

GENERAL AGREEMENT ON TARIFFS AND TRADE

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THE GENERALIZED SYSTEM OF PREFERENCES AND MOST-FAVOURLED-NATION RATES

Summary and Conclusions

Following instructions by Group 3(a) the secretariat has prepared a volume of tables illustrating the relationship between the Generalized System of Preferences (GSP) and most-favoured-nation tariff ("The Generalized System of Preferences and Most-Favoured-Nation Tariffs"). The tables present imports into developed areas from countries entitled to the GSP, with trade enjoying preferential treatment and that subject to m.f.n. régime shown separately. Imports entitled to the GSP are further broken down by type of GSP régime (i.e., unlimited preferential entries, imports subject to quantitative or other limitations). The m.f.n. duty ranges illustrate the preferential margins, where applicable.

The introductory note to the tables explains a certain number of points about their layout and coverage. In view of the complexity of the system and of the underlying data, some further explanations are provided in the following paragraph.

The m.f.n. duty rates refer in general to the situation as of 1 January 1973, the import figures cover the year 1971 with the exception of Australia (1971/72) and New Zealand (1970/71). The data on GSP take into account the most recent notifications and generally refer to the situation as of 1 July 1974. In addition to import values the number of tariff lines is also reported by type of GSP régime generally applicable to most developing countries and by level of m.f.n. tariff. For certain tariff lines, however, the GSP does not apply to all countries normally benefiting from the preference. In such cases imports from these countries are shown under m.f.n. imports, while the tariff line is reported as preferential (thus a zero may occur in the tariff line column, next to a positive import value). In a number of cases precise import value could not be reported since preferential rates, other tariff or non-tariff measures apply to a part of a tariff line, i.e., to a lower level of detail than the available tariff and trade data. In such cases results are shown in ranges, the minimum value excluding, the maximum including trade under the lines covering the ex-items. Similar presentation has also been adopted for EEC imports subject to non-tariff measures since such measures are generally not applied by all EEC members.

In the second part of the volume, the most important dutiable tariff lines in each category are identified.

The following is a summary of some of the main results and conclusions suggested by this table.

For all industrial products and for the ten markets in which the GSP schemes are actually applied¹, imports originating in countries entitled to the GSP amount to \$28.1 billion representing just over one quarter of imports from all origins. More than 70 per cent (\$20 billion) of these imports enjoyed duty-free access on a most-favoured-nation basis. Imports benefiting from preferential treatment under the GSP amount to \$3 billion, representing 37 per cent of dutiable imports originating in the same countries (\$8.1 billion). However, that percentage would be increased to 58 per cent if crude fuels imported into Japan were not taken into account. These dutiable imports amount to \$2.9 billion and are excluded from the Japanese GSP scheme.

Imports enjoying duty-free access under the GSP, range between \$2.2 and 2.7 billion of which only \$0.3 billion entered free of limitations (quotas, ceilings, etc.). Thus, imports enjoying duty-free access on an m.f.n. basis or preferential access (duty-free or reduced rates, unlimited or under ceilings or other limitations) under the GSP, amount to \$23 billion or 82 per cent of total imports originating in countries entitled to the GSP. The remaining 18 per cent are dutiable imports excluded from the GSP.

On a tariff line basis the structure is somewhat different. The total number of tariff lines for the ten countries amounts to 35,279 of which 25 per cent (8,886) are duty free on an m.f.n. basis. The ten GSP schemes include 21,331 tariff lines representing 80 per cent of all dutiable tariff lines. Under the GSP, 14,924 tariff lines are duty free of which 10,546 are without limitations.

The ten tariffs include 18,137 tariff lines with m.f.n. rates ranging from 0.1 to 15.0 per cent, of which 16,617 are covered by the GSP schemes. On the other hand they include 8,071 tariff lines with m.f.n. rates over 15 per cent, of which 4,714 only are covered by the GSP. Out of the 16,617 tariff lines covered by the GSP schemes and falling within the m.f.n. duty range 0.1 to 15.0 per cent, more than four fifths are granted duty-free treatment under the GSP, while duty-free treatment is only granted to 28 per cent of GSP covered tariff lines with m.f.n. rates over 15 per cent.

¹ Australia, Austria, Canada, the European Communities, Finland, Japan, New Zealand, Norway, Sweden and Switzerland.

More than 80 per cent of the trade covered by the GSP would be subject to duty rates under 15 per cent on an m.f.n. basis. Thus \$750 million, or 25 per cent of the trade covered by the GSP schemes, would be dutiable at m.f.n. rates below 5 per cent, and \$1,650 to \$2,148 million (55 to 72 per cent) would be dutiable at rates between 5.1 and 15.0 per cent.

The GSP coverage varies substantially between product categories. By order of importance, the principal dutiable product categories partially excluded from the schemes are: crude fuels (\$3 billion excluded), products derived from fuels (\$679 to \$681 million); textile clothing (\$654 to \$655 million), textile fabrics and made-up textile articles (\$193 to \$215 million) and footwear (\$71 to \$77 million).

Among the ten markets in which the GSP is actually in force, Canada, the European Communities and Japan together account for over 92 per cent of total imports from countries entitled to the GSP.

In the European Communities, only 16 per cent of the imports from those countries are dutiable (\$2.9 billion) of which 59 to 61 per cent (\$1.7 to 1.8 billion) are covered by the GSP scheme. The GSP preferential rate is zero within the limit of ceilings for 58 to 72 per cent and within quotas for 26 to 43 per cent of imports. As for tariff lines, 92 per cent (2,183) are dutiable, of which, 2,063 are included in the European Communities' GSP scheme. The main product categories excluded from the GSP are: textile clothing, petroleum products and basic chemicals.

In the case of Japan, total imports from countries entitled to the GSP amount to \$6.9 billion of which nearly two thirds (\$4.3 billion) are dutiable. The Japanese GSP scheme covers 16 per cent of dutiable imports (84 per cent if crude fuels are not taken into account). The GSP is zero under ceilings for \$431 million (63 per cent) and reduced under ceilings for \$254 million of imports. Practically all dutiable tariff lines (98 per cent) are included in the Japanese GSP scheme, most of them (92 per cent) being free under ceilings. Main product categories excluded from the GSP are: crude fuels, products derived from fuels and textile fabrics, other than cotton and man-made fibre fabrics.

The Canadian GSP scheme covers 68 to 70 per cent (\$176 to 182 million) of the dutiable trade with countries entitled to the GSP (\$259 million) and 91 per cent of dutiable tariff lines. The GSP preferential rate is zero without limitations for nearly 50 per cent of the dutiable trade while it is zero for only one quarter of the dutiable tariff lines. Main product categories excluded from the GSP are: textile clothing, cotton fabrics and made-up textile articles.

As for other countries (Australia, Austria, Finland, New Zealand, Norway, Sweden and Switzerland), the GSP coverage of the dutiable trade with countries entitled to the GSP varies from 30 per cent for Sweden to 93 per cent for Switzerland. The percentage of dutiable tariff lines covered by the GSP ranges between 14 per cent for New Zealand and 94 per cent for Austria. Total trade covered by their GSP schemes ranges between \$431 and \$443 million, representing more than 70 per cent of their total dutiable imports. For these countries, over 35 per cent of imports covered by the GSP are granted duty-free access and over 60 per cent access at reduced rates without limitations.

It will be noted that dutiable preferential rates under the GSP are not available in the Tariff Study files. It is possible, however, for certain countries, to estimate the preferential margin between m.f.n. rates and reduced GSP rates. Thus Australian GSP scheme provides, in general, for a GSP reduction of 10 percentage points of the m.f.n. rate over 12.5 per cent, while m.f.n. rates of 12.5 per cent or less are generally reduced to zero. For Austria the GSP rate is generally equal to the m.f.n. rate reduced by 30 per cent. The Canadian GSP scheme grants a GSP rate which is generally two thirds of the m.f.n. rate or, if lower, equal to the British preferential rate. Finally, for Japan and Switzerland, the reduced GSP rates are generally 50 per cent of the m.f.n. rates. The scale of reductions for GSP rates in New Zealand tariff are not specified. For the remaining tariffs the GSP rate is in practically all cases reduced to zero. Thus, in general, the margin between at least the higher present m.f.n. rates and the dutiable GSP preferential rates need not be narrowed if these m.f.n. rates would be reduced in the tariff negotiations.

As mentioned in the technical notes to the tabulations, no satisfactory conclusions can be drawn from the data referring to imports subject to non-tariff measures, in view of the difficulty in identifying the measures at the tariff line level and in view of the imprecision of the data for the European Communities' imports subject to such measures.