the need for action on measures affecting products of particular export interest to developing countries. It seems clear from the work of the Group to date that, in any future movement towards the liberalization of non-tariff measures, an opportunity should be given to governments to take up individual measures affecting their exports bilaterally or plurilaterally. It is therefore suggested that the Group may wish to recommend procedures for this purpose. The main aims of the procedures would be to ensure that a result is reached within a reasonable length of time, that the degree of liberalization is maximized in particular in respect of measures affecting products of particular export interest to developing countries and that adequate transparency is achieved so that the interests of all contracting parties may be taken into account.

4. Bilateral procedures have, in the past, contained the following elements:

- (a) The presentation to developed countries of requests by a specified date (it being understood that the possibility of additional requests was not foreclosed);
- (b) the presentation to developing countries of indicative lists of measures maintained by those countries by a specified date (it being understood that the possibility of additional lists was not foreclosed);
- (c) requests and indicative lists drawn up in accordance with an agreed format suggested by the secretariat to indicate the specific measure which is the subject of the request including, where possible, the products to which it applies, and the specific action which the country maintaining the measure is requested to take;

- (d) copies of these bilateral requests and indicative lists to be forwarded to the secretariat for distribution to all participating governments, subject to requirements of confidentiality;
- (e) offers by governments in response to requests and contributions by governments in response to indicative lists to be presented by a specified date;
- (f) progress to be reviewed multilaterally with a view to ensuring that the agreed time-table is met, to ensure transparency, to take such action as may be needed to achieve the objectives of the negotiations, in particular with respect to developing countries;
- (g) upon request, the secretariat to prepare documentation for the developing countries concerning non-tariff measures of particular interest for these countries.

5. There are a number of possibilities with regard to plurilateral procedures:

- (a) governments could also ask to be joined in a specific request made by another government;
- (b) the presentation of requests relating to specific measures in specific countries by a number of governments acting together;
- (c) an offer by one government could be made conditional on specific action by a government other than the government making the request in question.

6. Both bilateral and plurilateral procedures have the merit of focusing attention on particular problems created by particular measures. They are however complex and time-consuming if many problems are to be tackled. Multilateral techniques have therefore been adopted in the past, for instance during the Tokyo Round when the NTM Codes were drawn up, to deal with categories of problems of general interest. Some views have been expressed in the Group earlier, e.g. paragraphs 62 and 63 of L/5713. It is suggested that the Group should examine the categories of non-tariff measures in the Inventory in order to see if any problems would be suitable for multilateral treatment.

7. The first step in such an approach is a multilateral discussion in order to identify issues that require action. A multilateral approach does not necessarily lead to the drafting of a new legal instrument. In some cases the problem may be that the existing framework is adequate but is not being applied. In other cases, it may not be possible to deal with the issues in the area concerned without drawing up agreed interpretations of existing rules. There may, finally, be problems which can only be solved by the establishment of new international rules or guidelines. In each of these cases, the initial stage during which the problems are discussed is followed by a second stage of negotiation based on a specific proposal.

8. The Appendix analyzes (a) the main problems raised by delegations in each section of the Inventory of Non-Tariff Measures and elsewhere in the GATT and (b) the main relevant provisions in the General Agreement and

elsewhere. The notes in this Appendix focus at this stage on those categories of non-tariff measures contained in the Inventory which are not the subject of NTM Codes. There are two reasons for this. First, an earlier analysis by the secretariat showed that most notifications on measures covered by MTN Codes are between parties to these agreements (NTM/W/9, Annex 14). These notifications may therefore be pursued in the relevant Code Committee. Secondly, at their last session, the CONTRACTING PARTIES established a Working Party to examine the adequacy and effectiveness of the MTN Agreements and Arrangements and the obstacles to the acceptance of those Agreements and Arrangements by interested parties (L/5756). This will permit contracting parties which are not parties to these an opportunity to pursue points of interest to them.

9. One of the main purposes of the note is to help delegations to decide how the problems raised should be tackled. It is suggested that many problems dealt with in the notes are not of sufficiently general interest or importance to be dealt with multilaterally and should therefore be taken up at the bilateral level. The analysis contained in the appendix is intended to assist delegations to identify types of non-tariff measures which lend themselves to multilateral examination. It is difficult at this stage to identify other non-tariff measures affecting products of particular export interest to developing countries both because they are often not product specific or because the products to which they apply have not been identified. It is suggested that a reviewed effort be made to improve the quality of the data available to the Group. In the meantime, it is hoped that the analysis in the appendix will give some assistance to delegations, including those from developing countries, wishing to identify categories of non-tariff measures of interest to them.

10. It is, for instance, suggested that the need for greater transparency in the operations of State enterprises and enterprises to which contracting parties grant exclusive or special privileges is one such question. It also appears desirable to reach a better understanding of both what is meant by State and privileged enterprises within the meaning of Article XVII. It should be noted that the Committee on Trade in Agriculture is to elaborate approaches, as a basis for possible future negotiations, to deal with the "import and export activities of State trading and other related enterprises" as they affect trade in agriculture (L/5732, paragraph 1(a)).

11. It may also be considered that more information should be gathered about the wide range of fees and charges imposed in connection with importation that are contained in Part V of the Inventory. The tendency in the past has been to treat these as relatively unimportant. It can, however, be argued that the very large number of such fees and charges, and the fact that they may exceed the cost of services rendered, would justify a review of the sort foreseen in Article VIII:2 of the General Agreement.

12. Another example of a section of the Inventory of Non-Tariff Measures which might be taken up multilaterally is rules of origin, as these have given rise to a number of different problems over many years and as this question has already been singled out in the 1982 Ministerial Declaration (BISD, 29S, page 21). Such an approach should not conflict with work in the Customs Co-operation Council (CCC) since the aim of such an approach would be to explore questions of policy, rather than the technical questions which are achieving attention in that forum, or problems relating to specific products which could be dealt with bilaterally. In this area,

the starting point might, for instance, be the proposition that rules of origin are not policy instruments but means by which policies are implemented and, as such, should be governed by rules of good administrative practice. They should, therefore, be as transparent, stable, simple, predictable and uniform as possible in their application. It has sometimes been suggested that international agreement might be sought on one origin rule which would be applied whenever such a rule is necessary. However, no one rule is obviously the best for all purposes. There are advantages and disadvantages to both of the main rules commonly in use for goods not wholly produced in the country of origin, the one based on value added and the other on changes of tariff heading. The possibility of limiting the number of rules used, of eliminating exceptions to the rules and of limiting changes in rules might be explored. This might be done either by drawing up rules or guidelines to which rules of origin should conform or a negative list of practices which should not be permitted.

### Appendix

#### INVENTORY OF NON-TARIFF MEASURES

##### Problems and Current International Obligations

###### Part I.A: Government Aids

[Subsidies Code]

###### Part I.B: Countervailing Duties

[Subsidies Code]

###### Part I.C: Government Procurement

[Code on Government Procurement]

###### Part I.D: Restrictive Practices Tolerated by Governments

###### Problems

A number of miscellaneous problems have been raised under this heading relating to lack of detailed trade statistics; difficulties connected with the issuing of temporary visas for foreign businessmen; the application of different non-tariff measures to the same product at different times; and "buy national" campaigns.

###### International obligations

These practices do not appear to be subject to obligations in the GATT or elsewhere.

###### Part I.E: State Trading/Government Monopoly Practices, etc.

###### Problems

The operations of State or privileged enterprises may create a number of problems for trading partners, notably by using import mark-ups to give

domestic products protection against imports, by setting a quantitative limitation on imports or exports and by discriminating between different foreign sources of supply or markets. Problems can be caused on exportation, on importation or after importation at the stage of distribution and sale. The scope for such problems is much greater when the enterprise has a monopoly than when it is competing with other enterprises.

Particular mention must also be made of the difficulty of knowing how State or privileged enterprises in fact conduct their operations - the problem of transparency.

#### International obligations

Provisions in the General Agreement relate to each of the problems identified above.

Article XVII is entitled "State Trading Enterprises" but relates to both "State enterprises" and "enterprises to which contracting parties grant, formally or in effect, exclusive or special privileges". It lays down that such enterprises shall, in their purchases involving imports or exports, act in a manner consistent with the general principles of non-discriminatory treatment prescribed in the GATT, i.e. such enterprises shall, having due regard to the other provisions of the Agreement, make such purchases or sales solely in accordance with commercial considerations. It exhorts contracting parties to negotiate on obstacles to trade created by State and privileged enterprises. It contains special provisions to promote transparency.

Article XVII is supported by a number of other provisions.

Article II:4 provides that, if a binding is granted, import monopolies shall not operate so as to afford protection on the average in excess of the amount provided for in the relevant schedule of concessions.

Article III, providing for national treatment, is also relevant.

A note to Articles XI, XII, XIII, XIV and XVIII makes it clear that these apply to quantitative restrictions made effective through State trading operations.

Article XXXVII:3(a) requires developed contracting parties to make every effort to maintain trade margins at equitable levels in cases where a government directly or indirectly determines the resale price of products wholly or mainly produced in the territories of less-developed contracting parties.

In the preparatory work leading up to the Tokyo Round, the Committee on Trade in Industrial Products agreed that the basic principles laid down in this area were reasonably adequate and that the problems appeared to lie in the area of implementation (L/3496, page 27). It was considered that a strengthening of the effectiveness of Article XVII would be desirable through: an improvement in the quality, frequency and coverage of reports under the Article; consultations along the lines of Articles XXII and XXIII; and the negotiation of concessions on State-traded products, including global purchase commitments (L/3496, page 9). However, in its subsequent work, the Committee did not pursue the question of State trading, giving priority to a number of other issues.

## Part II.C: Customs Classification

### Problems

The major concerns indicated in the notifications relate to complexity and lack of clarity in tariff classification systems leading to difficulty in establishing the appropriate heading, uncertainty regarding the amount of duty payable on the part of traders, and the risk of arbitrary classification decisions and disputes between traders and customs. The use of differing systems of tariff nomenclature may make it more difficult to carry out tariff negotiations.

### International obligations

Article II:5 provides for negotiations with a view to compensatory adjustments in the event that a product cannot receive the tariff treatment contemplated by a concession negotiated in GATT because a court or other proper authority has ruled to the effect that the product cannot be so classified under the tariff laws of the country concerned.

In Article VIII:1(c), the contracting parties recognize the need for minimizing the incidence and complexity of import and export formalities and for decreasing and simplifying import and export documentation requirements. Article X:1 requires that laws, regulations, judicial decisions and administrative rulings of general application pertaining, inter alia, to the classification of products for customs purposes be published promptly. Article X:3 relates to possibilities for review and correction of administrative action relating to customs matters.

The Customs Co-operation Council Nomenclature (CCCN) developed in the CCC is applied by some 150 countries; as of the middle of 1984 there were about fourteen countries that did not. A Nomenclature Committee of the CCC deals with classification questions which give rise to difficulties or involve a lack of uniformity in the application of the CCCN. A new classification system, the International Convention on the Harmonized Commodity and Coding System has been developed; it will enter into force after seventeen States or Customs or Economic Unions have signed it without reservations, but no sooner than 1 January 1987.

In the Ministerial Declaration of 29 November 1982, the GATT CONTRACTING PARTIES decided that the wide acceptance of a common system for classifying products for tariff and statistical purposes would facilitate world trade and therefore recommended prompt action towards the introduction of such a system. Arrangements have been made for the necessary modification of schedules of tariff concessions that will be required as a result of the adoption of the Harmonized System.

## Part II.D: Consular Formalities and Documentation

### - Consular formalities and fees

#### Problems

Some countries require imports of goods to be accompanied by special consular invoices legalized by their consulates. Fees may be charged for the form and for its legalization. Consular legalization of some other trade documents may also be required, for example bills of lading and

certificates of origin. The two main trade problems in this connection appear to be that the documentation and procedural requirements may be burdensome, expensive and difficult to meet and that the fees are sometimes seen as excessive in relation to the services rendered, increasing the cost of imports and representing an additional element of protection to the domestic industry.

#### International obligations

Article VIII of the General Agreement requires that fees and charges (other than import and export duties and internal taxes) imposed by governmental authorities on or in connection with importation or exportation, shall be limited in amount to the approximate cost of services rendered and shall not represent an indirect protection to domestic products or a taxation of imports or exports for fiscal purposes. In that Article, the contracting parties also recognize the need for reducing the number and diversity of such fees and charges, for minimizing the incidence and complexity of import and export formalities, and for decreasing and simplifying import and export documentation requirements.

In 1952, the CONTRACTING PARTIES recommended that contracting parties abolish consular invoices and visas and that, in the meantime they should reduce progressively the incidence of consular fees. They also adopted a number of "Standard Practices for Consular Formalities" (BISD, 1S/25). These "Standard Practices" were superseded by a Recommendation of 30 November 1957, which, among other things, invited contracting parties applying consular formalities to report to the secretariat progress in this matter each year before 1 September (BISD, 6S/25). A further Recommendation of 1962 (BISD, 11S/59) urged contracting parties still maintaining consular requirements to remove them in conformity with the Recommendation of 1952 as amended in 1957.

#### - Certificates of Origin

##### Problems

Where import treatment depends on the origin of goods, documentary evidence, including authenticated certificates of origin, is sometimes required by the importing country. There appear to be three main problems for international trade: (i) the obtaining of certificates of origin involves time, trouble and expense; (ii) complicated or restrictive procedural requirements for obtaining certificates can exacerbate this; and (iii) certificates of origin requirements in respect of imports from some countries but not other countries are felt to be discriminatory where preferential treatment does not make this necessary.

#### International obligations

In Article VIII of the General Agreement, the contracting parties recognize the need for minimizing the incidence and complexity of import and export formalities and for decreasing and simplifying import and export documentation requirements. A note to the Article states that it would be consistent with paragraph 1 if, on the importation of products from the territory of a contracting party into the territory of another contracting party, the production of certificates of origin should only be required to the extent that is strictly indispensable. The CONTRACTING PARTIES adopted, on 23 October 1953, a Recommendation concerning requirements for

proof of origin (BISD, 2S/57), which was subsequently amended by a Recommendation of 17 November 1956 (BISD, 5S/33). These recommendations, inter alia, reaffirm that certificates of origin should be required only in cases where they are strictly indispensable.

Annex D.2 of the Kyoto Convention of the CCC (the International Convention on the Simplification and Harmonization of Customs Procedures) concerns documentary evidence of origin. It lays down, inter alia, standards or recommended practices regarding requirements of documentary evidence of origin and applications and form of certificates of origin and other types of documentary evidence of origin. Norm 2 states that "documentary evidence of origin may be required only when it is necessary for the application of preferential Customs duties, of economic or trade measures adopted unilaterally or under bilateral or multilateral agreements or of measures adopted for reasons of health or public order". Seventeen countries and the EEC have accepted this annex, subject to various reservations. Annex D.3 of the Convention concerns the control of documentary evidence of origin.

- Other documentation requirements

Problems

Where documentation requirements are unduly numerous, complex or difficult to meet, they unnecessarily discourage trade through causing additional expense, effort and uncertainty.

International obligations

In Article VIII of the General Agreement, the contracting parties recognize the need for minimizing the incidence and complexity of import and export formalities and decreasing and simplifying import and export formalities. In 1952, the CONTRACTING PARTIES adopted a Code of Standard Practices for Documentary Requirements for the Importation of Goods (BISD, 1S/23).

A number of international agreements have been negotiated in other international bodies with the aim of simplifying and harmonizing trade documentation requirements. Many of the Annexes to the Kyoto Convention of the Customs Cooperation Council include provisions with this aim (for example Annex B.1 which includes provisions concerning the goods declaration for home use). Certain other CCC Conventions also aim at harmonizing and simplifying documentation requirements, for example the 1961 Customs Convention on the ATA Carnet for Temporary Admission of Goods and the 1971 Convention on the International Transit of Goods (ITI). Also of relevance is the 1982 International Convention on the Harmonization of Frontier Controls of Goods concluded under the aegis of the Economic Commission for Europe. The Technical Committee on Customs Valuation is keeping under review the question of whether it should consider the elaboration of an international form for declaration of customs value.

The Economic Commission for Europe negotiated what has become known as the United Nations Layout Key for Trade Documents, which provides a basis for the international standardization of trade documents. The ECE Working Party on the Facilitation of International Trade Procedures has worked and is working on the simplification and harmonization of trade documentation, and has adopted a number of recommendations in this field.

UNCTAD has a special unit (known as FALPRO, standing for Special Programme on Facilitation Procedures) which works extensively in cooperation with the Economic Commission for Europe and which concerns itself with the facilitation of trade procedures, with special emphasis on documentation requirements.

- Penalties for documentation errors

Problems

Excessive penalties for inadvertent documentation errors can lead to uncertainties, costs and hardships for traders, which may well be out of proportion with the usefulness of the documents.

International obligations

Article VIII:3 of the General Agreement prohibits the imposition of substantial penalties for minor breaches of customs regulations or procedural requirements particularly in respect of any omissions or mistakes in customs documentation which are easily rectifiable and obviously made without fraudulent intent or gross negligence.

Annex H.2 of the Kyoto Convention of the CCC concerning customs offences, which has yet to enter into force, contains provisions on the treatment of inadvertent or minor errors or offences (norms 21, 22, 25 and 28). These, inter alia, recommend that there should be no penalties if there is no question of gross negligence and the amount of duties or taxes evaded is less than the limit laid down in national legislation, and require that, where penalties are applied for such errors, they shall be only a small fine. Certain other Annexes to the Kyoto Convention contain similar provisions on the treatment of inadvertent errors, for example norm 43 of Annex B concerning clearance for home use, which deals with inadvertent errors in the goods declaration.

Part II.E: Samples

Problems

Restriction on the movement of samples in and out of countries, or excessive complication and expense in this regard, impedes international trade by making it more difficult for traders to advertize their wares in foreign countries and solicit orders.

International obligations

The provisions of Article VIII of the General Agreement are of general relevance.

An International Convention to Facilitate the Importation of Commercial Samples and Advertizing Material, which was drawn up by the CONTRACTING PARTIES in 1952 but is administered by the United Nations, provides for the exemption from import duties of samples of negligible value, the temporary duty-free admission of other samples and the temporary waiver of import prohibitions and restrictions. Fifty-eight countries apply the Convention. Annex B.2 of the Kyoto Convention concerning relief from import duties and taxes in respect of goods declared for home use, which has yet to come into force, reaffirms in its norm 14 the provisions

of the Convention in regard to samples of no commercial value. As regards customs requirements for samples of goods presented for customs clearance, Norm 4 of Annex B.1 of the Kyoto Convention of the CCC states that samples shall be taken only where deemed necessary by the customs authorities to establish the description and/or value of goods declared for home use or to ensure the application of other provisions of national legislation, and that any samples drawn shall be as small as possible.

## Part II.F: Rules of Origin

### Problems

Rules of origin are required whenever the treatment of imports varies with the origin of the goods. They are therefore necessary for a number of different purposes but have been discussed in particular in connection with the operation of free trade areas, of the Generalized System of Preferences and of the Multi-Fibre Arrangement.

In the first of these contexts, only goods defined as originating in the area receive area benefits. Without such rules, imports from outside the area would be shipped in to the member State with the most liberal import policy and then forwarded to other members of the area whenever the benefits of this operation outweighed its costs. It is in the interests of countries outside the area that rules of origin are liberal, i.e. the conditions attached to obtaining the advantages of area treatment can easily be met. On the other hand, producers within the area will tend to want the rules to be tailored to their own pattern of production - to be liberal for complementary products and restrictive for competing products.

In the context of GSP, producers in the country granting the preference will tend to want rules that vary from item to item according to their needs, while those in beneficiary countries will want liberal rules so that they can qualify for the preferences more easily. In the context of the MFA, producers of textiles and clothing in exporting countries would want liberal origin rules while producers in importing countries would want restrictive origin rules.

The main problems in this area, as seen by exporting countries, are, therefore, that rules of origin are often too restrictive and that, because they are tailored to the requirements of industries in importing countries, they are too complicated. Particular problems are created for exporters when rules of origin which have been in force for some time are made more restrictive.

### International obligations

The GATT does not contain any detailed rules on the subject of rules of origin. In the case of free trade areas, Article XXIV:8(b) lays down that such areas shall cover "substantially all the trade between constituent territories in products originating in such territories". Paragraph 2(a) of the Enabling Clause provides legal cover for the Generalized System of Preferences for "products originating in developing countries" (BISD, 26Sup, page 203). Bilateral agreements concluded under the MFA provide for restrictions on imports originating in certain exporting countries.

Annex D.1 to the Kyoto Convention drawn up by the Customs Co-operation Council deals with rules of origin. It describes the main methods used for

determining origin, their advantages and disadvantages for customs. It points to "the desirability of moving progressively towards harmonization in this field". It proposed those rules which it is felt can be most easily applied and controlled.

Since this Annex was established, the Permanent Technical Committee has continued its work relating to rules of origin. It aims to increase transparency in this area by drawing up a compendium of such rules and is concentrating attention on particular rules which are difficult for customs to apply.

## Part II.G: Customs Formalities

### Problems

Complicated, time-consuming and expensive customs formalities can constitute, intentionally or unintentionally, a severe impediment to international trade. Moreover, lack of uniformity in procedures and requirements in different countries can in itself make life difficult for traders.

### International obligations

In Article VIII the contracting parties recognize the need for minimizing the incidence and complexity of import and export formalities.

The main international instrument in this connection is the Kyoto Convention of the CCC. Attached to the Convention are thirty annexes each laying down the basic principles applicable to a distinct area of customs activity. Each contracting party to the Convention decides whether or not to accept each Annex and, if so, with what reservation. As of June 1984, six of the Annexes had not yet entered into force; the other Annexes had been accepted by between five and thirty-four countries.

## Part III: Technical Barriers to Trade

[Code on Technical Barriers to Trade]

### Part IV.A: Quantitative Restrictions and Import Licensing

[Quantitative Restrictions]

### Part IV.B: Embargoes and Other Restrictions with Similar Effect

[Quantitative Restrictions]

### Part IV.C: Screen-time Quotas and Other Mixing Regulations

#### Problems

Mixing regulations may be implemented in a number of ways. Grant of import licenses may be linked to proof of purchase of a certain amount of domestic material. Preferential tariff rates for imports may be provided to importers who purchase a certain percentage of their requirements locally. In certain cases the government of the importing country may specify that a certain percentage of the contents of the imported goods shall be produced in the importing country.

Screen-time quotas relating to imported cinematograph films require, for example, that a specified minimum proportion of the total screen time of theatres be utilized for the exhibition of films of national origin. The restrictions mentioned in respect of the exhibition of foreign television programmes are similar in effect.

#### GATT Provisions

Article III:5, 6 and 7 refer to internal mixing regulations. They ban the use of "any internal quantitative restrictions relating to the mixture, processing or use of products in specified amounts or proportions which requires, directly or indirectly, that any specified amount or proportion of any product which is the subject of the regulation must be supplied from domestic sources" unless it was in force on specified dates (the latest of which is 24 March 1948). This exception does not permit the allocation of any such amount or proportion among external sources of supply.

Article IV lays down special provisions relating to cinematograph films. It permits domestic screen time quotas while establishing the most-favoured-nation principle in favour of foreign suppliers and subjects screen quotas to negotiations for their limitation, liberalization or elimination.

Article XI would be relevant if the granting of import licences is made conditional to the fulfilment of certain mixing requirements.

#### Part IV.D: Exchange Control

##### Problems

Problems under this heading are connected with restrictions on the purchase and sale of foreign exchange which adversely affect the trade in goods.

#### International obligations

Article XV of the General Agreement recognizes that exchange questions are within the jurisdiction of the International Monetary Fund but lays down that contracting parties shall not, by exchange action, frustrate the intent of the provisions of the General Agreement and provides for the CONTRACTING PARTIES to report to the Fund should they consider exchange restrictions related to imports to be inconsistent with the GATT exceptions for quantitative restrictions.

#### Part IV.E: Discrimination Resulting from Bilateral Agreements

##### Problems

Bilateral agreements can lead to discrimination among supplying countries. These arrangements may also contain elements like counter-purchase or offset arrangements which cause distortions in normal trade.

### International obligations

Counter-trade as such is not contrary to the General Agreement. However, depending on the circumstances of particular cases, governmental measures relating to counter-trade may be related to individual obligations under the General Agreement or other Arrangements, e.g. import licensing conditional upon counter-trade (e.g. Articles XI and XIII, XII, XVIII), counter-trade by State trading enterprises (e.g. Article XVII), counter-trade induced by exchange control (e.g. Article XV and the relevant provisions of the IMF).

### Part IV.F: Discriminatory Sourcing

#### Problems

The only problem identified in this area relates to the diversionary effects on trade of tied aid.

#### International obligations

There are no obligations in the GATT governing tied aid. A note to Article XVII states that a country is free to take a "tied loan" into account as a "commercial consideration" when purchasing requirements abroad.

### Part IV.G: Export Restraints

[Quantitative Restrictions]

### Part IV.H: Measures to Regulate Domestic Prices

#### Problems

This section contains notifications of decreed prices, both maximum and minimum. The former act as a prohibition on the import of goods priced above the decreed maximum; the latter acts as a trigger for different actions such as a prohibition of imports, the price of which is below the minimum, or a charge to bring the import price up to the decreed minimum.

#### International obligations

Where the measures trigger prohibitions or quantitative restrictions, the provisions of the General Agreement on these (such as XI-XV, XVIII, XIX, XX and XXI) apply.

Where the measures trigger the imposition of a charge, the GATT provisions relating to tariffs apply (e.g. Articles I, II, XXVIII and XXVIIIbis) are relevant.

Article III:9 requires that contracting parties applying internal maximum price control measures shall take account of the interests of exporting contracting parties with a view to avoiding prejudicial effects to the fullest practicable extent.

#### Part IV.I: Tariff Quotas

##### Problems

Contracting parties have raised two types of problems in this general area: (i) tariffs outside the quota are sometimes prohibitive; (ii) problems which are not related to the tariff itself but to the administration of the quota. Some contracting parties have stated that tariff quotas should not be dealt with in the context of non-tariff measures.

##### International obligations

Tariff quotas are subject to the GATT provisions in the provisions concerning tariffs (e.g. Articles I, II, XXVIII and XXVIIIbis). Paragraph 5 of Article XIII on the non-discriminatory administration of quantitative restrictions also lays down that "the provisions of this Article shall apply to any tariff quota instituted or maintained by any contracting party".

#### Part IV.J: Export Taxes

##### Problems

Export taxes or duties are one method employed by governments to regulate their exports. The objective may be to promote a domestic manufacturing or processing industry by providing it with cheap, raw materials which would have otherwise been exported or to prevent or relieve critical domestic shortages or to improve the terms of trade by seeking to increase the world market price of the goods in question through reduced exports.

##### International obligations

Provisions relating directly or indirectly to export taxes are spread over various parts of the General Agreement.

One of the basic obligations of the contracting parties to GATT is to avoid discrimination. Article I requires most-favoured nation treatment both for imports and exports in respect of customs duties and various types of charges, regulations and requirements.

A number of possibilities exist for exchanging export concessions. Article II does not exclude the possibility of incorporating export concessions in GATT schedules. This is reinforced by Article XXVIIIbis which formally recognizes the importance of substantially reducing "the general level of tariffs and other charges on imports and exports". Also in this context, Article XVII provides that obstacles created by State trading enterprises should be the subject of negotiations leading towards the reduction of duties and other charges on imports and exports.

Article VII applies the principles of valuation to exports.

Part IV of the General Agreement (e.g. Article XXXVI, XXXVIII) should also be borne in mind.

Part IV.K: Requirements Concerning Marking, Labelling and Packaging

[Code on Technical Barriers to Trade]

Part IV.L: Other Specific Limitations

Problems

This heading covers a number of very disparate problems.

Part V.A: Prior Import Deposits

Problems

Prior deposits are usually imposed for balance-of-payments reasons and usually require importers to deposit a sum expressed as a percentage of the value of the goods for a certain period of time without receiving interest.

International obligations

The interest foregone and costs associated with the lodging of the security associated with import certificates have been found to be charges on or in connection with importation within the meaning of Article II:1(b) (BISD 25S/97-98) and therefore are at variance with the General Agreement when they break a binding.

Where used for balance-of-payments reasons the Declaration on Trade Measures Taken for Balance-of-Payments Purposes (BISD 26S/205) is relevant. Under Articles XII and XVIII only quantitative restrictions are permitted but the Declaration notes that "restrictive import measures other than quantitative restrictions have been used for balance-of-payments purposes" and states (in paragraph 1(a)) that preference should be given to the restrictive import measure "which has the least disruptive effect on trade". The Declaration, however, also states that it is "not intended to modify the substantive provisions of the General Agreement". Paragraph 3 of the Declaration establishes the duty to notify all restrictive import measures taken for balance-of-payments purposes and under paragraph 4, the GATT procedures for consultations on import restrictions now applies to all restrictive import measures. The relevant GATT body is the Committee on Balance-of-Payments Restrictions.

Part V.B: Surcharges, Port Taxes, Statistical Taxes, Etc.

- Fees and charges levied on or in connection with importation

Problems

Fees for services rendered (e.g. the issuance of import licences, statistical services, port facilities) may be excessive and may therefore provide protection to domestic production. Charges levied on or in connection with importation which are not fees for services rendered are in fact import duties, even if they are called by some other name. In the case of both sets of problems, lack of precise information and complexity may cause additional problems.

### International obligations

Fees for services rendered are dealt with in Article VIII of the GATT, which in paragraph 1(a) provides that "all fees and charges of whatever character (other than import and export duties and other than taxes within the purview of Article III) imposed by contracting parties on or in connection with importation or exportation shall be limited in amount to the approximate cost of services rendered and shall not represent an indirect protection to domestic products or a taxation of imports or exports for fiscal purposes". Paragraph 1(b) recognizes "the need for reducing the number and diversity of fees and charges".

Other charges levied on or in connection with imports are dealt with in the same way as import duties in the General Agreement. The principal Articles of relevance are therefore Articles I (and exceptions such as Article XXIV); Article II, paragraph 1(b) (which requires products with bound tariff rates "to be exempt from all other duties or charges of any kind imposed on or in connection with importation ..."); Articles XXVIII and XXVIIIbis. Where used for balance-of-payments purposes the 1979 Declaration (BISD 26S/205) would be relevant and the same comments as under Part V.A apply.

#### - Internal taxes or other internal charges

### Problems

Such taxes or charges may not be applied equally to domestically produced goods and to imported goods. They may be selective and reduce consumption of imported goods.

### International obligations

Article III:1 provides that internal measures shall not be used for protective reasons. Article III:2 translates this principle into specific terms. Article II:2(a) permits internal taxes on bound items if they are imposed consistently with the provisions of Article III:2 "in respect of the like domestic product or in respect of an article from which the imported product has been manufactured in whole or in part". Article I containing the most-favoured-nation clause and its exceptions e.g. Article XXIV are also relevant.

#### Part V.C: Discriminatory Film Taxes, Use Taxes, Etc.

### Problems

The problems in this Part overlap with those concerning internal taxes in Part V:B but relate in the main to two specific sectors, i.e. cinematographic films and automobiles.

### International obligations

The remarks made in Part V:B apply also here.

## Part V.D: Discriminatory Credit Restrictions

### Problems

Governments may restrict credit for goods which they consider can be supplied within certain limits of price, quality and delivery schedules by domestic producers; permit all or certain imports only under pre-paid letters of credit; lay down more stringent financing and credit terms for some categories of imports (e.g. luxury goods) or for all imports vis-à-vis domestic products (e.g. rates of interest for import credit may be higher than those for domestic commercial bank loans).

Credit restrictions such as those described above could act to restrict imports. Credit regulations or controls operated by governments may or may not discriminate between products and sources of supply. Excessive government controls in this area would create additional uncertainty in import transactions particularly those based on medium or long-term credits.

### International obligations

A number of provisions of the General Agreement would be relevant depending upon the nature of the credit restriction.

If the restriction operates as a border measure restricting the quantity of imports, Article XI would apply. If it operates as a charge on imports, Article II would apply. In case the credit restriction operates as an internal regulation, Article III would be relevant. The Article requires that internal laws, regulations and requirements affecting the internal sale or purchase of products shall not be applied to imported or domestic products so as to protect domestic products. It further provides that imports shall be accorded treatment no less favourable than that accorded to like products of national origin.

## Part V.E: Border Tax Adjustments

[Agreement on Subsidies and Countervailing Duties]

## Part V.F: Emergency Action

[Safeguards].