

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## GENERALIZED SYSTEM OF PREFERENCES

### Notification by Japan

#### Addendum

In a communication dated 7 January 1987, the delegation of Japan has provided the following information on the improvements of its GSP scheme for the industrial products sector, which will take effect mostly on 1 April 1987.

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It may be recalled that Japan improved its GSP scheme extensively during 1986 in accordance with the "Action Programme for Improved Market Access" announced in mid-1985 (cf. L/4531/Add. 11 and 12).

As foreshadowed in the statement of the Japanese delegation at the November 1986 meeting of the Committee on Trade and Development, Japan will further improve its GSP scheme for the industrial products sector with effect from 1 April 1987. The GSP improvements being notified cover a large majority of products in the industrial sector and include a basic reform - the removal of ceiling limitations on a broad range of industrial products. These actions will not only improve the access conditions for developing countries, but will also facilitate the drawing of GSP benefits by developing countries through the simplification of the system.

This reform is along the line of the Japanese proposal for GSP improvements by industrialized countries which is set out in the Action Programme. In undertaking this reform Japan has taken into account some comments made on the Japanese GSP scheme in the GATT Part IV consultations which were held with Japan in 1984.

The Reform of Japan's GSP for Industrial and Mining Products

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A. Introduction

1. Japan will drastically reform its Generalized System of Preferences (GSP) with effect from 1 April 1987 in order to contribute to the expansion of exports by developing countries and pursuant to the Action Programme for Improved Market Access announced by Japan in July 1985.

The main features of the reform are:

- (a) unlimited application of zero GSP rates through the removal of ceiling limitations with respect to a large number of industrial products (an escape clause system will be applicable to these products);
- (b) large increases (30 per cent on average) in the amount of ceilings for items which will remain subject to ceiling limitations; and
- (c) other improvements, including the extension of the product coverage of GSP and LLDC special treatment.

2. As far as industrial and mining products (excluding petroleum) are concerned, Japanese imports from developing countries which actually benefited from GSP represented about one-half of the value of Japan's dutiable imports from developing countries in recent years.<sup>1</sup> As a result of the appreciation of the yen since last year, access to the Japanese market of developing countries' industrial products has improved markedly through the reduction of their export prices in yen terms and the de facto expansion of GSP ceilings for them by around 35 per cent. Taking into consideration an increasingly harsh economic climate for the developing countries due to sluggish commodity prices, increasing debts, etc., the Japanese Government has decided to undertake a drastic reform to expand GSP benefits with a view to further promoting imports of industrial products from developing countries. This reform is also intended to serve as a booster for the Uruguay Round negotiations, whose aims include the improvement of trade environment for developing countries.

3. Given the increased diversity of developing countries and taking into account requests from those developing countries in less competitive trading positions, Japan has paid attention in undertaking the present reform, to the equalization of GSP benefits among beneficiaries. On the issue of "graduation", Japan's basic view is that those countries that have reached a level of development with sufficient competitiveness of their exports should eventually be phased out from GSP treatment. However, in consideration of the economic situation surrounding the developing countries, "graduation" measures (both country based and country/product based) will not be taken in the present reform.

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<sup>1</sup>The other half of these imports were subject to m.f.n. duties due to product exclusions, ceiling limitations and the non-utilization of GSP.

B. Outline of the reform

1. Extensive removal of ceiling limitations and increases in the amount of ceilings

The structure of the scheme will be basically altered in order to allow more imports under the GSP through a drastic decrease in the limitations for GSP entry. Ceiling limitations will be removed on a broad range of industrial products (see Appendix 1 for details). The products covered by such action represent about one-half of Japan's industrial tariff items (about 40 per cent in terms of the amount of ceilings). These product groups will be administered under an escape clause system. Under the system preferential imports may be suspended only when imports under the GSP threaten to injure domestic industries. As to those products which will remain subject to ceiling limitations (e.g. organic chemicals, sports requisites, apparel, artificial resins, steel, etc.), the ceilings will be increased by 30 per cent on average: individual ceilings will be increased by either 50 per cent, 30 per cent, or 10 per cent, depending on the sensitivity of the product (see Appendices 2-4). With respect to 11 product groups however, the ceilings will not be increased because the domestic industries concerned are in serious difficulties.

2. Extension of product coverage, reduction of items subject to positive GSP rates and an improvement of special treatment for least-developed countries

(a) Extension of product coverage

Preferential tariff rates will be newly applied to such items as woven fabrics of man-made fibre containing more than 10 per cent of silk (see appendix 5 for details). As a result, industrial products excluded from the GSP will be reduced to 17 items.

(b) Reduction of items subject to positive GSP rates

Zero GSP rate will be newly applied to 9 "selected products" which have been subject to GSP rates corresponding to one-half of the relevant m.f.n. rates, such as toys (see Appendix 6 for details). On the other hand, 3 products among those newly subject to the GSP will be classified as "selected products". As a result, the number of "selected products" will be reduced from 36 to 30.

(c) An improvement of special tariff treatment for least-developed countries

Japan has given special consideration to the trading position of least-developed countries and will as from 1 April 1989, add "yarn of jute (57.06)" to the list of products for special treatment for the least-developed countries.

3. Improved distribution of GSP benefits among beneficiary countries

In an attempt to improve the distribution of GSP benefits among beneficiaries and also in response to the requests made by less competitive countries, the country limitation of one-third of the amount of each ceiling will be modified to one-fourth. However, to avoid the reduction of GSP benefits for individual beneficiaries, the amount of country limitation for the FY 1986 will be maintained if it is larger than one-fourth of the amount of the FY 1987 ceiling. In this connection, it may be noted that in the context of the GSP improvements reported above, no action will be taken for products exclusion for particular countries.

Appendix 1

Products for which ceiling limitations will be removed

<u>Product group</u>	<u>CCCN No.</u>	<u>Description</u>
1	Chapter 25	Plastering materials (excluding hydraulic cements (No. 25.23))
4	Chapter 27	Mineral fuels
16	Chapter 30	Pharmaceutical products
18	33.01-1(2)Ex	Geranium oil
22	33.01	Essential oils, resinoids, etc.
23	Chapter 33	Cosmetics, toilet preparations, etc.
27	Chapter 35	Albuminoidal substances enzymes, etc.
30	Chapter 37	Photographic and cinematographic goods
59	Chapter 45	Cork and articles thereof
60-2	46.02-3(2)Ex	Screens (sudare)
62-2	48.01-2(3), (4)	Wrapping paper, paperboard
63	Chapter 48	Paper, articles thereof
64	Chapter 49	Products of printing industry
73	Chapter 52	Metallized textiles
77	Chapter 53	Wool and other animal hair
86	Chapter 57	Vegetable textile materials
88	58.02-1	Carpets of coir
90	58.04 Ex	Woven pile fabrics, etc.
94	Chapter 58	Gobelins, tapestries, etc.
95	59.04-5 Ex	Twine, cordage, ropes and cables excluding those of cotton, hemp, silk, etc.
97	59.05	Fishing nets, etc.
97-2	59.13	Elastic fabrics with rubber threads
98	Chapter 59	Textile articles for industrial use
104	60.06	Other knitted fabric, articles thereof
110	61.06	Scarves, mufflers, etc.

<u>Product group</u>	<u>CCCN No.</u>	<u>Description</u>
111	61.07	Neck-ties
114	62.01	Travelling rugs and blankets
117	Chapter 62	Other textile articles
118	63.01	Old clothing, etc.
122	65.02	Hat-shapes (plaited)
123	Chapter 65	Headgear and parts thereof
125	Chapter 66	Sunshades, walking sticks, whips and parts thereof
128	Chapter 67	Articles of down, human hair, etc.
129	68.12	Articles of asbestos-cement, etc.
130	Chapter 68	Articles of stone, of plaster, etc.
131	Chapter 69	Ceramic products
133	Chapter 70	Glass and glassware
134	71.02-2(1)B	Precious stones for industrial purposes
158	Chapter 79	Zinc and articles thereof
159-2	81.04-2(3)Ex	Unwrought antimony, etc.
161	Chapter 82	Tools, etc. of base metal
162	Chapter 83	Miscellaneous articles of base metal
164	Chapter 84	Machinery, etc.
165	85.03	Primary cells and primary batteries
168	85.19-2 Ex	Resistors of electrical circuits
169	85.20-1	Filament lamps
171	85.21-2	Light emitting diodes
173	Chapter 85	Electrical machinery, etc.
174	Chapter 86	Railway and tramway locomotive rolling-stock
175	Chapter 87	Vehicles, other than railway or tramway rolling-stock, etc.
176	Chapter 88	Aircrafts and parts thereof

<u>Product group</u>	<u>CCCN. No.</u>	<u>Description</u>
177	Chapter 89	Ships, boats and floating structures
178	Chapter 90	Optical, measuring, medical instruments and apparatus, etc.
179	Chapter 91	Clocks and watches and parts thereof
180	Chapter 92	Musical instruments, recorders, etc.
181	Chapter 93	Arms and ammunition, etc.
182	94.01-3 ) 94.03-3 Ex) 94.04-1 )	Furniture of wood
186	Chapter 96	Brooms, brushes, etc.
190	Chapter 98	Fountain pens, ball point pens, etc.

Appendix 2

Products for which the amount of ceilings  
will be increased by 50 per cent

<u>Product group</u>	<u>CCCN No.</u>	<u>Description</u>
6-2	28.28-6 Ex	Antimony trioxide
8	Chapter 28	Inorganic chemicals
8-3	29.04-3(1) 29.08-1	Ethylene glycol, etc.
10	29.13-1(6)Ex	Camphor, of a melting point not less than 175 degree
13	29.23-3	Sodium glutamate
14	29.42-3(2)	Nicotine sulphate
15	Chapter 29	Organic chemicals
17	Chapter 32	Dyes, colours, paints, etc.
19	33.01-1(2)Ex	Ho oil
21	33.01-1(3)Ex	Peppermint oil
24	Chapter 34	Soap, washing preparations, polishing and scouring preparations, etc.
25	35.02	Egg albumin, etc.
29	Chapter 36	Explosives, safety fuses, matches, etc.
31	Chapter 38	Miscellaneous chemical products
32	Chapter 39	Artificial resins, plastic materials, and articles thereof
34	Chapter 40	Rubber, synthetic rubber, and articles thereof
56	44.11) 44.18)	Fibre building board and reconstituted wood
62	Chapter 46	Manufactures of straw and of other plaining materials
76	53.11-2	Woven fabrics of wool
79	55.09-1 Ex 2 Ex 3 Ex 4 Ex	Woven fabrics of cotton: batiks
84	57.06	Yarn of jute
85	57.10	Woven fabrics of jute

<u>Product group</u>	<u>CCCN No.</u>	<u>Description</u>
112	61.09) 61.10)	Corsets, gloves, stockings and socks, etc.
127	67.03-3) 67.04 )	Textile materials, wigs and false beards, etc.
138	Chapter 71	Precious metals, etc., articles thereof
138-2	73.01-1 Ex	Pig iron and cast iron
142	73.10	Bars and rods of iron or steel, hollow mining drill steel
143	Chapter 73	Iron and steel and articles thereof
147	74.04-2) 74.07-2)	Wrought plate, sheets and strip, tubes and pipes and blanks thereof, hollow bars, of brass or bronze
148	Chapter 74	Copper and articles thereof
149	75.01-2(1)	Unwrought nickel, unalloyed
150	Chapter 75	Nickel and articles thereof
154	Chapter 77	Magnesium and beryllium and articles thereof
156	Chapter 78	Lead and articles thereof
159	Chapter 80	Tin and articles thereof
172	85.23 Ex	Insulated electric wire, etc.
183	Chapter 94	Furniture and parts thereof, articles of bedding, etc.
187	97.02	Dolls
189	Chapter 97	Sports requisites, etc.

Appendix 3

Products for which the amount of ceilings  
will be increased by 30 per cent

<u>Product group</u>	<u>CCCN No.</u>	<u>Description</u>
5	28.04-2	Silicon
6	28.17-1	Caustic soda and caustic potash
12	29.16-1(4)	Calcium citrate
28	36.05	Phyrotechnic articles
33	40.11-2	Rubber tyres, etc., other than those for motor vehicles
52	44.09-2 Ex ) 44.28-5(2)Ex)	Drawn wood and kushi, of bamboo
54	44.14-1 ) 44.14-2 Ex)	Veneer sheets, etc.
60-3	46.03-2(2)Ex	Tatamidoko
78	Chapter 54	Flax and ramie
81	Chapter 55	Cotton and cotton gauze
89	58.02-2	Carpets, other than those of coir
93	58.10	Embroidery
100	60.02	Gloves, knitted or crocheted
105	61.01	Men's and boy's outer garments
108	61.04	Women's, girls' and infants' undergarments
115	62.02	Bed linen, table linen, etc.
126	67.02	Artificial flowers
146	74.03 Ex	Bars, rods, angles, section and wire, of copper
160	Chapter 81	Other base metals employed in metallurgy and articles thereof
184	Chapter 95	Articles of bekko, elephant's tusks and coral
185	96.01-2	Brooms and brushes, other than those of vegetable materials.

Appendix 4

Products for which the amount of ceilings  
will be increased by 10 per cent

<u>Product group</u>	<u>CCCN No.</u>	<u>Description</u>
6-3	28.30-1(2)Ex) 28.38-2 ) 28.42-2 )	Barium chlorides, barium sulphate and barium carborate, etc.
7	28.56-2	Carbide, etc.
8-2	29.01-3(5)	Styrene
9	29.05-2(1)Ex	Menthol
10-2	29.15-5 Ex	Dioctyle orthophthalates
13-2	29.27	Nitrile-function compounds
26	35.05	Dextrins and dextrin glues, etc.
31-2	39.02-2	Blocks, lumps and powders, of polyethylene or polystyrene, etc.
40	41.08	Patent leather, etc.
41	Chapter 41	Raw hides and skins
42	42.02	Travel goods (for example, trunks, suit-cases, and handbags)
43	42.05	Other articles of leather or of composition leather
44	Chapter 42	Articles of leather, etc.
45	43.01-2 Ex	Raw furskins of minks
46	43.02 Ex	Furskins, tanned or dressed
47	43.03 Ex	Articles of furskin
48	Chapter 43	Furskins and artificial fur, manufactures thereof
49	44.03-2	Wood in the rough, of Kiri (genus Paulownia)
50	44.04-2) 44.05-2) 44.13-2)	Wood of Kiri (genus Paulownia), other than wood in the rough
51	44.05-4	Wood sawn lengthwise, sliced or peeled, of Lauan and Kruing, etc.
57	44.23 Ex	Transom

<u>Product group</u>	<u>CCCN No.</u>	<u>Description</u>
58	Chapter 44	Wood and articles of wood
61	46.03-2(2)Ex	Basketwork
68	50.05-2	Yarn spun from noil silk: silk yarn, put up for retail sale
69	Chapter 50	Woven fabrics of noil silk, etc.
70	51.01.1(2)Ex	Yarn of polyester fibres (continuous)
71	51.04-1(2) ) 51.04-2(2) )	Woven fabrics of man-made fibres
72	Chapter 51	Yarn of man-made fibres (continuous)
74	53.06	Yarn of carded sheep's or lambs' wool
75	53.07	Yarn of combed sheep's or lambs' wool
82	56.07-1(2) ) 56.07-2(2) )	Woven fabrics of man-made fibres (discontinuous or waste)
83	Chapter 56	Man-made fibres (discontinuous) and yarn thereof
87	58.01	Carpets, knotted
92	58.05	Narrow woven fabrics
96	59.04	Twine, cordage, ropes and cables, of cotton, hemp or silk, etc.
99	60.01	Knitted or crocheted fabric, not elastic nor rubberized
101	60.03	Stockings
102	60.04	Undergarments, knitted or crocheted
103	60.05	Outer garments and other articles
106	61.02	Women's, girls' and infants' outer garments
107	61.03	Men's and boy's undergarments
109	61.05	Handkerchiefs
113	61.11	Accessories for articles of apparel (for example, collars for women's and girls' garments, shoulder pads, etc.)
116	62.03	Sacks and bags, of a kind used for the packing of goods

<u>Product group</u>	<u>CCCN No.</u>	<u>Description</u>
119	64.02-1 Ex ) 64.02-2(1)Ex)	Footwear, other than goods falling within item 118-2 inclusive
120	64.02-2(2)	Footwear with outer soles of rubber or artificial plastic
121	Chapter 64	Gaiters and the like
124	66.01 ) 66.03 Ex)	Umbrellas and parts thereof
132	70.19	Glass beads and imitation precious stones, etc.
136	71.05	Silver
136-2	71.12	Articles of jewellery and parts thereof
137 <sub>3</sub>	71.16	Imitation jewellery
138-3	73.02-1	Ferro-silicon
139	73.02-2	Ferro-manganese
139-2	73.02-3	Ferro-chromium
140	73.02-4	Ferro-nickel
141	73.02-5	Other ferro alloys
141-2	73.08 ) 73.12-2(1)Ex) -2(2)Ex) 73.13-2(3) )	Iron or steel coils, hot-rolled, etc.
141-3	73.09 ) 73.13-2(2)) 73.13-2(3))	Sheets and plates, of iron or steel, not less than 3 mm in thickness, etc.
142-2	73.12-2(1)Ex) 73.12-2(2)Ex) 73.13-2(1)Ex)	Sheets and plates, of iron or steel, cold-rolled, etc.
142-3	73.14) 73.25) 73.31)	Wire, stranded wire, ropes, nails and tacks, etc., of iron or steel
144	74.01-2(1)Ex	Unwrought copper used for smelting or refining
145	74.01-2(2)Ex	Unwrought copper not used for smelting or refining

<u>Product group</u>	<u>CCCN No.</u>	<u>Description</u>
151	76.01-1(1)	Unwrought aluminium, unalloyed
152	76.01-1(2)	Unwrought aluminium alloyed
153	Chapter 76	Aluminium and articles thereof, other
155	78.01-1(1)B	Unwrought lead, unalloyed, not used for electrolytic refining
157	79.01-1 Ex	Unwrought zinc
188	97.03	Other toys: working models of a kind used for recreational purposes

Appendix 5

Products newly covered by GSP

CCCN No.	Description	New GSP rate %	MFN rate %
35.03-1 Ex	Gelatin for photographic purposes	Free	3.9
51.04-1(1)	Woven fabrics of man-made fibres (continuous) (containing more than 50 per cent by weight of synthetic fibres or acetate fibres, or having either the warp or the weft of such fibres) (containing more than 10 per cent by weight of silk)	5	10
-2(i)	- ditto - (excluding those containing more than 50 per cent by weight of synthetic fibres or acetate fibres, or having either the warp or the weft of such fibres) (containing more than 10 per cent by weight of silk)	4	8
53.11-1	Woven fabrics of sheep's or lambs' wool or fine animal hair (containing more than 10 per cent by weight of silk)	4	8
56.07-1(1)	Woven fabrics of man-made fibres (discontinuous or waste) (containing more than 50 per cent by weight of synthetic fibres or acetate fibres, or having either the warp or the weft of such fibres) (containing more than 10 per cent by weight of silk)	5	10
56.07-2(1)	- ditto - (excluding those containing more than 50 per cent by weight of synthetic fibres or acetate fibres, or having either the warp or the weft of such fibres) (containing more than 10 per cent by weight of silk)	4	8

Appendix 6

Products for which the GSP rate will be reduced  
from one-half of the m.f.n. rate to zero

<u>CCCN No.</u>	<u>Description</u>
29.42-3(2)	Nicotine sulphate
33.01-1(3)Ex	Peppermint oil, obtained from mentha arvensis
35.02-2	Albumins, albuminates and other albumin derivatives (excluding egg albumin)
51-04-1(2)	Woven fabrics of man-made fibres (continuous) (containing more than 50 per cent by weight of synthetic fibres or acetate fibres, or having either the warp or the weft of such fibres) (containing not more than 10 per cent by weight of silk)
-2(2)	- ditto - (excluding those containing more than 50 per cent by weight of synthetic fibres or acetate fibres, or having either the warp or the weft of such fibres) (containing not more than 10 per cent by weight of silk)
56.07-1(2)	Woven fabrics of man-made fibres (discontinuous or waste) (containing more than 50 per cent by weight of synthetic fibres or acetate fibres, or having either the warp or the weft of such fibres) (containing not more than 10 per cent by weight of silk)
-2(2)	- ditto - (excluding those containing more than 50 per cent by weight of synthetic fibres or acetate fibres, or having either the warp or the weft of such fibres) (containing not more than 10 per cent by weight of silk)
57.06	Yarn of jute
61.05	Handkerchiefs
76.01-1(1)	Unwrought aluminium (unalloyed) (to be implemented from January 1988)
97.03	Toys (working models of a kind used for recreational purposes)