Proceedings of the United Nations Conference on TRADE AND DEVELOPMENT

SECOND SESSION

New Delhi, 1 February - 29 March 1968

Volume III

Problems and policies of trade in manufactures and semi-manufactures

UNITED NATIONS

New York, 1968

NOTE

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TD/97, Vol. III

UNITED NATIONS PUBLICATION

Sales Number: E.68. II.D. 16

Price: $U.S. 2.50
(or equivalent in other currencies)

The titles of the five volumes of the *Proceedings of the United Nations Conference on Trade and Development, Second Session,* are as follows:

I. Report and Annexes

II. Commodity Problems and Policies

III. Problems and Policies of Trade in Manufactures and Semi-manufactures

IV. Problems and Policies of Financing

V. Special Problems in World Trade and Development

Volume III

Problems and policies of trade in manufactures and semi-manufactures

CONTENTS

PREFERENTIAL OR FREE ENTRY OF EXPORTS OF MANUFACTURES AND SEMI-MANUFACTURES OF DEVELOPING COUNTRIES TO THE DEVELOPED COUNTRIES

	Page
The question of the granting and extension of preferences in favour of developing countries: report by the UNCTAD secretariat (TD/12)	3
A system of preferences for exports of manufactures and semi-manufactures from developing to developed countries: report by the UNCTAD secretariat (TD/12/Supp.1 and TD/12/Supp.2)	8
Study on criteria for invoking the escape clause in a general system of preferences for exports of manufactures and semi-manufactures from developing countries: report by the UNCTAD secretariat (TD/19/Supp.1)	68
Report by the Special Group on Trade with Developing Countries of the Organisation for Economic Co-operation and Development: note by the UNCTAD secretariat transmitting the report (TD/56)	78

PROGRAMME FOR THE LIBERALIZATION AND EXPANSION OF TRADE IN MANUFACTURES AND SEMI-MANUFACTURES OF INTEREST TO DEVELOPING COUNTRIES

Programme for the liberalization of non-tariff barriers in developed countries on products of export interest to developing countries: report by the UNCTAD secretariat (TD/20/Supp.1)	87

MEASURES FOR THE PROMOTION, EXPANSION AND DIVERSIFICATION OF EXPORTS OF MANUFACTURES AND SEMI-MANUFACTURES FROM DEVELOPING COUNTRIES

The role of export credits in financing the development and promoting the exports of developing countries: progress report by the Fiscal and Financial Branch of the Department of Economic and Social Affairs of the United Nations (TD/7/Supp.13)	101
A possible programme for the promotion of exports of manufactures and semi-manufactures from developing countries: report by the UNCTAD secretariat (TD/21)	105
United Nations Development Programme: assistance in export promotion and related fields (paper submitted by the secretariat of the United Nations Development Programme (TD/54))	108

OTHER STUDIES

Review of the trade in manufactures and semi-manufactures: report by the UNCTAD secretariat (TD/10/Supp.1)	125
Some labour implications of increased participation of developing countries in trade in manufactures and semi-manufactures: report by the International Labour Office (TD/46/Rev.1)	149

EXPLANATORY NOTES

Unless otherwise indicated, the following symbols have been used in the tables of volume III:

Two dots (..) indicate that data are not available or are not separately reported.

A dash (—) indicates that the amount is nil or less than half the unit used.

An oblique stroke (/) indicates a season or crop year, e.g. 1965/66.

Use of a hyphen between years, e.g. 1965-1966, signifies the full period involved, including the beginning and end years.

Use of parentheses around a figure, e.g. (25.0) shows that the figure is an estimate.

A comma (,) is used to distinguish thousands and millions in the text. In the tables, a space is used for that purpose.

" Tons " refer to metric tons and " dollars " to United States dollars, unless otherwise stated.

The term " billion " signifies one thousand million.

Annual rates of growth or change refer to compound rates.

Details and percentages in tables do not necessarily add to totals, because of rounding.

ABBREVIATIONS

AOC	Associated overseas countries
Benelux	Belgium, Luxembourg, Netherlands Economic Union
BTN	Brussels Tariff Nomenclature
c.i.f.	cost, insurance, freight
ECA	Economic Commission for Africa
ECLA	Economic Commission for Latin America
EEC	European Economic Community
EFTA	European Free Trade Association
FAO	Food and Agriculture Organization of the United Nations
f.o.b.	free on board
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GNP	Gross national product
IBRD	International Bank for Reconstruction and Development
IDB	Inter-American Development Bank
ILO	International Labour Organisation
IMCO	Inter-Governmental Maritime Consultative Organization
IMF	International Monetary Fund
ISIC	International Standard Industrial Classification of All Economic Activities
LAFTA	Latin American Free Trade Association
m.f.n.	most-favoured-nation
n.a.	not available
n.e.s.	not elsewhere specified
OAS	Organization of American States
OECD	Organisation for Economic Co-operation and Development
OEEC	Organisation for European Economic Co-operation
SITC	Standard International Trade Classification
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization

PREFERENTIAL OR FREE ENTRY OF EXPORTS OF MANUFACTURES AND SEMI-MANUFACTURES OF DEVELOPING COUNTRIES TO THE DEVELOPED COUNTRIES

Document TD/12

THE QUESTION OF THE GRANTING AND EXTENSION OF PREFERENCES IN FAVOUR OF DEVELOPING COUNTRIES

Report by the UNCTAD secretariat

[*Original text: English*]
[*1 November 1967*]

CONTENTS

	Paragraph	*Page*
Introduction	1-5	3
I. Principal elements of a scheme of preferences	6-30	4
A. The escape clause, the tariff quota and the duty reduction systems	6-7	4
B. Objective criteria for the application of safeguards and escape clauses	8-11	4
C. Product coverage	12-17	5
D. Countries granting and countries receiving preferences	18-20	6
E. Special measures for the least advanced developing countries	21-23	6
F. Duration of preferences	24-25	6
G. Relationship of the new scheme of preferences to existing preferences, including reverse preferences	26-28	7
H. Institutional arrangements	29-30	7

INTRODUCTION

1. At the fifth session of the Trade and Development Board, the President (Mr. P. R. Jolles) in summing up the discussions held during the session, stated that "the Board's discussions have confirmed the view expressed by the Sessional Committee that 'the question of the granting of preferences for manufactures and semi-manufactures on a non-reciprocal, non-discriminatory basis in favour of the developing countries was mature for consideration at the second session of the Conference. Such consideration should lead to agreement on the main outlines of such a scheme of preferences. The Committee noted that the developed countries hoped to be in a position to present the main outlines of such a scheme by the time of the second Conference. It was agreed that Governments should give serious study before the second Conference to the report of the Group on Preferences, which constituted a record of discussions at a high technical level, and also to the detailed and well-prepared secretariat document submitted to the Group'." [1]

2. The Group on Preferences, established by the Board at its second session as a subsidiary body of the Committee on Manufactures, [2] met from 26 July to 5 August 1966 and from 4 to 18 July 1967. At both of these sessions, the Group concentrated on the technical aspects of the granting and extension of preferences in favour of the developing countries.

3. At its second session, the Group on Preferences considered in detail the comprehensive report (TD/B/C.2/AC.1/7 and Corr.1) [3] by the secretariat entitled "A system of preferences for exports of manufactures and semi-manufactures from developing to developed countries". While no firm positions were taken by the representatives of the developed and developing countries on the technical issues raised in this document, these countries indicated a readiness to examine the various alternative approaches to the problems and to indicate the advantages and disadvantages of the various approaches and the principal elements which should, in practice, be reconciled and combined in reaching a viable solution for the implementation of a scheme of preferences.

4. The main technical issues discussed have largely concerned the balancing of the interests of the developing countries, namely, to expand and diversify their exports, and of the interests of the developed countries, namely, to ensure that no serious injury is caused to their domestic industries. It is in this context that the issues of how to safeguard the domestic interests of the developed countries, namely, through an escape clause which can be applied to exclude specific products, or to limit the benefits they enjoy, from preferences; the establishment of tariff quotas to limit the volume of

[1] See report of the Trade and Development Board on its fifth session (*Official Records of the General Assembly, Twenty-second Session, Supplement No. 14*), part one, para. 31.

[2] See *Official Records of the General Assembly, Twentieth Session, Supplement No. 15*, part two, paras. 66, 67 and 73.

[3] Submitted to the second session of the United Nations Conference on Trade and Development under symbol number TD/12/Supp.1 (see this volume, p. 8).

preferential imports, and the reduction of tariffs rather than the granting of zero tariff treatment, have been considered. Likewise, in order to ensure that preferences will provide the maximum opportunity for increasing and diversifying the exports of the developing countries, a number of other questions of paramount importance have been considered. The following are some of these questions: Will a scheme of preferences include all manufactured and semi-manufactured products, particularly also processed agricultural products and processed raw materials? In connexion with market disruption, will the application of the safeguard provisions by the developed countries under a scheme of preferences be based on objective criteria and subject to agreed international review and consultation procedures? Will the length of time the preferences operate be sufficient to enable the establishment of export-oriented industries? Would the developing countries at present receiving preferences in some developed country markets be able to obtain at least equivalent advantages under the new scheme of preferences? And, in order to ensure that all developing countries can benefit from the scheme of preferences, would it be possible to make any special provision for the least advanced developing countries?

5. In the following section of this report the principal elements in a scheme of preferences are summarily discussed and mention is made of the general positions indicated on these principal elements in the discussions in the Group on Preferences.

I. Principal elements in a scheme of preferences

A. — *The escape clause, the tariff quota and the duty reduction systems* [4]

6. It is recognized that, under any scheme of preferences, some kind of safeguard will need to be included whereby an importing developed country will be able to protect its domestic industry in case excessive preferential imports from the developing country cause serious harm. In this context, within a generalized scheme of preferences the following three instruments were considered to limit the application of the preferences: the use of an escape clause to exclude products from preferential treatment; tariff quotas (the quotas being opened up in respect of imports under particular tariff headings and based on a uniform percentage of production, consumption or imports of manufactures and semi-manufactures into the developed countries); and duty reduction rather than the granting of zero duty. While a large number of developing countries and some developed countries favoured a generalized system of preferences with an escape clause, it was recognized that the three approaches to limit the application of the preferences were not mutually exclusive and that elements of all three might eventually be combined in any final scheme of preferences to be implemented. Furthermore, it became apparent from the discussions that in practice the difference between the escape clause, on the one hand, and the tariff quota approach, on the other, would not be marked, provided that, if the tariff quota were sufficiently large, there would be no effective limitation, at least in respect of the bulk of the products imported from the developing countries. In addition, it has been acknowledged that in any case under an escape-clause system restrictions could also be imposed to limit the imports of particular products causing market disruption in the developed countries. In any event, it has generally been recognized that all these elements would require to be combined in such a manner as to result in an equitable burden-sharing among the developed countries, while providing broadly equivalent opportunities to all developing countries.

7. In document TD/12/Supp.2, paragraphs 21-33, details are provided on the imports, production and consumption of various manufactured and semi-manufactured items in the major developed countries which illustrate in quantitative terms the significance of limiting the application of preferences by tariff quotas. The analysis indicates:

(*a*) That the volume of the quota would depend to a large extent on the definition adopted in tariff terms in respect of the products in question, namely, whether the definition was on a narrowly defined item-by-item basis or on a broad category basis;

(*b*) That, if tariff quotas were to be set up, it would seem preferable to establish tariff quotas as a percentage of consumption since, in countries with apparently the same levels of living, consumption levels are relatively similar. On the other hand, the levels of production and of imports of particular products or product groups vary considerably in the developed countries; and

(*c*) That, if consumption were adopted as the basis for determining quotas, it would seem desirable to ensure a certain minimum volume of imports from the developing countries, in respect of a number of products of which the imports from the developing countries are already considerably in excess of 3 per cent of consumption.

B. — *Objective criteria for the application of safeguards and escape clauses*

8. It is important, when considering possible safeguard action, to ensure that the objective of preferences, namely, to increase the imports of manufactures and semi-manufactures from the developing countries, is not negated by the manner in which such action is applied in a scheme of preferences.

9. On the assumption that some restraint action is likely to be taken by the developed countries to protect their domestic industries, the question arises whether it is practical to establish objective criteria to govern the application of such action. In documents TD/19, TD/19/Supp.1 [5] and TD/19/Supp.2, the question of the establishment of objective criteria is discussed and

[4] Details of these three systems are contained in document TD/B/C.2/AC.1/7, paras. 22 (*a*), 23-70, 143 (*a*) and (*b*) (see this volume) and also in document TD/12/Supp.2, paras. 21-33 (see this volume).

[5] See this volume, p. 68.

information is provided on the criteria evolved in certain developed countries for dealing with requests from domestic industries in those countries, when a claim arises to the effect that market disruption has occurred or is likely to occur through imports from overseas countries.

10. The representatives of the developing countries, in general, have attached great importance to prior international consultations and even prior approval by an appropriate international authority before action can be taken to restrain the preferential imports from developing countries once the scheme of preferences is implemented. Likewise, they have requested that any such action taken by the developed countries should be reviewed in an international forum with the object of restoring the previous preferential treatment as soon as possible. In respect of the objective criteria for the application of the escape clause, the representatives of the developing countries have questioned the interpretation of market disruption as currently employed, referring in particular to its interpretation in the administration of the Long-Term Arrangement regarding International Trade in Cotton Textiles.

11. On the other hand, while some of the representatives of the developed countries have indicated their willingness to enter into consultations and participate in a review of action taken under an escape clause in an appropriate international forum, they have expressed doubts on the willingness of any national Government to relinquish its right to take action unilaterally.

C. — *Product coverage* [6]

12. There has been general agreement that preferences should be granted for all manufactures and semi-manufactures from the developing countries and that exclusions should be kept to a minimum. However, two groups of products, namely, those under quantitative restrictions and processed and semi-processed agricultural products, have been considered to face particular problems from the point of view of the developed countries if they are included in a scheme of preferences.

13. As regards products already subject to quantitative restrictions in the developed countries, in particular products subject to the Long-Term Arrangement regarding International Trade in Cotton Textiles, the representatives of the developing countries have emphasized the need for their inclusion in a scheme of preferences in view of the importance of this item in the exports of a large number of developing countries. On the other hand, the representatives of some developed countries have indicated that such products should be excluded *ab initio* from a scheme of preferences since their inclusion might prejudice the removal of quantitative restrictions, which in their view is more important.

14. On the question of processed and semi-processed agricultural products, the representatives of the developing countries have generally stressed that these should be included since they constitute a significant share of the exports of manufactures and semi-manufactures of developing countries and, in many cases, represent the only manufactured products exported by the developing countries in the initial stages of industrial development. This view is supported by the representatives of some developed countries, but the representatives of some other developed countries have expressed the view that these products could not be treated on the same basis as others and that the matter should be examined on a product-by-product basis. The main problem with processed agricultural products is that the processing industries in a number of developed countries are obliged to use domestically-produced raw materials, the prices of which are often maintained at levels considerably above those in the world market. In consequence, when processed agricultural products are imported by these countries there is not only the normal tariff protection in relation to the manufacturing costs but levies are also made to equalize the prices of the agricultural materials used in the processed products. Therefore, in relation to preferences for processed agricultural products it would seem desirable to take this into account and to consider primarily the removal or reduction of the tariff relating to the manufacturing process.

15. As shown in document TD/12/Supp.2, cotton textile exports from the developing countries subject to the Long-Term Arrangement account for 16.4 per cent of the total manufactures and semi-manufactures imported from the developing countries by the United Kingdom of Great Britain and Northern Ireland; 10.6 per cent of those imported by the United States of America; and 9.9 per cent of those imported by the European Economic Community (EEC). Likewise, processed agricultural products also constitute a sizable portion of the total imported by the developed countries from the developing countries and amounted to $750 million in 1965. Nearly one-third of EEC's total imports of manufactures and semi-manufactures from the developing countries consisted of these products in 1965, and the corresponding proportions in the United Kingdom, the United States and Japan were 15.3 per cent, 12.5 per cent and 26.3 per cent respectively.

16. If the scheme of preferences, therefore, were to exclude all processed agricultural products, all products subject to the Long-Term Arrangement regarding International Trade in Cotton Textiles and the other manufactures and semi-manufactures currently subject to quantitative restrictions in certain developed countries, this would mean, in terms of the total imports of manufactures and semi-manufactures from the developing countries in 1965, 48 per cent for EEC; 34 per cent for the United Kingdom; 23 per cent for the United States; and 27 per cent for Japan. This would underline the importance of satisfactory product coverage for an effective scheme of preferences.

17. Another important issue in considering the question of exclusions is whether they should relate to particular products or to particular countries. Divergent views have been expressed on this question. Some countries

[6] See TD/B/C.2/AC.1/7, paras. 22 (*b*), 27-82, 143 (*c*) and also TD/12/Supp.2, paras. 6-20.

have taken the view that the exclusion of particular products in respect of the exports of particular developing countries would hamper the industrialization and investment decisions in these countries. Some other countries have expressed the opinion that, by excluding particular countries, it would be possible to provide for increased exports of these products from the least advanced developing countries.

D. — *Countries granting and countries receiving preferences* [7]

18. It has been generally agreed that preferences should be extended by all developed market-economy countries and that the preferential schemes to be implemented should be basically similar and come into operation at approximately the same time in order to ensure an equal sharing of the burden. Certain of these developed countries have pointed out, however, that their levels of industrialization differ markedly from that of the major developed market-economy countries and therefore they have expressed their doubts on their ability to participate on an equal basis with these other developed countries in implementing a scheme of preferences.

19. On the question of countries receiving preferences, the representatives of the developing countries have generally taken the view that they, i.e. the group of developing countries which in their mutual relationship regard themselves as developing, should decide on which countries should be eligible to receive preferences. By contrast, the representatives of some developed countries have expressed the view that each country should declare for itself whether it wishes to be considered as a developing country in respect of receiving preferences. They stress, however, that the developed countries should retain the right not to accept any such request in exceptional cases for compelling — which might include legal — reasons.

20. The importance of a corresponding effort by the socialist countries of eastern Europe to provide a comparable increase in the export opportunities of developing countries has been stressed by the representatives of a number of developed and developing countries. The representatives of some of the socialist countries have indicated that, through the economic reforms in their countries, tariffs are likely to play a more important role in the future and therefore they would be able to extend effective tariff advantages to developing countries, though as a corollary they might be unable to enter into quantitative import commitments towards the developing countries. The representative of another socialist country stated that recommendation A.III.7 [8] of the first session of the United Nations Conference on Trade and Development constituted an appropriate basis for the further expansion of trade of developing countries with the socialist countries.

E. — *Special measures for the least advanced developing countries* [9]

21. In document TD/B/C.2/AC.1/7 a number of special measures in favour of the least advanced developing countries are examined. These measures do not presuppose any definition of such countries in advance. In connexion with the application of an escape clause and/or of tariff quotas, it might be possible to exclude the benefits of preferences from such developing countries in respect of particular products in which they are competitive, for example — to exclude those products from particular developing countries which are causing injury to the domestic industries or which take up a large proportion of the tariff quota. An alternative method suggested is to reserve for newcomers a certain percentage of any tariff quota established in order to ensure that the traditional suppliers do not take up the entire quota. Likewise, in reviewing from time to time the preferential system, it may be possible to examine the desirability of excluding a particular product exported successfully from a particular developing country. Furthermore, in such reviews an examination could be made of what additional special measures could be taken to assist those developing countries which are not benefiting from the scheme of preferences. A further means of assistance suggested is that the more advanced developing countries could grant preferences to the least advanced developing countries to the extent that the former's exports to the developed countries would have expanded on the basis of the general preferential system.

22. In the discussions at the second session of the Group on Preferences, some representatives thought such special arrangements were both feasible and essential, while some others doubted whether it was practical to include such special provisions in the scheme of preferences.

23. It has generally been agreed that, to the extent that it is possible within the scheme of preferences to make provisions for the least advanced developing countries, this should be done. It has also generally been accepted that in addition to preferences the immediate requirements of the least advanced developing countries are basically the need for financial and technical assistance and the need to create regional markets to provide a more economic basis for domestic industry production. In this respect it is agreed that all possible assistance should immediately be given to these countries.

F. — *Duration of preferences* [10]

24. It is generally agreed that, in principle, a scheme of preferences should be temporary and subject to periodic review but that it should last for as long as necessary to achieve the basic objective of diversifying and expanding the exports of manufactures and semi-manufactures from the developing countries. Furthermore, it is stressed that the duration of preferences must be sufficient to encourage new investments in

[7] See TD/B/C.2/AC.1/7, paras. 22 (*c*), 22 (*d*), 83-93, 143 (*d*) and (*e*).

[8] See *Proceedings of the United Nations Conference on Trade and Development*, vol. I, *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 40 and 41.

[9] See TD/B/C.2/AC.1/7, paras. 22 (*a*), 94-112, 143 (*f*).

[10] *Ibid.*, paras. 22 (*f*), 113-122, 143 (*g*).

the developing countries and for these investments to contribute to an expansion in exports from the developing countries.

25. In the eventual phasing out of the preferential system, the reduction of most-favoured-nation tariffs to the preferential levels is preferred to the alternative of raising preferential duties to most-favoured-nation levels. Many developed countries have pointed out that preferences should not have any binding character and should not be an obstacle to further most-favoured-nation cuts. It has been generally agreed that the question of the duration of the preferences should be considered in connexion with a review of the scheme, which, for example, could be undertaken after an initial period of approximately ten years.

G. — *Relationship of the new scheme of preferences to existing preferences, including reverse preferences* [11]

26. Many countries have expressed the view that, since the exact nature and coverage of the new scheme of preferences are nor known, it is premature at this stage to discuss the relationship of the new scheme of preferences to existing preferences. In addition, a number of countries have stated that the existing preferential schemes are not incompatible with any new scheme of preference and, therefore, that such preferences could be maintained together with the introduction of a new scheme.

27. On the other hand, the representatives of a number of countries have stated that the existing preferences should be abolished upon the introduction of the new scheme. The representatives of a number of developing countries have pointed out, however, that, if this is done, the new general scheme of preferences should provide at least equivalent advantages for the developing countries at present enjoying preferential treatment. Whether the new system of preferences would bring equivalent advantages to the developing countries at present enjoying preferential treatment in some developed countries would depend upon the depth of the tariff cut, product coverage, products excluded, and the limitation of volume by quotas if such was decided. These factors would also determine to what extent equality of treatment of all developing countries in the developed market economies would be achieved by the new scheme of generalized preferences when introduced.

28. On the question of reverse preferences, i.e. those enjoyed by some developed countries in some developing countries, some countries have urged that these should be eliminated upon the introduction of a general system of preferences, while some other countries consider that there is no incompatibility between the existing preferential arrangements based upon traditional connexions and financial and commercial relationships and a new system of generalized preferences.

H. — *Institutional arrangements* [12]

29. In the formulation and implementation of a general scheme of preferences it is generally recognized that appropriate international institutional arrangements will be required, especially for dealing with such issues as the application of the escape clause, special measures for the least advanced developing countries, and the reviewing of the duration of preferences. However, a number of countries have expressed the view that consideration of the question of institutional arrangements is premature when a scheme of preferences has not yet been agreed upon.

30. It has been stressed by the representatives of a number of developing countries that UNCTAD, because of its universal nature, would be the appropriate body to administer this scheme. Representatives of some developed market-economy countries have pointed out that a system of preferences would need to fit into the prevailing set of trade policy rules as embodied in the provisions of the General Agreement on Tariffs and Trade and that, in consequence, the application of a system of preferences could not be considered without regard to these provisions. In this connexion, the representatives of some developed and developing countries have stated that it should be possible to devise some form of co-operation between UNCTAD and the General Agreement on Tariffs and Trade (GATT) and that the question required further careful study.

[11] *Ibid.*, paras. 22 (*g*), 123-136, 143 (*h*).

[12] *Ibid.*, paras. 22 (*h*), 141-142, 143 (*j*).

Document TD/12/Supp.1

A SYSTEM OF PREFERENCES FOR EXPORTS OF MANUFACTURES AND SEMI-MANUFACTURES FROM DEVELOPING TO DEVELOPED COUNTRIES

Report by the UNCTAD secretariat

[*Original text: English*]
[*31 October 1967*]

At the fifth session of the Trade and Development Board it was agreed [1] that Governments should give serious study before the second session of the United Nations Conference on Trade and Development to the detailed and well-prepared secretariat report submitted to the Group on Preferences at its second session. This report is contained in document TD/B/C.2/AC.1/7 which is attached.

[1] See *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14*, part one, para. 71.

Document TD/B/C.2/AC.1/7 *

The question of the granting and extension of preferences in favour of developing countries

A SYSTEM OF PREFERENCES FOR EXPORTS OF MANUFACTURES AND SEMI-MANUFACTURES FROM DEVELOPING TO DEVELOPED COUNTRIES

Report by the UNCTAD secretariat

[*Original text: English*]
[*31 May 1967*]

CONTENTS

	Paragraph	*Page*
Chapter I.— General considerations		
A. Introduction	1-2	9
B. The general case for better access	3-6	10
C. The case for preferences	7-11	10
D. Doubts concerning preferences	12-18	11
Chapter II.— Outline of specific elements of a preferential system		
A. The objective	19	13
B. The question of negotiability	20-21	13
C. Problems arising with respect to each of the elements of a general preferential system	22-25	14
D. Various interdependent means for limiting the import of a preferential system on the developed countries' interests	26-28	15
E. Safeguard arrangements as a key to distinguishing between various general preferential systems	29-31	15
Chapter III.— Analysis of each of the elements of a preferential system		
A. Techniques of limiting the impact of preferential imports on producers in the developed world	32-70	16
1. The application of an escape clause	32-38	16
2. The provision of a uniform tariff quota	39-62	18
3. The extent of duty reductions	63-70	20

* Incorporating document TD/B/C.2/AC.1/7/Corr.1.

CONTENTS (*continued*)

	Paragraph	Page
B. Products on which preferences would be granted	71-82	21
1. The objective and the problems involved in attaining it	71-75	21
2. Methods for defining the products subject to preferences	76-80	22
3. The question of special action regarding excluded items	81-82	23
C. Countries that would be prepared to grant preferences	83-89	23
1. The objective	83-84	23
2. The definition	85	24
3. The same system applied by all developed countries?	86-89	24
D. Countries that would be eligible for the benefits of the preferential system	90-93	25
E. Provisions for the less-advanced among the developing countries	94-112	25
1. General considerations	94-95	25
2. Pitfalls to avoid	96-99	26
3. Limiting the period during which preferences can be enjoyed on a particular item	100-101	26
4. Suitable adaptation of the criteria for applying the escape clause or the tariff quota	102-105	27
5. A permanent mechanism for reviewing the working of the system from the point of view of equitable sharing of benefits	106	27
6. The question of preferences by the more advanced developing countries for the less advanced	107-110	28
7. Special financial and technical assistance measures	111-112	28
F. The duration of the preferential system	113-122	29
1. Arguments for limiting the duration	113-117	29
2. Alternative ways of dealing with the problem of duration	118-122	29
G. The relationship of a new preferential system to the preferential arrangements now existing between some developed and some developing countries	123-136	30
1. The objective	123-124	30
2. The problem of measuring equivalence	125-127	30
3. The escape-clause system in relationship to existing systems	128	31
4. The tariff-quota system in relationship to existing systems	129-132	31
5. The review of the equivalence of advantages	133	32
6. The problem of reciprocal preferences	134-136	32
H. The question of possible parallel obligations on the part of the developing countries	137-140	33
I. Institutional arrangements	141-142	34
K. Summary of the main features of a preferential system	143	34

Chapter I

General considerations

A. — INTRODUCTION

1. At the first session of the United Nations Conference on Trade and Development the need to expand and diversify exports of manufactures and semi-manufactures from developing countries was recognized without dissent (recommendation A.III.4).[1] To fulfil this need, various forms of action were recommended to developed and developing countries. One form of action, however, i.e. the granting of preferences on a general and non-reciprocal basis, while supported by all developing countries, did not meet with the approval of all developed countries (recommendation A.III.5;[2] see also General Principle Eight).[3] It was, therefore, referred to the continuing machinery emerging from the Conference. Since then a number of proposals and studies have been made and discussed in various organs of UNCTAD. Studies have also been made by other interested bodies in response to the recommendations of the Conference. At present, it would seem that there is growing support for the principle of granting preferences to developing countries. However,

[1] See *Proceedings of the United Nations Conference on Trade and Development*, vol. I, *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 37-39.

[2] *Ibid*, p. 39.

[3] *Ibid*, p. 20.

equal progress has not been achieved with respect to the specific content of the system to be established. The present paper is intended to study in somewhat greater detail than hitherto the various elements and technicalities of a preferential system.

2. In defining the specific content of a scheme it is necessary, however, not to lose sight of the basic aims of a preferential system, nor to ignore the doubts that have been raised regarding the principle itself or certain of its features. In chapter I of this report, therefore, the arguments in support of a preferential system will be briefly recapitulated, as well as some of the doubts that have been expressed during previous discussions of the issue. In chapter II, the concrete elements of a preferential system will be broadly outlined, and the main problems that arise with respect to each of them will be cited. The basic alternatives of general preferential systems will be sketched. Chapter III contains the detailed examination of the various elements, and ends with a summary of the conclusions regarding each.

B. — The general case for better access

3. It is important to distinguish at the outset between the case for improved access in general and that for preferences in particular. The arguments for improved access in general are largely accepted by all countries, including those which may be sceptical about preferential access. It is well recognized that the export earnings of developing countries are expanding at rates far below their development needs. The low elasticities of demand, the decreasing raw materials content of industrial products resulting from technological progress, and growing production of both natural and synthetic materials in the developed countries, have severely limited the potentialities of expansion of many primary exports. Manufactured products, in contrast, are largely free from such limitations. Accordingly, the establishment of better conditions of access for manufactures and semi-manufactures should serve to alleviate one of the bottlenecks in the process of economic development. Apart from the slow growth of export earnings, the severe fluctuations in the prices of many primary commodities introduce an element of uncertainty and instability as to export proceeds which militates against orderly planning. Therefore, an increase in the relative share of industrial products in the total exports of developing countries would help to provide a greater degree of stability in their external earnings.

4. Under the present conditions of access, developing countries tend to adopt inward-looking industrialization policies. In many cases, in particular at early stages of development, such policies may be difficult to avoid. However, beyond the stage of simple consumer goods which may be sustained by the home market, import-substitution policies tend to become progressively more costly. The removal of trade barriers facing developing countries would help to promote an export-oriented outlook of the industrialization efforts.

5. One of the basic characteristics of tariffs régimes in the developed countries is the escalation of rates from the lower to the higher stages of processing. Thus, duties on crude materials may be nil, but they tend to rise on simply-processed forms, and become high on finished products. Such a pattern has the effect of inhibiting the location of industries at the site of raw materials.[4] Under conditions of free access it is to be expected that it would be profitable for a larger proportion of future investments in processing industries to be made in developing countries close to the source of raw materials with a view to exporting the goods concerned towards the developed countries.

6. The elimination of barriers to imports from developing countries would redound to the advantage, not only of developing countries, but also of developed countries. The increased earnings from industrial exports would enhance the import capacity of developing countries and thereby promote exports by developed countries. Equally important is the more rational allocation of resources that would ensue. At present, labour is kept in relatively less competitive industries through the edifice of protection. At the same time the high level of demand in a number of developed countries has created a condition of labour shortage limiting, in some cases, the growth potential of the economy. This has been aggravated in some countries by the depletion of the traditional reservoir of labour which the agricultural sector constituted for industry. Increased imports from developing countries would therefore mitigate the labour shortage, reduce the inflationary pressure and promote a better pattern of resource allocation. Labour would be utilized in a more rational manner in more advanced fields of manufacturing where the rise in wages could be better sustained by a corresponding growth of productivity. Instead of using imported labour to maintain or even expand the traditional less competitive industries, the developed countries would import goods.

C. — The case for preferences

7. Broadly speaking, the above advantages will be greater the lower the trade barriers facing developing countries. It is not to be excluded that at some time the aim of universally free trade will be achieved. Obviously, however, this is not something that could reasonably be counted upon in the near future. In the meantime the trade in manufactures and semi-manufactures will have to contend with barriers which, even after the conclusion of the Kennedy Round, remain, to developing countries in any event, considerable. At any rate it is uncertain whether the Kennedy Round will in the near future be followed by another of comparable coverage and intent. Furthermore, negotiations on a most-favoured-nation (m.f.n.) basis are not likely

[4] This subject has been treated in some detail in two papers prepared for the Committee on Manufactures — "Examination of tariffs on products of export interest to the developing countries" (TD/B/C.2/25 and Corr.1) and "The structure of protection in the industrial countries and its effects on the exports of processed goods from developing nations" (TD/B/C.2/36) (see *The Kennedy Round — Estimated Effects on Tariff Barriers*) (United Nations publication, Sales No.: E.68.II.D.12).

to take sufficient account of the specific interests of developing countries. The fact that these are at best marginal suppliers in the vast majority of cases tends to impair seriously their bargaining position.

8. Yet, developing countries' trade problems are so urgent that in order to improve access for their industrial exports they should not have to depend on whether or not it will be possible to undertake a new round of negotiations on an m.f.n. basis. It may be argued that developing countries should not have to wait for agreement among developed countries before attention is paid to their trade problems, and difficulties that might exist for further expanding trade among developed countries should not impede progress for the developing countries. Therefore, it may appear justified to consecrate the next step in world trade to the liberalization of the imports from developing countries.

9. The case for preferences rests on more than the limitations inherent in tariff reductions on an m.f.n. basis. Paradoxically, preferences would be a means for enabling the developing countries to come closer to real equality of treatment. The traditional m.f.n. principle is designed to establish equality of treatment among the various sellers to a particular market, but it does not ensure equality of treatment in several respects that are of considerable importance to developing countries. First, unless the m.f.n. tariff is zero, there is no equality of treatment with the domestic producers, nor with the producers inside the recently established regional groupings in the developed world. Secondly, the m.f.n. principle does not take account of the fact that there are in the world inequalities in economic structure and levels of development; to treat equally countries that are economically unequal constitutes equality of treatment only from a formal point of view but amounts actually to inequality of treatment. Thirdly, partly as a result of negotiations conducted on the basis of reciprocity and of the m.f.n. clause, typical manufactured and semi-manufactured export products of developing countries are frequently subject to higher nominal and, in most cases still higher, effective duties than typical imports from developed countries. Preferential reductions on imports from developing countries bring them closer to achieving equality of treatment with producers inside the national or multinational markets, take into account the fact that they are at a lower level of development, and correct a situation where they have in actual fact disadvantages in comparison with imports from developed countries.

10. The establishment of a preferential system for all developing countries could prevent the proliferation of mutually exclusive preferential systems limited to some developed and some developing countries. The choice at present is not between maintaining m.f.n. treatment and establishing a general preferential system for all developing countries; it is rather a choice between a general system of preferences on the one hand and mutually exclusive preferential systems on the other. If no such general system could be established, it would be difficult to avoid a situation in which those developing countries which now do not enjoy preferences anywhere, would be granted preferences in at least some of the developed countries.

11. Preferences for the developing countries would be a means for correcting the increasingly disadvantageous situation of the developing countries' exports resulting from the formation of ever-increasing regional groupings among developed countries. Among the countries outside these groupings, the developing countries tend to be most vulnerable to such differential treatment since their cost structures and flexibility of production may be less able to absorb the new competitive disadvantages created by the discriminatory tariff margin in favour of the developed partners inside the regional groupings. As a result of such groupings and other preferential arrangements, almost two-fifths of the total imports of manufactured and semi-manufactured products of the developed countries from non-socialist countries are already on a preferential basis, but mainly from other developed countries. If additional developed countries enter the European Economic Community (EEC), as they have announced their intention of doing, or if alternative free-trade arrangements are concluded between countries non-members of EEC, then more than half of the developed countries' manufactured and semi-manufactured imports would flow outside the m.f.n. system. In such a situation, it is difficult to assert that countries outside of these groupings are enjoying " most-favoured-nation " treatment. The formal application of the m.f.n. clause to developing countries means, in the conditions of today, granting what is in effect least-favoured-nation treatment.

D. — Doubts concerning preferences

12. Doubts have, however, been expressed regarding preferences. It has been stated that after the conclusion of the Kennedy Round, the remaining duties will be so low as not to constitute real obstacles for imports from developing countries. Preferential margins that could be granted would be trivial and at any rate not sufficient to stimulate the developing countries' industrial exports. However contrary to the initial intentions, the Kennedy Round has in many cases not resulted in 50 per cent reductions of the existing tariffs. More important, the effective tariffs, even after the Kennedy Round, are still very high precisely on those goods which developing countries export and could expand in the immediate future. That tariff margins remaining after the Kennedy Round are still substantial in the eyes of developed countries is shown also by the continued interest of such countries in entering or becoming associated with EEC.

13. It has been said that developing countries would not be able to stand competition in the highly competitive markets of the developed world, even if they enjoy equality of treatment with domestic producers of the latter. No doubt, for a certain number of goods, requiring considerable technological know-how, developing countries could not compete even if they were granted equality of treatment. On the other hand, there are

several examples of developing countries successfully exporting manufactures and semi-manufactures to the developed world in spite of the fact that they have to overcome tariff barriers in these countries. If these barriers were removed such exports could probably be stepped up. Moreover, if firms in developed countries know that they can count on importing freely from developing countries, they would in all likelihood in many cases give serious consideration to establishing in developing countries some manufacturing processes which could be carried out there with cost advantages.

14. It is argued that developing countries should first concentrate on what they themselves could do for promoting their exports before insisting on what developed countries could do for them. Accordingly, for example, it is suggested that developing countries will not be able to export, even if they are granted preferences, unless they eliminate internal obstacles to exports and adopt sound export policies. Equally, it is said that they would not succeed in penetrating the highly competitive markets of the developed world as long as they felt the need to protect their industries by extremely high trade barriers against products of other developing countries. There is no doubt an important element of truth in these considerations. Benefits of the preferential system would only accrue to those developing countries which take the necessary national action that would make increased industrial exports possible. It is also true that for products which developping countries want to export to the developed world, they must be able to face a certain degree of competition in their own markets. Developing countries would indeed be well advised to pay greater attention to each other's markets because they could sell products there which might have difficulties in penetrating into developed countries' markets.[5] Action in these respects could be taken simultaneously with the introduction of the preferential systems. Moreover, the Trade and Development Board at its fifth session in August/September 1967 will examine what kind of action programmes developing countries could adopt to further their mutual trade.

15. Preferences are said to create a vested interest on the part of the developing countries against further reductions on an m.f.n. basis. These countries might, after the establishment of a preferential system, favour the maintenance of non-preferential import duties in developed countries at the highest possible level. That such a risk exists is indicated by the fact that it has been especially difficult to reduce duties on items on which some developing countries enjoyed special preferences. It would, however, be short-sighted to try, in connexion with the setting-up of a general preferential system, to prevent the developed countries from further reducing the barriers on each other's trade. This might have advantages from the viewpoint of some short-term interests of the developing countries. But the freeing of world trade has been a powerful factor of growth in the developed world, and the retardation of this rate of growth would in turn ultimately have negative effects on the developing countries themselves. Such consequences are, however, not necessarily inherent in a system of preferences. It could be specifically provided that there would be no need to maintain preferential margins in favour of developing countries and that countries granting preferences would be able at any time to extend the duty reductions or eliminations on an m.f.n. basis. When conceived in this way, a preferential system for developing countries would be a step towards the liberalization of world trade as a whole in the sense that first priority would be given to reducing barriers on the imports from those countries that are most in need.

16. It is sometimes argued that only a few developing countries would benefit from the establishment of a preferential system. Inasmuch as only a dozen countries at present account for about 75 per cent of the developing countries' total industrial exports, it cannot be denied that these developing countries will, at the outset of the preferential system, probably enjoy greater immediate benefits. But these industrially more advanced developing countries are, at least in some cases, those where *per capita* income is particularly low or other development problems present themselves with particular acuteness. Moreover, with respect to other measures discussed in UNCTAD (related to primary commodities, financing, regional integration, etc.), less-advanced developing countries can often be expected to gain greater benefits than more-advanced ones, and it is clear that not every developing country can expect to obtain an equal advantage from every policy measure recommended by UNCTAD. This being said, it is possible and necessary to provide, in connexion with the establishment of a preferential system, for special measures and mechanisms to ensure more effective participation by the less-advanced among the developing countries in the benefits of the system (see chapter III, section E below).

17. It is pointed out that imports from developing countries might create unemployment in certain branches of industry in developed countries. Apart from the fact that under recent conditions of relative labour shortage in many developed countries, displaced labour could be more advantageously employed in technologically more advanced branches, the changes in industrial

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[5] Why trade among developing countries cannot be a substitute for increased industrial exports to the developed world has been explained in document TD/B/85/Rev.1 (*Trade Expansion and Economic Integration among Developing Countries* (United Nations publication, Sales No.: 67.II.D.20)), chap. X, paras. 5-11. These reasons can be briefly stated as follows: first, developing countries experiencing balance-of-payments difficulties or depending on customs revenue for their national budgets, have greater difficulties in successfully negotiating trade liberalization among themselves than have developed countries. Secondly, even if such agreements are negotiated, the deficiencies of the infra-structural links between developing countries still give a greater advantage to imports from developed countries. Thirdly, it cannot be generally asserted that the markets of other developing countries are less competitive; for indeeed, the large international firms of developed countries are very often also present in the markets of other developing countries. Lastly, the purchasing power of other developing countries is often so low that it cannot absorb the output of certain types of industry. To attain sufficient economies of scale, they also need access to the markets of developed countries.

production that occur all the time as a result of technological developments are, in most cases, considerably greater than those which might result from imports from developing countries. Developed countries have accepted, in their regional groupings, commitments for the reduction of trade barriers which also caused fears in certain industrial sectors. On account of the gradualness of the entry into force of these commitments, and in view of maintenance of adequate over-all demand and provision for internal adjustment measures, the developed countries were perfectly able to cope with these problems. It is difficult to see why they should not be able to cope with similar problems that might result from imports from developing countries which have such a small share of world industrial exports. Considering the great size of the market in the developed countries, a manifold increase in imports from developing countries can be easily accommodated in the normal growth of the market. At any rate, provision can be made in the preferential system to take account of such problems of domestic producers (see chapter III, section A below).

18. The establishment of a system of preferences has been said to involve particular disadvantages for those developed countries that are already partly or totally outside the large regional markets which have been formed in the developed world. In particular those countries might be hit that may not qualify as developing countries but that are on a lower level of industrial development than the bulk of the developed countries. No doubt, it can hardly be the purpose of a preferential system for developing countries that the weaker or otherwise handicapped developed countries should bear the main burden of the system. Special measures may therefore be necessary to safeguard the interests of such third-country suppliers, just as care is to be taken that domestic producers are not seriously injured by the establishment of the system. (See chapter III, section A below.)

Chapter II

Outline of specific elements of a preferential system

A. — The objective

19. For examining the concrete features of a possible preferential system for industrial exports from developing countries, it is convenient to take as point of departure the system which the developing countries had themselves proposed at the first session of the United Nations Conference on Trade and Development and reiterated at the May 1965 meeting of the Special Committee on Preferences. The essential features of this system are as follows: all developed countries should grant, for all manufactures and semi-manufactures, toward all developing countries, duty-free preferential access to their markets without limitation on volume. The developing countries recognized, however, that the duration of the preferences should be limited in time and that it should be possible, under certain conditions, for the developed countries to exclude products from the benefits of the system and to apply safeguard clauses. On the other hand, the system should take into account the special needs of the less-advanced developing countries and provide, for those developing countries that presently enjoy preferences in developed countries, advantages at least equivalent to those which are now enjoyed so that these existing preferences can be suspended. Suitable international supervision will have to be provided for. The system summarily described is largely similar to that adopted as a working hypothesis by the Group on Preferences at its first session in August 1966 (see report on the session).[6]

[6] See *Official Records of the Trade and Development Board, Fourth Session, Annexes*, agenda item 4, document TD/B/84.

B. — The question of negotiability

20. A system along the lines just sketched would no doubt be the optimum solution for enhancing the developing countries' opportunities of exporting industrial products. Once there is clarity about the ideal solution, however, there arises the much more difficult question as to what would be a negotiable or acceptable solution. This negotiability or acceptability will to a large extent depend on the manner in which the concrete features of a system take into account the concerns that have been expressed in the previous discussion on this issue (see chapter I, section D above). An intimate knowledge and appreciation of each of the participating countries' negotiating problems would facilitate the finding of formulae leading to the establishment of a mutually satisfactory system.

21. When solutions are to be found to all these problems, it is unavoidable that some of the expectations which developing countries have attached to the setting up of a system of preferences will not fully materialize. There is a risk that the ways and means chosen to meet the concerns or special wishes of the participating countries would unduly weaken the effectiveness of the system itself. To avoid this consequence, it will be necessary to reconcile two equally important requirements: on the one hand, of providing for the developing countries substantially better access to the markets in the developed world and, on the other hand, of paying serious attention to the problems of negotiability and acceptability faced particularly by the Governments of the developed countries.

C. — Problems arising with respect to each of the elements of a general preferential system

22. When the system outlined in paragraph 19 above is to become the object of a concrete commitment on the part of the developed countries, the following negotiating problems are bound to arise in relation to each one of its elements:

(*a*) With respect to the aim of granting duty-free access without limitations on volume, assurances will have to be provided to producers in the developed countries to safeguard them against a conceivable negative impact of the system on their essential interests. Various measures can be envisaged for this purpose: should an escape clause be provided for, to be applied only in case of serious injury occurring to producers of developed countries, or should the volume of admissible preferential imports or the extent of the duty reduction already at the outset be limited for all products? Would provision have to be made for the various methods to be applied to safeguard only essential interests of domestic producers or should interests of third-country suppliers of the developed countries concerned also be taken into account?

(*b*) With respect to the aim of including all manufactures and semi-manufactures, certain items of processed agricultural products in some countries, as well as highly protected industrial products including those still under quantitative restrictions, present special problems. Ways and means should be found for including processed agricultural products even where the high trade barriers sometimes reflect the protection granted to the domestic agricultural raw material that has been used. Due account will have to be taken of how to deal with products now subject to quantitative restrictions. Provision may have to be made for enabling individual developed countries to exclude from the beginning certain items from the scope of the preferential system, while at the same time ensuring comparable participation by the various developed countries.

(*c*) With respect to the aim that all developed countries should grant preferences, the question arises whether the establishment of the system should be made conditional on the participation of all these countries. Furthermore, it must be considered whether all should apply essentially the same system and how account might be taken of differences in the degree of industrialization of these countries and of the special foreign trade régimes of the socialist countries of eastern Europe.

(*d*) With respect to the aim of granting preferences to all developing countries, the question arises as to which countries are to be regarded as developing. Special consideration will have to be given to the problem of so-called borderline countries.

(*e*) With respect to the special needs of the less-advanced among the developing countries, the countries concerned should be able to rely on the solutions envisaged, while at the same time the system should not become too complicated to operate for the developed countries.

(*f*) With respect to the duration, the solutions envisaged would have to ensure the temporary nature of the system, while at the same time enabling the late-comers to industrialization to count on preferential access for a sufficiently long period.

(*g*) With respect to the suspension of the existing systems, or their absorption in so far as they relate to manufactures and semi-manufactures, the problem arises as to how to appraise and secure the equivalence of the new system with the old ones. Solutions may also have to be found for the question of reverse preferences.

(*h*) With respect to the need for suitable international review, care will have to be taken that the institutional framework chosen for this purpose would include all participating countries and thus be of a universal nature.

23. It is the purpose of this report to show how all these special problems can find adequate solutions within the framework of a general preferential system. Accordingly, the adaptations of the ideal systems that are necessary to take into account the various considerations of negotiability would be introduced as exceptions to, or qualifications of, the generally applicable across-the-board rules. In particular, the targets for tariff eliminations or reductions and the means for possible limitations of the volume would in principle be the same for all products and for all developing and developed countries. Of course, the provision of exceptions to these targets would result in introducing elements of flexibility and selectivity into a general system of preferences. This selectivity would, however, have to be exercised in conformity with certain guidelines and uniformly applicable criteria. The extent to which such selectivity could be applied would also be limited.

24. A basic distinction must, however, be made between a general system of preferences that provides for the introduction of elements of selectivity and a selective system of preferences. In a system of the latter type, no generally applicable targets for duty reductions would be set. The means for, and extent of, volume limitations would also vary from product to product and from country to country. While some general guide-lines as to the margin of preference or the admissible volume might be included in such systems, their characteristic is that each developed country or group of countries would itself decide which action to take with respect to each item or each group of items. In a selective system, it might even be provided that the countries which grant the preferences could decide which would be the beneficiaries of these preferences. This would greatly facilitate the acceptance of a system of preferences by various developed countries as they could take into account, with respect to each item, the domestic and third-country suppliers' interests as well as the interests of those developing countries with which they have special links. But there would be great uncertainty as to whether the preferences to be granted would then really be substantial and of any real assistance to the exports from developing countries. Since tariff rates and/or tariff quotas applicable to the developing countries would vary from product to product, laborious

item-by-item negotiations on a multitude of products may be necessary. There would be a risk that non-economic criteria would be applied in deciding on the concessions to be granted. Also, the administration of such a system would pose special problems in view of the fact that the situation may be different with respect to each product. There would be no assurance of burden-sharing among developed countries, nor would it be possible to absorb or suspend existing systems since they are general and not selective in nature. The establishment of a selective system of preferences would therefore be inconsistent with the proposal made by the developing countries and with the working hypothesis adopted by the UNCTAD Group on Preferences.[7]

25. For these reasons, the possible application of a selective system of preferences is not examined further in the present report. Also, in such a system the various problems such as the replacement of existing systems, the definition of products and countries eligible for preferences, and the treatment of the less-advanced developing countries, present themselves in a completely different light and call for substantially different solutions from those envisaged in connexion with a general preferential system. The following chapters of this report therefore concern only the technical ways and means of implementing a general system of preferences.

D. — Various interdependent means for limiting the impact of a preferential system on the developed countries' interests

26. Among the preoccupations affecting the negotiability of a system, the most important ones are likely to be, first, the effects of the preferential system upon domestic producers and, secondly, its consequences upon trade relations among developed countries, i.e. with countries to which the m.f.n. clause would continue to apply. The first aspect is a familiar one: in all negotiations on the reduction of trade barriers, governments are concerned with the need to avoid undue damage to their country's domestic producers. The second aspect is, however, novel and specific to the establishment of any system of preferences including preferences among members of a regional grouping. Third-country suppliers to the developed countries granting the preferences may be affected because, contrary to what happens in reductions on the traditional m.f.n. basis, the conditions of access for third countries would not improve, but might rather deteriorate. This type of preoccupation may also have to be taken into account when considering the means for improving the negotiability of the system from the developed countries' point of view. It should, however, not be forgotten that the fears of domestic producers in connexion with trade liberalization commitments have in the past in most cases not been borne out by the subsequent developments. As to the interests of third countries, no special measures were provided in their favour when certain developed countries freed trade among themselves within regional groupings. To the extent that third developed countries possess technological superiority and differentiated industrial structures as compared with developing countries, they might be in a better position to offset the new preferential advantages envisaged for the developing countries than may have been the case with respect to the similar advantages granted to developed countries within these regional groupings.

27. For dealing with these preoccupations and safeguarding what developed countries may regard as their essential interests, a variety of means enter into account:

- Narrowing the product coverage;
- Providing for mere duty reductions in lieu of duty abolitions;
- Limiting in advance the volume of imports that would in any case be admitted at the preferential rate;
- Providing for an escape clause that would permit partial or total withdrawal of preferential treatment in case of serious injury to producers in developed countries.

28. Each of the methods listed can be used for limiting unfavourable effects of the preferential system on the interests of domestic producers or third-country non-preferential suppliers. Moreover, the more the developed countries can rely on resorting to one or other of these means, the less they are likely to need the others. Thus, if the definition of the list of semi-manufactures is very wide and includes, for instance, the early stages of processing of agricultural primary goods, the more the developed countries might feel that they need possibilities to limit in advance the volume and the depth of reductions. If, on the other hand, the product coverage does not include certain sensitive items, the developed countries are likely to be more relaxed about the advance limitations of volume, the depth of the reduction or the escape clauses. Finally, if the volume is limited in advance or mere duty reductions are called for, the narrowing of the product coverage becomes a safeguard instrument of lesser importance from the point of view of the developed countries. This mutual interdependence of the various possible safeguards has to be taken into account in the discussions and negotiations leading to the establishment of a preferential system. Otherwise, seemingly satisfactory solutions for the interests of the developing countries with regard to one of the techniques may be frustrated by provisions regarding another. For the developing countries to avoid losing on one score what they gain on another, the total picture must constantly be kept in mind and evaluated.

E. — Safeguard arrangements as a key to distinguishing between various general preferential systems

29. Not only do the various means of safeguard depend on each other, but the solutions to be found for the basic elements of a preferential system also

[7] *Ibid.*

depend on the kind of safeguard provided for in the system. For example, the question of the suspension of existing preferential systems, as well as that of the special arrangements for the less-advanced countries, presents itself in somewhat different terms if the volume admissible at the preferential rate is, in principle, unlimited and the tariffs are eliminated or if provision is made for volumes limited in advance or for mere tariff reductions.

30. It would therefore appear to be a proper methodological approach first to analyse the various safeguard techniques that can be provided, starting with the escape clause and the limitations to the admissible volume and to the depth of the tariff cuts. The other elements of a preferential system would be examined subsequently, and with respect to each of them it would be shown to what extent the solution might have to differ depending on the safeguard arrangements chosen. According to this methodology one might in theory distinguish three different approaches to general preferences based on largely uniform commitments by all developed countries:

(*a*) A system based on the escape clause (hereafter referred to as the " escape-clause system "): the assumption is that under this system duties would be eliminated and that there would be no advance limitation of the imports admissible on a preferential basis. Developed countries could, however, resort to an escape clause if certain criteria and conditions are fulfilled. In application of the escape clause, the volume of the imports and/or the scope of the reductions could be temporarily limited when serious injury to producers in the developed countries is caused or threatened.

(*b*) A system based on tariff quotas expressed in terms of a percentage of consumption, production, or total imports of a particular item (hereafter referred to as the " tariff-quota system "). One assumption is that the percentage would be identical for all products for which preferences have to be granted and that duties would be eliminated on an import volume corresponding to the quota. Even if there is no threat or injury to producers, the importing country could impose the m.f.n. tariff on imports exceeding this quota.

(*c*) A system based on a uniform duty reduction on all items for which preferences have to be granted (hereafter referred to as the " duty-reduction system "). The assumption is that under this system the volume would not be limited in advance, but could be limited only if the criteria and conditions for the application of an escape clause are fulfilled with regard to a specific item.

31. A combination of the above three systems can naturally also be imagined. For instance, it would be quite possible to combine the tariff-quota system with an across-the-board tariff reduction rather than with duty-free entry. There are practical reasons why only the three systems mentioned above will be referred to in the subsequent chapters of this report: the developing countries' proposal is an escape-clause system with *duty-free entry*. As to the uniform tariff-quota system, one of the main arguments for it is that it would grant duty-free entry to industrial imports from developing countries. As to the reduced-duty system, the limitation of the depth of the reductions would already constitute a safeguard for developed countries so that it could in this case less easily be argued that in addition a general tariff quota would be necessary; the reduced-duty system is thus discussed on the assumption that it would be combined with an escape clause only.[8]

[8] It is also possible to envisage a system that combines certain characteristic features both of the escape-clause and of the tariff-quota system, but for simplicity of exposition and analysis, the pure forms of each system are being discussed at this time.

Chapter III

Analysis of each of the elements of a preferential system

A. — Techniques of limiting the impact of preferential imports on producers in the developed world

1. *The application of an escape clause*

(a) *Its operation and advantages*

32. In order that reductions of trade barriers agreed upon by an importing country may not lead to serious injury to domestic producers, the country is usually enabled temporarily to suspend the obligations, provided certain conditions are met. Considerable practical experience is available with regard to the operation of such an escape clause since it is provided for in the General Agreement on Tariffs and Trade (GATT), the EEC and the European Free Trade Association (EFTA) etc., though the details differ. An escape clause could therefore be incorporated into a preferential system for developing countries' industrial exports. Accordingly, imports at preferential rates of a particular item into a developed country would in principle be unlimited, but if as a result of the preferences any product is being imported in such increased quantities as to cause serious injury to domestic or third country producers of like or directly competitive products, application of the preferential tariff could in principle be fully or partially suspended temporarily.

33. The advantage of this system is that it places no limitations on the volume of imports enjoying preferential treatment. For this very reason, it also possesses the second advantage of not appearing to offer less than the existing preferential systems between some

developed and some developing countries, since these systems do not normally provide for an *ex ante* limitation of preferential imports. Thirdly, the system does not give rise to administrative complications because limitations would only be established in the presumably few cases where real injury occurs. Fourthly, in an escape-clause system it would be possible to direct the remedial action against that developing country which is causing serious injury; the limitations need not be applied to the imports of the other developing countries.

(b) *The problems, and ways of dealing with them*

34. The escape-clause system also gives rise to some problems that may to a certain extent be taken care of by specific provisions.

35. The escape clause is usually resorted to unilaterally by the importing country which relies on its own judgement whether a sufficiently serious injury has occurred. Once the action is taken, it is as a rule difficult to induce the country concerned to reverse it soon, although the temporary character of the limitations and special review procedures may be provided for. Developing countries might therefore fear a cessation of imports at preferential rates as soon as some problems arise in the importing country; this may make it more difficult for them to plan their exports and to count on a certain volume being admitted in all circumstances on preferential terms.

(*a*) One of the ways for dealing with this problem would be to provide that the importing country would have to ask for prior approval by a suitable international institution before it could resort to an escape clause. Within the EEC such prior approval is provided for because it is consistent with a series of other provisions establishing close economic solidarity between the member States. In GATT, EFTA and indeed in a grouping of developing countries like the Latin American Free Trade Association (LAFTA) the escape clause, though subject to consultation, can ultimately be invoked unilaterally. It may therefore be questioned whether the developed countries would be able to accept that their right to defend what they may regard as their vital national interests could only be exercised subject to the prior approval of an international body. Moreover, if recourse to the escape clause is to require prior approval, developed countries will tend to insist on a narrower product coverage and might tend to opt in favour of a tariff quota or reduced duty instead of a duty-free system. If it is recognized, however, that developed countries can unilaterally invoke temporarily the escape clause in an emergency, they should, however, submit to consultation procedures as soon as possible.

(*b*) An alternative, more acceptable, means of giving a minimum guarantee to developing countries' exporters might be to provide that in the case of the application of an escape clause the importing country could not — even temporarily — suspend preferential treatment altogether, but would have to maintain it for a minimum volume to be defined. The developing country would thus be able to count on a minimum guarantee that would be admitted in all circumstances. On the other hand, the domestic producers of the developed countries would in this way be assured against contractions of the absolute volume of their production.

36. The escape clause may be regarded as involving the risk that some developed countries would apply it sooner than others, even if there were no threat of a serious injury. Some developed countries may then bear a larger share than others of the burden which additional imports from developing countries might constitute. It might lead to additional pressures on the domestic market of the more liberal developed countries, inducing them to take restrictive measures in their turn.

(*a*) It is true that there is also some risk of abusive recourse to the escape clause with respect to concessions made on a m.f.n., basis as in GATT; but it is probably much smaller because such concessions are granted on the basis of reciprocity: when resorting to the escape clause, the country is aware that concessions granted to it may be withdrawn in turn. This inhibiting effect is less likely to exist with respect to developing countries, which would not grant any concessions in return for the preferences they would receive.

(*b*) It should, however, be possible to reduce any such risk to manageable proportions. In addition to the minimum guarantee as examined under paragraph 35 (*b*) above, special review procedures might be provided for in all cases where an escape clause is applied. Accordingly, the country might be obliged to report, after resorting to the clause, to UNCTAD on the progress made toward re-establishing preferential treatment or, as the case may be, on the reasons for not having done so. The report might also have to include a detailed account of the industrial adjustment measures the country plans to take with a view to being again able to grant preferential treatment. These reports might form the basis for a consultation and review procedure.

37. The escape clause might be regarded by third developed-country suppliers as an insufficient guarantee against trade diversion occurring to their detriment. Though it could be provided that the importing developed country can resort to the escape clause in case of serious injury to the detriment of its traditional developed-country suppliers, the third country would indeed have no certainty that the importing country would actually use this possibility. It might therefore be provided that the importing developed country would have to take suitable measures if as a result of the granting of preferences, imports from other developed countries decreased in absolute terms or have a substantially reduced share of the market. One of these measures may be to reduce the m.f.n. tariff. Institutional procedures may also have to be provided for.

38. A special problem may arise between those countries participating in a general preferential system which, on the basis of existing bilateral or multilateral agreements between them may, under certain conditions, apply quantitative restrictions to safeguard domestic

producers against serious injury. This consequence can be avoided if the partners to existing agreements agree that in case of injury they would first reimpose m.f.n. duties as a protective measure and would resort to quantitative restrictions only if after a reasonable period of time the restoration of m.f.n. treatment had not yielded adequate results. Moreover, it should not be possible to apply quantitative restrictions to the imports from the developing countries alone.

2. *The provision of a uniform tariff quota*

(a) *The various forms of its operation*

39. Instead of making the limitation of the volume dependent upon the occurrence of a serious injury, it is possible to conceive of a system according to which each developed country would be expected to admit duty-free only a certain predetermined volume of imports corresponding to a certain percentage of domestic consumption, production or total imports of the item concerned. The percentage chosen might be the same for all products and all importing countries. As soon as the imports from the developing countries as a whole reached this ceiling, the developed country could without further justification subject additional imports of this item to the m.f.n. tariff. The importing country could take this action even if no injury was caused. Of course, the reference period on which consumption, production or import figures would be based would have to be adjusted at regular intervals. Even if the tariff quota had been filled in one year, it would be possible for all developing countries to avail themselves of the tariff quota in the following year.

40. An alternative form of the tariff-quota system would be to use it to withdraw preferential treatment from those developing countries which with regard to a particular item would have shown that they are particularly competitive. To achieve this purpose, it may be provided that preferential treatment could be withdrawn from the imports of that developing country which took up more than a certain percentage (for instance, 33 per cent) of the tariff quota. The consequence of such action would be to grant to the other developing countries, and particularly to newcomers, the opportunity of taking up the share of the quota which had hitherto been taken up by the first-mentioned country. The withdrawal of preferential treatment could be gradual; licences under the tariff quota would remain available to the first-mentioned country inasmuch as the other countries would not use them.

41. This system of automatic exclusion of a particular country for a particular item has the advantage of providing for a certain rotation among the countries benefiting from the quotas. At first sight, the statistical criteria used would also have the appearance of avoiding arbitrariness in excluding the really competitive countries. This is, however, not necessarily the case. It may well be that a country is excluded though it is not responsible for the fact that the particular developed country felt the need to apply the tariff quota. It is indeed quite possible that the particularly competitive imports come from a country that would take up only a small percentage of the quota. The method would also work against the main supplier developing countries because their productive capacity is such that they can probably more easily reach the percentage than smaller developing countries. Another result of the application of the quota and of the exclusion of some countries would be that with respect to many items, there would be different lists of countries benefiting from the preferential system. Since these lists might have to be adjusted whenever a tariff quota is filled and the exclusion procedure applies, this might be regarded as an administrative complication.

42. To take into account the possible objections to the system described in paragraphs 40 and 41, a third variant may be conceived according to which it would be provided that a certain percentage of the tariff quota (for instance, 20 per cent) would every year be reserved to newcomers, i.e. non-traditional suppliers. If this reserve were unutilized, it would be carried over to the next year and become available to all developing countries. This method would be an intermediate one in the sense that non-traditional suppliers would always be able to count on an opening while traditional or important supplying countries would not risk being excluded altogether from the benefits of the preference (as may happen under paragraph 40).

43. The methods listed under paragraphs 40 and 42 would provide largely automatic statistical criteria for progressively excluding particularly competitive suppliers and/or for admitting newcomers. Another way of avoiding arbitrariness might be to have the institutional framework regularly reviewed and decide upon a case-by-case basis or upon pragmatic criteria to be evolved gradually.

(b) *Its advantages*

44. An appraisal of the probable results of such a system would, of course, depend on the size of the uniform quota. If the tariff quota is large, few problems would arise; if it is insufficiently large, the problems examined under sub-section 2, (*c*) below would be considerable. On the assumption that the size of the quota is reasonable from the point of view of the developing countries' export capacity, the following advantages can be seen in this system.

45. The tariff quota could constitute a guarantee for the developing countries that preferential imports from them could not suddenly be stopped for alleged market disruption. This would enable developing countries to plan better their exports to the various developed countries' markets.[9]

46. A uniform tariff quota for all products would make it possible to define industrial products broadly,

[9] Such a guarantee would, however, only exist if countries parties to existing international arrangements that permit the imposition of quantitative restrictions in case of injury to domestic producers adapt them so as to ensure that such restrictions cannot be applied before the tariff quota is reached and before the m.f.n. treatment has been again applied for some time (see paragraph 38 above).

for it would be clear that the domestic producer would only have to accept competition from developing countries for a relatively small percentage of production, consumption or total imports. The Governments of developed countries would be able to argue that the domestic or third-country producers should be able to stand competition for such a very minor share of consumption, production or imports. This would certainly make it easier to deal with domestic objections to a preferential scheme.

47. There would be an appearance of burden-sharing among developed countries because each of them could count on their partners to take up a similar amount of exports from developing countries (see, however, paragraph 51 below).

48. The existence of predetermined tariff quotas would allow third countries to measure exactly in advance the risks to which they would be subject. It could, indeed, be provided that the importing developed country would impose the tariff quota as soon as imports had reached the ceiling and a third developed country had asked for it to be imposed.

(c) *Problems common to all tariff-quota systems*

49. After listing the advantages of a tariff-quota system, it may be useful to examine the problems which arise in connexion with it. Some of these problems are common to tariff-quota systems whether they are based on percentages of consumption, production or total imports, while other problems are characteristic either of a system based on a percentage of consumption or production, or of a system based on a percentage of imports. Among the common problems the following may be mentioned.

50. A system based on generalized tariff quotas would require the introduction by developed countries of statistical control and further administrative arrangements. Rules for the utilization of the quotas would have to be set up, and it would be necessary to prevent abuses. To enable the developing countries to gain the advantages of exporting at preferential rates, the importing countries would therefore have to accept some administrative complications. In actual fact these inconveniences would, however, be of rather limited scope. Indeed, in the case of most products, the export capacity of the developing countries as a whole might be likely to remain far below the quota even if the latter amounted to a relatively small percentage of consumption, production or total imports. Invocation of the quota need therefore not occur before imports come close to this ceiling. And even if the imports attain the amount of the quota, each importing country would be free to decide whether or not to impose the quota; the institution of the quota could be limited to those cases where a domestic producer or a third developed country would specifically be asking for it. In determining the rules for applying the tariff quotas, the experience of the countries that at present already apply tariff quotas would be very useful.

51. A general tariff quota may be said to limit preferential imports unnecessarily, for it could be applied even in the absence of any injury. The tariff-quota system can thus be regarded as establishing a presumption that in all or most cases there is a risk of injury though in reality it is likely that in most instances no problems for the importing country would arise. Moreover, it has been pointed out that to argue in terms that imports should be limited to a certain share of the market has often been the practice of protectionist elements, and to establish the whole system of preferences on this basis might conceivably give impetus to such elements.

52. It may be argued that the burden-sharing implied in a uniform tariff quota is only apparent. Indeed, the ratio between present imports from developing countries on the one hand and consumption, production and total imports on the other hand, vary widely from item to item and from country to country. For some items, present imports at m.f.n. rates into some countries may already exceed the tariff quota while in other countries such imports would still be far below the ceiling. On some items, some developed countries might have to accept additional imports and others none at all. The additional burden represented by the preferential system would, therefore, with respect to some items, fall on some countries and with respect to other items, on other countries. In reply a partial analogy may be drawn by recalling that for aid the developed countries have accepted a uniform target in terms of a percentage of the gross national product (GNP). Accordingly, a uniform percentage may be regarded as acceptable with respect to imports from developing countries, for indeed the uniform percentage of the GNP also involves different *additional* commitments by each developed country.

53. There is the undeniable risk that if a small percentage of consumption, production or total imports is chosen as an upper limit for granting preferential entry, most products presently exported from developing countries may not enjoy the benefits of the new system. In many cases present imports from developing countries would already exceed the tariff quota so that preferences could not help promoting additional imports. It might be considered, however, that this shortcoming would not be such as to reduce intolerably the value of a preferential system for developing countries' industrial exports. It may, indeed, be argued that the products which hitherto have been exported constitute only a very small share of the items of the tariff nomenclature, and that this would be counterbalanced in the long run by the fact that for all the other products countries would be able to enjoy the preferences under the tariff quotas even if the percentage appears to be small. Also, products which have already proved their ability to compete in the markets of developed countries, can be said to be hardly in need of preferential advantages. On the other hand, if preferences are justified not merely because the *industries* are in the infant stage, but on the basis of the infant *economy* argument, even such exports should enjoy preferences without being limited to the tariff quota.

54. The definition of the product to which the tariff quota would apply is likely to prove one of the more difficult problems. Developing countries would naturally wish to have such a broad definition as to mitigate the

tariff quota restraint on certain sub-items. Importing countries, on the other hand, will tend to define the product so narrowly as to make the tariff quota apply precisely in relation to those sub-items which developing countries are supplying. To avoid such excessive break-downs that would frustrate the purposes of the system, it would be necessary to establish certain guidelines combined with a review procedure.

55. Lastly, there is the problem that a system of tariff quotas would make it more difficult to absorb or suspend existing preferential systems which appear not to place any limit to imports (for further discussion see section G below).

(d) *Considerations specifically related to a tariff-quota system based on a percentage of consumption or production*

56. Consumption and production figures are in most cases either not available at all or not available with respect to the items as classified and identified in import statistics or tariff nomenclatures. This need not be an obstacle because consumption or production figures will only be required for those relatively few items where total imports from developing countries would be substantial enough to reach the percentage expressed in terms of the usually very large consumption or production of a developed country of the item concerned. Only if a domestic producer or a third country wished it, would the tariff quota have to be calculated. It can therefore be expected that at least as far as domestic producers are concerned they would supply the figures necessary for defending their own interests.

57. To base the ceiling on a percentage of consumption or production, may in some cases be particularly disadvantageous to third developed-country suppliers. Indeed, when an importing developed country or group of countries possesses a large internal market and relatively high tariffs, its total imports of a particular item from all countries may be smaller than the tariff quota available to the developing countries. For, in these cases, total imports may be very small in terms of a percentage of consumption or production of a particular item. Third developed-country suppliers would then be at a disadvantage with respect to developing countries for their total exports of that item to the developed markets concerned. The burden on third developed countries would in those cases be greater than that which domestic producers would have to bear, though from a rational economic point of view it may be argued that the latter rather than the former should be expected to adjust their pattern of production. This problem may to some extent be remedied in a system where the tariff quota is calculated in terms of a percentage of total imports.

58. On the other hand, to take consumption as the basis for calculating the ceiling is likely to have greater advantages from the point of view of developing countries than to calculate the limitation in terms of production or particularly imports. In case of production, countries that do not produce a particular item might escape the granting of preferences on a few items. In the case of imports, protectionist countries could take advantage of their generally restrictive policy for continuing to exclude imports from developing countries. Consumption, however, is considerable in all developed countries, and a percentage of consumption may in almost all circumstances mean fairly substantial quantities. Everything will, of course, depend on the percentage chosen. Combinations might also be envisaged; for instance, one in which the tariff quota would have to amount to X per cent of domestic consumption but need not amount to more than Y per cent of total imports of a particular item.

(e) *Considerations specifically related to a tariff-quota system based on a percentage of total imports*

59. A tariff-quota system based on a percentage of total imports would, as already mentioned, presumably be of lesser interest to developing countries. For preferences can be of interest to developing countries particularly in those cases where they would enjoy free access to otherwise highly protected markets and where, therefore, the margin of preference is high. Where there are such tariffs, total imports are likely to be small, so that a tariff quota calculated on this basis would also be small. On the other hand such a system may present some advantages for the reasons listed in the following paragraphs.

60. A tariff-quota system based on total imports may be advantageous for third developed supplier countries. To fix the upper limit in this manner would provide an assurance to the latter countries that the imports from developing countries that would be admitted on preferential terms could not exceed a certain percentage of total imports of a particular item.

61. To express the volume limitation in terms of a percentage of imports may result in some advantage for developing countries in case of further reductions on an m.f.n. basis. While such reductions would reduce the developing countries' margin of preference, they are also likely to lead to an increase in total imports. Though percentage-wise the tariff quota would remain the same, the increase in total imports would lead to an automatic increase of the volume admitted under the quota. Tariff quotas expressed as a percentage of total imports might therefore facilitate a possible increase in preferential imports without hindering further reductions on an m.f.n. basis.

62. Finally, if the percentage is expressed in terms of total imports, it is statistically much more easily ascertainable because, in contrast to consumption and production figures, import statistics are available and more reliable. This would also mean that the developing countries could assess more easily the possibilities of the volume admissible under the tariff-quota system being fully taken up; they could, therefore, for instance, agree to discipline the rate of increase of their exports to obviate the formal establishment of a quota.

3. *The extent of duty reductions*

63. A major justification for granting the developing countries duty-free entry is the existence and possible extension of large multinational markets in the developed

world. A mere duty reduction on a preferential basis would still leave developing countries at a disadvantage in relation to those of their competitors which are producing within these multinational markets. To obtain equality of treatment with them, imports from developing countries would also have to be admitted duty-free.

64. An additional reason for abolishing duties would be that existing preferential systems provide in many cases for duty-free entry. It would be more difficult to absorb or suspend existing systems if the new preferential system only provided for preferential duty reductions (see section G below for further details).

65. The mere reduction of duties, on the other hand, would cause less concern among producers in the developed countries than would an abolition of duties. Developed countries might therefore be willing to envisage a wide product coverage of the preferential system. Also the case that may be made for general tariff quotas would be weaker than in the case of general duty elimination.

66. It might be argued that mere duty reductions would make it easier to present the preferential system as an anticipation of cuts that would ultimately be extended to all countries on an m.f.n. basis. It would presumably be easier, in eventual future negotiations on an m.f.n. basis, to catch up with duty reductions than with outright duty elimination.

67. If the importing countries had only the all-or-nothing choice between eliminating duties or excluding the item from the scope of the preferential system altogether, opportunities for making more limited progress in the form of mere reductions might be lost. If one were to find a way for providing, in lieu of complete exclusion, for preferential duty reductions, it may be hoped that the developed countries would include more of the so-called competitive items within the scope of the preferential system.

68. One may try to compare whether developing countries would have a greater interest in obtaining an across-the-board duty reduction for all items with no advance limitation of the volume, or an across-the-board duty elimination, but linked to a uniform tariff quota fixed in advance. Such a comparison is difficult to make in the abstract, all the more so since it will depend on the margin of the duty reduction envisaged and on the relative size of the tariff quota. One may, however, consider that obtaining zero duty and thus equality of treatment with domestic producers in developed countries on the vast majority of items of the tariff nomenclature would ultimately — even in connexion with a uniform tariff quota — be more important than getting an across-the-board duty reduction which may remain insignificant as far as the so-called competitive items are concerned and insufficient for stimulating exports in new products.

69. The case for providing for mere tariff reductions presents itself, however, in a different light if it is to be a mere complement to a system based essentially on tariff elimination. When there are serious obstacles to complete tariff elimination for particular items, it is conceivable to envisage that tariff reductions could be regarded as an alternative, provided certain conditions are met that could be defined in advance.

70. While, on balance, tariff zero either in an escape clause or a tariff-quota system would appear to be preferable, a case can be made out for enabling the developed countries to attain this objective only gradually. The fact that the reduction process was stretched out in EEC and EFTA over a period of about ten years and in the United States Trade Expansion Act over five years, contributed considerably to the political acceptability of the respective schemes. Producers would have time to adapt themselves, and the case for excluding items from the beginning would be weakened.

B. — Products on which preferences would be granted

1. *The objective and the problems involved in attaining it*

71. According to the proposal of the developing countries and the working hypothesis of the Group on Preferences, preferences should, in principle, be extended to all manufactures and semi-manufactures from developing countries. The wider the product coverage of a preferential system, the larger would be the field open for investors to choose production lines that could be located in developing countries with a view to exporting toward the developed world. To limit the preferences to those products which are at present produced in developing countries would unnecessarily narrow the scope of the system; past experience shows that various countries have in the last decade made rapid advances from a state of under-development and have begun producing and exporting goods which could hardly be foreseen only a few years back. Also to grant preferences only on the items produced at present would concentrate the attention of developing countries on lines of production for which developed countries often fear market disruption and tend to want to exclude from the system in one way or another.

72. However, to include all manufactures and semi-manufactures raises some problems. Every country will indeed have some items it regards as sensitive and which it would wish to except from the preferential system. Even in the Kennedy Round, where an across-the-board approach was aimed at, all major developed countries submitted a list of exceptions. Among the products whose inclusion in a preferential system is likely to be called in question, two categories deserve particular attention.

73. It would be of considerable importance to the developing countries if the definition of what are semi-manufactures and manufactures extended as far as possible into the early stage of processing of primary products, and particularly of processed agricultural products. Yet, such products are in some cases highly protected partly inasmuch as these processing industries are obliged to use domestically-produced agricultural raw materials whose high price is partially reflected in a high tariff or other protection on the processed

product. In such cases to eliminate completely the duty on the finished product might mean that these domestic processing industries would — for reasons unrelated to the efficiency of their transformation process — be put at a disadvantage with respect to imported goods produced from cheap raw materials. If the processing industries were to suffer as a result of this complete duty abolition, domestic agriculture might also be affected in those cases where a significant share of the agricultural output concerned is taken up by these industries. Developed countries may, therefore, be hesitant to include in the preferential system such products close to the agricultural sector though they may often be of particular importance for the less-advanced among the developing countries.

74. When considering the various possible ways of dealing with processed agricultural products, it might therefore be taken into account that existing trade barriers on these products generally may be regarded as containing both an element of protection for the agricultural component of the finished product and an element for protecting the industrial transformation process for the developed countries concerned. To eliminate only that part of the protection which covers the industrial transformation process would ensure for the imports of processed goods from developing countries equality of treatment as against domestically-produced processed goods. In cases where the protection of the processing industry is high, the resulting benefits for developing countries may not be negligible. On the other hand, whenever the agricultural inputs account for a high proportion of the value of the finished product, the full use of the export potential of the developing countries for such products might still be severely inhibited if a part of the duty were allowed to remain.[10]

75. Questions might also arise on how to deal with products now under quantitative restrictions. When quantitative restrictions are imposed on imports of a product from all sources (developed and developing countries alike), the granting of preferences on such products might allow the developing countries to increase their exports and to obtain a larger share of the total imports within the quota. Where, however, quantitative restrictions are imposed only on imports from all or some developing countries, either in the form of global, bilateral or unilateral quotas, the granting of preferences might have only a limited positive effect on export earnings within the limits of the quota. Yet consideration must also be given to the possibility that if tariff preferences are granted on items under quantitative restrictions, domestic producers might experience additional pressure and thus be led to adduce additional arguments in favour of maintaining quantitative restrictions. Since a quantitative restriction is in most cases a much more effective barrier to imports than any tariff, it can be argued that nothing should be done that might in fact delay the relaxation or abolition of such restrictions. Accordingly, a relaxion of the restrictions might merit priority treatment, because even if the relaxation were only gradual, it would probably yield greater benefits than would an expansion within the quota of exports from developing countries.

2. *Methods for defining the products subject to preferences*

76. The determination of the industrial products on which preferences should be granted presents difficulties also on account of the fact that there exists no internationally accepted definition of manufactures and semi-manufactures. Some treaties (e.g. in the case of EEC and EFTA) contain definitions of what may be regarded as agricultural products, so that they may be governed by different rules from those applicable to industrial products. But in the Kennedy Round negotiations, it was left to each country to draw a more or less clear line between mostly non-agricultural, i.e. industrial, products subject to the linear cut and agricultural products for which special arrangements were sought. From the formal and informal lists thus established, it emerges that there are products which are always regarded as industrial (particularly in chapters 25 to 99 of the Brussels Tariff Nomenclature), others which are always regarded as agricultural (particularly in chapters 1 to 24), while others again are treated by some groups or countries as industrial and by others as agricultural. Where attempts have been made to agree on a common list (as in EEC and EFTA), the negotiations have always been very dificult. These experiences have to be taken into account when defining semi-manufactures and manufactures for the purposes of drawing up a preferential system. Among the ways for solving this problem the following would appear to deserve special consideration.

77. One method would be to establish a common positive list of manufactures and semi-manufactures for which all developed countries would grant preferences without exclusions. Accordingly, no attempt would be made to agree on a definition of what are industrial products. The approach would rather be merely to pick out all items on which all developed countries could agree to grant preferences. However, this method is hardly to be recommended since, even if one country were to consider a given item as sensitive, it would be necessarily excluded from the list. If other developed countries were also to do likewise and exclude items which they regard as sensitive, the cumulative effect would be considerably to reduce the product coverage.

78. An entirely opposite method would be to abandon the endeavour to arrive at a common positive list and to leave it to each country to decide the items on which it would wish to grant preferences. This method would inevitably be unsatisfactory for it might lead to few

[10] The calculation of the element of industrial protection may sometimes cause problems. These problems are, however, soluble, as has been shown by the experience in EFTA, where countries were obliged to eliminate the protective element embodied in fiscal duties. In EEC also, a distinction is made between the variable levy corresponding to the protection of the agricultural input and the additional fixed tariff corresponding to the protection of the industrial transformation process. For implementing a rule under which the element of industrial protection would be eliminated some provision for a review procedure would have to be allowed for.

effective preferences being granted, and this would also create problems from the burden-sharing point of view. It is true that an analogous method was employed in the Kennedy Round, because there was no common determination *a priori* of the list of products that would be subject to the linear cut. Yet, these negotiations were based on the principle of reciprocity, so that the equalization of the burdens of each country was allowed for by means of balancing the concessions granted. It was, therefore, unnecessary to ensure that the list of exceptions was more or less mutually equivalent. Clearly, the granting of preferences to developing countries cannot be based on the principle of reciprocity. Therefore, if some provision cannot be made for each developed country to exert a more or less equivalent effort as regards preferences, some developed countries might wish to grant preferences only on a restricted range of goods.

79. An intermediate method might consist of adopting a common definition of what are manufactures and semi-manufactures, but at the same time permitting each developed country to except certain items from the application of preferences. An upper limit for such exclusions would have to be provided for (e.g. in terms of a percentage of each country's total imports of manufactures and semi-manufactures) to take account of the comparable contribution aspect dealt with under paragraph 78 above. This method might make it possible to arrive in principle at a reasonably wide product coverage; at the same time each country would within definite limits eliminate such items it regarded as sensitive, while other countries could nevertheless include them in the preferential sector. Provision for individual countries to exclude selected items would probably also tend to facilitate agreement on a common definition. It might then be possible to consider taking as a basis the rather extensive list of semi-manufactures and manufactures submitted by the UNCTAD secretariat in document TD/B/C.2/3.

80. It will in any case be necessary to provide for criteria regarding the origin of the products that would benefit from the preferential system. Consideration might be given to the practicability of adopting the rules of origin envisaged by Australia in respect of its preferential system for imports of manufactures and semi-manufactures from developing countries. Under such a system a product would qualify for entry at the preferential rate if 50 per cent or more of the labour and material cost had been incurred in a developing country and if final processing before export took place in the exporting developing country. Here again, a complaint and review procedure would have to be provided for to ensure that the developed countries follow this generally-agreed guideline.

3. *The question of special action regarding excluded items*

81. As soon as the need for a list of individual country exclusions is admitted, the fact must be faced that the items which developed countries will wish to exclude would often be those which developing countries would be able to export at the present time. Many countries, for instance, may want to exclude cotton and other textiles. Other countries may exclude leather and similar products, but there will also be cases where only very few countries will utilize the opportunity of making an exclusion, while other countries would be ready to grant preferences on them. Some exclusions might even be motivated by an importing developed country's desire to safeguard existing trade currents with other developed countries.

82. If the risk of such exclusions could be accepted, this should not imply the mere maintenance of a *status quo* in their respect. On the contrary, it may be possible to lay down some guidelines and fix certain specific targets for future negotiations regarding these products. Developed countries might wish, for instance, to consider declaring formally that they would between now and the third session of the United Nations Conference on Trade and Development prepare a scheme to ensure that the protection granted to domestic producers should be adjusted in such a way as to enable developing countries to compete for any increase in the consumption of these goods. Alternatively, they might propose that each developed country should individually adopt trade policy measures (regarding tariffs and quantitative restrictions) designed to prevent domestic industries from expanding their production beyond a fair share of the increase of consumption. In particular, with regard to the so-called residual quantitative restrictions, on which consultations have taken place over a great many years, it should now have become possible to aim at establishing a specific programme providing for their elimination within a reasonable period of time. With respect to the sensitive products, the developing countries may consider accepting the principle of an orderly expansion of markets. Action along the lines envisaged in this paragraph would at any rate have the advantage of emphasizing that the exclusion of products from preferences would not imply that there would be no obligations regarding them.

C. — Countries that would be prepared to grant preferences

1. *The objective*

83. For a variety of reasons, the aim should be that all developed countries participate in the preferential system. First, the greater the number of such countries participating, the larger will be the diversification opportunities for the industrial exports. Secondly, each developed country could afford to grant better conditions of access in proportion to the involvement of the developed countries as a whole: in relation to the possible adverse impact of imports from developing countries on the domestic producers of a particular developed country, the effect would be inversely proportional to the number of developed countries participating in the system. Thirdly, the more numerous the developed countries that participate, the more a general preferential system can function as a fully equivalent

substitute for the existing systems. The non-participation of one of the important developed markets would make more difficult any suspension of the existing preferential systems.

84. On the other hand, of course, there may be some developed countries in which the process of decision-making with regard to preferences may be more protracted than in others. This need not be a reason why the other countries should hesitate to proceed independently, since past experience shows that trade liberalization action by some countries has in many cases had a catalytic effect on the action adopted by other countries. It would, however, be desirable for the system to enter into force at about the same time among all participating countries; for in deciding on the extent to which the various available safeguards can be applied and how the existing preferential systems are to be dealt with, each developed country will need to know which other developed countries will be associated in the same decisions.

2. *The definition*

85. There is no agreed definition concerning which countries are to be regarded as developed. For very many countries that may be classified in this category there is, however, no dispute about their eligibility. On the other hand, there are some countries which, while usually regarded as developed, may themselves feel that they have not yet advanced far enough in their own industrialization and still depend to a large extent upon exports of primary products. Such countries, for instance, in contrast to other developed countries, have been unwilling to offer linear reductions in the Kennedy Round. It must be considered whether similar considerations would apply not only in negotiations mainly with economically stronger countries (as in the Kennedy Round), but also in connexion with a preferential system in favour of weaker countries. At any rate, it would appear that the problems of these countries could be taken into account in a manner that would still enable them to participate in a general system of preferences. Consideration might perhaps be given to granting such countries a longer period in which to reach the target of duty abolition or reduction. Provision might also be made for them to make initial exclusions for a larger percentage of their imports.

3. *The same system applied by all developed countries?*

86. To arrive at a system of preferences of which the detailed features and mechanisms would be identical for all developed countries would be no easy task. Yet, if the various developed countries were to apply different systems, it would be very difficult to ensure the undertaking of comparable efforts by all countries, to decide on how to deal with existing systems, or to review the operation of the system. Arbitrary considerations might also prevail with respect to the selection of the beneficiary countries. Moreover, in order to enable developing countries and third countries to gain a clear picture of what they could count on in the future, the essential features of the preferential system applied by the various developed countries should be uniform.

87. Certain differences are, of course, unavoidable and have in fact been considered in the present report as a means for facilitating the acceptability of the system. Thus, in the event that provision is made for initial exclusions, the items excluded by the various countries may be different. There will also be differences as regards the extent to which the various developed countries may extend, on an m.f.n. basis, the tariff cuts granted to the developing countries. At any rate, as long as differences in the application of the preferential systems are marginal and do not compromise certain fundamental principles, it would appear that they would not be incompatible with the general system.

88. Another question arises in connexion with the participation of the socialist countries of Eastern Europe in a system of preferences. The socialist countries applying customs tariffs have already taken tariff action in favour of the developing countries. Bulgaria and the Union of Soviet Socialist Republics have abolished, through preferential action, customs duties on all goods imported from and originating in the developing countries, while Czechoslovakia has suspended, on an m.f.n. basis, duties on products of export interest to the developing countries. Though customs duties play an increasingly important role in various socialist countries, in particular in connexion with current changes in the management system, it remains open to question whether tariff concessions granted by socialist countries have effects that can be regarded as equivalent to the establishment of a preferential system by market-economy countries. It may therefore be appropriate to consider additional means for increasing industrial exports from the developing countries to the socialist countries.

89. In order to obtain results that are comparable with those achieved by the market-economy countries in connexion with the establishment of a preferential system, the socialist countries might consider matching the rates of growth of imports from developing countries which the market-economy countries would attain by applying the preferential system. Another approach might consist of a declaration of intent to the effect that the socialist countries would be ready to take an increasing share of manufactures and semi-manufactures in their imports from the developing countries. Socialist countries may also consider aiming at other similar quantitative targets. They may agree to apply the trade policy instruments appropriate to their systems in a way that would achieve such results. Bearing in mind the growing importance of indirect instruments of management of foreign trade in some socialist countries, they might also consider applying these instruments in a way that would create preferential access to imports from the developing countries. Socialist countries might also wish to consider accepting an international review of the efficacy of the methods suggested above after a reasonable period of time had elapsed.

D. — Countries that would be eligible for the benefits of the preferential system

90. The notion of a preferential system for the developing countries implies that there would be some cut-off point beyond which a country will be considered as developed and therefore not qualifying for enjoyment of the benefits in question. It would, therefore, be ideal if it were possible to agree on objective economic criteria to determine which developing countries should benefit from the system. For reasons further examined below, however, it is hardly practicable to arrive at an agreement on such criteria. Procedural solutions may therefore have to be considered as a means to determine the beneficiaries of the preferential system.

91. One possible method might be to take as the point of departure the fact that for a very large majority of potential beneficiaries of the preferential system, there is no dispute as to the fact that they belong to the category of developing countries. The question is, indeed, not whether these countries are themselves developing, but whether other countries should not be added to the group. One might accordingly agree that the group of countries which in their mutual relationships regard themselves as developing should make an initial proposal for the list of beneficiaries and that the developed countries should have an opportunity of adding certain countries which in their view belong also to the category of developing countries. If the developed countries cannot agree on which countries to add, there might be some differences in the list of beneficiaries, but this would, however, be marginal because the bulk of the beneficiaries would not be subject to any difference of opinion. While this method would have the disadvantage that non-economic criteria might enter into account when establishing the initial list, there would be a corrective in the form of the possible additions.

92. In approaching this matter, it may be recalled that there are only relatively few countries in respect of which their categorization as developing or not would be likely to raise any questions. But many of these potential borderline countries would seem to have a particularly important stake in being included or excluded from a preferential system. Indeed, they often produce goods that are generally supplied by developing countries. Therefore, if these countries are included among the beneficiaries of the system, they would be likely to gain considerable advantages, in particular since they are often geographically close to the developed countries' markets and sometimes already possess substantial industries. At the same time, if these countries were not included in the system, the similarity of their production lines with those in developing countries benefiting from the system might often lead to their suffering particularly from the resulting trade diversion. Solutions might be looked for in the following directions: if these countries were excluded from the system, the question of guarantees against trade diversion would be very important to them (see paragraphs 37, 48 and 60 above); special guarantees might even have to be envisaged for them in such an eventuality. On the other hand, to substantiate their desire to be included in the system, these countries might consider offering to the developing countries special guarantees with regard to control of their exports in cases where they would otherwise tend to take up a major share of preferential imports from developing countries. Taking into account such practical considerations, it should be possible to find mutually satisfactory solutions along pragmatic lines.

93. Some thought might also have to be given to what extent the participation of some borderline countries in integration schemes with developed countries could be reconciled with others benefiting from a preferential system for developing countries. On the one hand, such borderline countries may possess, compared with the developing countries as a whole, considerable advantages on a multinational market, but, on the other hand, they would have to share some of these advantages with the developing countries if a general preferential system were established. The considerations evoked with regard to the question of the suspension of existing preferential systems for manufactures and semi-manufactures (see section G below) may have some bearing upon this problem. Similar questions will arise in connexion with the non-independent territories of various developed countries which are often treated on a preferential basis or as if they belonged to the home market of the developed country concerned.

E. — Provisions for the less advanced among the developing countries

1. *General considerations*

94. When attempting to evaluate the potential benefits of a preferential system for developing countries' industrial exports, there is the striking fact that at present some seventy-nine developing countries contribute only about 6 per cent of the over-all exports of manufactures from the developing countries. It would, therefore, appear that the establishment of a preferential system would, at least in the initial stages, bring immediate benefits only to a small minority of developing countries. These would be the countries that have already an industrial base and that may already be carrying out such exports to the developed world. The preoccupation with industrialization is, however, not only of concern to these few developing countries. The industrially less advanced developing countries have a special need to escape from the consequences of an over-dependence on exports of primary goods and to avoid the risks of an industrialization process that would be based only on import substitution. The group of the developing countries has, therefore, put forward the idea that special measures should be envisaged to ensure that relatively less advanced developing countries can participate effectively in the expected benefits of a general system of preferences.

95. Before examining the special measures that might be adopted in this connexion, it is necessary to recall that the high present concentration of industrial

exports in a few developing countries in no way means that less advanced developing countries could not take advantage of a preferential system if one were established. Certain industrial exports, for instance in the field of further processing of raw materials (such as ores, bauxite, crude oil, woods), could take place from countries regardless of whether or not they have a broad industrial base. Similarly, canning industries, further processing of fishery products and even the production of certain chemical specialities may be located in less advanced countries. Some may even find opportunities by importing the raw material needed and processing it. Such possibilities may exist particularly for those less advanced countries that are geographically close to developed countries or to transport routes toward them. Quite generally the less advanced countries have a longer-term interest in building up a sound industrial pattern on the basis of the most effective utilization of their resources, which in turn requires an open access to the world markets. For such reasons it would be a mistake to believe in a general manner that the less advanced countries have a lesser interest in the establishment of a preferential system than the more advanced ones.

2. *Pitfalls to avoid*

96. While there is an evident need for making a maximum effort in favour of the less advanced developing countries in connexion with the setting up of a preferential system, the ways and means for doing so deserve special attention.

97. Particular care should be taken to ensure that the means chosen would not be such as to damage the usefulness of a preferential system for the developing world as a whole. A typically inadequate method would, for instance, consist in generally providing preferential free entry only to the imports from the less advanced countries, and refusing it to the more advanced developing countries. This might, in fact, mean that those developing countries that would have goods to export would not be able to compete on equal terms with domestic producers, whereas those which would be granted this equality of treatment would for some time have few goods to export.

98. Care should also be taken that special measures for the less advanced developing countries should not create considerable administrative complications in the developed countries. In the present period where the trend in some developed countries is toward a simplification of the formalities, unduly complicated mechanisms might increase the objections against the setting up of a system of preferences. The introduction of a three-column-tariff (one for m.f.n. treatment, one for the preferences for the more advanced and one for the less advanced countries) or the setting up of special quotas for the less advanced and other quotas for the more advanced countries might be regarded as such undesirable complications. Largely for practical reasons there seems to be an understanding in developed countries that trade policy measures, in contrast to financial aid which can be better directed, are instruments which by nature do not allow excessive differentiation between countries.

99. Lastly, the approach chosen for dealing with the question of the less advanced countries should not be such as to complicate and delay the establishment of a system of preferences. This would probably be the case if there was an attempt to reach agreement on a definition or list of these countries. It would be ideal if objective criteria for determining which are the less advanced developing countries could be established. One such criterion in defining developing countries might evidently be the level of *per capita* income. However, reliable data on national income are not available for a good number of countries. Moreover, the use of exchange rates to convert national accounts estimates frequently biases inter-country comparisons. Such limitations apart, it is clear that *per capita* income can hardly be the sole criterion of the level of development. In some cases high *per capita* income coincides with what might be considered a relatively low level of development, as measured by other indicators. Accordingly, *per capita* income would have to be combined with other indicators of development, such as the size of the manufacturing sector, the degree of export diversification, the level of infrastructure, etc. However, once several indicators are to be taken into account, weights have to be assigned to each, which is a far from easy task. In all cases a decision has to be taken as to the cut-off point in each indicator below which the country would qualify as being a developing one. It would also be difficult to decide whether the more advanced category should include only those relatively few countries that presently account for the bulk of industrial exports from developing countries or whether it should include all countries, with the exception only of those that, judged by every possible development indicator, come towards the very end of the list. Since there are arguments in favour of every possible categorization and since negotiating agreed definitions would considerably delay the setting-up of a system, it would be preferable to provide for special measures for the less advanced developing countries without trying to define different categories. In the following paragraphs, measures are examined that do not presuppose such a definition.

3. *Limiting the period during which preferences can be enjoyed on a particular item*

100. One measure that would turn out to favour the less advanced countries could be based on the idea that no developing country should be able to take advantage of preferences with regard to a particular product for more than a certain pre-defined period: a ten-year entitlement is most often mentioned in this connexion. There are, however, some problems in implementing this idea of ensuring rotation in favour of the latecomers to industrialization. For instance, it would be necessary with respect to every item to establish the date when a particular developing country made its first significant export to a particular developed country. With regard to each item and developed

country, there would soon be a different list of developing countries entitled to preferences. This would complicate the task of the customs authorities and might also create problems with respect to the control of origin. It might, moreover, induce the exporting countries to take measures to ensure that exports take place only when there is a certainty that a steady stream of exports would be possible; otherwise, the exports by one plant might be the starting point for the calculation of the ten-year period even if the plant produced only relatively insignificant exports.

101. Such disadvantages may, however, be overcome to a large extent if the verification of whether a particular export has been taking place for ten years is not carried out annually but only after a longer period of operation of the preferential system. In this case, the customs authorities would not have to change so frequently their lists with respect to the various items. Since the working of the preferential system will in any case be reviewed after a certain number of years (see section F below) provision could be made as one of the guidelines for the review that the interests of the less advanced developing countries are taken into account and that at the time of the review, countries will stop benefiting from preferential treatment on all those items for which exports have taken place over a ten-year period. For this method to be useful for the less advanced developing countries, it would of course have to provide that the preferential system as such would not be terminated altogether after ten years.

4. *Suitable adptation of the criteria for applying the escape clause or the tariff quota*

102. Advantageous results for the less advanced developing countries can also be achieved in connexion with the application of the escape clause or the tariff quota, depending on which safeguard mechanism is provided for in the preferential system envisaged. When an escape clause or a tariff quota is being applied, the reason for doing so would usually not be the competition resulting from imports from all developing countries, but from some only. Accordingly, it could be provided that the m.f.n. tariff that would be reimposed would apply only to the imports from those developing countries which are the most competitive with regard to the item concerned. Such a method would frequently be likely to result in granting more advantageous treatment for the less advanced developing countries because in the majority of cases they can be presumed to be less competitive than the more advanced ones. This method would, however, have to be applied in a different manner in an escape-clause system on the one hand and in a tariff-quota system on the other. This question will be examined below.

103. In the case of an escape-clause system, it would simply have to be provided that the developed country would only suspend the preferential treatment for the imports from that country or those countries which are the cause of the injury. This would have to be made a mandatory guideline for the application of the escape clause and would be reviewed as part of the institutional framework of the system. This suspension of imports would work to the advantage of the less advanced developing countries.

104. In case of a tariff-quota system, the effect on less advanced countries would be different depending on the mode of operation chosen. (See paragraphs 39-43 above.) According to the variant examined under paragraphs 40 and 41 above, the country that took up more than a certain uniform percentage of the tariff quota would be excluded from it, as soon as the tariff quota was filled. Since presumably for many items the less advanced countries are unlikely to reach this percentage share of the tariff quota, this exclusion procedure might constitute an advantage for them. But the real question would be whether they could exploit this advantage by starting production lines with a view to exports. The automatic exclusion procedure presents, however, a particular problem because less advanced developing countries usually have only very few potential industrial export products. Precisely these few industrial exports would risk exclusion, whereas countries with a broader industrial base could benefit from the quotas existing with respect to their other products. Automatic exclusion, even in the absence of a serious injury, when the tariff quota is reached, might therefore damage the interests of these developing countries which for some time to come will have to concentrate their export efforts upon a few products.

105. For these reasons, it may in actual fact be more advantageous to the less advanced developing countries if the variants of the tariff quota system listed under paragraphs 42 and 43 above were considered. Provision that a certain percentage of the tariff quota would always be reserved for newcomers would ensure that the traditional suppliers did not take up the whole quota. This safeguard may be combined with the review procedure mentioned below.

5. *A permanent mechanism for reviewing the working of the system from the point of view of equitable sharing of benefits*

106. Provision may also be made for a permanent mechanism that would follow and review the workings of the preferential system and assess at regular intervals whether the system is yielding advantages to all developing countries or only to a few. The existence of such a permanent mechanism would assure the less advanced countries that had not benefited from the system that their interests would not be lost sight of. It could constitute an instrument for adapting the system in accordance with the needs that might arise. In particular it could be provided that within UNCTAD the developed and developing countries would arrange for special measures to be taken in favour of those countries which after a given period of time had not been able to take advantage of the preferential system for starting or intensifying industrial exports. These special measures should preferably consist of promoting and financing investments in the countries concerned (see paragraph 109 below).

6. *The question of preferences by the more advanced developing countries for the less advanced*

107. The question also arises whether the responsibility for taking action in favour of the less advanced countries should rest only on the developed countries or whether the more advanced developing countries should also contribute to the benefits of the less advanced ones in connexion with the scheme of preferences.

108. Among the forms of action that more advanced countries might wish to envisage would be to declare their willingness to grant preferences to less advanced developing countries. In favour of such a declaration it may be argued that the more advanced developing countries are likely to gain more from a system of preferences set up by the developed countries; by opening their own markets to the less advanced countries, they might, however, help in attaining a more effective participation of the less advanced countries in the benefits emerging as a result of the establishment of a preferential system. Moreover, it may be considered that in the case of some products, at least the less advanced developing countries might have better chances of penetrating into the relatively less competitive markets of the more advanced developing countries than into the markets of the developed world.

109. The practical implementation of this idea would, however, not be easy. The developing countries would have to face the difficult task of identifying the less advanced ones among them. Such an agreement may, however, be reached more easily within the various regions than on a world scale, and the willingness to grant preferences may accordingly be limited to the less advanced countries of the same region. Moreover, the more advanced developing countries are very often in balance-of-payments difficulties and may for this reason find it difficult to grant preferences to their less advanced partners on a non-reciprocal and across-the-board basis. Their industries are often also still in a formative stage so that they may be hesitant to expose them to outside competition, even if it were to come from a less advanced country of the same region.

110. For these reasons, if the more advanced developing countries wish to consider granting preferences to less advanced ones, these would probably have to be of a selective nature and might need to be complemented with provisions regarding licensing procedures. To allow for balance-of-payments considerations, it would furthermore be advisable to put the preferential access which the more advanced countries would grant to their less advanced partners into some relation with the increase of the exports that they would have been able to achieve on the basis of the preferences granted by the developed countries. The more additional sales these more advanced countries would be able to make in the developed countries, the more they might be expected to open their markets to the less advanced developing countries. If the problem could be approached in this way, the more advanced developing countries would not immediately grant preferences to the less advanced partners but only once their exports to the developed countries had expanded in connexion with the preferential system. The more advanced countries might consider subscribing to a declaration of their intent to act accordingly in their trade relationships with less advanced countries. The action taken on the basis of this declaration might be reviewed in connexion with the review of the operation of the preferential system from the standpoint of the less advanced developing countries. If by that time the more advanced developing countries had failed to act accordingly, this might be a reason for taking additional special measures in favour of the less advanced countries.

7. *Special financial and technical assistance measures*

111. After examining the various trade policy methods for enabling the less advanced countries to take better advantage of a general preferential system for manufactures and semi-manufactures, it must be recalled that measures of financial and technical assistance may even be more important for achieving results in this respect. Indeed, these countries have often not yet installed any productive capacity in goods that could be sold in the markets of the developed countries. To make up for this handicap, these countries would need priority access to funds for undertaking feasibility studies, for training personnel, and eventually for financing such industries. Afterwards, a special effort would have to be made to assist these countries to improve the efficiency and quality of their production. In all these actions, the United Nations Industrial Development Organization and international and regional banking institutions would have to play an important role. For these institutions to give special attention to the problems of the industrially less advanced countries in connexion with a preferential system, the setting up of specific guidelines would be desirable. The less advanced countries also suffer often from particular insufficiencies with respect to their infra-structure taken in the largest sense of the term, and it would, therefore, be necessary for the international institutions dealing with the various elements of infra-structure to pay particular attention to their needs so that these countries may become attractive for investments.

112. Lastly, the less advanced developing countries are often those which possess a rather small domestic market. Yet, an internal market of sufficient size has, in many cases, been a particularly useful and necessary basis of departure for industrialization efforts and particularly for subsequently undertaking exports to the developed world. A systematic effort towards the establishment of multinational markets would, therefore, appear to be of particular interest for the many small less-advanced developing countries. In this respect, a report was submitted to the Trade and Development Board (TD/B/85/Rev.1)[11] in which it was suggested that the developing countries' own efforts in enlarging their markets might be supplemented by an international support policy for integration among developing coun-

[11] *Trade Expansion and Economic Integration among Developing Countries* (United Nations publication, Sales No.: 67.II.D.20).

tries. Such a support policy would be designed to assist the developing countries and particularly the less advanced of these in overcoming the many special difficulties which they face when undertaking trade liberalization and integration efforts. If it were possible to agree with some precision on a certain number of elements of such a support policy, the smaller and less advanced developing countries would be the main beneficiaries of it. Specific provisions for the less advanced developing countries that might be incorporated into a preferential system, together with other measures in their favour envisaged in the field of commodity trade, financial and technical assistance, support for integration, etc., would form a consistent programme facilitating the industrially less advanced developing countries to start or intensify industrial exports.

F. — The duration of the preferential system

1. *Arguments for limiting the duration*

113. Some of the arguments that can be put forward in favour of a limitation of the system are discussed below.

114. When a country ceases to be considered as a developing country, for instance, because it has succeeded in building up a diversified external trade and in achieving self-sustained growth, there would no longer be justification for it to enjoy special advantages as against exports from developed countries to other developed countries' markets.

115. When an industry in a particular developing country has become competitive in the markets of the developed world, it may be argued that it no longer needs advantages against similar industries in third developed countries. An industry can become competitive even if the country concerned must still be regarded as a developing country.

116. If they are able to benefit from preferences for an unlimited duration, producers in a developing country may be insufficiently induced to increase their efficiency and may thus acquire a vested interest against a further liberalization of world trade on an m.f.n. basis.

117. A preferential system such as the one envisaged in this report will need to be reviewed from the standpoint of whether it fulfils the expectations placed in it and whether the doubts raised before its establishment have been eliminated. The review could be carried out in a particularly effective way if the duration of the system were limited, and this might, therefore, increase the chances of ensuring a broad participation of developed countries in the system.

2. *Alternative ways of dealing with the problem of duration*

118. Some of these arguments in favour of a limited duration have already been taken care of in connexion with the provisions for limiting the impact of the system upon producers in developed countries and regarding the less advanced countries. The question which will have to be considered in the present section is whether the duration of the system as a whole is to be limited in time and to what extent the various arguments in favour of limitation could be resolved by other means. The following means for ensuring the temporariness of the system may deserve further consideration.

119. One way to ensure the temporariness of the system would be to provide that the preferences granted to the developing countries would have to be extended on an m.f.n. basis to all countries after a certain period of time. This would mean linking the establishment of preferences in favour of developing countries with a formal undertaking to reduce or abolish duties on a world-wide basis. The preferences would then be merely in anticipation of already agreed future world-wide tariff concessions. This method would have the disadvantage that the preferences would in all likelihood be rather small because it is improbable that after the great effort of the Kennedy Round, the developed countries would be ready to commit themselves firmly to an elimination or new substantial reductions of tariffs on a world-wide basis. To ensure the temporariness of the system in this way would in actual fact mean that a preferential system of very limited scope would be set up and that the other purposes connected with it would be sacrificed to that of ensuring its temporariness.

120. On the other hand, while preferences should not be linked to the willingness of developed countries to grant the same concessions at a later stage on an m.f.n. basis, nothing should prevent the extension to the developed countries of the preferences granted to the developing countries (see paragraph 15 above). The duration of the preferential treatment for the developing countries would therefore be the briefer the sooner the developed countries take the same action on an m.f.n. basis. If such a development could be counted on, there would be no need to fix rules as to the duration because indeed the system of preferences would automatically be phased out.

121. Another method would be to provide from the beginning that the preferential system as a whole would be terminated after a number of years determined in advance. It would not be easy to choose an appropriate period to meet the various considerations arising from the need to limit the duration of the system. A period of ten years for the duration of the whole scheme would, for instance, be too short, particularly in the less advanced developing countries, to allow the building-up of new production capacity for exports and to permit the industries concerned to maintain themselves in foreign markets under m.f.n. conditions. Many developing countries might then never be able to enjoy the advantages of the system to any substantial extent. Industries established in the second part of the ten-year period would enjoy the benefits of the system for a few years only. On the other hand, to decide at once that the system as a whole would remain in force for a longer period might increase resistance against its adoption. Yet, if the objective is to build up diversified trade for all developing countries, the scheme of preferences

would have to continue till most countries were able to effect significant changes in their trading patterns.

122. In order to take into account these partly conflicting considerations, an intermediate solution might deserve special consideration. Thus, provision might be made for review of the preferential system at the end of a ten-year period. Certain guidelines applicable to the review could be established at once. One of these could be to determine whether the beneficiary countries could continue to be regarded as belonging to the category of developing countries and whether the products benefiting from the preferences were still in need of them. The guidelines could also provide that the question of excluding the more advanced developing countries, or at least some of their sufficiently competitive products, would be considered. A developed country not satisfied with the results of the review could if it wished withdraw from the system. Its withdrawal would, however, have to be subject to certain conditions so as to ensure that no undue injury was suffered by newcomers among developing countries and to take into account the interests of those less advanced developing countries that would have been unable to benefit from the system. It may, for instance, be provided that preferences which have been taken advantage of only towards the end of the ten-year period would continue in force for a certain additional period. This would facilitate the planning of investments in developing countries and would grant them a sufficient period during which they could count on free access to the developed world. At any rate, the longer the period for which the developed countries are ready to apply a preferential system, the greater advantages can be derived by the less advanced developing countries, particularly if at the end of the ten-year period an effective review procedure is provided for.

G. — The relationship of a new preferential system to the preferential arrangements now existing between some developed and some developing countries

1. *The objective*

123. It is generally recognized that when establishing a system of preferences for manufactures and semi-manufactures for all developing countries, account must be taken of the advantages which some developing countries already enjoy, with regard to these products, in certain developed countries. These latter developing countries can hardly be expected to consent to give up their advantages if the new preferential system does not grant them at least equivalent advantages compared with those which they presently possess. Any loss of trade in existing markets of manufactures and semi-manufactures would have to be outweighed or at least matched by the possible gains to be made from preferential entry into other markets. These considerations are of particular importance for the developing countries belonging to the Commonwealth preferential system, since they export substantial amounts of manufactures under preferential conditions. As to the countries associated with the EEC, particularly under the Yaoundé [12] and Lagos [13] Conventions, the share of semi-manufactures and manufactures in the preferential imports of the EEC is much smaller, but they are still important for some countries, particularly if a wide definition of semi-manufactures and manufactures is adopted. If the existing preferential arrangements are to be suspended or absorbed as far as manufactures and semi-manufactures are concerned, special care would have to be taken that the new preferential system provides for equivalent advantages.

124. The same question of equivalent advantages may also play a role for those developing countries that at present do not benefit from any existing special preferential system. Some of these countries have indeed expressed an interest in obtaining such special preferences in some developed countries, including those that presently are not part of a preferential system with particular groups of developing countries. The establishment of a general system of preferences has the advantage of stopping the trend towards a proliferation of such preferential arrangements between some developed and some developing countries. The interest in such arrangements will, however, abate only if the general system is able to provide countries hitherto not enjoying preferences with advantages equivalent to those which they could hope to obtain under preferential arrangements with some developed countries only.

2. *The problem of measuring equivalence*

125. The appraisal of whether a new system brings equivalent advantages will depend on the number of developed countries that will participate in the system, on the products that will be covered by it, on the preferential margins that will result, and on the duration of the new system as compared with that of the old ones. The more numerous the participating developed countries, the greater the opportunities for compensating on other developed countries' markets for any losses that might occur in those developed countries which hitherto alone granted preferences. The more products at present exported under existing preferential arrangements are excluded by other countries from the benefits of a preferential scheme, the less likely it will be that the new system could grant equivalent advantages. It must also be considered that some of the existing systems are formally limited in time and have to be re-negotiated shortly (e.g. Yaoundé and Lagos Conventions), whereas other existing arrangements might be unfavourably affected by policy changes in the developed country concerned (e.g. the effects on Commonwealth arrangements in the case of an entry of the United Kingdom into the European Common Market). Such uncertainties with respect to the existing systems would also have to be duly weighed and compared with the duration of the new system.

[12] Convention of Association between the European Economic Community and the African and Malagasy States associated with that Community, signed at Yaoundé, 20 July 1963.

[13] Agreement dated 16 July 1966 establishing an Association between the European Economic Community and the Republic of Nigeria.

126. Any appraisal of the new system as compared with the former systems would thus have to take into account a great many variables. Yet, it is indispensable to make such an approximate appraisal. For countries already enjoying preferences would wish to share the advantages of the existing systems with other countries only if they concluded that there was a very fair chance of at least equivalent opportunities. In this situation, it appears that the most suitable method would be to make at the outset a *prima facie* judgement about the opportunities offered by the new system with all its special provisions and to provide that after a number of years a review will take place for the purpose of checking whether the estimates have been confirmed. This means that one would have to accept that the initial appraisal would be based on rather rough indicators. For instance, if a developing country had benefited in the past from exclusive preferences on a market of say 200 million developed country consumers, it might be questioned whether it would enjoy equivalent advantages if developed countries with only 90 million consumers were added to those already granting preferences. It would largely be a matter for each developing country concerned to judge what weight to attach to the variables mentioned above. This judgement will be easier once all the technical features of the new system are known, for instance, the types of safeguards regarding the volume of preferential imports. While the question of whether a new preferential system grants equivalent advantages would presumably be kept in mind by the countries during the discussions on each element of the new system, it would probably have to be taken up as a whole toward the end of the discussions and negotiations leading up to the scheme.

127. A further consequence of the difficulties in making an advance appraisal would appear to be that the entry into force of the new preferential system for manufactures and semi-manufactures could not be made conditional on the formal abolition of the parts of the existing preferential systems that relate to manufactures and semi-manufactures. All that could be expected is the suspension of the relevant parts of these systems or, as the case may be, their adaptation with a view to eliminating features that would be incompatible with the new system. In other terms, it might be necessary for the new and the existing systems to co-exist for some time and for some rules for this purpose to be evolved. An examination is made below of how the relationship between the new system and the existing systems would present itself in the case of an escape-clause system and in the case of a tariff-quota system.[14]

3. *The escape-clause system in relationship to existing systems*

128. Since existing systems do not generally provide for an advance limitation of the volume of goods admissible at preferential rates, a new general system based on the escape clause would have the appearance of being equivalent to the old. It would not even be necessary to suspend formally the old systems with regard to manufactures and semi-manufactures. Problems arising from the replacement of the old system by the new one would be few: the main problem would probably concern the manufactured and semi-manufactured products which enjoyed preferences under the old systems but would be excluded by other developed countries under the new system. It may appear to be equitable to provide that for such products the beneficiaries of the existing systems would continue to enjoy exclusive preferential access to the developed countries concerned. Thus, the broader the product coverage of the new system can be, the more it will be possible to absorb the existing systems.

4. *The tariff-quota system in relationship to existing systems*

129. If the new preferential system were to provide for general limitations by means of tariff quotas, it would be more difficult to state that the new system is equivalent to the old ones. The suspension of the existing systems, as proposed by the developing countries and assumed in the working hypothesis at the first session of the Group of Preferences, would consequently also present greater difficulties. Since the existing systems do not provide for an advance limitation of volume, a new system that would provide only for tariff quotas expressed in terms of a small percentage of consumption, production or total imports, would, at least at first sight, appear not to provide equivalent advantages. On the other hand, it can be argued that such quotas in a great many developed countries would be worth more than theoretically unlimited access to the markets of a few developed countries. Similarly, the ten-year duration at least of the new system compares favourably with the existing preference systems that have to be re-negotiated at short intervals or may even be discontinued altogether quite independently from the establishment of any new system of preferences. If, however, countries should reach the conclusion that the comparative disadvantages of the new system weigh more heavily in the balance than the stated advantages, the following rules regarding the co-existence of the new and the old systems might be considered.

130. Provision may be made for tariff quotas for industrial products to be reserved for those developing countries that do not belong to the existing system with the developed country concerned. The previously benefiting developing countries would, however, continue to enjoy the right of unlimited access. It might conceivably be argued in favour of this solution that these previously benefiting developing countries would only obtain tariff quotas in the other developed countries and that they could, therefore, not be expected to share with the other developing countries a part of their previously exclusive developed-country market that would be greater than these same tariff quotas.

131. A more equitable solution might consist in distinguishing between products that have in the past

[14] The relationship of a reduced duty system to the old systems is not further examined because it would appear to be particularly difficult to argue that such a system would be equivalent to the old systems, which very often provide for duty-free entry. The problem presents itself, however, in similar terms to that of the relationship of a tariff-quota system to the existing systems.

not been exported on the basis of existing preferences and those other products that have already been exported under preferences. With respect to industrial products that have not been exported, the beneficiaries of old preferences would be treated in the same way as the beneficiaries of the new system. This would mean that one tariff quota — if it were applied by a particular developed country — would be imposed on imports from both the old and the new beneficiaries. The argument in favour of such a solution would be that advantages which have not yet materialized in the form of new trade currents would hardly have to be compensated. As to industrial products which have already been exported on the basis of the old systems, one might provide that, as before, they should continue to enjoy preferential access for a volume of exports corresponding to the year in which they had reached the peak. Any imports beyond the peak year of the past would be treated like the imports from the beneficiaries of the new preferential system, i.e. the tariff quota would be applicable to both the new and the old beneficiaries from preferences. Under this system such countries should also be able to maintain exclusive and unlimited preferential advantages on those items which other developed countries would have completely excluded from the preferential scheme.

132. Inasmuch as in the case of a tariff-quota system the beneficiaries under the old system might continue to enjoy special advantages not extended to the other developing countries, the pressure for setting up new exclusive preferential systems between some developed and some developing countries may well continue after the entry into force of the new general system. In particular, developing countries that have nowhere enjoyed preferences in the past might wish to insist that they too should, at least in some developed countries, receive the privilege of unlimited free access. It might be argued in favour of this point of view that it should be immaterial to the other developing countries if some developing countries succeed, after the establishment of a general preferential system, in getting even better conditions of access from some developed countries than those provided for in the general system of preferences. On the other hand, the fact that the pressure for exclusive preferential systems might continue, would impair one of the most important advantages of the establishment of a general system of preferences, namely, of stopping the proliferation of exclusive systems. One solution might be to agree on a temporary standstill on the negotiation of new exclusive preferences for industrial products. This might, for instance, last for a period of five years or even of ten years, at the end of which it would be necessary anyway to re-examine whether the new system has in actual fact yielded equivalent advantages. Such a stop-gap measure would prevent the question of how to deal with existing systems for industrial products from becoming more complicated in the meantime.

5. *The review of the equivalence of advantages*

133. Regardless of whether the new system is based on an escape clause or on tariff quotas, it may be necessary to provide for a review of the question of whether or not it brings equivalent advantages. Since it always takes time for new trade currents to be established or old ones to be affected, the appropriate moment for this examination might be at the end of the ten-year period. If the appraisal of the equivalence were made, for instance, after five years and if as a consequence some countries found themselves able to withdraw from the general system, the system might not have the stability necessary for its success. However, it might be laid down that after five years a first review would be made and if this review showed that equivalence was not achieved, special measures would be taken for the beneficiaries under the previous systems. Such measures might include those of a financial nature (see paragraphs 109 and 110 above). This would take into account the situation of some of the less advanced developing countries that are highly dependent on the existing preferential markets for the few manufactured products they export. Such a review clause would be a means for taking care of such problems, should they arise.

6. *The problem of reciprocal preferences*

134. In the previous paragraphs only one aspect of the existing preferential systems has been examined in connexion with the establishment of a new general preferential system, namely, the way to deal with the advantages which the existing systems grant to some developing countries and which are not extended to other developing countries. The problem of the compatibility and possible adjustments of existing systems might, however, also arise in connexion with the reciprocal advantages which many developing countries participating in such systems grant to the developed countries concerned and which are not extended to other developed or developing countries. These reciprocal or reverse preferences present the following problems in connexion with the setting up of a new general preferential system:

(*a*) In a new preferential system, all developed countries would be expected to grant preferences to all developing countries on a basis of non-reciprocity. It might be difficult to obtain such a decision if some developed countries continued to obtain reciprocal advantages for the preferences which they grant. If developed countries are expected to treat all developing countries alike in trade matters, the developing countries should in turn be expected to treat all developed countries in an equal manner.

(*b*) It may appear incongruous to stop discriminating against some developing countries in the developed countries, but to continue discriminating against them in favour of developed countries in the markets of developing countries. If there is a case for equality of treatment with producers of the developed world in the domestic markets of the developed countries, there is at least an equally strong case for equal treatment with these same producers in the markets of other developing countries.

(*c*) The establishment of a general system of preferences would form a proper framework for the elimination of the existing reverse preferences. The developing countries granting such special advantages to developed countries may regard it in their interest no longer to place limits upon their freedom of choosing the most favourable sources of supply in the developed world. Inasmuch as all developed countries in the new system would accept a part of the burden of granting preferences to developing countries, this might be taken as an argument for treating all developed supplying countries alike in the future.

135. In considering the relationship of reverse preferences to a new general preferential system, account must, however, also be taken of arguments that might be put forward against dealing with them at this juncture:

(*a*) It may be pointed out that the normal trend of events in the last decade has already led to a reduction in reverse preferences. For instance, the extension of the franc-zone preferences and licensing procedures to the EEC as a whole is sometimes interpreted as reducing the scope of the problem, and the general whittling down of Commonwealth preferences as indicating that the scope of the problem is diminishing automatically.

(*b*) It might conceivably also be argued that the developed countries which enjoy such preferences not only grant preferences on industrial products to the developing countries concerned, but also on primary commodities and that they also provide considerable financial assistance. Reverse preferences might be interpreted as constituting counterparts for these special measures.

136. If the conclusion were reached that the problem of reverse preferences bears some relationship to the establishment of a new preferential system, the following solutions may deserve consideration:

(*a*) It might be stipulated that the reverse preferences and other special advantages would be eliminated or gradually phased out according to a pre-established timetable. Just as within the EEC and EFTA the producers hitherto enjoying protected domestic markets were able to face increased competition partly because a sufficient transitional period was provided for, it may be expected that a similar procedure would yield equally satisfactory results in connexion with the protected markets which some developed country producers enjoy in some developing countries. Moreover, the manifold traditional special links that do not relate to trade barriers would in any case continue and protect the interests of the developed-country producers concerned.

(*b*) Furthermore, a problem might arise not so much with the continuation of existing reciprocal preferences but on account of the possibility that after the establishment of a general system of preferences, some developing countries might feel induced to grant to some developed countries new reciprocal preferences. At a stage where the developed countries, by accepting a general preferential system, would have taken an important step towards non-discrimination among developing countries, it may appear incongruous if some developing countries were to make moves in the other direction. Accordingly, steps might be taken to declare that no new reverse preferences would be granted and that contrary action would be inconsistent with the continued participation of the developing country concerned in the general system of preferences.

H. — The question of possible parallel obligations on the part of the developing countries

137. While it is generally agreed that developing countries should not have to grant reciprocal concessions in favour of the developed countries in connexion with the establishment by the latter of a general system of preferences, it has been suggested that such a new preferential system would be of little use to many developing countries if they themselves were not to take some action on their part. In particular, it has been stated that exports of industrial products to the developed world can hardly be successful if a developing country feels that it continues to need very high protection against the outside, and particularly other developing countries. Secondly, it has been pointed out that many features of the governmental policies and practices of many developing countries make it unlikely or impossible to increase industrial exports to the developed world, even if a system of preferences were established. Accordingly, it may be said that if UNCTAD action is to lead to an effective increase of industrial exports to the developed world, both the developing and the developed countries would have to assume their respective responsibilities.

138. It cannot be denied that various developing countries are already undertaking action to expand trade among themselves and to adapt their governmental policies to the need for increased exports. It may consequently be considered that the developing countries will quite naturally take additional autonomous action in this direction. On the other hand, it may also be considered that the likelihood of such action occurring in the near future would increase if the developing countries were to undertake, towards the international community, formal pledges to this effect. This might have the additional advantage of showing public opinion that the establishment of a preferential system is part of a joint effort to improve the developing countries' opportunities for increased external earnings.

139. With respect to the creation of better conditions for trade expansion among developing countries, the need for some parallel action on the part of the developing countries has already been recognized in resolution 32 (IV), adopted at the fourth session of the Trade and Development Board. This envisages that countries would " define the action programmes that might be adopted by the time of the second Conference ". Since the conditions in the various regions of the developing world are different, such action programmes would have to take this into account and might profitably base themselves on what is already undertaken by various groups of countries. Conceivably, however, developing countries might wish to consider including in such action programmes certain measures that might be applicable to all the regions. An example of such an undertaking might be to reduce the protection level towards other

countries of the same region to a certain ceiling on all those products which a particular developing country succeeded in exporting to the developed world in substantial quantities. If a developing country is able to stand competition on the markets of the developed world, it would indeed no longer need excessive protection against other developing countries. There are, however, certain problems in implementing this idea which have been examined in another context.[15] Another undertaking of a more general nature as regards trade expansion among developing countries might consist in a declaration of willingness on the part of the more advanced developing countries to grant preferences to the less advanced ones.

140. With regard to the elimination of features of national policies that are detrimental to exports, it might be possible to envisage laying down a certain number of guidelines as to what constitute sound policies for the export of industrial products. Formal action might be envisaged for the establishment of agreed guidelines or a kind of code which would list the various practices which developing countries should avoid in their export policies as well as the positive measures which would have to be taken for a successful export promotion policy. Some of these guidelines may not have the same binding force as the measures which the developed countries undertake in establishing a system of preferences. Nevertheless, such policy guidelines might form the basis for a review procedure in which the developing countries might report on what they have done to implement them. Such procedures have, for instance, been practised successfully in the past in other contexts and by providing for them in the framework of UNCTAD, they might increase the chances that the establishment of a preferential system would actually lead to a substantial increase of industrial exports from developing countries. To provide for such parallel undertakings in connexion with the second session of the United Nations Conference on Trade and Development would underscore the fact that convergent action by both developed and developing countries is necessary to fulfil the objectives of UNCTAD.

I. — Institutional arrangements

141. The preparation and implementation of a general preferential system would require adequate institutional arrangements. For it would be necessary, in the preparatory stage, to create suitable conditions for the harmonization of the differences that may exist on various aspects of the matter and, with regard to the operation of the scheme, the need for proper institutional mechanisms and procedures has emerged in connexion with several of the elements which have been discussed in this report.[16]

[15] See *Trade Expansion and Economic Integration among Developing Countries* (United Nations publication, Sales No.: 67.II.D.20) chap. X, paras. 48-51.

[16] Another matter which would arise at the time of adopting a preferential scheme is that the countries which are also Contracting Parties to the General Agreement on Tariffs and Trade would require a waiver under the terms of the General Agreement.

142. Consultations and negotiations on the specific content of the system would have to be undertaken within a framework which would provide equal opportunities to all countries to discuss the technical features of the system. To ensure the proper operation of the scheme, institutional arrangements would be necessary for following the application of the rules and guidelines agreed upon by governments, for instance in connexion with the escape clause or the tariff quotas. Moreover, adequate reviewing procedures would have to be provided for in connexion with, *inter alia*, the special measures in favour of the less advanced developing countries, the appraisal of the equivalence of the new and existing systems and the duration of preferences, and, as the case may be, with respect to the parallel policy guidelines which developing countries might accept. All these are matters of direct concern to all the countries participating in the preferential system, and the universal character of UNCTAD would thus make it possible for them to work together in the operation of the system.

K. — Summary of the main features of a preferential system

143. For facilitating the discussion, the main features of the possible systems analysed in the previous chapters are listed below in summary form:

(a) *Safeguards regarding the volume.* One solution would be to lay down that each country would be able to resort to an escape clause provided certain agreed-upon criteria were respected, among which the fixing of a minimum of imports which should not be subject to an escape clause. An alternative solution would be to introduce uniform tariff quotas expressed in terms of a percentage of consumption, production or total imports.

(b) *Extent of tariff reduction.* The tariff reduction would be to zero, but this target might have to be reached only gradually over a number of years. Each developed country would, however, be free to extend these reductions on an m.f.n. basis to all other countries.

(c) *Product coverage.* It would be desirable to arrive at a wide common definition of semi-manufactures and manufactures applicable to all developed countries but each developed country should be able to except initially items corresponding to a small percentage of imports. If a tariff-quota system were adopted, it might be possible to avoid providing for such exceptions. With respect to the excepted products, developed countries might declare their willingness to work out, within a specified period of time, a programme for the orderly expansion of the possibilities of access to their markets.

(d) *Countries granting preferences.* All countries that are usually considered to be in the category of the developed countries would take part in the system. These countries in this category which could not be considered to be fully developed would be granted the opportunity of following a slower pace of duty reductions and of initially excepting a larger number of products.

(e) *Countries obtaining preferences.* A procedural solution would be envisaged for defining the countries eligible to obtain the benefits of the preferential system. If the group of countries which regard themselves as developing is to make the initial proposal, the developed countries should be able to make certain additions.

(f) *Less advanced developing countries.* Special provisions for the less advanced developing countries would be incorporated into the system, but no attempt would be made to define such countries in advance. After the preferential system has operated for ten years, a particular country which had exported a particular product for the whole period would no longer enjoy preferences for that product. Secondly, in connexion with an escape clause or with the tariff-quota procedures, one might exclude from the benefits of the system the products of those countries which had proved competitive, for instance, by being the cause of the serious injury or by taking up a large share of the tariff quota. Thirdly, a permanent review mechanism would be established to check whether all developing countries gained advantages from the preferential system and to suggest additional measures in favour of those countries that had not benefited from it. Fourthly, the more advanced developing countries would declare their willingness to grant preferences to the less advanced developing countries. Lastly, the international institutions concerned would decide to give priority attention to the building up of productive capacity and to infrastructural improvements in the less advanced developing countries.

(g) *Duration.* The preferential system would remain in force for at least ten years. At the end of this period, the functioning of the system would be reviewed and certain countries and/or products could be excluded from it. If the review was not satisfactory to a particular developed country, it would be able to withdraw from it. But even if such a country withdrew, it would have to continue to grant preferences for a certain period on all those items for which a particular developing country had begun exports before the end of the ten-year period.

(h) *Existing preferential systems.* Existing preferential arrangements, in so far as they apply to manufactures and semi-manufactures, would, in the case of a general system based on an escape clause, be suspended or absorbed, except for the products which had not been granted preferences in important developed country markets. In the case of a system based on tariff quotas, a distinction would be made between the products exported in the past and those not exported by the beneficiaries of earlier preferences. For the products that had not been exported in the past, the old system would be suspended. For the products that had been exported in the past, the beneficiaries of existing preferences would still continue to enjoy at least that access which they had in the past while the imports from the beneficiaries of the new system could be subject to teh tariff quota. The question of whether the new system had granted equivalent advantages would be considered by the developing countries concerned during the preparation of the scheme and would be reviewed after a certain number of years. As for reciprocal or reverse preferences, the beneficiaries of the developed countries might agree to their elimination or phasing out over a period of years. Another solution would be to ban the setting-up of new reverse preferences.

(i) *Parallel obligations.* It would be understood that at the second session of the United Nations Conference on Trade and Development, parallel obligations of developing countries would be defined, particularly with respect to trade among developing countries and with respect to policy guidelines for sound export policies.

(j) *Institutional arrangements.* All developing and all developed countries would be able to take part in the general and detailed consultations and negotiations leading to the setting-up of the preferential system, as well as in the operation of the system and its review, and this would be facilitated by the universal character of UNCTAD.

Document TD/12/Supp.2

A SYSTEM OF PREFERENCES FOR EXPORTS OF MANUFACTURES AND SEMI-MANUFACTURES FROM DEVELOPING TO DEVELOPED COUNTRIES

Report by the UNCTAD secretariat *

[*Original text: English*]
[*13 October 1967*]

CONTENTS

	Paragraph	Page
INTRODUCTION	1 - 5	37
CHAPTER I. Definition of manufactures and semi-manufactures	6 - 14	37
CHAPTER II. Exclusion of certain manufactures and semi-manufactures from preferential treatment	15 - 20	39
CHAPTER III. Quantitative limitation of preferential entry for individual manufactured and semi-manufactured products	21 - 33	40

LIST OF TABLES

Table		Page
1.	Imports of manufactures and semi-manufactures into major developed and market-economy countries from developing countries, by products, 1965	43
2.	Imports into major developed market-economy countries of manufactures and semi-manufactures, 1965 (as classified by UNCTAD), listed in chapters 1-24 of the Brussels Tariff Nomanclature	47
3.	Imports into the United States of America of manufactures and semi-manufactures, 1965 (as classified by UNCTAD), listed in chapters 1-24 of the Brussels Tariff Nomenclature	48
4.	Imports into the European Economic Community of manufactures and semi-manufactures, 1965 (as classified by UNCTAD), listed in chapters 1-24 of the Brussels Tariff Nomenclature	49
5.	Imports into the United Kingdom of manufactures and semi-manufactures, 1965 (as classified by UNCTAD), listed in chapters 1-24 of the Brussels Tariff Nomenclature	50
6.	Imports into Japan of manufactures and semi-manufactures, 1965 (as classified by UNCTAD), listed in chapters 1-24 of the Brussels Tariff Nomenclature	51
7.	Imports of processed agricultural products into major developed market-economy countries from developing countries as share of total imports of manufactures and semi-manufactures from these countries by order of importance of that share, 1965	52
8.	Imports of processed agricultural products into four major developed market-economy countries from major developing countries by order of importance, 1965	53
9.	Imports of processed agricultural products into four major developed market-economy countries from major developing countries and by product, 1965	55
10.	Manufactures and semi-manufactures, other than processed agricultural products and cotton textiles, subject to quantitative restrictions in developed market-economy countries: imports from developing countries into major developed market-economy countries, applying these restrictions, by product, 1965	58
11.	Production, imports, exports and consumption (SITC 3-digit level): Federal Republic of Germany, 1965	61
12.	Production, imports, exports and consumption (SITC 5-digit level): Federal Republic of Germany, 1965	63
13.	Production, imports, exports and consumption of manufactures and semi-manufactures in the United States of America, 1963	64
14.	Production, imports, exports and consumption of manufactures and semi-manufactures in the United Kingdom, 1962	65
15.	Production, imports, exports and consumption of manufactures and semi-manufactures in Japan, 1963	66
16.	Consumption, production and imports of manufactures and semi-manufactures in major developed market-economy countries, 1962	67

* This document supplements the report issued as TD/B/C.2/AC.1/7, which was considered at the second session of the Group on Preferences, and which is submitted to the Conference under cover of TD/12/Supp.1. (see this volume, p. 8)

Introduction

1. The secretariat report prepared for the second session of the Group on Preferences (TD/B/C.2/AC.1/7) examined some of the technical aspects of a system of general, non-reciprocal, non-discriminatory preferences for exports of manufactures and semi-manufactures from developing to developed countries, and outlined the various elements necessary for the functioning of such preferences. The benefits accruing to the developing countries from such a system of preferences will depend largely on the products for which the preferences will be granted and on the volume of imports admitted on a preferential basis.

2. The present document, which can be considered as supplementing document TD/B/C.2/AC.1/7, aims at providing an analysis and quantitative data to bring out the importance of the various products with respect to their inclusion in, or exclusion from, such a preferential system, on the basis of the present exports of the developing countries. It thus aims at bringing out the order of magnitude of benefits that may result for the developing countries from the preferential system in case the imports of the products considered enjoy preferential treatment.

3. In the context of determining which products shall enjoy preferential treatment, two points are of particular relevance: the definition of manufactures and semi-manufactures and the fact that the countries granting preferences will tend to exclude a number of products from preferential treatment for reasons of market protection. The second point is also of decisive importance regarding the volume of imports of the various products that would be allowed to enter the markets of the developed countries under preferential treatment.

4. The present report therefore deals with two questions: first, the question of which products will fall under the definition of manufactures and semi-manufactures and, secondly, with the question of which items, taking into account the present imports from developing countries, are of particular importance when considering the exclusion of certain manufactured and semi-manufactured products from preferential treatment. The report also considers, on the basis of available statistical data, some economic criteria of a quantitative character which are important in connexion with limiting the volume of preferential imports for individual products. It aims at providing some idea of the dimensions these criteria should have in order not to restrict the application of the preferential system for manufactures and semi-manufactures from developing countries to such an extent that the preferential system becomes meaningless.

5. The extensive statistical tables reproduced in the annex to this report serve as a basis for the conclusions drawn in this analysis. It is considered, however, that the data contained in these tables are not only of value with regard to the findings of the present analysis, but could prove essential in the more detailed consideration of specific products and of problems that might arise in a scheme of preferences on manufactures and semi-manufactures imported from the developing countries.

Chapter I

Definition of manufactures and semi-manufactures

6. There exists no internationally accepted definition of manufactures and semi-manufactures. The United Nations Statistical Office and the UNCTAD secretariat have, however, jointly prepared a list of products to be considered as manufactures or semi-manufactures.[1] This list was based on the following guidelines:

(a) *A primary commodity* is a product of farm, forest, fishing and hunting or any mineral to whose value manufacturing has made only a minor contribution;

(b) *A semi-manufactured article* is a product of manufacturing which for most uses requires further processing or incorporation in other goods before becoming a capital or a consumer good;

(c) *Finished manufactured goods* comprise manufactured goods for consumption by households, plus capital goods for household and capital goods for industry.

7. Table 1 shows for the year 1965 the imports of manufactures and semi-manufactures (as defined above) into major developed market-economy countries [2] from the world and from the developing countries. The table shows that the imports of these products from the developing countries in 1965 amounted to $7,379.4 million and represented 9.5 per cent of the total imports of these products into the developed marked-economy countries concerned. In these imports of manufactures and semi-manufactures from the developing countries, petroleum products account for $1,739.1 million and unwrought non-ferrous metals for $1,653.8 million. Leaving these two items aside, as well as ships and boats (imports of which accounted for $36.3 million),[3]

[1] Document TD/B/C.2/3, dated 2 July 1965.

[2] The following countries have been considered in this context: United States of America, Canada, countries of the European Economic Community (EEC), countries of the European Free Trade Association (EFTA) (including Finland), Australia, New Zealand and Japan.

[3] By excluding these products from the calculations carried out here and in subsequent paragraphs it is not suggested that these manufactures and semi-manufactures should not form part of the preferential system. These products have been excluded from the calculations only for reasons of comparability.

Imports of ships and boats from developing countries are excluded from the calculations because the imports of these items are made up to a large proportion of ships and boats, built in developed countries, that are sent back to these countries for repair. They therefore do not represent imports of products manufactured in the developing countries.

Unwrought non-ferrous metals amount to more than one-fifth of total imports of manufactures and semi-manufactures from developing to developed market economy countries. To a very large proportion imports of these metals are already at present free of duty. The consideration of the import volume of these products together with those of the other manufactures and semi-manufactures would thus greatly falsify the picture when

(Continued on next page.)

the value of imports of manufactures and semi-manufactures in 1965 into the major developed market-economy countries from developing countries was: $3,950.7 million. Some 30.3 per cent of these imports, i.e. $1,198.6 million, was made up by textiles, and 19.0 per cent, or $751.7 million, consisted of processed agricultural goods.

8. Processed agricultural products form part of the products listed in chapters 1-24 of the Brussels Tariff Nomenclature (BTN). These products, in a number of international agreements, for instance those governing EEC and EFTA, are considered largely as agricultural goods in contrast to industrial goods. Table 2 enumerates these processed agricultural goods. All of them are considered in the UNCTAD list as manufactures or semi-manufactures. Of particular importance among these items are alcoholic beverages, fruit (preserved, prepared) and meat (tinned). These three groups of products accounted in 1965 for 66 per cent of the imports of processed agricultural products from developing countries to the major developed market-economy countries defined in the preceding paragraph, to total a value of $751.7 million.

9. Although the importance of total imports of processed agricultural products is rather similar for the four major developed market economy countries [4] (varying from 1.2 to 1.4 per cent of their total imports in each case), the share of these products in their total imports from developing countries varies very considerably. In all cases the share of imports of processed agricultural products in the total imports of manufactures and semi-manufactures by these four economies is considerably higher with regard to imports from the developing countries than with regard to imports from all sources. In 1965 the imports of processed agricultural products into these developed market-economies amounted to the following percentages of their total imports of manufactures and semi-manufactures:

	From all sources	*From developing countries excluding unwrought non-ferrous metals, petroleum products and ships and boats*
United States	1.2	12.5
EEC	1.3	32.5 [a]
United Kingdom	1.4	15.3
Japan	1.4	26.3

[a] Alcoholic beverages represent almost 50 per cent of the imports by the EEC in this category and are largely imported by France under special quota arrangements from Algeria and Morocco.

(Continued)

assessing the importance of inclusion of individual manufactures and semi-manufactures in the preferential system.

Similar reasoning holds true with regard to petroleum products. These products account for almost a quarter of total imports of manufactures and semi-manufactures from developing countries by developed market-economy countries. Particular conditions apply to the trade in these products, resulting from the energy policy of the various countries and the pattern of ownership special to this branch of industry. Consequently, the importance of preferential treatment for petroleum products can hardly be compared with the importance of such treatment for the remaining manufactured and semi-manufactured items of the developing countries.

[4] United States of America, EEC, United Kingdom of Great Britain and Northern Ireland, Japan.

10. It follows from these data that if processed agricultural products were not included in the system of preferences because of a narrower definition of manufactures and semi-manufactures than the one used in UNCTAD this would result in a very serious curtailment of the application of such a preferential system. It would have as consequence that 32.5 per cent of the present imports of manufactures and semi-manufactures from developing countries into the EEC would be excluded from the system of preferences as well as 26.3 per cent of such imports into Japan. Similarly, for the United Kingdom and the United States an important part of the imports of manufactures and semi-manufactures from developing countries would not fall under the system of preferences, the corresponding figures being 15.3 and 12.5 per cent respectively.[5]

11. In order to facilitate a detailed examination of the question of including processed agricultural products in the system of preferences, detailed product-by-product information on the present imports of these products from developing countries into the individual developed market-economy countries will be necessary for assessing the relative importance of these imports in the developed market economies concerned. Tables 3, 4, 5 and 6 contain relevant import figures of the individual processed agricultural items for the four major developed market-economy countries. They show the importance of the individual processed agricultural products in the imports in 1965 into these markets. The ten major processed agricultural products imported into the major developed-market economies [6] by developing countries by order of importance of these products are:

SITC No.	*Item*	*Value ($U.S. 000)*
112	Alcoholic beverages	199,975
053	Fruit, preserved, prepared	153,819
013	Meat, canned n.e.s. or prepared	143,500
032	Fish, canned n.e.s. or prepared	61,925
072.3	Cocoa butter and paste	37,546
431	Processed animal, vegetable oils, etc.	17,564
052	Dried fruit	17,174
122	Tobacco manufactures	9,021
599.5 (1)	Starches and inulin	5,296
512.2 (6)	Glycerol, glycerol lyes	3,175
	Total	648,995

These products account for 86 per cent of the exports of processed agricultural products from developing countries to the developed market economies.

12. The share of the individual developing countries in the imports of processed agricultural products into developed countries is uneven. More than 50 per cent, in total value, of processed agricultural products imported from developing countries into the four major developed market economies originate from Algeria,

[5] These percentages relate to a total of imports of manufactures and semi-manufactures excluding unwrought non-ferrous metals, petroleum products and ships and boats.

[6] United States of America, Canada, EEC countries, EFTA countries (including Finland), Australia, New Zealand and Japan.

Morocco, China (Taiwan), Argentina, Brazil and Yugoslavia. However, the import of these products by developed market-economy countries also forms an important source of export earnings to many other developing countries, including those which are in the early stage of exporting manufactured products. Some of these countries rely, as far as their export earnings from trade in manufactured and semi-manufactured products are concerned, almost exclusively on the export of processed agricultural products. This is shown by table 7 which deals with the composition of the exports of manufactures and semi-manufactures of individual developing countries. The table shows that the imports of manufactures and semi-manufactures into the major developed market-economy countries from the following developing countries consist of more than 50 per cent of processed agricultural products: Somalia, El Salvador, Togo, Yemen, Cuba, Algeria, Paraguay, Senegal, Iraq, Morocco, Nicaragua, Ethiopia, Argentina, Uruguay and the Dominican Republic.

13. Table 8 shows the imports of processed agricultural products to the four major developed market-economy countries from the forty largest suppliers of these goods among the developing countries, in order of importance of the suppliers, the six largest of which were listed above in paragraph 12. Table 9 indicates the major supplier countries among the developing countries for the ten major processed agricultural products (listed in paragraph 11) imported into the major developed market-economy countries from developing countries. It can be seen from this table that Algeria is the main supplier for alcoholic beverages, China (Taiwan) for preserved fruits, Argentina for canned meat, Morocco for canned fish, Ghana and Brazil for animal and vegetable oils, Iraq for dried fruit and Cuba for tobacco manufactures.

14. From the present analysis as well as from the more comprehensive data contained in tables 1-16, it follows that a definition of manufactures and semi-manufactures which excludes the processed agricultural products (or at least a large part of them) from the preferential system would considerably reduce the value of that system. This conclusion holds true in particular for countries in the very early stage of industrialization.

Chapter II

Exclusion of certain manufactures and semi-manufactures from preferential treatment

15. In the following it is assumed that the processed agricultural products are considered as manufactures and semi-manufactures and therefore form part of the preferential scheme. The granting of preferences for certain of these processed agricultural products by developed countries in which the production of these items is highly protected, and for other manufactures and semi-manufactures currently under quantitative restrictions, presents special problems.[7] The question therefore arises of excluding a number of these products from preferential treatment by putting them on the exceptions list.

16. As follows from the data given on processed agricultural products in the preceding section, the placing of all of these products on an exceptions list would exclude 35.2 per cent of the present imports of manufactures and semi-manufactures to the EEC from preferential treatment,[8] the respective data for the United States being 12.5 per cent, for the United Kingdom 15.3 per cent and for Japan 26.3 per cent.

17. If cotton textiles, including clothing imports, from the developing countries which are subject to the GATT Long-Term Arrangement regarding Trade in Cotton Textiles were placed on the exceptions list, this would exclude 9.9 per cent of the present imports of manufactures and semi-manufactures to the EEC from preferential treatment,[9] the respective data for the United States being 10.6 per cent and for the United Kingdom 16.4 per cent. Japan's imports of these products from developing countries are insignificant.

18. Other manufactures and semi-manufactures subject to quantitative import restrictions in developed market-economy countries are some antibiotics and medicaments; some mineral and chemical fertilizers; woven fabrics of silk, wool and jute; many clothing products other than cotton; table ware of porcelain and other household ware, etc. Table 10 shows the imports of these products into those major developed market-economy countries that apply these restrictions. These imports amounted in 1965 to about $85.4 million.[10]

19. If the exceptions list were to consist of:

(*a*) All processed agricultural products;

(*b*) All textile items covered by the Long-Term Textile Agreement; and

(*c*) Those other manufactures and semi-manufactures subject to quantitative restrictions (dealt with in paragraph 18) as far as the countries applying such restrictions are concerned,

the combined value of the items on the exceptions list would represent in 1965 the following percentages of total imports of manufactures and semi-manufactures in the four developed market economies, excluding

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[7] The advantages and difficulties of including the latter group of products in a preferential scheme have been dealt with in document TD/B/C.2/AC.1/7 and by the Group on Preferences at its second session (see *Official Records of the Trade and Development Board, Fifth Session, Supplement No. 5*, annex 1, paras. 28-36).

[8] This percentage relates to a total of imports of manufactures and semi-manufactures excluding unwrought non-ferrous metals, petroleum products and ships and boats.

[9] *Idem.*

[10] A number of the items covered are ex-positions for which no separate import statistics are available. In these cases the import figures considered refer to the whole position. The statistics on textiles and clothing generally do not distinguish between products made from cotton and from other materials. The import volume of non-cotton products, relevant here, had therefore to be estimated by the secretariat on the basis of the relationship between these two kinds of clothing products imported into the United States for which separate import data were available.

unwrought non-ferrous metals, petroleum products and ships and boats:

	Processed agri-cultural products	*Cotton textile products*	*Other items subject to quantitative restrictions*	*Total of these products*
United States ..	12.5	10.6	—	23.1
EEC	32.5	9.9	5.8	48.2
United Kingdom	15.3	16.4	2.4 [a]	34.1
Japan	26.3	—	0.5 [b]	26.8

[a] Although the United Kingdom does not apply quantitative restrictions on the imports of many items other than cotton textiles — the other quantitative restrictions cover mainly jute goods — this percentage figure of exclusions is rather high. This is due to the fact that the imports of jute goods into the United Kingdom are quite substantial. See foot-note 10.

[b] It will be noted that the placing of the items considered under paragraph 18 on the exceptions list by the countries which apply quantitative import restrictions on these products would not necessarily result in the exclusion from preferential treatment of a substantial part of these countries' actual imports of manufactures and semi-manufactures from developing countries. This does not mean that these products are of little relevance for the export earnings of the developing countries. The contrary is the case — as follows from the importance which these products have in the imports from developing countries into those developed market-economy countries that do not apply quantitative restrictions on these items.

20. It goes without saying that the exclusion of such high shares as 30 or even 40 per cent and more of the present imports of manufactures and semi-manufactures, would cause the system of general preferences to lose much of its effectiveness, at least with regard to increasing the export earnings of the developing countries in the more immediate future.

Chapter III

Quantitative limitation of preferential entry for individual manufactured and semi-manufactured products

21. In applying the escape clause as well as in applying the tariff quota system, the volume of the preferential imports of the individual manufactured and semi-manufactured products could be limited for reasons of market protection, in particular in order to avoid serious injury in the developed countries. It has been suggested that as far as possible such decisions concerning the limitation of preferential treatment should be based on objective criteria. In this context the consideration of a preferential system based on the admittance of only a certain pre-determined volume of imports corresponding to a certain percentage of domestic consumption, production or total imports of the items concerned, finds its place. The problems involved in arriving at an agreed uniform percentage of consumption of items of the developed market-economy countries to form the basis of the tariff quota system are numerous. First — the non-availability of relevant statistics of consumption, and secondly, the widely varying importance of production and import in the individual major developed economies for the various items in respect to their consumption, resulting in a similar large variety in the percentage of the present imports in relation to consumption.[11]

[11] See in this context document TD/B/C.2/AC.1/7 and paragraphs 10-27 of the report of the Group on Preferences on its second session (*Official Records of the Trade and Development Board, Fifth Session, Supplement No. 5,* annex I).

22. Since comprehensive consumption data on individual manufactured and semi-manufactured products do not exist, either for developed or for developing countries, it is difficult to assess the volume of imports of these products from developing countries to developed market-economy countries that would be excluded from preferential treatment if a certain percentage of the individual developed market-economy countries' consumption of the various manufactures and semi-manufactures were introduced as a ceiling for granting preferences on these items. There exist, however, in varying degrees, statistics on the production of manufactured and semi-manufactured articles in individual developed-market economy countries which, by taking into account the imports and exports of these products for the country concerned, allow the determination of the consumption of these items in the particular developed market-economy country. The availability of rather extensive production statistics in the Federal Republic of Germany permits the determination for a fairly representative number of manufactured and semi-manufactured products, imported into the Federal Republic of Germany, of the corresponding data on the consumption of these goods. These data are contained in tables 11 and 12.

23. Table 11 includes fifty-one product groups of manufactured goods rather broadly defined[12] such as clothing, wood, woven cotton fabrics, etc. The products falling into these categories accounted for 42.1 per cent of the imports of manufactures and semi-manufactures into the Federal Republic of Germany from developing countries in 1965, or 67.6 per cent of these products if petroleum products, unwrought non-ferrous metals and ships and boats are excluded. Table 12 contains consumption data on eighteen individual products such as handkerchiefs, shawls, gloves, etc., coming under important product groups dealt with in table 11 (and thus more narrowly defined than these product groups).[13] The manufactures and semi-manufactures indicated below are those product groups

SITC No.	*Item*	*Imports from developing countries ($U.S. million)*	*Percentage of consumption*
667	Pearls and precious and semi-precious stones	19.4	30.6
656	Textile products, etc., n.e.s. .	58.0	14.4
657	Floor coverings, tapestries, etc.	58.0	14.4
052	Dried fruit	3.9	12.2
053	Preserved and prepared fruit	24.3	8.4
612	Leather manufactures	1.4	6.2
653	Woven jute fabrics	2.4	6.2
894	Perambulators, toys, games and sporting goods	4.0	5.7
613	Fur skins, tanned or dressed	1.3	5.0
243	Shaped wood	26.3	4.9
633	Cork manufactures	1.0	4.5
611	Leather	11.3	4.2
032	Canned and prepared fish ..	5.0	3.9
	Total	216.3	

[12] They represent almost exclusively product groups on the SITC 3-digit level.

[13] They represent manufactures and semi-manufactures defined on the 4- and 5-digit level.

included in table 11, the imports of which from developing countries in 1965 exceeded 3 per cent of the Federal Republic of Germany's consumption of such product groups. These product groups account for 29 per cent of the Federal Republic of Germany's imports of manufactures and semi-manufactures from developing countries or almost 50 per cent of these imports if petroleum products, unwrought base metals and ships and boats are excluded.

24. A more narrow definition of the individual manufactures and semi-manufactures would further increase the volume of imports from developing countries composed of products for which the imports exceed 3 per cent of the Federal Republic of Germany's domestic consumption. For example, while for the broad category of clothing (SITC 3-digit level) the imports from developing countries represented only 2.4 per cent of consumption, by a more narrow definition of individual manufactures at a 5-digit level the imports of the following clothing items from developing countries would exceed 3 per cent of the Federal Republic of Germany's consumption:

Item	*Value of imports from developing countries ($U.S. million)*	*Percentage of consumption*
Gloves, knitted, non-elastic	1.1	8.9
Non-knitted underwear	15.2	7.1
Outerwear, knitted, non-elastic	29.3	6.3
Apparel and clothing accessories of leather	1.1	3.6
Handkerchiefs	0.6	3.3
TOTAL	47.3	

25. This total of $ 47.3 million represents 55 per cent of the total imports from developing countries into the Federal Republic of Germany under the category of clothing. It thus seems likely that if in respect of all product groups it were possible to undertake an examination of the individual products in these groups and then relate the imports of these products to their consumption, the imports for an extremely large number of items would exceed 3 per cent of consumption. It could be assumed therefore that if, for instance, 3 per cent of domestic consumption were introduced as the criterion for limiting the preferential imports from developing countries, the majority of the present imports from these countries into the Federal Republic of Germany would be effected by such limitation.

26. Tables 13, 14 and 15 contain consumption data for a number of manufactures and semi-manufactures, generally on the SITC 3-digit level for the United States of America, United Kingdom of Great Britain and Northern Ireland and Japan, respectively. It can be seen from these tables that here also, in particular with regard to the United Kingdom and Japan, the imports of many products from developing countries exceed 3 per cent of consumption. The same conclusions which were drawn from the more extensive statistics regarding the Federal Republic of Germany are therefore likely to be valid for these countries also.

27. The importance of the dimension used for the definition of manufactured and semi-manufactured items when relating the imports of these items to their domestic consumption is brought out once more in table 16. This table shows for the four major developed market-economy countries their global consumption of manufactures and semi-manufactures as well as their global imports of these products from developing countries and from all sources. In including all manufactures and semi-manufactures in one single item the table thus applies for manufactured items the broadest definition that could be conceived of for these products in a system of preferences. As can be seen from the table, the imports from developing countries of manufactured and semi-manufactured products, thus broadly defined, range in all cases far below 3 per cent of the domestic consumption rate. With regard to the United States, even the imports of manufactures and semi-manufactures from all sources remain well below 3 per cent of consumption. Considering these findings together with those regarding the Federal Republic of Germany in paragraphs 22-23, it is clear that a uniform rate of consumption as criterion for limiting preferential imports has no meaning by itself. This criterion gets a specific meaning only if it is clear to what kind of manufactured and semi-manufactured items it relates (product groups, product sub-groups, individual products).[14] When considering the rate of consumption that could eventually be applied in the preferential system in connexion with limiting the volume of preferential imports for certain manufactures or semi-manufactures, it would thus seem indispensable to consider at the same time whether a broad or narrow definition should apply for defining the manufactured or semi-manufactured items in question.

28. As can be seen from tables 11-15, the volume of imports of various manufactured goods from the developing countries expressed as a percentage of domestic production in the developed countries in question is generally higher than if expressed as a percentage of domestic consumption in these countries. This is due to the fact that the production of these products in the developed market-economy countries is generally smaller than the latter countries' consumption of such items and that their imports of these items thus exceed their exports of products falling under the same category.

29. Tables 11-15 show, moreover, for the individual products the volume of imports from developing countries as a percentage of the total imports of these products into the developed market-economy countries concerned. As with the rate of consumption and production, these percentages vary considerably from one product to another. For the more important export items of the developing countries it would seem, however, that these percentages come to about 10 per cent and above, and for many of these products even go far above 20 per cent.

[14] Expressed in more technical terms: SITC 3-digit, 4-digit, or 5-digit items, etc.

30. The following conclusions may be drawn regarding the application of these criteria with respect to limiting the quantity of preferential imports of manufactures and semi-manufactures from the developing countries.

31. In the event that one of the criteria dealt with above were to be used for limiting in a uniform way the quantity of such preferential imports, it would seem that a uniform rate of consumption would be particularly suitable from the point of view of market protection in the developed countries as well as from the point of view of enabling the individual developed countries to grant similar economic advantages to the developing countries. Whereas the levels of production or imports of the various products vary considerably between the developed countries, the levels of consumption are rather similar in countries with approximately comparable standards of living.

32. Like any other individual criterion applied in a uniform way to the variety of economic situations, a uniform consumption rate as ceiling for preferential imports could not, naturally, do justice to the situation in all cases. Where, for instance, owing to the raw material situation the product is predominantly produced in developing countries, the share of imports of this product in the consumption of the developed countries will by necessity exceed the uniform consumption rate below which it may be considered that the encouragement of imports through preferences would not be regarded as causing serious injury to the domestic industry. Also, in cases where the present imports of certain manufactures and semi-manufactures from developing countries already exceed such a uniform consumption rate, the fear that the encouragement of imports through preferences beyond this rate may cause serious injury would not seem to be justified.

33. Considering, moreover, that the ceiling set by a uniform rate of consumption will, as has been shown in this section, vary quite substantially with the change in the scope of the definition of manufactured or semi-manufactured goods (product groups, product sub-groups, individual products) to which this rate should apply, and may in this way lead to a very substantial limitation of preferential imports, it would seem that the introduction of such a ceiling for preferential imports from developing countries should be accompanied by the simultaneous introduction of a floor, i.e. a minimum volume for which the preferential treatment should be granted. It would seem that this floor should cover at least the current volume of imports from developing countries of any individual product plus a certain percentage corresponding, for instance, to the average growth rate of imports of manufactures and semi-manufactures to the developed countries concerned. Such a floor would also be of use in the event that the quantity of preferential imports of manufactures and semi-manufactures from developing countries would be limited by an escape clause, not based on uniform rates of consumption etc., but on a more individual determination of the circumstances that would justify the limitation of such preferential imports. It will be remembered in this context that at the second session of the Group on Preferences most developing countries favoured the escape-clause system, and that among the developed market-economy countries some of them said that they would accept a system containing elements of an escape-clause, tariff-quota and duty-reduction system in order to broaden the scope of the scheme.

TABLE 1

Imports of manufactures and semi-manufactures * into major developed market-economy countries from developing countries, by product, 1965**

($ U.S. Million c.i.f.)

SITC No.	*Item*	*World*	*Developing countries*	*Percentage share*
	A. *SEMI-MANUFACTURED GOODS*	31 060.5	3 299.9	10.6
0	*Food and live animals*	162.1	40.8	25.2
046	Meal and flour of wheat and meslin	34.0	1.9	5.5
047	Meal and flour of cereals, except meal and flour of wheat or of meslin	11.6	0.7	6.2
072.2	Cocoa powder, unsweetened	15.9	0.7	4.2
072.3	Cocoa butter and paste	100.6	37.5	37.3
2	*Crude materials, excluding fuels*	4 072.1	240.1	5.9
231.2	Synthetic rubber and rubber substitutes	272.7	—	—
231.3	Reclaimed rubber	6.6	—	—
231.4	Waste and scrap of unhardened rubber	3.7	—	—
243	Wood, shaped or simply worked	1 843.6	216.3	11.7
251	Pulp and waste paper	1 538.3	16.5	1.1
266	Synthetic and regenerated (artificial) fibres	315.9	2.1	0.7
267	Waste materials from textile fabrics, incl. rags	91.3	5.2	5.6
3	*Electric energy*	49.8	—	—
351	Electric energy	49.8	—	—
4	*Animal, vegetable oils and fats*	90.7	17.6	19.4
431	Processed animal vegetable oils, etc.	90.7	17.6	19.4
5	*Chemicals*	7 361.7	332.8	4.5
512	Organic chemicals	1 687.9	52.7	3.1
513	Inorganic chemicals, oxides, etc.	567.9	86.2	15.2
514	Other inorganic chemicals	372.4	6.9	1.9
515	Radioactive and associated materials	124.7	1.4	1.1
521	Chemicals from coal, petroleum, etc.	65.5	2.6	4.0
531	Synthetic organic dyestuffs, natural indigo and colour lakes	264.6	0.2	0.1
532	Dyes, n.e.s. tanning products	43.5	14.8	34.0
533.1	Colouring materials, n.e.s.	58.0	—	—
533.2	Printing inks	16.2	—	—
551	Essential oils, perfume materials, etc.	212.7	53.2	25.0
561	Fertilizers, manufactured	542.0	28.1	5.2
571.2	Fuses, primers and detonators	13.0	—	—
581	Plastic materials, regenerated cellulose and artificial resins	1 286.6	3.2	0.2
599.5	Starches, inulin, gluten, etc.	195.8	19.2	9.8
599.6	Wood and resin-based chemical products	94.0	2.1	2.3
599.7	Organic chemical products, n.e.s.	177.8	0.2	0.1
599.9	Chemical products and preparations n.e.s.	335.4	7.7	2.3
6	*Basic manufactures*	20 544.4	2 691.8	13.1
61	Leather, dressed, fur, etc.	560.8	102.2	18.2
611	Leather	385.3	96.6	25.1
612	Manufactures of leather or of artificial or reconstituted leather n.e.s.	56.8	4.1	7.1
613	Fur skins, tanned or dressed, incl. dyed	118.7	1.5	1.3
621	Materials of rubber	124.8	2.0	1.6
631	Veneers, plywood, etc.	560.4	117.6	21.0
641	Paper and paperboard	2 263.4	9.5	0.4
65	*Textile yarn, fabrics, etc.*	4 355.3	534.2	12.3
651	Textile yarn and thread	1 205.7	55.7	4.6
652	Cotton fabrics, woven	782.0	194.0	24.8
653	Woven textiles, non-cotton	1 804.8	252.2	14.0
654	Tulle, lace, embroidery, ribbons, trimmings etc.	174.2	4.7	2.7
655	Special textile fabrics and related products	388.6	27.6	7.1

TABLE 1

Imports of manufactures and semi-manufactures * into major developed market-economy countries from developing countries, by product, 1965** *(continued)*

($ U.S. Million c.i.f.)

SITC No.	*Item*	*World*	*Developing countries*	*Percentage share*
66	*Non-metal mineral manufactures, n.e.s.*	1 072.6	24.2	2.3
661	Lime, cement, etc.	199.8	10.5	5.3
662	Clay construction materials etc.	266.8	5.1	1.9
663	Mineral manufactures, n.e.s.	265.7	5.4	2.0
664	Glass	340.3	3.2	0.9
67	*Iron and steel*	5 483.2	95.6	1.7
671	Pig-iron, etc.	609.7	65.1	10.7
672	Ingots and other primary forms (incl. blanks for tubes and pipes) of iron or steel	414.8	0.8	0.2
673	Iron and steel shapes	1 371.3	5.0	0.4
674	Iron, steel universals, plate, sheet	1 889.0	13.8	0.7
675	Hoop and strip of iron or steel	245.1	—	—
676	Rails and railway track construction material of iron or steel	34.2	—	—
677	Iron and steel wire, excl. wire rods	199.2	—	—
678	Iron, steel tubes, pipes	684.1	10.2	1.5
679	Iron and steel castings and forgings, unworked, n.e.s.	34.3	—	—
68	*Non-ferrous metals*	5 694.3	1 801.8	31.6
681	Silver, platinum, etc.	460.1	63.4	13.8
682	Copper	2 662.3	1 341.4	46.6
	of which:			
682.1	Copper alloys, unwrought	2 154.7	1 189.0	55.2
682.2	Copper alloys, worked	507.8	53.4	10.5
683	Nickel	418.5	—	—
	of which:			
683.1	Nickel alloys, unwrought	360.4	—	—
683.2	Nickel alloys, worked	58.0	—	—
684	Aluminium	962.6	26.8	2.8
	of which:			
684.1	Aluminium alloys, unwrought	665.6	22.3	3.4
684.2	Aluminium alloys, worked	296.8	4.6	1.5
685	Lead	273.7	73.2	26.7
	of which:			
685.1	Lead alloys, unwrought	226.6	71.8	26.9
685.2	Lead alloys, worked	7.5	1.4	18.7
686	Zinc	248.6	31.6	12.7
	of which:			
686.1	Zinc alloys, unwrought	230.1	28.6	12.4
686.2	Zinc alloys, worked	18.4	3.0	16.3
687	Tin	436.5	308.7	70.7
	of which:			
687.1	Tin alloys, unwrought	432.7	308.5	71.3
687.2	Tin alloys, worked	3.8	—	—
688	Uranium and thorium and their alloys	—	—	—
689	Miscellaneous non-ferrous base metals employed in metallurgy	232.0	35.9	24.1
	of which:			
689.3	Magnesium, berullium	35.2	—	—
689.4	Tungsten, molybdenum, tantalum	27.3	0.8	2.9
689.5	Base metals, n.e.s.	169.4	55.0	32.5
69	*Manufactures of metal, n.e.s.*	429.6	4.7	1.1
691	Finished structural parts and structures	158.1	—	—
694	Nails, screws, nuts, bolts, rivets and similar articles of iron, steel or copper	271.5	4.7	1.7

TABLE 1

Imports of manufactures and semi-manufactures * into major developed market-economy countries from developing countries, by product, 1965** *(continued)*

($ U.S. Million c.i.f)

SITC No.	Item	World	Developing countries	Percentage share
	B. *MANUFACTURED GOODS*	47 007.4	4 080.0	8.7
0	*Food and live animals*	2 824.7	427.7	16.7
012	Meat, dried, salted, smoked	334.0	2.9	10.9
013	Meat canned n.e.s. or prepared	506.0	143.5	28.4
032	Fish canned n.e.s. or prepared	388.7	61.9	15.9
048	Cereal, etc. preparations	197.1	1.5	0.7
052	Dried fruit	174.2	17.2	9.8
053	Fruit, preserved or prepared	516.2	153.8	29.8
055	Vegetables, etc. preserved or prepared	284.7	77.9	27.4
062	Sugar confectionery and other preparations, excl. chocolate confectionery	75.4	1.4	1.9
071.3	Coffee extracts, essences, concentrates etc.	42.6	4.5	10.5
073	Chocolate and other food preparations containing cocoa or chocolate, n.e.s.	113.4	0.7	0.7
091	Margarine and shortening	93.1	0.8	0.8
099	Food preparations, n.e.s.	99.3	6.6	6.6
1	*Beverages and tobacco*	1 295.0	209.2	16.2
111	Non-alcoholic beverages, n.e.s.	13.4	0.2	1.2
112	Alcoholic beverages	1 162.6	200.0	17.2
122	Tobacco manufactures	119.0	9.0	7.6
3	*Mineral fuels, etc.*	3 591.7	1 739.1	48.4
332	Petroleum products	3 585.6	1 739.1	48.5
341.2	Gas, manufactured	6.1	—	—
5	*Chemicals*	7 361.7	332.8	4.5
533.3	Prepared paints, enamels, lacquers, varnishes, artists' colours, siccatives (paint driers) and mastics	157.3	0.2	0.1
541	Medicinal and pharmaceutical products	707.7	39.3	5.5
553	Perfumery and cosmetics, dentifrices and other toilet preparations, excluding soap	97.8	0.4	0.4
554	Soaps, cleansing and polishing preparations	139.6	—	—
571 excl. 571.2	Explosives and pyrotechnic products but excluding fuses, primers and detonators	44.9	2.2	4.9
599.2	Insecticides, fungicides, disinfectants, etc.	82.3	0.3	0.4
6	*Basic manufactures*	5 321.6	672.4	12.6
629	Articles of rubber, n.e.s.	497.3	3.7	0.8
63	*Wood and cork manufactures* (excluding furniture)	271.4	20.7	7.6
632	Wood manufactures, n.e.s.	223.0	18.3	8.2
633	Cork manufactures	48.4	2.4	4.9
642.1	Paper bags, paperboard boxes, etc.	229.8	0.8	0.3
65	*Textile yarn, fabrics, etc.*	792.7	232.8	29.4
656	Textile, etc. products, n.e.s.	308.2	91.3	29.6
657	Floor coverings, tapestries, etc.	476.6	138.3	29.0
66	Non-metal mineral manufactures, n.e.s.	1 836.1	372.2	20.3
665	Glassware	232.2	5.1	2.2
666	Pottery	208.1	2.2	1.0
667	Pearls and precious or semi-precious stones	1 395.8	364.9	26.1
69	*Manufactures of metal, n.e.s.*	1 693.2	29.2	1.7
692	Metal containers for storage and transport	113.5	1.5	1.3
693	Wire products (excluding electric) and fencing grills	141.7	0.6	0.4

TABLE 1

Imports of manufactures and semi-manufactures * into major developed market-economy countries from developing countries **, by product, 1965 *(concluded)*

($ U.S. Million c.i.f.)

SITC No.	*Item*	*World*	*Developing countries*	*Percentage share*
695	Tools for use in the hand or in machines	410.3	1.7	0.4
696	Cutlery	157.4	4.3	2.7
697	Household equipment of base metals	212.0	8.2	3.8
698	Metal manufactures, n.e.s.	657.8	10.7	1.6
7	*Machinery and transport equipment*	24 021.3	182.0	0.8
711	Power generating machinery other than electric	1 476.4	21.4	1.5
724	Telecommunications apparatus	1 288.2	42.5	3.3
735	Ships and boats	777.4	36.3	4.7
8	*Miscellaneous manufactured goods*	8 532.8	777.2	9.1
812	Sanitary, plumbing, heating and lighting fixtures and fittings	269.3	14.1	5.2
821	Furniture	401.5	30.8	7.7
831	Travel goods, handbags and similar articles	142.5	24.3	17.0
841	Clothing, excluding fur clothing	2 018.7	431.6	21.4
842	Fur clothing, etc.	30.8	0.3	1.0
851	Footwear	530.5	42.6	8.0
861	Scientific, optical, medical measuring and controlling instruments and apparatus	1 980.5	16.1	0.8
861.1	Optical elements	1 257.0	10.8	0.9
862	Photographic and cinematographic supplies	317.8	1.0	0.3
863	Developed cinematographic film	46.4	2.5	5.5
864	Watches and clocks	359.3	1.8	0.5
89	*Miscellaneous manufactured articles, n.e.s.*	3 159.0	211.2	6.7
891	Musical instruments, etc.	541.7	3.6	0.7
892	Printed matter	690.2	7.7	1.1
893	Articles of artificial plastic materials, n.e.s.	330.0	18.9	5.7
894	Perambulators, toys, games and sporting goods	562.5	64.6	11.5
895	Office and stationery supplies, n.e.s.	113.3	0.5	0.4
896	Works of art, collectors' pieces and antiques	302.8	11.8	3.9
897	Jewellery and goldsmiths' and silversmiths' wares	182.8	13.1	7.2
899	Manufactured articles, n.e.s.	435.7	91.0	20.9
9	*Commodities and transactions not classified according to kind*	199.9	3.7	1.9
951	Firearms of war and ammunitions therefor	187.6	0.5	0.3
961	Coins (other than gold coin) not being legal tender	12.3	3.2	26.1
	C. *Total semi-manufactures and manufactures*	78 067.9	7 379.9	9.5

Sources: United Nations, *Commodity Trade Statistics, Statistical Papers, Series D,* UNCTAD working paper; statistics of imports of semi-manufactures and manufactures from developing countries into selected developed countries; OECD, *Foreign Trade Statistics Bulletins, Series C.*

* Manufactures and semi-manufactures refer to those defined in the UNCTAD paper TD/B/C.2/3 (2 July 1965).

** The following countries have been taken as major developed market-economy countries: United States of America, Canada, EEC countries, EFTA countries (including Finland), Australia, New Zealand and Japan. The developing countries have been taken as the remainder of the world, excluding Europe and the socialist countries, but including Yugoslavia.

TABLE 2

Imports into major developed market-economy countries * of manufactures and semi-manufactures, 1965 (as classified by UNCTAD), listed in chapters 1-24 of the Brussels Tariff Nomenclature

($ U.S. thousand c.i.f.)

SITC No.	*BTN No.*	*Items*	*From world*	*From developing countries* [a]	*Percentage share*
012	02.06	Meat, dried, salted, smoked	334 000	2 937	0.9
013	16.01, 16.02, 16.03	Meat, canned n.e.s. or prepared	506 000	143 500	28.4
032	16.04, 16.05	Fish, canned n.e.s. or prepared	388 700	61 925	15.9
046	11.01A, 11.02A	Meal and flour of wheat and meslin	34 000	1 865	5.5
047	11.01B, 11.02B	Meal and flour of cereals, except meal and flour of wheat or of meslin	11 600	718	6.2
048	11.02C, 11.07, 19.01, 19.02, 19.03, 19.05-19.08	Cereal, etc. preparations	197 100	1 447	0.7
052	08.01D, 08.03B, 08.04B, 08.12	Dried fruit	174 200	17 174	9.8
053	08.10, 08.11, 08.13 20.03-20.07	Fruit, preserved or prepared	516 200	153 819	29.8
055	07.04, 11.03-11.06, 19.04, 20.01, 20.02	Vegetables, etc., preserved or prepared	284 700	77 913	27.4
062	17.04, 17.05	Sugar confectionery and other preparations (excluding chocolate confectionery)	75 400	1 442	1.9
071.3	21.02A	Coffee extracts, essences, concentrates	42 600	4 468	10.5
072.2	18.05	Cocoa powder, unsweetened	15 900	681	4.2
072.3	18.03, 18.04	Cocoa butter and paste	100 600	37 546	37.3
073	18.06	Chocolate and other food preparations containing cocoa or chocolate n.e.s.	113 400	748	0.7
091	15.01, 15.13	Margarine and shortening	93 100	770	0.8
099	21.01, 21.02B, 21.03-21.07, 22.10	Food preparations n.e.s.	99 300	6 556	6.6
111	22.01, 22.02	Non-alcoholic beverages n.e.s.	13 400	157	1.2
112	22.03-22.07, 22.09	Alcoholic beverages	1 162 600	199 975	17.2
122	24.02	Tobacco manufactures	119 000	9 021	7.8
431	15.08, 15.10A, 15.12, 15.14-15.17	Processed animal, vegetable oils, etc.	90 700	17 564	19.4
512.2 (4)	22.08	Ethyl alcohol, undenatured and denatured spirits	21 667	2 954	13.6
512.2 (5)	15.10	Fatty alcohols	10 872	—	—
512.2 (6)	15.11	Glycerol, glycerol lyes	20 050	3 175	15.8
599.5 (1)	11.08	Starches and inulin	41 958	5 296	12.6
599.5 (2)	11.09	Gluten and gluten flour	4 162	57	1.4
		Total listed	4 471 209	751 708	16.8

Sources: United Nations, *Commodity Trade Statistics, Statistical Papers, Series D; World Trade Annual.*

* The following countries have been taken as major developed market-economy countries: United States of America, Canada, EEC countries, EFTA countries (including Finland), Australia, New Zealand and Japan.

[a] Developing countries include the remainder of the world and Yugoslavia but exclude Europe, South Africa, and the socialist countries.

TABLE 3

Imports into the United States of America of manufactures and semi-manufactures, 1965 (as classified by UNCTAD), listed in chapters 1-24 of the Brussels Tariff Nomenclature

($ U.S. thousand f.o.b.)

SITC No.	*BTN No.*	*Items*	*From world*	*From developing countries*	*Percentage share*
012	02.06	Meat, dried, salted, smoked	6 000	—	—
013	16.01, 16.02, 16.03	Meat, canned n.e.s. or prepared	189 100	52 583	27.8
032	16.04, 16.05	Fish, canned n.e.s. or prepared	83 600	19 961	23.9
046	11.01A, 11.02A	Meal and flour of wheat and meslin	—	—	—
047	11.01B, 11.02B	Meal and flour of cereals, except meal and flour of wheat or of meslin	—	—	—
048	11.02C, 11.07, 19.01, 19.02, 19.03, 19.05-19.08	Cereal, etc. preparations	19 600	547	2.8
052	08.01D, 08.03B, 08.04B, 08.12	Dried fruit	4 600	3 633	78.6
053	08.10, 08.11, 08.13, 20.03-20.07	Fruit, preserved or prepared	67 400	38 829	57.6
055	07.04, 11.03-11.06, 19.04, 20.01, 20.02	Vegetables, etc., preserved or prepared	45 300	23 121	51.0
062	17.04, 17.05	Sugar confectionery and other preparations (excluding chocolate confectionery)	16 600	359	2.2
071.3	21.02A	Coffee extracts, essences, concentrates, etc.	3 440	3 402	99.2
072.2	18.05	Cocoa powder, unsweetened	8 500	681	8.0
072.3	18.03, 18.04	Cocoa butter and paste	8 200	6 911	83.9
073	18.06	Chocolate and other food preparations containing cocoa or chocolate n.e.s.	16 100	356	2.2
091	15.01, 15.13	Margarine and shortening	—	—	—
099	21.01, 21.02B, 21.03-21.07, 22.10	Food preparations n.e.s.	7 800	1 161	15.0
111	22.01, 22.02	Non-alcoholic beverages n.e.s.	300	—	—
112	22.03-22.07, 22.09	Alcoholic beverages	426 400	6 517	1.5
122	24.02	Tobacco manufactures	5 600	1 017	18.1
431	15.08, 15.10A, 15.12, 15.14-15.17	Processed animal, vegetable oils, etc.	10 100	8 837	87.6
512.2 (4)	22.08	Ethyl alcohol, undenatured and denatured spirits	—	—	—
512.2 (5)	15.10	Fatty alcohols	—	—	—
512.2 (6)	15.11	Glycerol, glycerol lyes	—	—	—
599.5 (1)	11.08	Starches and inulin	2 378	578	24.3
599.5 (2)	11.09	Gluten and gluten flour	1 249	—	—
		Total listed	922 267	168 493	18.3

Sources: United Nations, *Commodity Trade Statistics, Statistical Papers, Series D; World Trade Annual.*

TABLE 4

Imports into EEC of manufactures and semi-manufactures, 1965 (as classified by UNCTAD), listed in chapters 1-24 of the Brussels Tariff Nomenclature

($ U.S. thousand c.i.f.)

SITC No.	*BTN No.*	*Items*	*From world*	*Developing countries*	*Percentage share*
012	02.06	Meat, dried, salted, smoked	12 300	2 399	19.5
013	16.01, 16.02, 16.03	Meat, canned n.e.s. or prepared	102 600	33 405	32.6
032	16.04, 16.05	Fish, canned n.e.s. or prepared	121 100	30 966	25.6
046	11.01A, 11.02A	Meal and flour of wheat and meslin	5 600	1 865	33.0
047	11.01B, 11.02B	Meal and flour of cereals, except meal and flour of wheat or of meslin	2 100	—	—
048	11.02C, 11.07, 19.01, 19.02, 19.03, 19.05-19.08	Cereal, etc. preparations	98 300	324	0.3
052	08.01D, 08.03B, 08.04B, 08.12	Dried fruit	60 200	6 243	10.4
053	08.10, 08.11, 08.13, 20.03-20.07	Fruit, preserved or prepared	190 800	51 074	26.8
055	07.04, 11.03-11.06, 19.04, 20.01, 20.02	Vegetables, etc., preserved or prepared	137 100	42 828	31.2
062	17.04, 17.05	Sugar confectionery and other preparations (excluding chocolate confectionery)	32 300	182	0.6
071.3	21.02A	Coffee extracts, essences, concentrates, etc.	8 500	729	8.6
072.2	18.05	Cocoa powder, unsweetened	3 700	—	—
072.3	18.03, 18.04	Cocoa butter and paste	26 300	9 632	36.5
073.0	18.06	Chocolate and other food preparations containing cocoa or chocolate n.e.s.	55 200	—	—
091	15.01, 15.13	Margarine and shortening	16 800	—	—
099	21.01, 21.02B, 21.03-21.07, 22.10	Food preparations n.e.s.	38 000	1 598	4.2
111	22.01, 22.02	Non-alcoholic beverages n.e.s.	8 100	157	1.9
112	22.03-22.07, 22.09	Alcoholic beverages	413 800	177 653	42.9
122	24.02	Tobacco manufactures	64 800	1 808	2.8
431	15.08, 15.10A, 15.12, 15.14-15.17	Processed animal, vegetable oils, etc.	40 400	4 838	12.0
512.2 (4)	22.08	Ethyl alcohol, undenatured and denatured spirits	5 513	796	14.4
512.2 (5)	15.10	Fatty alcohols	5 571	—	—
512.2 (6)	15.11	Glycerol, Glycerol lyes	7 890	426	5.4
599.5 (1)	11.08	Starches and inulin	10 369	529	5.1
599.5 (2)	11.09	Gluten and gluten flour	281	—	—
		Total listed	1 467 624	367 452	25.0

Sources: United Nations, *Commodity Trade Statistics, Statistical Papers, Series D; World Trade Annual.*

TABLE 5

Imports into the United Kingdom of manufactures and semi-manufactures, 1965 (as classified by UNCTAD), listed in chapters 1-24 of the Brussels Tariff Nomenclature

($ U.S. thousand c.i.f.)

SITC No.	*BTN No.*	*Items*	*From world*	*From developing countries*	*Percentage share*
012	02.06	Meat, dried, salted, smoked	305 100	538	0.2
013	16.01, 16.02 16.03	Meat, canned n.e.s. or prepared	182 500	49 641	27.2
032	16.04, 16.05	Fish, canned n.e.s. or prepared	111 900	3 114	2.8
046	11.01A, 11.02A	Meal and flour of wheat and meslin	25 500	—	—
047	11.01B, 11.02B	Meal and flour of cereals, except meal and flour of wheat or of meslin	2 800	—	—
048	11.02C, 11.07, 19.01, 19.02 19.03 19.05-19.08	Cereal, etc. preparations	14 000	284	2.0
052	08.01D, 08.03B, 08.04B, 08.12	Dried fruit	54 200	3 031	5.6
053	08.10, 08.11 08.13, 20.03-20.07	Fruit, preserved, or prepared	161 800	36 621	22.6
055	07.04 11.03-11.06 19.04, 20.01 20.02	Vegetables, etc., preserved or prepared	53 200	4 704	8.8
062	17.04, 17.05	Sugar confectionery and other preparations (excluding chocolate confectionery)	3 400	158	4.7
071.3	21.02A	Coffee extracts, essences, concentrates, etc.	3 400	—	—
072.2	18.05	Cocoa powder, unsweetened	100	—	—
072.3	18.03, 18.04	Cocoa butter and paste	26 800	11 683	43.5
073	18.06	Chocolate and other food preparations containing cocoa or chocolate n.e.s.	20 800	127	0.6
091	15.01, 15.13	Margarine and shortening	59 000	—	—
099	21.01, 21.02B 21.03, 21.07 22.10	Food preparations, n.e.s.	15 300	2 006	13.1
111	22.01, 22.02	Non-alcoholic beverages, n.e.s.	200	—	—
112	22.03-22.07 22.09	Alcoholic beverages	147 200	8 708	5.9
122	24.02	Tobacco manufactures	8 200	2 487	30.3
431	15.08, 15.10A 15.12, 15.14-15.17	Processed animal, vegetable oils, etc.	13 000	1 838	14.2
512.2 (4)	22.08	Ethyl alcohol, undenatured and denatured spirits	2 163	226	10.4
512.2 (5)	15.10	Fatty alcohols	851	—	—
512.2 (6)	15.11	Glycerol, glycerol lyes	2 396	1 395	58.2
599.5 (1)	11.08	Starches and inulin	18 443	1 310	7.1
599.5 (2)	11.09	Gluten and gluten flour	2 430	57	2.3
		Total listed	1 234 683	127 928	10.4

Sources: United Nations, *Commodity Trade Statistics, Statistical Papers, Series D; World Trade Annual.*

TABLE 6

Imports into Japan of manufactures and semi-manufactures, 1965 (as classified by UNCTAD), listed in chapters 1-24 of the Brussels Tariff Nomenclature

($ U.S. thousand c.i.f.)

SITC No.	*BTN No.*	*Items*	*From world*	*From developing countries*	*Percentage share*
012	02.06	Meat, dried, salted, smoked	—	—	—
013	16.01, 16.02 16.03	Meat, canned n.e.s. or prepared	900	295	33.7
032	16.04, 16.05	Fish, canned n.e.s. or prepared	3 600	2 463	69.2
046	11.01A, 11.02A	Meal and flour of wheat and meslin	300	—	—
047	11.01B, 11.02B	Meal and flour of cereals, except meal and flour of wheat or meslin	400	392	97.3
048	11.02C, 11.07 19.01, 19.02 19.03 19.05-19.08	Cereal etc. preparations	5 700	—	—
052	08.01D, 08.03B 08.04B, 08.12	Dried fruit	7 600	764	10.0
053	08.10, 08.11 08.13 20.03-20.07	Fruit, preserved or prepared	21 800	17 374	79.9
055	07.04, 11.03-11.06 19.04, 20.01 20.02	Vegetables, etc., preserved or prepared	5 800	3 467	59.4
062	17.04-17.05	Sugar confection eryand other preparations (excluding chocolate confectionery)	800	308	38.7
071.3	21.02A	Coffee extracts, essences, concentrates	17 700	—	—
072.2	18.05	Cocoa powder, unsweetened	800	—	—
072.3	18.03, 18.04	Cocoa butter and paste	10 700	3 122	29.1
073	18.06	Chocolate and other food preparations containing cocoa or chocolate n.e.s.	1 700	—	—
091	15.01, 15.13	Margarine and shortening	10 700	770	7.2
099	21.01, 21.02B, 21.03-21.07, 22.10	Food preparations, n.e.s.	3 600	891	25.0
111	22.01, 22.02	Non-alcoholic beverages, n.e.s.	—	—	—
112	22.03-22.07 22.09	Alcoholic beverages	4 400	156	3.6
122	24.02	Tobacco manufactures	5 000	2 929	59.0
431	15.08, 15.10A, 15.12, 15.14-15.17	Processed animal, vegetable oils, etc.	3 300	1 094	33.5
512.2 (4)	22.08	Ethyl alcohol undenatured and denatured spirits	—	—	—
512.2 (5)	15.10	Fatty alcohols	390	—	—
512.2 (6)	15.11	Glycerol, glycerol lyes	3 143	1 354	43.1
599.5 (1)	11.08	Starches and inulin	2 873	2 770	96.4
599.5 (2)	11.09	Gluten and gluten flour	—	—	—
		Total listed	111 206	38 149	34.3

Sources: United Nations, *Commodity Trade Statistics, Statistical Papers, Series D; World Trade Annual.*

TABLE 7

Imports of processed agricultural products into major developed market-economy countries from developing countries * as share of total imports of manufactures and semi-manufactures ** from these countries by order of importance of that share, 1965

($ U.S. thousand c.i.f.)

Country	Rank [a]	Total imports of manufactures and semi-manufactures	Excluding non-ferrous metals, petroleum products and ships and boats [b]	Processed agricultural products [c]	Percentage share: of total imports	Percentage share: of total excluding non-ferrous metals etc.
1	2	3	4	5	5/3	5/4
Somalia	1	1 014	1 014	1 014	100.0	100.0
El Salvador	2	674	674	674	100.0	100.0
Togo	3	572	572	572	100.0	100.0
Yemen	4	162	162	162	100.0	100.0
Cuba	5	7 375	7 375	6 816	92.4	92.4
Algeria	6	182 646	161 175	148 541	81.3	92.2
Paraguay	7	21 572	21 572	17 614	81.7	81.7
Senegal	8	5 971	5 971	4 809	80.5	80.5
Iraq	9	9 733	5 031	4 002	41.1	79.5
Morocco	10	77 499	71 750	54 132	69.8	75.4
Nicaragua	11	3 713	3 713	2 796	75.3	75.3
Ethiopia	12	1 481	1 481	983	66.4	66.4
Argentina	13	101 605	91 950	53 757	52.9	58.5
Uruguay	14	18 455	18 455	10 555	57.2	57.2
Dominican Republic	15	4 967	4 967	2 719	54.7	54.7
Kenya	16	18 642	16 505	8 125	43.6	49.2
Ecuador	17	5 507	5 507	2 654	48.2	48.2
Thailand	18	44 160	28 674	13 738	31.1	47.9
Ivory Coast	19	26 318	26 318	11 801	44.8	44.8
Madagascar	20	8 782	8 744	3 784	43.1	43.3
China (Taiwan)	21	146 028	146 028	54 919	37.6	37.6
Ghana	22	46 089	44 754	16 794	36.4	37.5
Brazil	23	139 046	138 969	50 624	36.4	36.4
Tunisia	24	12 630	10 416	3 562	28.2	34.2
Jamaica	25	50 576	50 576	15 525	30.7	30.7
Tanzania, United Republic of	26	29 148	28 379	7 577	26.0	26.7
Indonesia	27	63 827	11 875	2 907	4.6	24.5
Venezuela	28	622 889	8 985	2 047	0.3	22.8
Trinidad and Tobago	29	200 608	16 197	3 606	1.8	22.3
Cameroon	30	28 986	28 986	6 027	20.8	20.8
Philippines	31	87 736	87 639	15 963	18.2	18.2
Yugoslavia	32	279 765	255 597	45 962	16.4	18.0
Malaysia	33	361 247	94 440	16 956	4.7	18.0
Peru	34	185 887	31 812	5 657	3.0	17.8
Guatemala	35	2 502	2 502	407	16.3	16.3
Panama	36	41 747	21 320	2 973	7.1	13.9
Mexico	37	253 179	179 705	24 814	9.8	13.8
Haiti	38	5 644	5 644	719	12.7	12.7
Israel	39	193 638	176 762	20 980	10.8	11.9
Ceylon	40	3 750	3 750	419	11.2	11.2
Iran	41	163 924	101 128	9 225	5.6	9.1
United Arab Republic	42	34 034	25 965	1 732	5.1	6.7
Nigeria	43	53 357	17 909	1 097	2.1	6.1
Chile	44	457 048	65 304	2 232	0.5	3.4
Korea (Republic of)	45	62 419	60 849	1 969	3.2	3.2
Lebanon	46	7 662	7 304	126	1.6	1.7
India	47	503 937	499 777	5 477	1.1	1.1
Hong Kong	48	749 609	745 157	6 837	0.9	0.9

TABLE 7

Imports of processed agricultural products into major developed market-economy countries from developing countries * as share of total imports of manufactures and semi-manufactures ** from these countries by order of importance of that share, 1965 *(continued)*

($ U.S. thousand c.i.f.)

Country	*Rank* [a]	*Total imports of manufactures and semi-manufactures*	*Excluding non-ferrous metals, petroleum products and ships and boats* [b]	*Processed agricultural products* [c]	*Percentage share: of total imports*	*Percentage share: of total excluding non-ferrous metals etc.*
1	2	3	4	5	5/3	5/4
Pakistan	49	71 221	70 725	613	0.9	0.9
Colombia	50	32 083	24 875	129	0.4	0.5
Congo (Democratic Republic of)	51	281 858	33 213	101	..	0.3
Sub-total		5 712 922	3 478 151	677 221	11.9	19.5
Others		1 667 026	472 550	74 487	4.5	15.8
Total developing countries		7 379 948	3 950 701	751 708	10.2	19.0

Sources: United Nations, *Commodity Trade Statistics, Statistical Papers, Series C; World Trade Annual.*

* The following countries have been taken as major developed market-economy countries: United States of America, Canada, EEC Countries, EFTA countries (including Finland), Australia, New Zealand and Japan. The developing countries have been taken as the remainder of the world, excluding Europe, South Africa and the socialist countries, but including Yugoslavia.

** Manufactures and semi-manufactures refer to those defined in the UNCTAD paper TD/B/C.2/3 (2 July 1965).

[a] On the basis of percentage share of total imports, excluding non-ferrous metals, petroleum products and ships and boats.

[b] Total of manufactures and semi-manufactures do not include: unwrought non-ferrous metals (SITC 682.1, 683.1, 685.1, 686.1, 687.1, 689); petroleum products (SITC 332) and ships and boats (SITC 735).

[c] Processed agricultural products relate to manufactures and semi-manufactures contained in BTN chapters 1-24.

TABLE 8

Imports of processed agricultural products into four major developed market-economy countries from major developing countries by order of importance, 1965

($ U.S. thousand c.i.f.)

Country	*Rank*	*EEC: Developing countries*	*EEC: Percentage distribution*	*United Kingdom: Developing countries*	*United Kingdom: Percentage distribution*	*United States: Developing countries*	*United States: Percentage distribution*	*Japan: Developing countries*	*Japan: Percentage distribution*	*Total listed* [a]*: Developing countries*	*Total listed: Percentage distribution*
Algeria	1	146 744	39.9	171	0.1	—	—	—	—	146 915	20.9
Morocco	2	52 757	14.3	292	0.2	544	0.3	—	—	53 593	7.6
China	3	25 973	7.1	524	0.4	17 801	10.6	8 154	21.4	52 452	7.5
Argentina	4	14 328	3.9	11 875	9.3	23 862	14.2	138	0.3	50 203	7.1
Brazil	5	16 308	4.4	7 119	5.6	22 882	13.6	1 208	3.2	47 517	6.7
Yugoslavia	6	17 903	4.9	16 108	12.6	8 068	4.8	—	—	42 079	6.0
Mexico	7	1 029	0.3	730	0.6	22 427	13.3	150	0.4	24 336	3.5
Israel	8	5 420	1.5	11 154	8.7	840	0.5	—	—	17 414	2.5
Paraguay	9	6 026	1.6	4 402	3.4	6 193	3.7	—	—	16 621	2.4
Malaysia	10	2 567	0.7	8 275	6.5	3 403	2.0	1 719	4.5	15 964	2.3
Philippines	11	2 133	0.6	1 739	1.4	9 563	5.7	1 511	3.9	14 946	2.1
Jamaica	12	1 805	0.5	9 621	7.5	2 888	1.7	—	—	14 314	2.0
Thailand	13	3 011	0.8	—	—	9 091	5.4	1 908	5.0	14 010	2.0
Ivory Coast	14	9 447	2.6	—	—	1 692	1.0	662	1.7	11 801	1.7
Ghana	15	1 650	0.5	7 209	5.6	1 097	0.6	1 219	3.2	11 175	1.6
Uruguay	16	1 580	0.4	2 408	1.9	6 056	3.6	—	—	10 044	1.4
Iran	17	4 046	1.1	1 379	1.1	2 423	1.4	146	0.4	7 994	1.1
Tanzania, United Republic of	18	508	0.1	6 888	5.4	—	—	181	0.5	7 577	1.1
Kenya	19	997	0.3	6 458	5.0	—	—	69	0.2	7 524	1.1
Hong Kong	20	737	0.2	1 377	1.1	2 914	1.7	1 262	3.3	6 290	0.9
Cameroon	21	4 560	1.2	360	0.3	—	—	802	2.1	5 722	0.8
India	22	438	0.1	2 144	1.7	2 228	1.3	—	—	4 810	0.7

TABLE 8

Imports of processed agricultural products into four major developed market-economy countries from major developing countries by order of importance, 1965 *(continued)*

($ U.S. thousand c.i.f.)

Country	Rank	EEC		United Kingdom		United States		Japan		Total listed [a]	
		Developing countries	*Percentage distribution*	*Developing countries*	*Percentage distribution*	*Developing countries*	*Percentage distribution*	*Developing countries*	*Percentage distribution*	*Developing countries*	*Percentage distribution*
Senegal	23	4 809	1.3	—	—	—	—	—	—	4 809	0.7
Cuba	24	2 327	0.6	1 852	1.4	—	—	—	—	4 180	0.6
Peru	25	1 564	0.4	1 508	1.2	1 402	0.6	—	—	4 114	0.6
Madagascar	26	3 784	1.0	—	—	—	—	—	—	3 784	0.5
Tunisia	27	3 431	0.9	—	—	—	—	—	—	3 431	0.5
Trinidad and Tobago	28	157	..	2 357	1.8	740	0.4	—	—	3 254	0.5
Iraq	29	207	0.1	906	0.7	1 716	1.0	376	1.0	3 205	0.5
Panama	30	—	—	—	—	2 973	1.8	—	—	2 973	0.4
Nicaragua	31	436	0.1	—	—	2 360	1.4	—	—	3 796	0.4
Dominican Republic	32	102	..	—	—	2 617	1.6	—	—	2 719	0.4
Indonesia	33	2 565	0.7	—	—	—	—	68	0.2	2 633	0.4
Ecuador	34	253	0.1	—	—	2 050	1.2	218	0.6	2 521	0.3
Venezuela	35	—	—	—	—	2 047	1.2	—	—	2 047	0.3
Chile	36	1 097	0.3	563	0.4	344	0.2	—	—	2 004	0.3
Korea (Republic of)	37	240	0.1	—	—	239	0.2	1 490	3.9	1 969	0.3
United Arab Republic	38	631	0.2	1 101	0.9	—	—	—	—	1 732	0.2
Nigeria	39	—	—	1 097	0.9	—	—	—	—	1 097	0.2
Somalia	40	1 014	0.3	—	—	—	—	—	—	1 014	0.1
Sub-total		342 584	93.2	109 618	85.7	160 100	95.0	21 281	55.8	633 583	90.2
Others		24 868	6.8	18 310	14.3	8 393	5.0	16 868	44.2	68 439	9.8
of which :											
Others in America [b]		14 442	3.9	5 517	4.3	2 363	1.4	170	0.4	22 492	3.2
Total in Oceania [c]		2 410	0.7	1 674	1.3	829	0.5	16 420	43.0	21 333	3.0
Others in Africa [d]		4 071	1.1	6 237	4.9	1 321	0.8	36	0.1	11 665	1.7
Others in Asia [e]		2 476	0.7	3 898	3.0	1 050	0.6	242	0.6	7 666	1.1
TOTAL		367 452	100.0	127 928	100.0	168 493	100.0	38 149	100.0	702 022	100.0

Sources: United Nations *Commodity Trade Statistics, Statistical Papers, Series D; World Trade Annual.*

[a] EEC, United States, United Kingdom, Japan.

[b] Covering St. Pierre and Miguelon; United States dependencies in Caribbean; French Antilles; British Guiana; Netherlands Antilles; the Surinam; French Guiana; British territories, America, n.e.s.

[c] Covering United States dependencies in Oceania; ex-Netherlands New Guinea; British AOC, Oceania; French AOC, Oceania; Oceania n.e.s; and other n.e.s.

[d] Covering Angola, Mozambique, Spanish AOC, French Somaliland, Réunion, Southern Rhodesia, British territories, Africa n.e.s.

[e] Covering Aden, Bahrain, Portuguese AOC, Asia, Asia n.e.s.

TABLE 9

Imports of processed agricultural products into four major developed market-economy countries from major developing countries and by product, 1965

($ U.S. thousand c.i.f.)

		EEC		*United Kingdom*		*United States*		*Japan*		*Total listed* [a]	
SITC No.	*Country*	*Developing countries (value)*	*Percentage distribution*	*Developing countries (value)*	*Percentage distribution*	*Developing countries (value)*	*Percentage distribution*	*Developing countries (value)*	*Percentage distribution*	*Developing countries (value)*	*Percentage distribution*
112	*Alcoholic beverages*										
	Algeria	138 233	77.8	—	—	—	—	—	—	138 233	71.6
	Morocco	22 415	12.6	—	—	—	—	—	—	22 415	11.6
	Jamaica	1 273	0.7	1 883	21.6	2 385	36.6	—	—	5 541	2.9
	Yugoslavia	2 173	1.2	621	7.1	250	3.8	—	—	3 044	1.6
	Mexico	—	—	148	1.7	1 770	27.2	—	—	1 918	1.0
	Tunisia	794	0.5	—	—	—	—	—	—	794	0.4
	Israel	—	—	154	1.8	590	9.1	—	—	744	0.4
	Trinidad and Tobago	—	—	260	3.0	433	6.6	—	—	693	0.3
	Sub-total	164 888	92.8	3 066	35.2	5 428	83.3	—	—	173 382	89.8
	Others	12 765	7.2	5 642	64.8	1 089	16.7	156	100.0	19 652	10.2
	TOTAL	177 653	100.0	8 708	100.0	6 517	100.0	156	100.0	193 034	100.0
053	*Fruit, preserved and fruit preparations*										
	China (Taïwan)	7 456	14.6	524	1.4	10 001	25.8	4 047	23.3	22 028	15.3
	Israel	5 251	10.3	10 201	27.9	—	—	—	—	15 452	10.7
	Mexico	900	1.8	416	1.1	13 316	34.3	—	—	14 632	10.2
	Philippines	1 706	3.3	1 739	4.8	8 366	21.5	503	2.9	12 314	8.5
	Malaysia	2 567	5.0	6 592	18.0	2 831	7.3	256	1.5	12 246	8.5
	Jamaica	532	1.0	7 189	19.6	130	0.3	—	—	7 851	5.5
	Morocco	7 850	15.4	—	—	—	—	—	—	7 850	5.5
	Yugoslavia	5 849	11.5	797	2.2	300	0.8	—	—	6 946	4.8
	Ivory Coast	6 649	13.0	—	—	—	—	—	—	6 649	4.6
	Brazil	2 400	4.7	—	—	1 242	3.2	—	—	3 642	2.5
	Trinidad and Tobago	157	0.3	2 097	5.7	—	—	—	—	2 254	1.6
	Hong Kong	737	1.4	781	2.1	627	1.6	—	—	2 145	1.5
	Kenya	129	0.3	1 881	5.1	—	—	—	—	2 010	1.4
	Tunisia	1 243	2.4	—	—	—	—	—	—	1 243	0.9
	Argentina	869	1.7	171	0.5	138	0.4	—	—	1 178	0.8
	Algeria	1 125	2.2	—	—	—	—	—	—	1 125	0.8
	Sub-total	45 420	88.9	32 388	88.4	36 951	95.2	4 806	27.7	119 565	83.1
	Others	5 654	11.1	4 233	11.6	1 878	4.8	12 568	72.3	24 433	16.9
	TOTAL	51 074	100.0	36 621	100.0	38 829	100.0	17 374	100.0	143 898	100.0
013	*Meat in airtight containers, n.e.s.*										
	Argentina	10 909	32.7	11 383	22.9	23 076	43.9	138	46.8	45 506	33.5
	Yugoslavia	2 511	7.5	14 075	29.4	7 518	14.3	—	—	24 104	17.7
	Brazil	7 270	21.8	997	2.0	9 410	17.9	—	—	17 677	13.0
	Paraguay	6 026	18.0	4 402	8.9	6 193	11.8	—	—	16 621	12.2
	Uruguay	1 580	4.7	2 408	4.9	6 056	11.5	—	—	10 044	7.4
	Tanzania, United Republic of	400	1.2	6 489	13.1	—	—	—	—	6 889	5.1
	Kenya	868	2.6	4 088	8.2	—	—	—	—	4 956	3.7
	Madagascar	2 180	6.5	—	—	—	—	—	—	2 180	1.6
	Sub-total	31 744	95.0	43 842	88.3	52 253	99.4	138	46.8	127 977	94.2
	Others	1 661	5.0	5 799	11.7	330	0.6	157	52.3	7 947	5.8
	TOTAL	33 405	100.0	49 641	100.0	52 583	100.0	295	100.0	135 924	100.0

TABLE 9

Imports of processed agricultural products into four major developed market-economy countries from major developing countries and by product, 1965 *(continued)*

($ U.S. thousand c.i.f.)

		EEC		United Kingdom		United States		Japan		Total listed [a]	
SITC No.	Country	Developing countries (value)	Percentage distribution	Developing countries (value)	Percentage distribution	Developing countries (value)	Percentage distribution	Developing countries (value)	Percentage distribution	Developing countries (value)	Percentage distribution
032	*Fish, in airtight containers, n.e.s.*										
	Morocco	15 978	51.6	—	—	375	1.9	—	—	16 353	28.9
	Mexico	—	—	—	—	4 693	23.5	150	6.1	4 843	8.6
	Senegal	4 612	14.9	—	—	—	—	—	—	4 612	8.2
	Peru	1 165	3.8	1 508	48.4	1 042	5.2	—	—	3 715	6.6
	Yugoslavia	3 615	11.7	—	—	—	—	—	—	3 615	6.4
	Panama	—	—	—	—	2 973	14.9	—	—	2 973	5.3
	India	438	1.4	430	13.8	2 097	10.5	—	—	2 965	5.2
	Ecuador	—	—	—	—	1 821	9.1	—	—	1 821	3.2
	Venezuela	—	—	—	—	1 790	9.0	—	—	1 790	3.2
	Iran	572	1.8	—	—	1 146	5.7	—	—	1 718	3.0
	Hong Kong	—	—	124	4.0	879	4.4	492	20.0	1 495	2.6
	Cuba	1 047	3.4	—	—	—	—	—	—	1 047	1.9
	Sub-total	27 427	88.6	2 062	66.2	16 816	84.2	642	26.1	46 947	83.1
	Others	3 539	11.4	1 052	33.8	3 145	15.8	1 821	73.9	9 557	16.9
	TOTAL ...	30 966	100.0	3 114	100.0	19 961	100.0	2 463	100.0	56 504	100.0
072.3	*Cocoa butter and cocoa paste*										
	Ghana	1 650	17.1	6 217	53.2	917	13.3	1 219	39.0	10 003	31.9
	Brazil	1 230	12.8	5 092	43.6	2 133	30.9	376	12.1	8 831	28.2
	Cameroon	4 560	47.3	360	3.1	—	—	802	25.7	5 722	18.3
	Ivory Coast	1 932	20.1	—	—	1 692	24.5	662	21.2	4 286	13.6
	Sub-total	9 372	97.3	11 669	99.9	4 742	68.6	3 059	98.0	28 842	92.0
	Others	260	2.7	14	0.1	2 169	31.4	63	2.0	2 506	8.0
	TOTAL ...	9 632	100.0	11 683	100.0	6 911	100.0	3 122	100.0	31 348	100.0
431	*Animal and vegetable oils and fats, etc.*										
	Brazil	2 157	44.6	888	48.3	6 075	68.7	832	76.1	9 952	59.9
	Mexico	129	2.7	166	9.0	1 375	15.6	—	—	1 670	10.1
	Tanzania, United Republic of	108	2.2	263	14.3	—	—	181	16.5	552	3.3
	Philippines	427	8.8	—	—	—	—	—	—	427	2.6
	Sub-total	2 821	58.3	1 317	71.6	7 450	84.3	1 013	92.6	12 601	85.9
	Others	2 017	41.7	521	28.4	1 387	15.7	81	7.4	4 006	24.1
	TOTAL ...	4 838	100.0	1 838	100.0	8 837	100.0	1 094	100.0	16 607	100.0
052	*Dried fruit, etc.*										
	Iran	3 474	55.6	1 379	45.5	1 277	35.2	146	19.1	6 276	45.9
	Iraq	207	3.3	906	29.9	1 716	47.2	376	49.2	3 205	23.5
	Yugoslavia	844	13.5	117	3.9	—	—	—	—	961	7.0
	Ecuador	253	4.1	—	—	229	6.3	218	28.5	700	5.1
	Argentina	243	3.9	—	—	240	6.6	—	—	483	3.5
	Algeria	206	3.3	171	5.6	—	—	—	—	377	2.8
	Sub-total	5 227	83.7	2 573	84.9	3 462	95.3	740	96.9	12 002	87.8
	Others	1 016	16.3	458	15.1	171	4.7	24	3.1	1 669	12.2
	TOTAL ...	6 243	100.0	3 031	100.0	3 633	100.0	764	100.0	13 671	100.0

TABLE 9

Imports of processed agricultural products into four major developed market-economy countries from major developing countries and by product, 1965 *(concluded)*

($ U.S. thousand c.i.f.)

		EEC		United Kingdom		United States		Japan		Total listed [a]	
SITC No.	Country	Developing countries (value)	Percentage distribution	Developing countries (value)	Percentage distribution	Developing countries (value)	Percentage distribution	Developing countries (value)	Percentage distribution	Developing countries (value)	Percentage distribution
122	*Tobacco manufactures*										
	Cuba	1 280	70.8	1 853	74.5	—	—	—	—	3 133	38.0
	Jamaica	—	—	549	22.1	373	36.7	—	—	922	11.2
	Algeria	349	19.3	—	—	—	—	—	—	349	4.2
	Mexico	—	—	—	—	290	28.5	—	—	290	3.5
	Philippines	—	—	—	—	247	24.3	—	—	247	3.0
	Sub-total	1 629	90.1	2 402	96.6	910	89.5	—	—	4 941	60.0
	Others	179	9.9	85	3.4	107	10.5	2 929	100.0	3 300	40.0
	TOTAL	1 808	100.0	2 487	100.0	1 017	100.0	2 929	100.0	8 241	100.0
599.5 (1)	*Starches and inulin*										
	Malaysia	—	—	948	72.4	—	—	1 346	48.6	2 294	44.2
	Thailand	—	—	—	—	—	—	1 424	51.4	1 424	27.5
	Brazil	—	—	142	10.8	578	100.0	—	—	720	13.9
	Togo	415	78.4	52	4.0	—	—	—	—	467	9.0
	Yugoslavia	114	21.6	68	5.2	—	—	—	—	182	3.5
	Sub-total	529	100.0	1 210	92.4	578	100.0	2 770	100.0	5 087	98.1
	Others	—	—	100	7.6	—	—	—	—	100	1.9
	TOTAL	529	100.0	1 310	100.0	578	100.0	2 770	100.0	5 187	100.0
512.2 (6)	*Glycerol, glycerol lyes*										
	Philippines	—	—	—	—	—	—	1 008	74.5	1 008	31.7
	Nigeria	—	—	477	34.2	—	—	—	—	477	15.0
	Ceylon	—	—	289	20.7	—	—	—	—	289	9.1
	Ghana	—	—	247	17.7	—	—	—	—	247	7.8
	Kenya	—	—	160	11.5	—	—	69	5.1	229	7.2
	Argentina	54	12.7	156	11.2	—	—	—	—	210	6.6
	Malaysia	—	—	66	4.7	—	—	117	8.6	183	5.8
	Indonesia	88	20.7	—	—	—	—	68	5.0	156	4.9
	Morocco	123	28.9	—	—	—	—	—	—	123	3.9
	Sub-total	265	62.2	1 395	100.0	—	—	1 262	93.2	2 922	92.0
	Others	161	37.8	—	—	—	—	92	6.8	253	8.0
	TOTAL	426	100.0	1 395	100.0	—	—	1 354	100.0	3 175	100.0

Source: United Nations, *Commodity Trade Statistics, Statistical Papers, Series D.*
[a] EEC, United States, United Kingdom, Japan.

TABLE 10

Manufactures and semi-manufactures, other than processed agricultural products and cotton textiles, subject to quantitative restrictions in developed market-economy countries: imports from developing countries into major developed market-economy countries, applying these restrictions, by product, 1965

($ U.S. thousand c.i.f.)

SITC	*BTN*	*Item*	*Countries applying restriction*	*Imports into these countries*
244.0 (2)	45.02	Natural cork in blocks, plates, sheets and strips	Italy	—
ex 332.6 (2)	ex 27.13	Paraffin wax	France	767
ex 512.2 (3)	ex 29.05	Menthol	Japan	—
513.2 (3)	28.02	Sulphur sublimed or precipitated	Italy	—
531.0 (1)	32.05	Synthetic organic dyestuffs and others	France	—
ex 541.3	ex 29.44	Antibiotics	Austria	—
			Belgium	—
			France	395
			Japan	1
			Netherlands	—
			Norway	17
541.6 (3)	30.02	Antisera, vaccines and ferments	Norway	—
ex 541.7	ex 30.03	Medicaments	Austria	2
			Belgium	—
			Japan	—
			Netherlands	1
			Norway	—
ex 551.1	ex 33.01	Essential oils, etc.	Italy	—
ex 553.0	ex 33.06	Perfumery	Japan	—
ex 561.1	ex 31.02	Mineral and chemical fertilizers	Belgium	—
			Netherlands	—
599.5 (3)	35.01	Casein and casein derivatives, casein glues, etc.	Canada	—
			Federal Republic of Germany [a]	714 [b]
			France	—
			Switzerland [a]	—
ex 599.5 (4)	ex 35.02	Albumins	Norway	—
599.5 (7)	35.05	Dextrins and starch glues	Japan	—
ex 599.6 (4)	ex 38.08	Rosin and rosin acids	France	—
611.3 611.4	41.02	Bovine leather	Japan	1
ex 611.9 (1)	ex 41.03	Sheep and lambskin leather	Japan	—
ex 611.9 (2)	ex 41.04	Goat and kidskin leather	Japan	2
ex 611.9 (5)	ex 41.08	Patent and metallized leather	Japan	—
ex 612.3	ex 64.05	Parts of footwear	Japan	—
	ex 48.01	Paper and paper board:	France	—
ex 641.1	A	Newsprint		
ex 641.2 (1)	B	Printing and writing paper		
ex 641.5	C	Other paper		
651.2 (2)	53.07	Worsted yarn	Federal Republic of Germany [a]	52 [b]
			France	—
ex 651.2 (5)	ex 53.10	Woollen yarn for weaving (put up for retail sale)	Federal Republic of Germany	—
ex 651.5 (1)	ex 54.03	Yarn of flax or ramie etc.	Norway	—
651.5 (3)	57.05	Yarn of true hemp	Norway	—
651.6 (1)	51.01	Rayon yarn and monofil	France	11
651.7 (1)			Norway [a]	—
651.9 (2)	57.06	Yarn of jute	United Kingdom	1 098
651.1 (1)	50.09	Woven fabrics of silk	France	22
ex 653.1 (3) ex 653.2 (2) ex 653.5 (3) ex 653.6 (3) ex 653.9 (6)	ex 58.04	Woven pile fabrics and chenille fabrics, etc.	Federal Republic of Germany France	88
653.2 (1)	53.11	Woven fabrics of sheep or lambswool, cashmere fabrics	Federal Republic of Germany [a]	13
			France	1
			Japan [a]	9
653.4	57.10	Woven fabrics of jute	Federal Republic of Germany	2 412 [b]
			France	169
			United Kingdom [a]	15 691
653.5 (1)	51.04	Piece-goods entirely of artificial silk	Federal Republic of Germany [a]	61

TABLE 10

Manufactures and semi-manufactures, other than processed agricultural products and cotton textiles, subject to quantitative restrictions in developed market-economy countries: imports from developing countries into major developed market-economy countries, applying these restrictions, by product, 1965 *(continued)*

($ U.S. thousand c.i.f.)

SITC	*BTN*	*Item*	*Countries applying restriction*	*Imports into these countries*
653.6 (1)			France	14
653.5 (2)	56.07A	Woven fabrics of man-made fibres	Federal Republic of Gernamy [a]	152
653.6 (2)	B		France	97
654.0 (1)	58.05	Narrow woven fabrics etc.	France	—
654.0 (5)	58.09	Tulle and other net fabrics, etc.	Italy	—
654.0 (6)	58.10	Embroidery, in the piece, in strips or in motifs	Japan [a]	6
ex 655.6 (1)	ex 59.04	Twine, cordage, ropes, etc. for fishing gear	Norway	18
655.8 (3)	ex 59.17	Special textile fabrics	United Kingdom	—
ex 656.1	ex 62.03	Sacks and bags	France	2 540
			United Kingdom	2 514
	ex 62.01	Travelling rugs and blankets:	Italy	—
ex 656.6 (1)	A	of wool		
ex 656.6 (9)	C	other		
656.9 (1)	62.02	Linen curtains and other	Federal Republic of Germany [a]	3 018 [b]
			France	212
			Italy	7 149 [b]
657.6 [c]	58.02 [c]	Other carpets and carpeting, rugs, mats and matting (other than cotton)	Federal Republic of Germany [a]	843 [b]
			France	248
ex 657.8	ex 46.02	Plaiting materials, etc.	Japan	3
ex 662.4 (4)	ex 69.07	Unglazed ceramic tiles, etc.	France	—
ex 662.4 (5)	ex 69.08	Glazed ceramic tiles, etc.	France	1
666.4	69.11	Tableware of porcelain	Federal Republic of Germany [a]	56
			France	—
664.4	70.06	Cast, rolled or blown glass, etc.	Japan	—
ex 666.5	ex 69.12	Household ware and other	Federal Republic of Germany	28
			France	—
ex 666.6	ex 69.13	Statuettes and other ornaments and articles of personal adornment, articles of furniture	Federal Republic of Germany	27 [b]
ex 667.4	ex 71.03	Synthetic or reconstructed precious or semi-precious stones	Japan	20
671.2	ex 73.01B	Pig-iron, cast iron	France	—
ex 671.4	ex 73.02A	Ferro-alloys	France	—
ex 671.5	B			
ex 677.0 (3)	ex 73.15	High resistance galvanized steel wire, sheets of silicon	France	—
695.2 (b)	82.07	Tool-tips and plates, sticks and the like	Japan	—
696.0	82.09	Knives with cutting blades	France	—
ex 696.0 (6)	ex 82.14	Table and kitchen knives, spoons and forks	France	—
ex 714.1	ex 84.51	Typewriters	Japan	—
ex 715.1	ex 84.45	Machine tools for working metal or metallic carbides	Japan	—
717.3	84.41	Sewing machines, etc.	Italy	—
			Japan [a]	
ex 722.2	ex 85.19	Electrical apparatus for making and breaking electrical circuits	France	—
ex 723.2 (1)	ex 85.25	Insulators (of ceramic material)	Federal Republic of Germany	—
			France	
ex 724.2	ex 85.15B	Radio receivers	France	—
ex 724.9 (2)	ex 85.14	Loudspeakers	France	1
729.3	85.21	Receiving valves and tubes; crystal diodes and triodes; transistors	France	—
			Japan [a]	100 [b]
ex 729.5 (2)	ex 90.28	Electrical measuring and controlling apparatus	France	2
ex 729.9 (5)	ex 85.18	Condensers	France	—
ex 729.9 (6)	ex 85.24	Carbon brushes and electrodes	France	—
732.1	ex 87.02	Passenger automobiles	Italy	19
			Canada [a]	
ex 735.3	ex 89.01B	Canoes, skiffs, other boats	France	283
			Norway	—

TABLE 10

Manufactures and semi-manufactures, other than processed agricultural products and cotton textiles, subject to quantitative restrictions in developed market-economy countries: imports from developing countries into major developed market-economy countries, applying these restrictions, by product, 1965 *(concluded)*

($ U.S. thousand c.i.f.)

SITC	*BTN*	*Item*	*Countries applying restriction*	*Imports into these countries*
ex 841.1 (1) [c]	ex 61.01 [c]	Men's and boys' outer garments (other than cotton)	Federal Republic of Germany	5 537 [b]
			France	14
ex 841.1 (2) [c]	ex 61.02 [c]	Women's, girls' outer garments (other than cotton)	Federal Republic of Germany	5 747 [b]
			France	8
841.1 (3) [c]	61.03 [c]	Men's and boys' under garments (other than cotton)	Federal Republic of Germany [a]	6 758 [b]
			France	32
841.1 (4) [c]	61.04 [c]	Women's, girls' and infants' under garments (other than cotton)	France	18
			Italy [a]	—
841.2 (1) [c]	61.05 [c]	Handkerchiefs (other than cotton)	France	20
			Italy [a]	—
841.2 (2)	61.06	Shawls, scarves, mufflers, etc.	France	45
			Italy [a]	
ex 841.3	ex 42.03	Articles of apparel and clothing; accessories of leather	Japan	6 [b]
				—
841.4 (1)	60.02	Gloves, mittens and mitts	France	289
841.4 (3)	60.04	Under garments	France	1
841.4 (4) [c]	60.05 [c]	Outer garments and other articles (other than cotton)	Federal Republic of Germany [a]	27 292 [b]
			France	40
ex 851.0 (1)	ex 64.01	Footwear, rubber soles	Japan	—
			France	83
ex 851.0 (2)	ex 64.02	Leather footwear	Japan	86 [b]
			France	224
ex 863.0 (1)	ex 37.06	Cinematograph films, exposed and developed	Austria	—
ex 863.0 (9)	ex 37.07		Switzerland	—
ex 891.1 (1)	ex 92.11	Gramophones, record players, etc.	France	—
ex 891.1 (2)	ex 92.13	Other accessories and parts of gramophones, etc.	France	—
894.2 (3)	97.03	Toys n.e.s.	France	24
ex 897.1 (1)	ex 71.12	Articles of jewellery, of precious metals, etc.	United Kingdom (prohibition)	—
ex 897.1 (2)	ex 71.13	Goldsmiths' or silversmiths' wares	United Kingdom (prohibition)	—
897.2	71.16	Imitation jewellery	France	33
ex 899.2 (2)	ex 46.03	Other articles of plaiting materials	Japan	298 [b]
899.3 (2)	36.06	Matches	France	—
			Italy	
899.4 (1)	66.01	Umbrellas and sunshades	France	—
899.5 (2)	98.01	Buttons and studs	France	—
951.0 (5)	93.02	Revolvers and pistols, etc.	United Kingdom	—
			TOTAL ...	85 433

Sources: National statistics; United Nations Statistical Office, *World Trade Annual.*

[a] The country concerned only applies the restrictions to some of the products within the item shown.

[b] In view of the fact that no statistical information is available with regard to the ex-position these figures refer to the whole position.

[c] The statistics on textiles and clothing generally do not distinguish between products made from cotton and from other materials. The import volume of non-cotton products, relevant here, had therefore to be estimated by the Secretariat on the basis of the relationship between these two kinds of clothing products imported into the United States of America and the EEC for which separate import data were available. The total of these items (cotton and non-cotton) imported into the countries which applied the restrictions amounted to $66.2 million, of which $46.6 million have been estimated as being imports of non-cotton items.

Table 11

Production, imports, exports and consumption (SITC 3—digit level), Federal Republic of Germany, 1965

($ U.S. thousand)

SITC No.	Item	Production	Total imports	Total exports	Consumption	Imports from developing countries	Imports from developing countries as percentage share of: Production	Total imports	Consumption	Total imports as percentage share of: Production	Consumption
		1	2	3	4 (1+2−3)	5	5/1	5/2	5/4	2/1	2/4
012 013	Meat dried, salted, smoked; canned n.e.s. or prepared	701 857	52 831	7 837	746 851	7 841	1.1	14.8	1.0	7.5	7.1
032	Fish, etc. canned, prepared	101 053	33 715	6 940	127 828	4 969	4.9	14.7	3.9	33.4	26.4
047 048	Meal and flour of cereals, except meal and flour of wheat or meslin cereal, etc. preparations	769 442	44 451	41 807	772 086	—	—	—	—	5.8	5.8
052	Dried fruit	4 544	27 403	389	31 558	3 863	85.0	14.1	12.2	603.1	86.8
053	Fruit, preserved, prep.	175 917	118 471	5 026	289 362	24 343	13.8	20.5	8.4	67.3	40.9
062	Sugar confectionery and other preparations (excluding chocolate confection)	201 057	13 163	4 904	209 316	—	—	—	—	6.5	6.3
072.2	Cocoa powder, unsweetened	11 781	2 521	1 825	12 477	—	—	—	—	21.4	20.2
072.3	Cocoa butter and paste	20 762	4 814	3 535	22 041	305	1.5	6.3	1.4	23.2	21.8
073	Chocolate and other food preparations containing cocoa or chocolate n.e.s.	427 225	29 994	7 643	449 576	—	—	—	—	7.0	6.7
091	Margarine and shortening	329 239	4 041	2 876	330 404	—	—	—	—	1.2	1.2
111	Non-alcoholic beverages, n.e.s.	305 871	2 722	1 195	307 398	—	—	—	—	0.9	0.9
112	Alcoholic beverages	1 647 778	113 831	41 232	1 720 377	5 251	0.3	4.6	0.3	6.9	6.6
122	Tobacco manufactures	978 194	2 633	18 285	962 542	—	—	—	—	0.3	0.3
243	Wood, shaped	333 053	224 923	17 805	540 171	26 293	7.9	11.7	4.9	67.5	41.6
251	Pulp and waste paper	152 731	176 349	11 994	317 086	2 761	1.8	1.6	0.9	115.5	55.6
513	Inorganic chemicals, oxides, etc.	911 809	106 375	196 817	821 367	8 205	0.9	7.7	1.0	11.7	13.0
514											
531	Synthetic organic dyestuffs, nat.	256 779	22 333	158 247	120 865	122	—	0.5	0.1	8.7	18.5
	indigo and colour lakes	633 637	17 949	156 224	495 362	—	—	—	—	2.8	3.6
561	*Fertilizers, manufactured*	57 642	5 329	17 254	45 717	—	—	—	—	9.2	11.7
571	Explosives and pyrotechnic products										
581	Plastic materials, regenerated cellulose and artificial resins	1 656 285	157 682	397 979	1 415 988	746	—	0.5	0.1	9.5	11.1
611	Leather	245 381	74 934	48 615	271 700	11 348	4.6	15.1	4.2	30.5	27.6
612	Manufactures of leather or of artificial or reconstituted leather n.e.s.	26 548	10 729	14 055	23 222	1 440	5.4	13.4	6.2	40.4	46.2
613	Fur skins, tanned or dressed (including dyed)	15 878	29 626	20 354	25 150	1 258	7.9	4.2	5.0	186.6	117.8
621	Materials of rubber	341 326	15 524	42 047	314 803	250	0.1	1.6	0.1	4.5	4.9
629	Articles of rubber n.e.s.	670 223	103 675	93 377	680 521	1 007	0.2	1.0	0.1	15.5	15.2

TABLE 11

Production, imports, exports and consumption (SITC 3—digit level) Federal Republic of Germany, 1965 *(continued)*

($ U.S. thousand)

SITC No.	Item	Production	Total imports	Total exports	Consumption	Imports from developing countries	Imports from developing countries as percentage share of: Production	Total imports	Consumption	Total imports as percentage share of: Production	Consumption
		1	2	3	4 (1+2−3)	5	5/1	5/2	5/4	2/1	2/4
631	Veneers, plywood, etc.	353 711	67 082	41 425	379 368	3 838	1.1	5.7	1.0	19.0	17.7
633	Cork manufactures	9 091	13 495	621	21 965	992	10.9	7.4	4.5	148.4	61.4
641	Paper and paperboard	1 138 454	355 750	93 682	1 400 522	1 049	0.1	0.3	0.1	31.2	25.4
652	Cotton fabrics, woven	595 407	81 699	86 046	591 060	4 783	0.8	5.9	0.8	13.7	13.8
653.4	Jute fabrics, woven	30 932	8 141	627	38 446	2 381	7.7	29.2	6.2	26.3	21.2
656	Textile etc. products n.e.s.	284 212	37 821	22 353	299 680	10 295	3.6	27.2	3.4	13.3	12.6
657	Floor cover, tapestry etc.	284 337	150 589	32 259	402 677	57 992	20.4	38.5	14.4	53.0	37.4
661	Lime, cement, etc.	725 356	40 648	31 342	734 662	911	0.1	2.2	0.1	5.6	5.5
664	Glass	328 430	41 918	59 848	310 500	—	—	—	—	12.8	13.5
667	Pearls and precious or semi-precious stones	18 278	82 291	37 370	63 199	19 361	105.9	23.5	30.6	450.2	130.2
711	Power-generating machinery other than electric	1 211 736	115 425	363 279	963 882	1 023	0.1	0.9	0.1	9.5	12.0
712	Agricultural machinery	864 567	73 027	206 035	831 559	—	—	—	—	8.4	8.8
722	Electric power machinery, switchgear	2 032 243	117 603	400 432	1 749 414	755	—	0.6	—	5.8	6.7
723	Electric distributing machinery ...	711 284	25 659	73 331	723 612	—	—	—	—	3.3	3.5
724	Telecommunications	1 293 500	102 983	316 049	1 080 434	4 158	0.3	4.0	0.4	8.0	9.5
821	Furniture	1 722 125	53 827	97 135	1 678 817	6 487	0.4	12.1	0.4	3.1	3.2
841	Clothing (except fur clothing) ...	3 413 477	421 387	200 935	3 633 929	85 551	2.5	20.3	2.4	12.3	11.6
842	Fur clothing, etc.	26 586	7 170	4 370	29 386	—	—	—	—	27.0	24.4
851	Footwear	750 182	111 064	33 038	828 208	6 947	0.9	6.3	0.8	14.8	13.4
861	Optical elements	843 977	120 618	389 185	575 410	1 042	0.1	0.9	0.2	14.3	21.0
862	Photographic and cinematographic supplies	145 761	40 428	68 006	118 183	210	0.1	0.5	0.2	27.7	34.2
864	Watches and clocks	433 277	41 158	89 221	385 214	—	—	—	—	9.5	10.7
891	Musical instruments, etc.	214 889	37 959	113 914	138 934	420	0.2	1.1	0.3	17.7	27.3
893	Articles of artificial plastic materials n.e.s.	539 191	31 226	65 263	505 154	470	0.1	1.5	0.1	5.8	6.2
894	Perambulators, toys, games and sporting goods	86 744	58 565	75 978	69 331	3 975	4.6	6.8	5.7	67.5	84.5
897	Jewellery and goldsmith's and silversmith's wares	365 839	35 487	69 990	331 336	729	0.2	2.1	0.2	9.7	10.7

Sources: Production: Statistisches Bundesamt, *Industrie und Handwerk, Reihe 3, Industrielle Produktion.*
Imports and exports: United Nations, *Commodity Trade Statistics, Statistical Papers Series D.*

TABLE 12

Production, imports, exports and consumption (SITC 5—digit level) Federal Republic of Germany, 1965

($ U.S. thousand)

SITC No.	Item	Production	Total imports	Total exports	Consumption	Imports from developing countries	Imports from developing countries as percentage share of			Total imports as percentage share of	
							Production	Total imports	Consumption	Production	Consumption
		1	2	3	4 (1+2−3)	5	5/1	5/2	5/4	2/1	2/4
243	Wood, shaped or simply worked	333 053	224 923	17 805	540 171	26 293	7.9	11.7	4.9	67.5	41.6
243.1	Railway sleepers	6 654	1 597	949	7 302	198	3.0	12.4	2.7	24.0	21.9
243.21	Lumber, sawn, etc., conifer	262 339	198 886	8 917	452 308	14 844	5.7	7.5	3.3	75.8	44.0
243.31	Lumber, sawn, etc., non-conifer .	57 609	18 863	7 540	68 932	11 136	19.3	59.0	16.2	32.7	27.4
243.32	Lumber, planed etc., non-conifer .	..	2 000	153	..	104	—	5.2	—	—	—
631	Veneers, plywood etc.	353 711	67 082	41 425	379 368	3 838	1.1	5.7	1.0	19.0	17.7
631.1	Veneers, sheets	65 746	35 983	19 607	82 122	2 549	3.9	7.1	3.1	54.7	43.8
631.2	Plywood	101 017	10 428	9 054	102 391	1 265	1.3	12.1	1.2	10.3	10.2
631.4	Improved, reconstituted wood ...	128 541	20 071	9 526	139 086	—	—	—	—	15.6	14.4
631.8	Wood simply worked n.e.s.	..	600	3 238	..	—	—	—	—	—	—
652	*Cotton fabrics woven*	595 407	81 699	86 046	591 060	4 783	0.8	5.9	0.8	13.7	13.8
652.11	Grey cotton gauze										
652.12	Unbleached cotton terry fabric ..	124 607	30 134	5 627	149 114	3 775	3.0	12.5	2.5	24.2	20.2
652.13	Grey woven cotton n.e.s.										
652.21	Cotton gauze bleached, etc.										
652.22	Bleached cotton terry fabric	304 634	4 520	11 192	297 962	104	—	2.3	—	1.5	1.5
652.23	Pile etc., cotton fabrics										
841	Clothing (except fur clothing) ...	3 413 477	421 387	200 935	3 633 929	85 551	2.5	20.3	2.4	12.3	11.6
841.11	Men's outerwear not knitted	645 983	69 451	39 563	675 871	16 880	2.6	24.3	2.5	10.8	10.3
841.12	Women's outerwear not knitted .	982 669	84 892	52 654	1 014 907	12 145	1.2	14.3	1.2	8.6	8.4
841.13	Men's underwear not knitted	190 995	24 718	1 935	213 778	15 169	7.9	6.1	7.1	12.9	11.6
841.14	Women's underwear not knitted .	120 446	8 174	905	127 715	2 353	2.0	28.8	1.8	6.8	6.4
841.21	Handkerchiefs	15 791	4 678	1 566	18 903	630	4.0	13.5	3.3	29.6	24.7
841.22	Shawls, veils etc., not knitted ...	4 483	8 323	4 285	8 521	48	1.1	0.6	0.6	185.7	97.7
841.23	Ties, cravats etc., not knitted ...	31 100	1 561	1 668	30 793	1	—	—	—	4.4	4.4
841.25	Corsets, garters etc.	76 489	10 488	12 381	74 596	1 584	2.1	15.1	2.1	13.7	14.1
841.26	Gloves, socks not knitted and										
841.42	knitted non-elastic	273 188	17 320	15 636	274 872	391	0.1	2.3	0.1	6.3	6.3
841.3	Apparel and clothing accessories of										
	leather	31 671	6 807	6 935	31 543	1 122	3.5	16.5	3.6	21.5	21.6
841.41	Gloves etc. knitted non-elastic ...	12 765	3 446	3 705	12 506	1 114	8.7	32.3	8.9	27.0	27.6
841.43	Underwear knitted non-elastic ...	276 354	37 829	14 328	299 855	4 476	1.6	11.8	1.5	13.7	12.6
841.44	Outerwear knitted non-elastic.....	369 842	126 981	30 510	466 313	29 350	7.9	23.1	6.3	34.3	27.2

Sources: Production: Statistisches Bundesamt, *Industrie und Handwerk, Reihe 3, Industrielle Produktion.*
Imports and exports: EEC Statistical Office, *Foreign Trade, Analytical Tables.*

TABLE 13

Production, imports, exports and consumption of manufactures and semi-manufactures in the United States of America, 1963

($ U.S. million)

SITC No.	Item	Production [a]	Total imports	Total exports	Consumption	Imports from developing countries	Imports from developing countries as percentage share of			Total imports as percentage share of	
							Production	Total imports	Consumption	Production	Consumption
		1	2	3	4(1+2−3)	5	1/5	2/5	4/5	1/2	4/2
111 and 112	Beverages	6 618.0	337.7	8.1	6 947.6	3.8	0.1	1.1	0.1	5.1	4.9
122	Tobacco	4 575.0	3.6	119.6	4 459.0	0.9	—	25.0	—	0.1	0.1
533	Pigments, paints, etc.	2 410.0	4.7	46.7	2 368.0	—	—	—	—	0.2	0.2
561	Fertilizers, manufactured	1 950.0	89.9	97.9	1 942.0	6.5	0.3	7.2	0.3	4.6	4.6
611	Leather	775.0	47.9	40.8	782.1	12.1	1.6	25.3	1.5	6.2	6.1
641	Paper and paperboard	6 197.0	746.6	241.0	6 702.6	0.8	—	0.1	—	12.0	11.1
651	Textile yarn and thread	1 994.0	57.1	122.1	1 929.0	6.3	0.3	11.0	0.3	2.9	3.0
652	Cotton fabrics, woven	3 119.0	111.1	124.2	3 105.9	47.2	1.5	42.5	1.5	3.6	3.6
653.2	Woollen fabrics	1 000.0	79.2	1.8	1 077.4	1.6	0.2	2.0	0.1	7.9	7.4
653.6	Fabrics of regenerated fibres	1 710.0	16.8	41.8	1 685.0	0.2	—	1.2	—	1.0	1.0
653 less 653.2 and 653.6	Textile fabrics, woven excluding woollen fabrics and Fabrics, woven of regenerated fibres	1 430.0	250.3	73.9	1 606.4	166.2	1.6	66.4	10.3	17.5	15.6
657	Floor coverings, tapestries, etc.	1 140.0	45.0	8.2	1 176.8	11.6	1.0	25.8	1.0	3.9	3.8
67	Iron and steel	21 763.0	657.3	522.6	21 897.7	22.7	0.1	3.5	0.1	3.0	3.0
724	Telecommunications equipment	7 619.0	211.5	472.6	7 357.9	6.5	0.1	3.1	0.1	2.8	2.9
735	Ships and boats	2 047.0	8.7	52.3	2 003.4	1.5	0.1	17.2	0.1	0.4	0.4
821	Furniture	5 880.0	36.1	35.4	5 880.7	10.0	0.2	27.7	0.2	0.6	0.6
841	Clothing not of fur	16 977.0	390.4	89.8	17 277.6	112.1	0.7	28.7	0.6	2.3	2.3
861	Instruments, apparatus	4 865.0	115.8	347.6	4 633.2	0.9	—	0.8	—	2.4	2.5
862	Photographic, cinematographic supplies	1 846.0	34.9	89.6	1 791.3	—	—	—	—	1.9	1.9
864	Watches and clocks	532.0	75.3	8.4	598.9	0.1	—	0.1	—	14.2	12.6
897	Gold, silverware, jewellery	841.0	36.0	47.1	829.9	4.3	0.5	11.9	0.5	4.3	4.3

Source: United States Department of Commerce, *Statistical Abstract of the United States.*

[a] Value of shipments: represents net selling value f.o.b. plant, after discounts and allowances, of all shipments of products from manufacturing establishments of an industry, plus receipts for miscellaneous activities of such plants. Excludes freight charges and excise taxes. Products transferred to other establishments of the same company are valued at the nearest approximation to the economic value. Includes extensive duplication, arising from shipments between establishments in the same industry.

TABLE 14

Production, imports, exports and consumption of manufactures and semi-manufactures in the United Kingdom, 1962

($ U.S. million)

SITC No.	Item	*Production (Sales and work done)*	*Total imports*	*Total exports*	*Consumption*	*Imports from developing countries*	*Imports from developing countries as percentage share of*			*Total imports as percentage share of*	
							Production	*Total imports*	*Consumption*	*Production*	*Consumption*
		1	2	3	4 (1+2−3)	5	1/5	2/5	4/5	1/2	4/2
111 + 112	Drink industries	3 366.7	127.0	258.1	3 235.6	7.0	0.2	5.5	0.2	3.8	3.9
112	Tobacco	3 153.4	5.6	47.3	3 111.7	2.4	0.1	42.9	0.1	0.2	0.2
243 + 63 + 821	Timber, furniture, etc.	1 704.1	546.0	43.6	2 206.5	68.5	4.0	12.5	3.1	32.0	24.7
533	Paint and printing ink	549.4	5.5	83.4	471.5	0.1	—	1.8	—	1.0	1.2
61	Leather, leather goods and fur ...	498.4	69.5	82.6	485.3	30.0	6.0	43.2	6.2	13.9	14.3
62 + 231.2 + 231.3 + 231.4	Rubber and rubber products	896.3	49.1	90.0	855.4	1.9	0.2	3.9	0.2	5.5	5.7
641	Paper and board	1 182.7	282.4	75.5	1 389.6	0.2	—	0.1	—	23.9	20.3
642 + 892	Paper products, printing and publishing	3 135.7	53.0	147.4	3 041.3	1.3	—	2.5	—	1.7	1.7
65 — (653.2 + 651.2)	Man-made fibres, cotton and other textile industries	4 028.9	340.1	460.7	3 908.3	128.4	3.2	37.8	3.3	8.4	8.7
653.2 + 651.2	Wool	1 498.6	38.0	225.1	1 311.5	0.5	—	1.3	—	2.5	2.9
67	Iron and steel	4 126.4	150.3	561.7	3 715.0	2.2	0.1	1.5	0.1	3.6	4.0
68	Light metals, copper and other base metals	1 715.3	675.5	369.1	2 021.7	274.9	16.0	40.7	13.6	39.4	33.4
69 + 897	Metal goods n.e.s.	4 059.4	100.4	388.2	3 771.6	9.4	0.2	9.4	0.2	2.5	2.7
71	Mechanical engineering	7 588.8	685.5	2 258.5	6 015.8	35.9	0.5	5.2	0.6	9.0	11.4
72	Electrical engineering	4 873.4	224.2	803.8	4 293.8	14.6	0.3	6.5	0.3	4.6	5.2
73 — (732 + 734 + 735)	Other vehicles	730.8	7.2	115.4	622.6	—	—	—	—	1.0	1.2
732	Motor vehicles	4 127.5	69.8	1 258.8	2 938.5	1.0	—	1.4	—	1.7	2.4
734	Aircraft	1 650.0	41.0	114.9	1 576.9	6.3	0.4	15.4	0.4	2.5	2.6
735	Shipbuilding and boats	1 160.9	77.6	101.8	1 136.7	0.3	—	0.4	—	6.7	6.8
841	Clothing	1 879.1	148.2	101.9	1 925.4	62.4	3.3	42.1	3.3	7.9	7.7
851	Footwear	609.6	49.2	35.1	623.7	10.4	1.7	21.1	1.7	8.1	7.9
86	Scientific, medical and photographic instruments, watches and clocks .	656.6	125.0	176.1	605.5	7.1	1.1	5.7	1.2	19.0	20.6

Source: United Nations, *Commodity Trade Statistics, Statistical Papers; Series D*; Central Statistical Office, London, *Annual Abstract of Statistics.*

TABLE 15

Production, imports, exports and consumption of manufactures and semi-manufactures in Japan, 1963

($ U.S. million)

SITC No.	Item	*Production* [a]	*Total imports*	*Total exports*	*Consumption*	*Imports from developing countries*	*Imports from developing countries as percentage share of*			*Total imports as percentage share of*	
							Production	*Total imports*	*Consumption*	*Production*	*Consumption*
		1	2	3	4 (1+2−3)	5	1/5	2/5	4/5	1/2	4/2
013	Meat, canned n.e.s. or prepared	8.8	0.4	0.6	8.6	—	—	—	—	4.5	4.7
053	Fruit preserved, prepared	151.0	13.8	25.0	139.8	11.1	7.4	53.6	7.9	9.1	9.9
055	Vegetables, etc., preserved, prepared	83.4	4.0	9.5	77.7	2.3	2.8	57.5	3.0	4.8	5.1
112	Alcoholic beverages	1 677.8	3.5	2.1	1 679.2	0.1	—	2.9	—	0.2	0.2
243	Wood, shaped	1 455.5	40.2	20.7	1 475.0	4.5	0.3	11.2	0.3	2.8	2.7
611	Leather	120.8	6.5	1.2	126.1	4.6	3.8	70.8	3.6	5.4	5.2
651	Textile yarn and thread	1 734.7	7.9	113.4	1 629.2	0.9	0.1	11.4	0.1	0.5	0.5
652	Cotton fabrics, woven	463.2	2.0	307.9	157.3	0.2	—	10.0	0.1	0.4	1.3
653	Woven textiles non-cotton	1 375.0	22.9	364.4	1 033.5	0.3	—	1.3	—	1.7	2.2
657	Floor covering tapestry etc. ...	62.5	2.5	30.1	34.9	0.9	1.4	36.0	2.6	4.0	7.2
671	Pig iron etc.	304.1	75.8	7.2	372.7	15.0	4.9	19.8	4.0	24.9	20.3
689	Non-ferrous base metals n.e.s. .	65.1	4.7	9.2	60.6	2.3	3.5	48.9	3.8	7.2	7.8
821	Furniture	447.4	0.5	8.6	439.3	—	—	—	—	0.1	0.1
841	Clothing not of fur	705.5	8.2	211.0	502.7	0.8	0.1	9.8	0.2	1.2	1.6
851	Footwear	309.2	0.8	65.7	244.3	0.1	—	12.5	—	0.3	0.3
894	Toys, sporting goods, etc.	268.6	10.5	148.6	130.5	0.3	0.1	2.9	0.2	3.9	8.0

Sources: United Nations, *Commoditiy Trade Statistics, Statistical Papers, Series D*; Ministry of International Trade and Industry, Japan, *Census of Manufactures 1963.*

[a] Value of shipments from factory in 1963.

TABLE 16

Consumption, production and imports of manufactures and semi-manufactures in major developed market-economy countries, 1962

($ U.S. million)

	Industrial consumption [a]	*Industrial production*	*Total imports from world*	*Total imports share of*		*Imports from developing countries*	*Developing countries imports as percentage share of*			*Imports from Developing countries (less SITC 332 67, 68 but including 681)*	*Imports from developing countries (less 332, 67, 68 but including 681) as percentage share of*		
				Consumption	*Production*		*Consumption*	*Production*	*Total imports*		*Consumption*	*Production*	*Total imports*
	1	2	3	3/1	3/2	4	4/1	4/2	4/3	5	5/1	5/2	5/3
United States ..	393 219.7	399 308.9 [b]	9 459.5	2.41	2.37	1 808.5	0.46	0.45	19.12	829.4	0.21	0.21	8.77
EEC	162 958.4	170 727.0 [c]	10 205.3 [d]	6.26	5.98	1 680.3	1.03	0.98	16.46	884.8	0.54	0.52	8.67
United Kingdom	67 365.2	70 669.5 [e]	6 377.3	9.47	9.02	1 116.4	1.66	1.58	17.5	590.2	0.88	0.84	9.25
Japan	54 950.2	57 766.7 [f]	1 851.3	3.37	3.20	217.0	0.39	0.38	11.72	65.0	0.12	0.11	3.51
	678 493.5	698 472.1	27 893.4	4.11	3.99	4 822.2	0.71	0.69	17.29	2 369.4	0.35	0.34	8.49

Sources: United Nations, *Statistical Yearbook 1965; Commodity Trade Statistics, Statistical Papers, Series D*; EEC, *Input-Output Tables* and *Industrial Statistics 1966*, No. 1; Central Statistical Office, London, *Annual Abstract of Statistics* (H.M. Stationery Office, London).

[a] Industrial consumption obtained by adding the value of production to the trade balance.

[b] Gross value of production: " Gross value of shipments at market prices ".

[c] This figure was derived on the basis of the EEC input-output tables for the year 1959 ($135,498 million) and on indices (where 1959 = 100 instead of 1958) of manufacturing production given in the EEC *Industrial Statistics 1966*, No. 1.

[d] Excluding intra-trade EEC ($10,348.1 million).

[e] Gross value of production: " Sales and work done ".

[f] Gross value of production except tobacco manufacturing.

Document TD/19/Supp.1

STUDY ON CRITERIA FOR INVOKING THE ESCAPE CLAUSE IN A GENERAL SYSTEM OF PREFERENCES FOR EXPORTS OF MANUFACTURES AND SEMI-MANUFACTURES FROM DEVELOPING COUNTRIES

Report by the UNCTAD secretariat

[*Original text: English*]
[*11 Jaunary 1968*]

CONTENTS

	Paragraph	Page
PREFACE		68
I. THE PROBLEM	1-2	69
II. REVIEW OF ESCAPE CLAUSES IN SELECTED INTERNATIONAL AGREEMENTS	3-12	69
III. THE PRACTICAL OPERATION OF AN ESCAPE CLAUSE	13-34	70
A. The text, and the limitations it contains	14-19	70
B. Substantive questions in an escape-clause inquiry	20-27	71
C. Procedural devices, and their significance	28-34	73
IV. OPPORTUNITIES FOR LIMITING THE IMPACT OF AN ESCAPE CLAUSE	35-47	74
A. The formulation of an escape clause	36-40	74
B. Procedures for the application of the escape clause	41-45	75
C. Adjustment measures	46-47	76
V. SUGGESTIONS FOR DEVISING ECONOMIC CRITERIA FOR AN ESCAPE ACTION	48	76

Preface

At the second session of the Committee on Manufactures it was suggested that the secretariat of UNCTAD should undertake a study of the question of market disruption, including the possible establishment of objective economic criteria for determining the occurrence of market disruption and the mechanisms for dealing with that problem. It was considered that such a study would be useful in connection with the application of an escape clause or safeguard action under a system of preferences and in connexion with quantitative restrictions currently applied by the developed countries on imports from the developing countries. The study would also include the related aspects of economic readjustment of industries in the developed countries faced with import competition.

This study acquires special significance in view of the advanced stage of discussion regarding the introduction of a general non-discriminatory and non-reciprocal system of preferences in favour of exports of manufactures and semi-manufactures from the developing countries. The technical issues relating to this scheme have been widely discussed in the Group on Preferences and among them the question of how to safeguard the domestic interests of developed countries through the application of an appropriate escape-clause mechanism.

In view of the above, the secretariat has prepared a study at two separate levels. The first part is given in this document and is entitled a " Study on criteria for invoking the escape clause in a general system of preferences for exports of manufactures and semi-manufactures from developing countries." As the title indicates, this study explores the problems involved in the use of an escape clause in connection with a general system of preferences in favour of developing countries. Attention is directed particularly to the formulation of criteria for the conditions under which such a clause might be invoked, the possibility of defining such criteria in objective economic terms, national procedures for judging the necessity for resort to an escape clause, international consultation and review procedures and the restoration of preferential treatment. The suggestions for devising economic criteria for an escape action are summarized in paragraph 48.

The second paper entitled " The application of safeguard clauses and adjustment assistance measures to industries facing import competition " is given in TD/19/Supp.2 and Corr.1 (mimeographed). This study, which reviews the experience of several countries, acting singly or collectively, brings together the various elements used for defining the alleged serious injury to the domestic industry or the alleged condition of market disruption and illustrates the different procedures used in applying the safeguard measures in either case. The paper also reviews various types of adjustment assistance used by developed countries and particularly those adopted to ease the adjustment of industries and their workers as a result of changes in national trade policy.

I — The problem

1. This study explores the problems involved in the use of an escape clause in connection with a general system of preferences in favour of developing countries. Attention will be directed particularly to: (*a*) the formulation of criteria for the conditions under which such a clause might be invoked; (*b*) the possibilities for defining such criteria in objective economic terms; (*c*) national procedures for judging the necessity for resort to an escape clause; (*d*) international consultation and review procedures; and (*e*) the restoration of preferential treatment. These problems are examined with a view to furthering the primary objective of this study: to protect the effectiveness of the preferential scheme against erosion by undue resort to escape clause actions.

2. While this study is presented in connexion with the discussions on preferences, the considerations set out herein are also relevant to the examination of the question of liberalization of quantitative restrictions and other non-tariff barriers on products of export interest to developing countries. In the past action under escape clauses has often taken the form of quantitative restrictions and the discussion here has thus a direct bearing on the question of achieving the objective that the liberalization of quantitative restrictions is not negated by undue resort to the use of the escape clause.

II — Review of escape clauses in selected international agreements

3. International undertakings in the post-war period aimed at trade liberalization have, generally, included escape clauses. Some of the relevant texts setting out escape-clause action are further considered and reproduced in TD/19/Supp.2 and Corr.1.

4. Article XIX of the General Agreement on Tariffs and Trade [1] is the provision most frequently cited as " the escape clause ". It permits a country to withdraw or modify a trade concession if increasing imports cause or threaten serious injury to domestic producers. Prior consultation with the Contracting Parties to the General Agreement, and with individual exporting countries having a substantial interest, is normally required, but in critical circumstances, provisional action may precede consultation. Countries may take the decision unilaterally, but, if agreement is not reached, countries adversely affected may take compensatory action.

5. The Long-Term Arrangement regarding International Trade in Cotton Textiles permits escape-clause action (quantitative restriction) when imports cause or threaten " disruption ". This Arrangement goes further in attempting to define specifically economic criteria for a determination of " disruption ": i.e. " a sharp and substantial increase or potential increase of imports ", " prices . . . substantially below those prevailing . . . in the market ", and " serious damage to domestic producers or threat thereof ". The Arrangement provides for the establishment of categories of products by the importing countries, thereby avoiding the classification problems which have loomed so large under other escape clauses. Consultation (ordinarily prior) with exporting countries is required, but the decision is taken unilaterally. The size of quotas is, however, fixed by a formula in the agreement, based upon historical imports in a specified period. In practice, there has been liberal resort to the market " disruption " escape and the Arrangement has led to a wide proliferation of quantitative restrictions, while the increases in both the old and new quotas and the fulfilment of the quotas have not in all instances been satisfactory or adequate.[2]

6. The Treaty of Rome [3] contains a number of provisions which may be regarded as escape clauses, but the most directly analogous to the problem at hand is article 226. This article authorizes " measures of safeguard " when " there are serious difficulties . . . in any sector of economic activity ", but only with advance approval of the Commission. It has been used for problems of trade within the European Economic Community (EEC). The provision has apparently been invoked with moderate frequency, but the authorizations have generally been for brief periods.

7. The Articles of Agreement of the International Monetary Fund (IMF) forbid restrictions on payments or transfers for current international transactions, discriminatory currency arrangements and multiple currency practices without the prior permission of IMF. A wide exception permits members, during the post-war transitional period, to maintain such restrictions and adapt them to changing circumstances. The majority of the members of IMF are still technically in the transition period, but these do not include the principal trading countries. The fund has, however, progressively tightened its interpretation of the transitional period privileges, and existing restrictions are reviewed periodically. The exception permitted by IMF constitutes an escape, in a very wide sense of the term, from its convertibility and non-discrimination provisions relating to current international transactions. This exception, where it is applied by developed countries, has an important bearing on trade.

8. In examining these escape clauses with a view to appraising their impact on the liberalization measures from which they permit exceptions, it is convenient to consider three of their features:

(*a*) The textual formulation of the conditions justifying escape action;

[1] See GATT, *Basic Instruments and Selected Documents*, vol. III, pp. 41 and 42.

[2] See document TD/20/Supp.3 for a fuller discussion on the origins and operation of restraints under the Long-Term Arrangement regarding International Trade in Cotton Textiles.

[3] Treaty establishing the European Economic Community, Rome, 25 March 1957 (United Nations, *Treaty Series*, vol. 298 (1958), No. 4300).

(*b*) The extent to which international consultation or agreement is a prerequisite to the application of the escape clause;

(*c*) The availability, within the international arrangement, of alternative assistance measures which might obviate the need for resort to the escape clause.

9. With regard to textual formulation, the IMF provision appears the most general, the Long-Term Arrangement the most detailed, in spelling out objective economic criteria. The EEC provision is closer to the generality of that of the IMF article, while the GATT escape clause approaches more closely to the detail of the corresponding provisions of the Long-Term Arrangement. In this respect, the differences do not seem to have had an important influence on the extent of employment of the escape clause. The transitional provisions of the IMF continue to be extensively used by the developing countries whereas the EEC and GATT escape clauses have been invoked more sparingly by the developed countries. The escape clause in the Long-Term Arrangement has, however, been extensively invoked by the developed countries. It would seem that the frequency of the application of the escape clause depends more on the economic problems involved and on the general economic and political relationship between parties to the agreement concerned, than on the phraseology of the escape clause itself.

10. All of these clauses require international consultation. The IMF and EEC texts generally require prior international approval, while the other two only oblige the country to consult, normally in advance, reserving the right to decide unilaterally. It appears that prior international approval would ensure that the application of the escape clause would take into account the interests of all parties concerned and would thus be used only in cases that are justified.

11. The IMF arrangement couples obligations to keep current exchange transactions free of restrictions with a large pool of financial assistance available to obviate the need for restrictions. The EEC scheme also provides funds which can be drawn upon by way of adjustment assistance to divert resources from activities which cannot cope with the competition released by liberalization. The effectiveness of such aid has been most apparent in the EEC. In the IMF, with membership far greater and more diverse, the persistence of restrictive measures tends to obscure the effectiveness of the Fund, through measures of financial assistance, and otherwise, in avoiding or moderating restrictions in a great many other cases. Neither the General Agreement on Tariffs and Trade nor the Long-Term Arrangement involves any financial arrangements. However, individual developed countries have provided for internal measures of financial arrangements, and this approach seems a promising avenue for minimizing dangers of an escape clause in a cheme of preferences.

12. It is seen from the foregoing that the extent of use of an escape clause or its impact cannot be measured from its text alone. However, an extensive formulation of economic criteria and an explicit requirement for international prior approval and consultation might ensure resorting to an escape clause only in justified cases. A more intensive study of the practical operation of an escape clause may further substantiate this point.

III — The practical operation of an escape clause

13. A better appreciation of the impact of an escape clause can be had from a closer look at the practical administration of such a clause. For this purpose it is most convenient to study the provision of the General Agreement, because it has been in existence for a relatively long period of time, because the subject matter is most closely analogous to the question now under consideration, and because several countries employ public procedures in its application, making the factual background available for study.

A — The text and the limitations it contains

14. The wording of the provision in the General Agreement, itself a refinement of texts used earlier in some bilateral tariff-reduction agreements, represents an effort to formulate objective (although not arithmetical) criteria for its employment. The textual limitations are analysed in the paragraphs which follow. The text is given here, with the words discussed below in italics.

> Art. XIX, Para. 1 (*a*). If, as a result of *unforeseen developments* and of the effect of the *obligations* incurred by a contracting party under this Agreement, *including* tariff *concessions*, any product *is being imported* into the territory of that contracting party *in* such *increased quantities and under such conditions* as *to cause or threaten serious injury to domestic producers* in that territory of like or directly competitive products, the contracting party shall be free, in respect of such product, and *to the extent and for such time as may be necessary to prevent or remedy such injury*, to suspend the obligation in whole or in part or to withdraw or modify the concession (see GATT, *Basic Instruments and Selected Documents*, vol. III, p. 41).

15. The clause can only be brought into play if a product " is being imported . . . in . . . increased quantities and under . . . conditions . . . " Thus, the first requirement would be that there be, in fact, an actual increase in imports of the product; but an official decision [4] has eased the requirement so that a reduction in the proportionate share of domestic producers seems to be considered sufficient even though there has been no absolute increase in the level of imports. The threat

[4] Originally, article 40 of the Havana Charter provided for application of the escape clause if imports increased relatively. According to a decision of the Contracting Parties, however, " the phrase 'being imported . . . in such increased quantities' in Article XIX, paragraph 1 (*a*), was intended to cover cases where imports may have increased relatively, as made clear in article 40, paragraph 1 (*a*), of the Havana Charter." See GATT, *Basic Instruments and Selected Documents*, vol. II, Geneva, May 1952, pp. 44 and 45.

of future increase, however probable, may not bring the escape clause into play. The meaning of the phrase " and under such conditions " is rather vague, but it seems to indicate that some factor other than the mere increase in quantity is required to justify an escape action.

16. The increased quantities of imports and the X (detrimental) conditions should result from " unforeseen developments " and from the trade concession. It is elementary that a trade liberalization measure is made in the expectation that it will provide some stimulus to trade. Thus, the mere fact that imports have increased could not in itself be considered evidence of an unforeseen development: some increase in imports is plainly foreseen in every grant of a trade concession. Questions arise, of course, as to the magnitude of the increase which may be considered to have been foreseen. The burden rests on the one seeking escape-clause action to show that the actual increase has exceeded reasonable expectations. Moreover, there is the added burden of showing that the trade concession was the operative cause of the unforeseen developments. Competition usually involves the interplay of multiple factors. An escape clause requiring a finding that the increased imports are the result of the agreed concession, and not of the other factors influencing competition, places the responsibility on the proponent of an escape to sustain the burden of proof.

17. The quantities and conditions of the imports should be such as " to cause or threaten serious injury to domestic producers . . . of like or directly competitive products ". While the word " injury " is not defined, it seems plain that competition in itself cannot be deemed injurious in the context of a general system of competitive trade. Nevertheless, inquiries into serious injury usually do look to the incidence of competition such as volume of sales, price, etc. Although it is difficult to draw a precise line between " competition " and " injury ", it seems that " injury " should be something more than mere effective competition. The adjective " serious " adds the requirement that this injury be substantial. In addition to a satisfactory showing of serious injury (actual or threatened), the GATT provision required another showing of causal connexion. Just as the language analysed in the preceding paragraph requires a showing that the imports were a result of the trade concession, so this language imposes the responsibility for showing that the injury resulted from the imports. A country considering resort to the escape clause in any particular instance bears the responsibility of exploring the competitive position to judge whether any difficulties the domestic producers may be experiencing are attributable to the increased imports or are due to other factors, at home or abroad. The efficiency of the domestic industry, technologically and otherwise, changes in demand, qualitatively and quantitatively, the responsiveness of domestic producers to competition, and a host of other factors enter into the inquiry. Where it becomes plain that domestic production of the article in question is disadvantageous in terms of international comparative advantage, or where it appears that domestic producers could, but have chosen not to, match increased efficiency abroad, or where the particular product is of minor significance to large multi-product industrial enterprises, or where domestic production facilities can readily be adapted to other products, there would appear to be no justification for invoking the escape clause, because it cannot be said that the trade concession caused the imports, that the imports caused the injury and that the injury so caused is serious.

18. This analysis indicates that the criteria of serious injury set out in seemingly greater detail in the Long-Term Arrangement are, in fact, to a large extent implicit in the less detailed formulation of article XIX of the General Agreement on Tariffs and Trade. However, the provisions of the Long-Term Arrangement permit more liberal resort to escape-clause action than article XIX because import restrictions, in the first case, may be used on grounds, not only of actual increase but also on potential increase of imports.

19. The remedial action permitted by the escape clause is not a complete cancellation of the concession, but its suspension, withdrawal or modification " to the extent and for such time as may be necessary to prevent or remedy such injury ". The responsibility added by these words is to confine the restrictive action in scope, in magnitude and in time, within the limits indicated by the investigation. The official interpretation is that action under article XIX is essentially of an emergency character and should be of limited duration.[5]

B — Substantive questions in an escape-clause inquiry

20. The practical application of these escape-clause criteria in any particular case would require an extensive factual inquiry. In certain countries there must be a review of the imports in question, their quantity, the particular variety of product imported, its quality and consumer acceptance, the localities within the importing country into which the product moves, the channels of trade through which the imports move (e.g. industrial consumers, traders, retailers, etc.), the prices at which the imports are being sold, and, finally, the trends with respect to each of these factors. Having developed such a picture with respect to the imports, the investigating body must then turn to the position of the domestic producers of like or competitive articles to review the impact of the imports upon them and their employees. The quantity of domestic production and sales, levels of employment, production capacity and the extent of its utilization, inventories, prices and profits are all reviewed. With respect to each of these factors, inquiry is made as to trends, and even further refinement is introduced where there are significant differences with respect to some of these factors as among different domestic enterprises.

21. A preliminary decision in these countries, usually taken at the beginning of an investigation, and which often proves decisive of the outcome, is the definition

[5] GATT, *Analytical Index of the General Agreement* (Revised), Geneva, April 1959, p. 87.

of the import product, and the definition of the " industry " within the domestic economy, to be considered. Thus, when an investigation is prompted by the complaint of a domestic textile manufacturer who specializes in a specific construction of cotton cloth used for typewriter ribbons, the investigating body may treat the case as one involving the impact of imports of cotton typewriter ribbon cloth on the domestic industry producing typewriter ribbon cloth, or it may treat the case as one involving the impact of imports of woven cotton cloth on the domestic textile industry, or it may formulate the issues in terms of some intermediate combination of a class of imported cloth and a class of domestic weavers. This initial formulation of the problem proves, surprisingly often, to be the major factor in determining the ultimate decision. The influence of imports of cotton typewriter ribbon cloth on the entire domestic textile industry of an important textile producing country would be infinitesimal. The impact of the very same imports, seen in narrower perspective against domestic production of the identical cloth specially constructed for use in typewriter ribbons, might readily be considered severe.

22. The complexity of escape clause investigations can be illustrated by the following examples. It is useful to distinguish two types of manufactured products: (*a*) a simple basic product, and (*b*) a specialized manufactured product. This analysis will take as examples: (*a*) cement (of the ordinary variety) [SITC 661.2], and (*b*) wire mesh of iron or steel [SITC 693.3 (1)]. These are neither the simplest nor the most complex cases which could be chosen, but will illustrate how varied are the problems encountered.

23. Cement is a relatively standard product manufactured to fairly uniform specifications throughout the world, likely to be acceptable to consumers in developed countries regardless of origin. The dominant factor in the market place is price. Cement is produced widely throughout the world, in developed as well as in developing countries. Apart from trade restrictions, the inhibiting factor for international trade has been the weight of the product, with consequent heavy transportation costs. Modern cement plants require large capital investment, the most advanced of the order of $100,000 per employee. The process normally employed in manufacture requires continual operation, around the clock. Frequent stops and starts are not practical; producers respond to slack demand by storing unsold cement as long as facilities permit, and then shutting down for an extended period, until demand absorbs the stockpile and justifies resumption of production. Demand tends to be irregular. The construction industry, the principal customer, is notoriously subject to cyclical influences. Seasonal fluctuations in demand are often pronounced. A single major construction project, such as a dam or a highway, can create an enormously increased local demand, which ends abruptly when the project is finished. These economic factors create a strong incentive to export, either regularly or sporadically, to keep the plant going, and strong resistance in the importing country by producers forced to shut down by weak demand which they attribute to imports.

24. A producer of cement in a developing country seeking an export outlet is either interested in a regular market for part of this output (if his home market cannot absorb all of it) or an outlet for irregular surplus quantities when seasonal or other factors reduce demand at home. He needs a foreign market which can absorb shipload quantities because freight rates would otherwise be prohibitive. To such a producer, the needed market is not the whole of a large developed country, but a particular consuming locality, usually at an ocean port, where he would have the most favourable position relative to domestic producers in respect of transport costs. If sporadic, rather than regular, shipments are involved, seasonal factors in the prospective importing country may enter the picture. Local price levels in the prospective market and the probable price response to imports are always of critical importance. From the point of view of domestic producers in a country of prospective import, it is not only the total quantity of imports, but also the time, place, regularity and prices of the imports which are of concern.

25. If cement alone were under consideration, it would be feasible to specify in detail the precise quantities, times and localities of permissible imports which would not give rise to possible escape-clause action. However, such criteria would not serve equally well for many other basic products, each with a different complex of factors.

26. The second example, that of wire mesh, raises quite a different set of problems. The category of wire mesh made of iron or steel [SITC 693.3 (1)] embraces material ranging from very heavy mesh using wire as much as 1 centimetre in diameter or more, spaced as much as 10 centimetre or more apart, used to reinforce concrete in road construction, to extremely fine woven cloth made of stainless steel wires thinner than a human hair, with as many as 500 wires per centimetre in each direction, used for the filtration of fluids in critical equipment such as space vehicles. In between these two extremes can be found common fencing materials, insect screening and a very large variety of wire mesh or cloth of different alloys, diameters, spacing, weave patterns and sizes, for the most diverse industrial and consumer applications. There is probably no producer anywhere in the world whose output embraces the entire range of these products. The equipment required for the production of fencing is entirely different from that used for filters. New uses are constantly being developed for wire mesh. Manufacturers who supply the textile screen printing industry one year might find themselves providing a variant of the same material to the electronics industry the next year for printed circuits. While there might be hundreds of producers of wire mesh in a developed country, the number producing any particular variety to supply a specific industrial need might be a very few indeed. The machinery used in weaving is adaptable, within moderate ranges, to a variety of specifications, but where kinds of wire cloth must differ more substantially, wholly different sets of producing equipment are employed. A manufacturer producing one kind of wire mesh would have no interest whatever in imports of another variety, but would be

vitally concerned with a product directly competitive with his output. A new industry in a developing country would inevitably be planned to produce one or a few varieties of wire cloth. Its prospective exports might seem minimal if the domestic wire-weaving industry in the importing country were considered a single unit. To producers specializing in a single variety, with a limited market, the impact of what might seem to be a modest quantity of imports could, however, loom large.

27. Although in order to resort to an escape-clause action the formulation of a precise measure of the imports to be admitted on a preferred basis would be a far more complex task in the case of wire mesh than of cement, it would still seem possible to work out some objective criteria which would take into account the interests of developed and developing countries alike.

C — Procedural devices, and their significance

28. The initiative in seeking escape-clause action is usually taken by domestic producers who claim to be suffering from, or to be threatened with, injury from the liberalized imports. Responsible Government officials, when first presented with such an application, are rarely adequately cognizant of the many factors involved. Statistical information regularly available, even in countries which maintain the most extensive systems of statistical reporting, seldom provide enough detail with respect to the narrow area of competition ordinarily involved. Moreover, data on prices and profits and losses with respect to individual commodities are rarely reported to governments. Thus, almost every escape-clause case requires a factual investigation on the part of the officials responsible for making the decision. The procedures employed in making such an investigation, and in reaching a conclusion, often prove to be of critical significance in determining the outcome of an escape-clause question. It is convenient to examine the two stages involved: (*a*) the processes leading to a tentative or final determination within the government, and (*b*) international consultations with other interested countries, either bilaterally or through a recognized international forum, which follow such determination.

29. A number of developed countries conduct escape-clause investigations without public announcement, and without publishing the facts found. When the decision is against invoking the escape clause, neither the public nor other interested Governments are ordinally informed that the matter had ever been under consideration. Thus, in the case of such countries, it is difficult to know how often requests for escape-clause action are rejected. Neither the thoroughness nor the impartiality of the investigation are subject to public scrutiny. When a decision has been taken to invoke the escape, and public announcement of the decision is made, such an announcement is likely to present only the considerations supporting the conclusion reached. There is, however, one advantage of unpublicized proceedings: the import trade is spared the immediate harm which sometimes follows the mere announcement of an escape-clause investigation.

30. In certain developed countries, for example the United States of America and Australia, statutory procedures have been established for public investigations of possible escape-clause action. Where this method is used, public notice is given that the matter is under consideration, a public hearing is called at which interested parties are free to present their contentions in public, and the administrative tribunal publishes a formal report giving a detailed analysis of the facts and an explanation of the conclusions reached. In the case of some countries, the administrative tribunal's decision is final, while in others it is a recommendation to the Government. In the latter case, the publication of the report provides a second opportunity for interested parties to make representations in advance of the definitive decision.

31. Wherever such public proceedings are held, foreign suppliers, as well as importers, should be given an equal hearing with domestic producers. This is probably already the case in the countries concerned, but perhaps effective use is not being made of these procedures. It should be noted that producers and exporters in the developing countries are generally handicapped, for reasons of cost, lack of knowledge of procedures and other factors, in making full use of these public hearings. In certain cases they can, however, seek to co-operate with the importers in the developed country in question in providing information to the investigating bodies.

32. In practice, escapes have been applied with varying frequency under both procedures. More controversy has been aroused by particular decisions taken in countries which use the open investigation procedure, but this may be a reflection of the thoroughness and impartiality of the factual material revealed, rather than an indication that such countries have made excessive or unjustified use of the escape clause.

33. Despite the absence of an objective basis for evaluation, it is believed that the system of open hearings and public investigation constitutes a major safeguard, and its wider employment deserves to be recommended. A study of escape-clause investigation records, in cases where the proceedings are open, shows that the factual picture depicted by the domestic interests seeking escape restrictions is very often a biased presentation. Published reports by administrative tribunals almost invariably reveal a great deal of information which would never have been suspected from the initial presentation of the proponents. The testimony of foreign suppliers and importers, as well as the staff work of the administrative tribunal itself, often corrects inaccuracies in the application and, more often, reveals whole areas of significant factors overlooked or suppressed by the proponents. Where an investigation is made without publicity, there is less opportunity for parties interested in preserving the trade liberalization measure to offer information. Government officials are less likely to be sufficiently informed of all the factors involved in a complex competitive situation without the aid of a statement of the case for the other side by qualified persons themselves engaged in the trade or industry. The open investi-

gation, including a public hearing, is thus believed to constitute an important safeguard in itself against unjustified resort to an escape clause.

34. All the international arrangements discussed above make provision for international consultation with other interested Governments. Usually such consultation is required before action is taken, but there is generally an exception permitting consultation after the event in emergency situations. Certainly countries which would be adversely affected by the invocation of an escape clause should be afforded an opportunity to voice objections. To the extent feasible, this opportunity should be afforded in sufficient time to permit adequate consultation and to permit reconsideration of the proposed action.

IV — Opportunities for limiting the impact of an escape clause

35. In the discussions of the use of an escape clause in a general system of preferences, misgivings have been widely expressed that such a clause might provide too ready an opportunity for impairing the objectives of the preferential system. Attention is therefore given here to the possibility of developing objective economic criteria to minimize the danger of excessive resort to escape action.

A — The formulation of an escape clause

36. In formulating economic criteria two approaches may be examined from the viewpoint of their soundness and practicability. The first is an attempt to formulate economic criteria in broad general terms which would take into account the objectives of the preferential system, the interests of the developing countries, and the need for protective action by the developed countries in fairly clearly defined circumstances; the second is an attempt to formulate criteria in mathematical terms which would provide an automatic guide for the escape action. Before proceeding to deal with the first, a brief analysis might be made of the possibilities of the second approach. To indicate the problems involved, it is convenient to take the three factors which have most often been considered critical in escape-clause investigations and which might on the surface seem susceptible to mathematical treatment. The factors which are considered are quantity, price and profitability.

37. One suggestion frequently made is that developed countries might commit a percentage of their markets to duty-free competition from developing countries. The difficulties of specifying a uniform percentage of consumption, production or imports of products for any particular developed country or for the developed countries as a whole in a preferential scheme have been dealt with in a secretariat paper, TD/12/Supp.2.[6] The problems involved in defining an " import product " or an " industry " within the domestic economy have been brought out in an earlier section of this paper. If the products are defined in broad categories, the importing country might find itself unable to apply escape-clause action in respect of particular products included within a broad category. On the other hand, if products are to be narrowly defined, this might be more likely to restrict the effect of a preferential arrangement than to enhance it. And, in practice, it would be exceedingly difficult, if not impossible, to define in detail literally thousands of products. It would appear as a practical solution, that where quotas are specified as percentages of any one of those elements, the products should be specified in rather broad categories, but when excessive import of any particular product into a developed country calls for escape-clause investigation, the specific product could be defined and selected for the purpose, on the basis of over-all economic considerations.

38. It is therefore not practicable to suggest that the escape-clause criteria should embody a precise (blanket) mathematical formula in terms of a percentage of consumption or import of the product in question in the importing country. It does not, however, follow from this that when the market situation in respect of a specific import product is investigated, when objective economic criteria are applied to the facts of the case, when statistics relating to the domestic production, consumption and import of the product in question as well as prices, costs and profits of the industry are analysed, the result of the investigation based on an over-all assessment of the economics of the case may not take the form of the formula combining one or more elements of the three magnitudes, production, consumption and import. It could be a recommendation for a certain annual percentage increase in imports of the product in question, or a percentage of the incremental imports, or of total consumption or of incremental consumption; or it could simply be a recommendation in terms of absolute import quantities. (The Long-Term Arrangement regarding International Trade in Cotton Textiles has one or more of these features.) It is thus evident that the application of the escape clause should not be governed by a precise pre-established mathematical formula, but rather by the application of economic criteria and mutual consultation between the countries concerned which should help to identify the elements of a possible formula.

39. To attempt to measure the propriety of an escape clause in terms of the selling price margins between domestic products and imports raises major difficulties. In a competitive economy, prices are expected to be flexible, not rigid. If a new supplier enters a market and offers merchandise at lower prices, the traditional suppliers very often can and do cut their prices to meet the competition, with benefit to the consuming public. If the propriety of an escape clause is to be measured by a mathematical price differential formula, such a price response by domestic producers might very well be inhibited. They might consider it advantageous to suffer the temporary disadvantage of having their prices undercut, secure in the knowledge that such a price margin would insure escape-clause action against the imports. There are two important existing trade restrictive arrangements under which domestic price levels

[6] See this volume, p. 36.

automatically affect the level of import restrictions; the American Selling Price valuation scheme in the United States of America, applied mainly to certain chemical products, and the EEC gate price feature of its agricultural programme. Both of these schemes have been criticized internationally as restrictive to the liberal international trade policies so widely sought in the post-war world. Reference must also be made to the practical difficulties in measuring the comparability of imported and domestic products, and in devising rational differentials for products as diverse as basic semi-manufactures with accepted rigid specifications, and luxury articles, where very large price differentials would scarcely affect competition often based upon refinement of style and the attraction of distinctiveness and brand.

40. Any arithmetical measures in terms of profitability of the domestic producers would raise its own set of difficulties. Usable profit data are rarely available. Use of individual income tax returns would raise serious problems of fiscal policy. Even if this obstacle could be overcome, practical difficulties would be severe. Ordinarily, available tax returns would be outdated as a measure of the impact of a sudden surge of imports. It would be a formidable task to send accountants to examine the books of domestic producers. Multi-product producers are the rule rather than the exception, and any analysis of the profitability of a particular product would introduce the need for complex cost allocation decisions. If all such problems could be overcome, there would still remain the question of judgement as to how far to go in protecting domestic producers at the marginal end of the scale. Efforts to translate escape-clause standards into quantifiable terms thus meet with serious difficulties. This does not mean, however, that any effort to perfect common understanding of the economic criteria for escape action must be abandoned.

B — Procedures for the application of the escape clause

41. The principle of international consultation on matters of mutual concern, coupled with recognition that international interest extends into many areas formerly considered solely of domestic concern, permeates the whole post-war structure of international economic relationship. All the existing escape clauses discussed in this paper provide for inter-governmental consultation before, or, at least, immediately after escape-clause actions. Undoubtedly, the same practice should be followed with escapes from preferences.

42. The consultation could be bilateral, between the importing and the exporting country. If one importing country and several exporting countries were involved, the consultation could be multilateral. There would be considerable merit and advantage in having these consultations in a multilateral framework such as the UNCTAD, which is concerned with the question of preferences and will certainly be involved in the implementation and review of a scheme of preferences. The opportunity of such consultations in an international framework would be conducive to the observance of agreed economic criteria in the application of escape-clause actions and would be a helpful supplement to bilateral consultations among the countries concerned.

43. The IMF and the EEC escape clauses require advance approval of the escape-clause action by the respective international organization. In the view of developing countries prior approval in the use of an escape clause in a general system of preferences would constitute a major single safeguard against erosion of these preferences by unjustified resort to escape-clause actions. The suspension, withdrawal or modification of the preferential treatment should, in their view, be based on a decision by an international body, considering equally the interests of the importing developed countries and of the exporting developing countries. This procedure would help overcome the lack or imperfect definition of quantifiable criteria for resort to escape action. It would also help maintain an equitable distribution among the developed countries of increased import opportunities to their markets as a result of preferences. Advance approval by an international organization, while attractive in principle, would nevertheless not appear to be acceptable to the developed countries, as was evident from the discussions at the second session of the Group on Preferences. It might also be pointed out that the retention of the right to take escape-clause action without advance international approval might help considerably to minimize the apprehensions of the developed countries to the implementation of a system of preferences and also enable a large range of products to be included within the scope of the scheme than would otherwise be possible.

44. The national investigation procedure, where publicity is given to the institution of an investigation long before there is any hint of the probable governmental decision, affords the fullest opportunity for an effective presentation of views from domestic producers and should also afford equal opportunity to foreign suppliers. The Governments of exporting countries could thus in the period make their own examination of the case, and present their own considered views. The limitations to the participation of foreign suppliers in these proceedings have already been pointed out in paragraph 31. The Governments of foreign supplying countries may also have difficulties in participating in what might be considered as purely domestic investigations conducted by Governments of the importing countries. The stability of concessions within a scheme of preferences could be greatly enhanced if provision was made under this open procedure to place the interests of exporters from developing countries on an equal footing with those of domestic suppliers.

45. The wide adoption of public investigations and public reports along the lines suggested above by administrative tribunals functioning in a judicial or quasi-judicial manner would go a long way to reassuring developing countries that preferences would not lightly be brushed aside at the behest of every domestic producer group finding fresh competition distasteful. The interrelationship of these international and national proce-

dures for the application of safeguard actions would thus provide a special opportunity for enhancing the value of both.

C — Adjustment measures

46. Since the objective of a general system of preferences is to provide greater access to the exports of developing countries of manufactures and semi-manufactures, developed countries should not at the same time insist on preserving non-competitive and inefficient industries regardless of cost. When a country undertakes to open its doors to imports, it should also recognize the corollary of such action; that increased import competition may disclose enterprises and industrial areas incapable of surviving such competition. It has long been recognized by many developed countries, both at the national and international level, that provision must be made for adjustment to ease the path out of economic areas where imports hold a distinct, and apparently insuperable, comparative advantage. The detailed study on adjustment assistance made in TD/19/Supp.2 shows that in several instances this provision has been designed to serve two main objectives:

(*a*) To increase competitiveness and productivity of affected industries through modernization and rationalization of equipment; and/or

(*b*) To encourage the transfer of the factors of production into other lines of activity.

It is undeniable that the application of adjustment assistance to serve the second objective is more conducive to the proper adjustment of the economy to accommodate an increasing volume of imports. This type of adjustment would thus assist in attaining the objectives of a general system of preferences.

47. The adjustment is, however, expected to be of limited scale since the opening of preferential markets in developed countries is not likely to result in a sudden and substantial increase of exports from the developing countries. The time necessary for these countries to adapt their industrial structure to meet the rising import opportunities will provide the developed countries with ample opportunity to bring about the requisite structural adaptation of their economies. To the extent, therefore, that adjustment assistance is offered to mitigate the eventual adverse effects of safeguard actions on exports of developing countries, it would greatly ease the fears that the existence of an escape clause endangers the substance of tariff preferences.

V — Suggestions for devising economic criteria for an escape action

48. The extension of preferences to developing countries, such as a non-discriminatory tariff concession, constitutes a decision to subject domestic producers to added competition from the preferred sources. An escape clause invoked too readily would nullify the value of a preferential scheme. Thus, while it is understandable that countries extending preferences would wish to have some protective devices available for extreme cases, it may fairly be expected that an escape clause would be employed sparingly. Specifically, it is reasonable to assume that countries to which preferences have been extended should expect that the following principles be employed for evolving economic criteria for escape-clause actions.

(*a*) It must be recognized that one of the main objectives of the extension of preferences is to facilitate imports from developing countries. The mere fact that this is realized provides no justification for withdrawing or restricting the preferences. The escape-clause action should relate solely to eventual injury from actual, rather than hypothetical, imports. The impact of imports can only be judged fairly after they have occurred, and their competitive effect has been demonstrated.

(*b*) If domestic producers are shown to be in difficulty, it must be demonstrated that the operative cause lies in the excessive preferred imports themselves and not in other factors, such as non-preferred imports, lagging domestic technology, rigidity of marketing and competitive patterns in the domestic industry, or other factors for which the preferred imports are not responsible.

(*c*) The seriousness of injury should not be judged by artificial segregation of products unrelated to the practical organization of an industry. To lose sales of one product, while business is booming in other products, hardly presents a situation in which a domestic producer can be considered to be suffering injury.

(*d*) In a world economy becoming more and more interrelated, developed countries should not insist on retaining non-competitive and inefficient industries. Countries must recognize that there is an economic point at which it is not worth preserving at any cost domestic production of this kind. Where this is the case, it should be recognized that the difficulties encountered are attributable to the law of comparative advantage, rather than to the generous admisison of imports.

(*e*) International consultation, including where feasible international approval, should be instituted to give effective safeguard against erosion of acquired preferences by unjustifiable resort to escape-clause actions. This procedure would equally safeguard the interests of the importing and exporting countries, and would help overcome the lack or imperfect definition of quantifiable criteria for resort to escape actions. Finally, it would help maintain an equitable distribution among the developed countries of increased import opportunities to their markets as a result of preferences.

(*f*) As far as the national procedure is concerned for applying the escape clause, the open investigation method, including a public hearing, could also contribute to the stability of concessions granted under a general system of preferences, if under such a procedure the interests of developing countries were taken into account on an equal footing with those of domestic producers.

(*g*) Where it is determined that escape action is justifiable, there remains the formulation of a proper measure of relief. Here, international good faith dictates balancing the economic interests of domestic producers against the economic interests of producers in developing countries who may have instituted or expanded production in reliance upon preferential access to the particular market. Escape-clause relief should not require the complete withdrawal of a preference. An intermediate rate of duty, or a tariff quota, might suffice to give fair protection to the domestic producers and still providc a reasonable opportunity to the foreign suppliers who counted on the preference.

(*h*) The relief afforded by an escape clause to domestic producers should be temporary and should not be designed to create a permanent exception to the tariff preferences, but rather to afford a breathing spell for these producers, to enable them to carry out adjustment measures, with or without governmental assistance, and to make them better able to cope with import competition. When the domestic producers do not take effective action to cope with foreign competition promptly, the escape-clause relief should be withdrawn. The best method of insuring such a domestic response is to afford escape-clause relief only for a limited fixed period, and make it clear that extensions would only be granted for progressively shorter periods which would finally taper-off, based on a showing of major progress toward making relief unnecessary.

(*i*) Developed countries should consider, both at the national and international level, adjustment assistance measures to help domestic industries which experience difficulties because of increased imports from developing countries resulting from the grant of preferences, to move out of such production lines. To the extent that this assistance is offered to mitigate the eventual adverse effects of safeguard actions on exports of developing countries, it would greatly ease the fears that the existence of an escape clause endangers the substance of tariff preferences.

Document TD/56 *

REPORT BY THE SPECIAL GROUP ON TRADE WITH DEVELOPING COUNTRIES OF THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Note by the UNCTAD secretariat transmitting the report

[*Original text: English*]
[*29 January 1968*]

The following report has been transmitted by the Secretary-General of the Organisation for Economic Co-operation and Development (OECD) to the Secretary-General of UNCTAD. It is being made available to the second session of the United Nations Conference on Trade and Development in connexion with item 11 (*b*) of the provisional agenda, in conformity with rule 80, paragraph 2, of the provisional rules of procedure.

LETTER FROM THE SECRETARY-GENERAL OF THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT ADDRESSED TO THE SECRETARY-GENERAL OF UNCTAD

Sir,

The Council of the OECD has instructed me to transmit to you information on the conclusions reached in this Organisation on the subject of special tariff treatment for developing countries.

As you know, paragraph 7 of the *Communiqué*, which was issued after the last meeting of the OECD Council at Ministerial level on 30 November and 1 December, 1967, dealt with the subject in the following terms:

" Ministers welcomed the progress made by the Special Group set up to examine trade relations with developing countries in accordance with the directives given at their meeting in November 1965 aimed at the formulation of constructive and concerted policies for encouraging increased export earnings by those countries. The Group set out a number of general considerations relating to temporary special tariff treatment by developed countries in favour of all developing countries.

" Ministers agreed that the broad lines of the Group's work should serve as a common basis for delegations of member Governments at the second session of the United Nations Conference on Trade and Development and in future discussions of this matter. Ministers underlined that the envisaged arrangements should not imply the granting of reciprocal advantages by developing countries to the exports of developed countries.

" Some important questions regarding the arrangements for special tariff treatment remain open. Ministers instructed the Organisation to continue to consider these problems in the light of the views expressed by developing countries. Several Ministers stated that a key element in such arrangements would be the phasing out, as rapidly as possible, of existing preferences extended by some developing countries to some developed countries. Other Ministers could not share this view, and stressed that the fundamental aim of the arrangements contemplated was the granting of new advantages to the exports of developing countries."

The report by the Special Group, which is mentioned in the *Communiqué*, is reproduced in the annex to this letter.

As stated in the *Communiqué* " some important questions regarding the arrangements for special tariff treatment remain open ". While it is therefore evident that considerably more work will have to be done on this matter before such arrangements could be put into operation, the stage reached at present appears clearly to be an appropriate one at which to look for the views of the developing countries.

May I add the reminder that the membership of this organisation includes some developing countries which, like other potential beneficiaries, have an interest in the subject of special tariff treatment.

I should also point out that Finland, which has been associated with the work of the organisation on this subject, endorses the conclusions reached so far.

It would be appreciated if this information could be circulated to the second session of the United Nations Conference on Trade and Development.

ANNEX

REPORT BY THE SPECIAL GROUP ON TRADE WITH DEVELOPING COUNTRIES

PART ONE

The Special Group recommend that member Governments of the OECD support a statement on the following lines to be presented to the developing countries at the second session of the United Nations Conference on Trade and Development. The United

* Incorporating document TD/56/Corr.1.

States member of the Group stated that in his view it would be necessary for this statement to include, in addition, the point made by him at the end of part one of this report.

* * *

(1) Temporary advantages in the form of generalized arrangements for special tariff treatment for developing countries in the markets of developed countries can assist the developing countries to increase their export earnings and so contribute to an acceleration in their rates of economic growth.

(2) The potential benefits for developing countries will be maximized by the largest possible participation of developed countries in arrangements for the grant of such special tariff treatment.

(3) Such new arrangements should aim to accord broadly equivalent opportunities in all developed countries to all developing countries.

(4) The arrangements should be designed so as to result in an equitable distribution among the developed countries of increased import opportunties to their markets, and should take into account the effects on the exports of third countries.

(5) Any new arrangements for the grant of special tariff treatment cannot be put into effect without the support of the developing countries, and their views should be taken into account in the formulation of any such arrangements.

(6) The grant of temporary tariff advantages to developing countries would not constitute a binding commitment and should not in any way impede the reduction of tariffs on a most-favoured-nation (m.f.n.) basis, whether unilaterally or following an international tariff negotiation.

Discussions among member Governments of the OECD have led to a broad measure of agreement on a number of key elements which might be included in arrangements for the grant of special tariff treatment.

A — *Beneficiary countries*

Special tariff treatment should be given to the exports of any country, territory or area claiming developing status. This formula would get over the difficulty which would otherwise arise of reaching international agreement on objective criteria to determine relative stages of development.

Individual developed countries might, however, decline to accord special tariff treatment to a particular country claiming developing status on grounds which they hold to be compelling. Such *ab initio* exclusion of a particular country would not be based on competitive considerations (which would have to be dealt with by the procedures discussed under sections C and G below).

It is to be expected that no country will claim developing status unless there are *bona fide* grounds for it to do so; and that such a claim would be relinquished if those grounds ceased to exist.

B — *Product coverage*

Special tariff treatment should apply in principle to all manufactured and semi-manufactured products. Other products could be included on a case-by-case basis.

C — *Exceptions*

It is probable that developed countries will find it necessary to exclude from the outset from the benefit of the special tariff treatment a limited number of products in respect of which developing countries are already competitive.

D — *Rules of origin*

The grant of special tariff treatment will require the application of rules of origin to determine the conditions under which imports shall qualify for admission at special rates of duty. It will be necessary to determine how best to achieve the objectives of ensuring that the rules are in accordance with the intentions of the new arrangements and of providing broadly equivalent new import opportunities into each developed market.

E — *Duration*

The special tariff treatment should be temporary and degressive. Margins of preferences would not be guaranteed. The initial arrangements should be for a period of ten years with provision for a major review before the end of this period to determine whether the special tariff treatment should be continued, modified or abolished. It is obvious that developed countries may wish before the ten-year period has elapsed to consider the feasibility of a further international negotiation to reduce tariffs on an m.f.n. basis. If they do so and the negotiations were successful, an element of degressivity would automatically be introduced into the arrangements for developing countries.

F — *Depth of cuts*

The imrpoved access for developing countries may take the form of duty-free treatment or substantial reductions below m.f.n. rates.

G — *Safeguards and adjustments*

Any scheme of special tariff treatment must inevitably include some safeguard or adjustment arrangements to avoid the risks of dislocation of industry and labour.

Safeguards may be either related to the possibility of withdrawal or modification of special tariff treatment when imports of particular products reach certain limits (defined in advance by reference to domestic production, consumption or imports), or they can be related to determination by the developed country concerned of the causing or the threat of injury from such imports.

These questions call for examination with a view to agreement among developed countries. It will be for the countries according special tariff treatment to ensure that safeguards and adjustments are applied in a manner consonant with the principle of equitable sharing of improved access and taking account of the effects of the arrangements on the exports of third countries.

H — *Preferences received by some developing countries in the markets of some developed countries*

It is recognized that many countries would see as an important objective of the new arrangements a movement in the direction of equality of treatment for the exports of all developing countries in developed country markets. At the same time, developing countries at present receiving preferences in some such markets would expect the arrangements to provide them with increased export opportunities to compensate for their sharing of their present advantages.

I — *Action by countries with centrally-planned economies*

Both in order to maximize benefits for the developing countries and to provide for equitable distribution of appropriate measures among developed countries, the grant of special tariff treatment by developed countries with market economies should be matched by arrangements by countries with centrally-planned economies which would similarly increase the opportunities for the export to them of products from developing countries.

J — *Action by developing countries*

The arrangements should not involve the grant of reciprocal advantages by developing countries for the exports of developed countries. They should, however, be the occasion for developing countries to broaden market opportunities among themselves on a regional basis. They should also be of assistance to the developing countries in their efforts to accelerate improvement in the conditions of employment and the standards of living of their people. It would help if these countries agreed to take measures to encourage foreign investment as an additional spur to industrialization.

* * *

The United States member stated that, in his view, a key element in any arrangements for the grant of special tariff treatment is the phasing out, as rapidly as possible, of existing preferences extended by some developing countries to some developed countries.

Part Two

Question of principle

1. Should developed countries grant special tariff treatment to products of developing countries? The Group considered that two basic issues were involved, one pragmatic and the other of principle. The pragmatic issue is whether special tariff treatment can be expected significantly to improve the export earnings of developing countries. The issue of principle is whether the grant of such treatment might be expected so to undermine the m.f.n. principle that the risks outweigh the possible advantages for developing countries. Although logically distinct, there is a connexion between these issues. If it were concluded that developing countries could not expect to derive much effective benefit in terms of higher export sales from the grant of special tariff treatment, it would strengthen the case against allowing departure from article I of the General Agreement on Tariffs and Trade. If, on the other hand, it could reasonably be inferred that developing countries would derive valuable trade benefits, it might be held that there was sufficient justification to face, while trying to minimize, the risks involved.

2. The Group last year devoted much time to consideration of the probable effects on the exports of developing countries of various types of trade policy measures, including special tariff treatment. They concentrated, in particular, on existing preferential arrangements between some developed and some developing countries in the hope of being able to make use of these precedents in arriving at some judgement about the likely effects. They were unable to do so then and are in no better position to do so now. Indeed, the Group would go further. Just as they have not found it possible to make any quantitative judgement of the influence which existing preferential arrangements, some of long-standing, have had on trade flows, they believe that it would be impossible in the future, even if special tariff treatment were granted, to determine with any useful degree of precision the extent to which the grant of such treatment had stimulated total imports into their markets from developing countries. The factors influencing trade patterns are too varied to enable the effect of tariff changes to be isolated and quantified, whether in the short or longer term.

3. Although the Group have found it impossible to form any quantitative judgement on the effect of the grant of special tariff treatment on the exports of developing countries, they recognize the strength of feeling on the part of the Governments of many developing countries that special tariff treatment would help them and ought to be conceded. The Group attach importance to this " psychological " aspect. The development of customs unions and free trade areas in the second post-war decade has meant that a much lower proportion of world trade is conducted on the basis of m.f.n. tariff rates now than was the case a few years ago. Even though m.f.n tariff rates on a wide range of goods, particularly industrial goods, will be coming down over the next four years as a result of the Kennedy Round, developing countries take the view that not enough has been done to help solve their trading problems. This dissatisfaction has crystallized itself in more insistent demands for " preferences " in developed country markets. This connexion between the issue of principle and the pragmatic issue can be looked at in another way. One result of the new arrangements, which many countries would see as an important objective, would be a movement in the direction of equality of treatment for the exports of all developing countries in developed country markets. The United States member pointed out that certain developing countries have expressed particular concern about special arrangements which they consider adversely affect their trade interests. He expressed the view that elimination of existing discrimination among developing countries is one of the principal objectives of the proposed generalized scheme. In his view the ultimate result should be a departure from the basic m.f.n rule on only one general level.

4. The Group have concentrated their attention on the question " how " rather than " whether " to grant special tariff treatment. They are agreed that the concession of special tariff treatment in developed country markets could help the developing countries to increase their export eanings.

General approach

5. In discussing the mechanics of arrangements for the grant of special tariff treatment it has been the practice to deal with the subject under a number of headings, i.e., donor countries, beneficiary countries, product coverage, depth of cut, duration, safeguards, existing preferential arrangements, etc. Piecemeal consideration under separate sub-titles of this kind may tend to obscure the interlocking nature of the problems since conclusions on any one aspect affect all the others. Although this report follows past practice, it attempts to bring out the essential relationship between each of the main aspects.

Donor countries

6. If arrangements for the grant of special tariff treatment are to have their full intended effect, it is clearly desirable that as many developed countries as possible should agree to participate; the greater the number of donor countries, the wider the range of new export opportunities for developing countries and the smaller the risk of market disruption. It is natural that prospective donor countries should attach particular importance to what has come to be termed " burden-sharing ". Administrations and legislatures in developed countries have imposed tariffs in order to give domestic producers a margin of competitive advantage over foreign producers. Where some offsetting benefit is obtained, e.g., in GATT tariff negotiations or in regional integration agreements, the reduction or removal of this advantage may be justified without too much trouble. It is less easy to deprive industries of all or part of their tariff protection without the justification of any clear-cut offsetting benefit either for them or for the economy as a whole. They can be expected to have little regard for prospective indirect benefits such as those accruing in the form of increased exports which may flow from the enhanced buying power in developing countries. The case for non-reciprocal reduction or abolition of tariffs must rest on the consideration that other countries, with comparable economies, have agreed to take corresponding action as part of an international effort to improve the export earnings and consequently the development prospects of the poorer countries. The donor countries can each claim that they are partners — but equal partners — in this endeavour. The Group agree, therefore,

that the major developed countries should all participate and that any special tariff treatment should be such that every donor country would consider it was contributing its share — no more and no less — to the agreed aim. In order to ensure that all donors make and maintain equivalent efforts and, in particular, in order to clarify how the concept of equivalent effort would be interpreted, an understanding would have to be reached by all donor countries, both before implementation and after special tariff treatment has been introduced, concerning the conditions under which preferences would be granted and maintained. Moreover, a consultative procedure would have to be established among donor countries to examine any subsequent significant changes in the coverage or nature of the special tariffs applied by any donor countries.

7. A second reason for the widest possible participation in any new arrangements is that those developing countries which already have tariff preferences in particular developed markets would receive the maximum compensation in terms of improved access elsewhere in return for sharing their existing benefits with other developing countries.

Beneficiary developing countries

8. The Group consider that the questions of how to establish (and, if necessary, modify) the initial list of beneficiary developing countries, and how to allow for adjustment according to changes in circumstances, are crucial to the whole concept of granting special tariff treatment. They discussed how other international bodies have distinguished between developing countries and others; how individual developed countries have done so for particular purposes; and how the problem of definition could theoretically be tackled.

9. The Group reached the conclusion that no formula method, such as one based on *per capita* national income statistics, could be devised which would at the same time provide an adequate means of differentiation and be politically satisfactory to Governments.

10. Failing an acceptable formula, the next possibility was a selection procedure. The questions would then arise of who should do the selecting and how it could be done in the absence of any objective criteria to govern the categorization of countries. Selection by prospective donor countries, who would in any case be extremely reluctant to undertake such a task, would not be viewed with favour by potential beneficiaries. It was tempting, therefore, to suggest that those countries which by any standards would be included in the developing group should be given the main responsibility for establishing the list of beneficiaries. After full consideration, the Group agreed that this solution should be rejected. They did not think it would be satisfactory that countries which were candidates for, but uncertain of, " election " to the group of beneficiaries should be obliged to rely on a favourable judgement by countries whose claims to be described as developing were incontestable. The latter group of countries would have an incentive to keep the list of beneficiaries as short as possible so as to maximize the value to themselves of the grant of special tariff treatment by developed countries. There was a risk that selection might be influenced by political attitudes as well as by economic considerations.

11. If the search for an acceptable formula to differentiate developed from developing countries was to be abandoned and a selection procedure discarded, the only remaining possibility appeared to be " self-election ".

12. Such a solution was far from ideal. Claims for qualifications would undoubtedly be put forward by countries which one or other of the donor countries would, if left to itself, have been reluctant to accept; and which some of the beneficiary countries themselves would have been inclined to contest. None the less, and in spite of its imperfections, the Group have concluded that, as a basis for starting the arrangements and subject to the qualification in the following paragraph, all countries claiming to be developing should be given the advantage of any special tariff treatment. It is to be expected that no country will claim developing status unless there are *bona fide* grounds for it to do so; and that such a claim would be relinquished if those grounds ceased to exist.

13. Their consideration of this point has reinforced their conclusion on another point to which the Group attach great importance. This is their agreement that there should be no binding commitment to grant special tariff treatment. While waivers from article I of the General Agreement on Tariffs and Trade obligations will have to be obtained before any new arrangements can be implemented, such waivers will by their nature only give donor countries the right to introduce special tariff treatment, even though it would no doubt be reasonable to expect that the terms of the waivers would place some limitations on the way in which that right may be exercised. But if the waiver imposes no obligation on a donor country to give any special tariff treatment at all, it follows that there can be no obligation to grant it to any particular country. Indeed, there may well be countries, although unquestionably developing, to which one or more donor countries would not be prepared to extend special tariff treatment on grounds which are, in their view, compelling. It is also possible that a donor country at some future date might on similar grounds feel it necessary to withdraw the benefit of such treatment from a particular country. Such exclusions would not be based on competitive considerations, which would be dealt with under the procedure referred to in paragraphs 18 and 27-29 below.

14. Although the Group are strongly of the opinion that arrangements for special tariff treatment should not involve binding commitments, they agree that a means must be found to ensure that major donor countries do not refuse, either initially or later, to accept the claims of individual countries to qualify for special tariff treatment in their markets where such action would run counter to the burden-sharing principle referred to in paragraph 6 above or would affect the issue of compensation, in terms of better access in other markets, for those countries which already have tariff preferences in individual developed markets. The Group consider that there should be an understanding or gentleman's agreement between major donor countries that, in exercising the rights granted to them by any General Agreement waiver, they would not pick and choose between claimants for special tariff treatment except on the grounds referred to in the previous paragraph. In this way it would be possible to prevent any possibility of complaint that individual donor countries were making use of the absence of any internationally agreed list of developing countries to escape taking on their fair share of the " burden " of helping developing countries to increase their export earnings.

15. The Group think it wise at this point in their report to stress that they are not proposing that donor countries should act without regard for the views of the developing countries. They recognize that it would not be sensible to introduce new arrangements unless the developing countries were reasonably content with them. Nevertheless, they consider it essential to put their view on record about the status of any special tariff treatment in unambiguous terms.

Product coverage

16. The Group agreed that as far as manufactures and semi-manufactures were concerned, chapters 25-99 of the Brussels Tariff Nomenclature should be the basis for the coverage of any new arrangement, and that any list of exceptions should be as short as possible.

17. As regards products in the earlier chapters of the Brussels Tariff Nomenclature, the position was more complex. For many

developing countries, the greatest importance will be attached to the inclusion of those processed agricultural products in which they have a particular interest, and some of those countries might expect to benefit very little initially from the grant of special tariff treatment unless certain processed agricultural products were included. Again, for many developing countries, their trade is concentrated in agricultural and primary products, and the inclusion of those products would also eliminate or reduce differences in the treatment of developing countries in developed country markets. But agricultural policies throughout the world, and their effects on market conditions in relation to agricultural products, make it difficult to consider any new arrangement for these products on precisely the same footing as for manufactures and semi-manufactures, especially as the tariff alone, in most countries, is not the only relevant factor in the situation. There would also be difficulties in ensuring consistency with the burden-sharing principle. One member of the Group, none the less, considered that all products should be included in the arrangements. The majority of the Group believed that these considerations led to the conclusion that it would not prove feasible for any country to grant special tariff treatment for processed agricultural products except as a result of case-by-case examination.

Exceptions

18. The question of exceptions is relevant both to the burden-sharing principle, first mentioned in paragraph 6, and to the question of compensation for countries which already enjoy preferences in certain developed markets. Domestic manufacturers of products already subject to significant competition from imports will not readily accept the removal or reduction of their protection against imports from developing countries if they know that their counterparts in other developed countries are not similarly placed. There is a danger, therefore, that each donor country may feel constrained to match, product by product, the exceptions insisted upon by the others. If this were to happen, the final exceptions list would include any product figuring in any one of the lists submitted by major donor countries, and could include a high proportion of the products in which the developing countries have a significant current trade interest, all the more so as their exports are concentrated on a relatively narrow range of goods.

19. Countries enjoying existing tariff preferences also have a strong interest in exceptions. They might ask the donor countries in which they have such preferences to include in their exceptions lists items which appear on the exceptions lists of others.

20. It would be desirable for the major prospective donor countries to consult each other when considering exceptions with the aim of keeping the final list as short as possible. Although it seems reasonable to assume that the products which are " sensitive " to import competition in one market are likely to be so in others, the Group see no reason why the list of individual donor countries need be identical. It is, however, necessary that the exceptions of the donor countries should reflect the principle of burden sharing.

21. The question of exceptions cannot, however, be considered in isolation. It is likely to be very much influenced by the depth of tariff cuts, by whether the arrangements finally agreed provide for some limitation on the volume or value of imports on which special tariff treatment is to be given, and by whether the arrangements provide for the withdrawal of such treatment on products imported from individual developing countries in particular circumstances.

Depth of tariff cuts

22. The Group considered whether they could recommend that the special tariff treatment should always take the form of duty-free entry which would, from the point of view of competing with domestic producers in developed countries, be the most favourable arrangement for developing countries. There were doubts about whether it was possible to go so far. Given that some products would have to be totally excepted from the grant of special tariff treatment, acceptance of the principle that this treatment, when granted, should invariably take the form of duty-free entry might have the effect of lengthening initial exceptions lists. If it were possible to give reduced duty rather than duty-free entry treatment, some donors might do this for some products which they would otherwise have totally excepted. On the other hand, those donor countries which might have been prepared to concede duty-free treatment for particular products might have difficulty if another major donor conceded only reduced duty treatment on those products.

23. In those cases in which developed countries already give tariff preferences to products from certain developing countries, they normally concede duty-free entry. If it were agreed that for some products reduced duty rather than duty-free entry was appropriate, developing country suppliers outside existing preferential areas would not achieve parity in tariff treatment with those inside them.

24. The Group discussed the possibility of determining the depth of tariff cuts by formula. One such formula put forward was that duty-free treatment should be given where the m.f.n rate was 10 per cent or less; otherwise the special tariff rate would be 10 percentage points below the ruling m.f.n rate or, alternatively, would be one-half of the m.f.n rate.

25. The depth of tariff cut also has implications for the way in which special tariff treatment might eventually be phased out. There were only two basic possibilities. The first was that at some future point in time all special tariff treatment would end and imports from developing countries would henceforth be charged with m.f.n rates of duty. The other possibility was that m.f.n tariff rates would be reduced to the levels operative on imports from developing countries.

26. The Group agreed that it was not possible to make a recommendation at this stage on the depth of tariff cuts. The Group emphasized that any arrangement for special tariff treatment would not prevent developed countries from consulting among themselves to decide whether they would be prepared to make further m.f.n. tariff cuts.

Safeguard and adjustment procedures

27. The Group agreed that some provision would have to be made enabling donor countries either to discontinue or modify the grant of special tariff treatment on particular products or to impose limits on the volume of such products admitted on special tariff terms. This would be necessary in order to mitigate the possible effects of increased competition in their markets, or to provide a means of safeguarding the export interests of third countries, whether beneficiary countries or not.

28. The conventional method of dealing with this contingency would be an " escape clause " provision which could be used if the donor country judged that increased competition in its market, arising because of the grant of special tariff treatment, had resulted or threatened to result in injury to a domestic industry or to an export industry in a third country. The escape-clause action might take the form of removal of the product from the scheme entirely, an increase in the special rate of duty, or a tariff quota.

29. Another method of dealing with it, which was described in the Group's interim report, would be the tariff quota-cum-" adjustment procedure " device under which special tariff treatment would in principle be limited for any product to an amount or value equivalent to a specified proportion of national production or consumption, without regard to the concept of injury to a specific domestic industry; and a developing country might cease to qualify for participation in the " quotas " for particular products in

individual developed markets on the basis of its export performance in those products in those markets. The imposition of the total tariff quota as well as the use of the adjustment procedure might be mandatory or permissive.

30. Although the Group devoted a considerable part of their time to the examination of the merits and shortcomings of the different methods of providing against the possible dangers referred to in paragraph 27, they were not able to reach agreement that any one method was so demonstrably superior to the others or was so sufficiently free from risks or difficulties of its own that they could recommend it for general acceptance.

31. It was common ground among the members of the Group that it would not be possible to introduce a scheme of special tariff treatment for developing countries which did not include some arrangements for withdrawal or modification in certain circumstances, possibly on a temporary basis. But there were persisting differences of view about the desirability and feasibility of the various possible arrangements.

32. There were also differences about whether it would be necessary for the same or substantially similar arrangements to be adopted by all donor countries or whether it would be possible, assuming that it could be made consistent with the other principles generally accepted for different countries to adopt arrangements which they found individually suitable to their own circumstances.

33. On these matters the Group are agreed that there should be further discussion among prospective donor countries.

34. The Group agreed that whatever conclusion was eventually come to on these matters, existing anti-dumping provisions should still be applicable. They agreed also that regard must be paid to the possibility that the interests of third countries might be at risk through the effects of special tariff treatment, and that as part of the arrangements there should be provision for consultation and remedial action if appropriate against this contingency.

Phasing out and duration of special tariff treatment

35. The Group agreed on the importance of providing that the grant of any special tariff treatment should be temporary and subject to periodic review. Once special tariff treatment had been given the beneficiary countries would not share any general interest in m.f.n. tariff reductions and might even resist them in order to maintain their differential advantage. In order to avoid any misunderstanding, it should be made crystal clear that special tariff treatment was a waiver from the basic General Agreement on Tariffs and Trade rule and therefore not an obligation, and that it would not be allowed to stand in the way of m.f.n. tariff reductions if developed countries wished to introduce them either unilaterally or after another round of international tariff negotiations.

36. It was admittedly easier to state as a principle that special tariff treatment should be temporary and degressive than it was to determine how this principle should be applied. As explained in paragraphs 25 and 26 above, the prospects that special tariff treatment might be phased out as a result of the reduction of m.f.n. rates to the level of the special rates depend in part on the depth of tariff cuts granted to developing countries. Any m.f.n. tariff negotiations which succeeded in reducing still further the general level of m.f.n. rates would have the effect of reducing the advantages which the exports of developing countries had been given over the exports of developed countries as a result of special tariff treatment. To this extent it would be accurate to say that a degressive element had been introduced into the arrangements.

37. The Group concluded that the only pragmatic solution was to provide that special tariff treatment should be granted for a period of ten years initially but that there should be a major review before this period elapsed in order to determine in the light of circumstances then prevailing whether special treatment should be continued, modified or abolished. Account will have to be taken, *inter alia*, of the fact that the developing countries are at different stages of development and consequently the effective duration of the benefits gained from special tariff treatment over this period will have varied.

Tariff arrangements now in force

38. The Group agreed it would be unrealistic to expect those developing countries which now enjoyed a preferential position in certain developed markets to accept curtailment of their existing access privileges in the context of arrangements for special tariff treatment for all developing countries. The Group recognized that the maintenance in full of existing " access " arrangements for preferred developing suppliers might mean that in certain developed markets the exports of all developing countries would not be treated in precisely the same way. The degree of difference would depend on the arrangements initially adopted, e.g. the depth of tariff cut, product coverage, the number of exceptions and whether any limitation was placed on the volume or value of exports on which special tariff treatment was to be given. Although equality of treatment as between developing countries might not be fully achieved in certain markets, the movement would be in the direction of rather than away from equality.

39. One member of the Group underlined his country's concern about the spread of special preferential arrangements and stated that in his country's view a key objective of generalized preferences would be to facilitate the gradual elimination of such arrangements. He said that the achievement of this objective would end pressure from developing countries outside existing preferential arrangements for action which might further fragment the world trading system.

40. In respect of tariff advantages enjoyed by some developed countries in the markets of some developing countries, there was a difference of view in the Group. It was maintained, on the one hand, that it would not be politically feasible for some developed countries to get legislative authority for special tariff treatment in favour of countries that were discriminating against their exports in favour of other developed countries. The opposing view was that while every potential donor country had its difficulties, the basic idea was to confer a new benefit on the exports of developing countries without expecting any direct reciprocal benefit in return. To demand that developing countries granting some differential advantage in their markets to certain developed countries with whom they had traditional or trade agreement ties should abandon them was in essence a demand for a payment in return for conceding special tariff treatment. The view also expressed that such preferences granted by some developing countries to some developed countries did not benefit the developing countries concerned and indeed might work to the detriment of their economic development by distorting conditions of competition and preventing them from purchasing their imports from the most economical sources. Other views were that the arrangements in force between certain developed and certain developing countries were very much to the advantage of the developing countries concerned, and that the developing countries are the best judges of their own interests.

Rules of origin

41. The adoption of any form of special tariff treatment for developing countries requires the application of appropriate rules of origin. The content of such rules can make a considerable difference both to the volume of products qualifying for the benefit of the new arrangements and to the " burden-sharing principle ". The Group decided to invite customs' experts from their own administrations to study the problems involved.

42. The Group agreed that it would be necessary for Governments to examine the need for drawing up a set of common rules in the light of final decisions about arrangements for special tariff treatment.

Action by developed countries with centrally-planned economies

43. The Group agreed that if arrangements for the grant of special tariff treatment were accepted and put into operation by the major developed countries of the West as part of an international effort to encourage the exports of developing countries, some corresponding effort ought to be made by developed countries, with centrally-planned economies. This should have the effect of providing comparable increased opportunities for the exports of developing countries to their markets. While the Group considered that this point of view should be pressed on the countries in question, action by the major developed countries of the West should not be made dependent on corresponding action by developed countries with centrally-planned economies.

Action by developing countries

44. The Group agreed on the importance of complementary measures by developing countries to promote trade among themselves, and, in particular, of the establishment of new regional integration arrangements and strengthening of existing integration arrangements between developing countries, and of the creation by the developing countries of a climate for foreign investment that will promote industrialization and permit the developing countries to take advantage of the potential trade advantages created by the special tariff treatment. Again however, they did not believe that the grant of special tariff treatment could or should be made conditional on the adoption of such complementary measures by the developing countries themselves.

Conclusion

45. The Group have had very much in mind the fact that the second session of the United Nations Conference on Trade and Development will begin in only four months' time and that the question of special tariff treatment for developing countries will inevitably be a major agenda item. They realise that countries not represented on the Group, both developed and developing, are hoping that the Group's report will suggest how the stalemate on this subject can be broken. They have accordingly drawn up, and included as part one of this report, a set of guidelines or principles as a basis for a statement which might be presented to the developing countries at the second session of the Conference.

PROGRAMME FOR THE LIBERALIZATION AND EXPANSION OF TRADE IN MANUFACTURES AND SEMI-MANUFACTURES OF INTEREST TO DEVELOPING COUNTRIES

Document TD/20/Supp.1

PROGRAMME FOR THE LIBERALIZATION OF NON-TARIFF BARRIERS IN DEVELOPED COUNTRIES ON PRODUCTS OF EXPORT INTEREST TO DEVELOPING COUNTRIES

Report by the UNCTAD secretariat

[*Original text: English*]
[*23 November 1967*]

CONTENTS

	Paragraph	*Page*
INTRODUCTION	1-7	87
CHAPTER I. BRIEF SURVEY OF LIBERALIZATION OF QUANTITATIVE RESTRICTIONS	8-27	88
1. Organisation for European Economic Co-operation	9-11	88
2. European Economic Community	12-15	89
3. European Free Trade Association	16-17	89
4. The General Agreement on Tariffs and Trade and the International Monetary Fund	18-23	90
5. United Nations Conference on Trade and Development	24-27	90
CHAPTER II. SURVEY OF THE EXISTING QUANTITATIVE RESTRICTIONS	28-43	91
1. Types of quantitative restrictions	36-39	92
2. Reasons and economic implications of quantitative restrictions	40-43	92
CHAPTER III. POSSIBLE APPROACHES FOR THE REMOVAL OF QUANTITATIVE RESTRICTIONS	44-62	93
1. Unilateral, bilateral or multilateral approach	45-47	93
2. Product-by-product approach	48-51	93
3. Standstill arrangements and the gradual increase in quotas with a view to their elimination	52-56	94
4. Voluntary export restrictions	57-58	94
5. Adjustment assistance	59-60	94
6. Supplementary measures	61-62	95
CHAPTER IV. SUGGESTIONS FOR A PROGRAMME OF IMPORT LIBERALIZATION	63-77	95
1. Standstill	64	95
2. Inventory of existing quantitative restrictions	65	95
3. More liberal administration of quantitative restrictions currently in force	66	95
4. Elimination of discriminatory elements in existing restrictions	67	96
5. Global quotas in place of bilateral quotas	68	96
6. Elimination of global quotas not fully utilized during a certain period	69	96
7. Gradual increase in global quotas	70-72	96
8. Duration of the period of liberalization	73	96
9. Parallel action by developing countries	74	96
10. Institutional arrangements	75-77	97

Introduction

1. Most of the developed market-economy countries have removed almost all quantitative restrictions in their mutual trade in manufactured and semi-manufactured goods. In their trade with the developing countries, on the other hand, a number of these countries still maintain general quantitative restrictions on a number of exports from the developing countries. Such restrictions are applied in particular to the main export items of the developing countries, namely textiles, clothing and processed agricultural products. In addition, one or more developed market-economy countries maintain restrictions on a variety of other manufactures and semi-manufactures. In view of this, attention has often been drawn to the urgent need for the removal of these restrictions in the developed countries and to the serious handicaps these obstacles place on the

expansion and diversification of the developing countries' exports. Furthermore, at its first session the United Nations Conference on Trade and Development adopted recommendation A.III.4 urging removal of the then existing quantitative restrictions.[1]

2. Quantitative restrictions are one of the most important non-tariff barriers affecting international trade and in particular the exports of the developing countries. Other non-tariff barriers include those which have similar effects to tariffs, called "para-tariff" barriers, and various technical and administrative rules on the import of goods into a country.

3. One of the important "para-tariff" barriers is levies, such as those imposed on agricultural imports by a number of European countries. In certain cases these levies can be an even more effective control on imports than quantitative restrictions. Other important "para-tariff" barriers are: (*a*) special taxes on imports such as excise taxes, usually applied for revenue reasons; (*b*) the use of different tariff nomenclatures and classification of goods for customs purposes; (*c*) the valuation of imports for customs purposes on bases different from those normally applied; and (*d*) the incomplete and delayed publication of customs information.

4. The technical and administrative rules cover a wide range of matters such as sanitary regulations, technical specifications, national security regulations, price control, origin and label marking, packaging requirements and import formalities, and documentation for imports.

5. Government purchasing and contracting must also be mentioned in this context, since it can be, and is, often applied in a restrictive manner.

6. All these barriers have a strong impact on the exports of the developing countries, but unfortunately detailed information on them is not readily available. While this report deals only with quantitative restrictions, an examination is under way in respect of these other barriers.

7. The object of this paper is to outline the main aspects which should be considered in drawing up a possible programme for the removal of quantitative restrictions and the possible ways in which such a programme could be implemented.

[1] See *Proceedings of the United Nations Conference on Trade and Development*, vol. I, *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 37-39.

Chapter I

Brief survey of liberalization of quantitative restrictions

8. The use of quantitative restrictions to restrain imports originated in the great depression at the end of the 1920s and the early 1930s when the international exchange system broke down and most countries tried to restore their balance-of-payments equilibrium by autonomous intervention. In the first years after the Second World War, bilateral trade practices and related quantitative restrictions were widely applied. The need for a significant expansion in trade, in the context of post-war reconstruction and development, led to concerted efforts by multi-national organizations to liberalize world trade. In particular within the framework of the Organisation for European Economic Co-operation (OEEC), the International Monetary Fund (IMF), the General Agreement on Tariffs and Trade (GATT) and, later, of the European Economic Community (EEC) and the European Free Trade Association (EFTA), a great number of quantitative restrictions were removed in the developed market-economy countries. To a greater or lesser degree the removal of such restrictions also applied to exports from the developing countries, in particular to the then dependent territories of developed market-economy countries. Since its establishment UNCTAD has been concerned with the removal of these barriers.

1. *Organisation for European Economic Co-operation*

9. OEEC, initially established in connexion with the Marshall Plan, soon combined this function with trade liberalization among its member States. It adopted a "liberalization code" whose main feature was an obligation to liberalize intra-trade among its member States on the basis of non-discrimination. In 1950, 60 per cent of the private mutual trade of OEEC countries was already liberalized (reference year 1949), and in 1951, 75 per cent. Further liberalization rounds followed and, as a result, quantitative import restrictions were relaxed. By 1959, 90 per cent of private mutual trade among OEEC countries had been liberalized. The OEEC programme of liberalization was to a large extent considerably facilitated by the establishment of the European Payments Union. This was a great success, compared with the restrictions which were in force when OEEC was established. But this liberalization was originally limited to OEEC Western European member States.

10. In the early years, trade liberalization was not extended to the dollar area because of the balance-of-payments position of Western European countries, but in due course trade with the dollar area was increasingly freed from import restrictions.

11. The programme of liberalization was also extended to a large number of countries not members of OEEC, including several developing countries and dependent territories of OEEC members. However, quantitative restrictions were still maintained on imports from many developing countries. In 1960 the OEEC Council recommended to its member States, whose currencies

were largely convertible, to extend liberalization rapidly to all members of GATT, and to remove the remaining quantitative restrictions and discriminatory treatment applying to all GATT members. As a result of this recommendation many developed countries extended such liberalization to many developing countries.

2. *European Economic Community*

12. Although liberalization of the mutual trade of OEEC countries covered a large proportion of this trade, there still remained a fairly important number of products in intra-OEEC trade which were subject to quantitative restrictions when EEC was set up. These restrictions were incompatible with the Common Market which the Treaty of Rome [2] set out to establish among the six countries concerned. The Treaty of Rome therefore included specific provisions for abolishing the remaining quantitative restrictions. Article 30 of the Rome Treaty prohibits quantitative restrictions between member countries. Article 31 of the Treaty stipulated a standstill for a transitional period. This standstill applied to the level of liberalization attained in application of the OEEC resolution of 14 January 1955. Member States were also obliged to communicate to the EEC Commission the lists of products liberalized by their action on this resolution.

13. Article 32 of the Treaty of Rome stipulated the abolition of the remaining quantitative restrictions by not later than the end of the transitional period; in the meantime, they were to be progressively reduced. According to article 33, all existing bilateral quotas between member States had to be combined to form global quotas, which could be used without discrimination by all member countries. At the same time, the total of the global quotas was to be annually increased by at least 20 per cent, and individual quotas by at least 10 per cent. The fourth increase was to take effect at the end of the fourth year after the Treaty of Rome had come into operation. The so-called " zero quotas " and small quotas, i.e. quotas of less than 3 per cent of domestic production, were to be increased within a year to 3 per cent. At the end of the third year they were to reach 5 per cent. Afterwards, there was to be a yearly increase of these quotas by at least 15 per cent. For commodities which were not produced in the respective country and for which there was no appropriate base of measurement, the EEC Commission was charged with the task of fixing an appropriate quota and its increase. At the end of the tenth year, the individual quota was to amount to at least 20 per cent of domestic production.

14. Imports of products for which quotas were not fully used in the course of two successive years were to be liberalized without further delay. In the case of quotas representing more than 20 per cent of the national output of the product concerned, the annual increase of the quota could, upon the proposal of the Commission, be set at a lower percentage than 10 per cent. This modification was, however, not to affect the obligation annually to increase the total value of global quotas by 20 per cent. In the event of non-fulfilment of these obligations by member countries, the Commission had the option to refer the matter to the EEC Court of Justice.

15. This rigorous schedule of import liberalization was not only followed, it was in fact, accelerated. The resolution of 12 May 1960 stipulated that the removal of the remaining quantitative restrictions should be accomplished more speedily, that is, by the end of 1961. This resolution was carried out. Thus, quantitative restrictions in respect of industrial goods in the mutual trade of EEC countries were to a large extent abolished by the end of 1961. The remaining quantitative restrictions related mainly to processed and unprocessed agricultural products. Even these restrictions were nearly completely removed during the following years. After this sucessful programme of removing quantitative restrictions, the EEC countries concentrated on the elimination of other non-tariff obstacles to intra-EEC trade.

3. *European Free Trade Association*

16. The procedures adopted by EFTA in abolishing quantitative restrictions on intra-EFTA trade were similar to those utilized by EEC. The EFTA Convention [3] (article 10) provided for the removal of quantitative restrictions on industrial goods by the end of the transitional period and for a standstill, at the outset, on the introduction of new restrictions. On 1 July 1960, member States had to establish for all goods subject to quantitative restrictions global quotas of a size not less than 20 per cent above the corresponding basic quotas. If the basic quota was nil or negligible, member States had to establish a quota of an " appropriate size ". The global quotas had then to be increased yearly by not less than a further 20 per cent. Member States had to notify details of the quotas established.

17. In actual fact, quantitative restrictions were removed very much sooner. In mid-1963, it was stipulated that by the end of 1966 the removal of quantitative restrictions in the industrial field should be completed together with the abolition of tariffs in the mutual trade of EFTA countries. Already in 1965, quantitative restrictions in the mutual trade of EFTA countries had practically disappeared. There persisted only some exceptional quotas related to coal and jute products in the United Kingdom of Great Britain and Northern Ireland, and to antibiotics in Austria. Portugal, which also follows a slower time-table for tariff reductions, still maintains certain quantitative restrictions. Finland, as an associate member, is authorized to eliminate quantitative restrictions on imports (most of them are global quotas) by the end of its transitional period — 31 December 1967.

[2] Treaty establishing the European Economic Community, Rome, 25 March 1957 (United Nations, *Treaty Series*, vol. 298 (1958), No. 4300).

[3] Convention establishing the European Free Trade Asociation, Stockholm, 4 January 1960 (United Nations, *Treaty Series*, vol. 370 [1960] No. 5266).

4. *The General Agreement on Tariffs and Trade and the International Monetary Fund*

18. Together GATT and IMF had concentrated on the removal of bilateral trade agreements, in the framework of which quantitative restrictions played an important role. Furthermore, where possible bilateral quotas were changed into global quotas; private banks and other private institutions were as far as practicable charged with the necessary administrative work in place of central government authorities; licences were to be more liberally granted; and minimum imports up to a certain quantity were exempted from obligatory licensing.

19. A major move in GATT to remove quantitative restrictions took place in 1955. By then, there was a significant improvement in the balance-of-payments position in many of the developed market-economy countries and national currencies were more readily convertible. In this respect OEEC, in its Programme of Trade Liberalization, and IMF, through its sustained efforts to achieve currency convertibility, gave strong support to GATT's efforts.

20. In consequence of the declaration of currency convertibility in a number of countries in 1958, IMF and GATT stressed again the need to remove quantitative restrictions, and it was agreed that a country which introduced convertibility could no longer justify the maintenance of quantitative restrictions on balance-of-payments grounds.

21. The urgent need to tackle the trade and economic development problems of the developing countries was recognized in 1958 in the establishment of a Programme for Trade Expansion. In 1963 an eight-point Programme of Action was generally adopted by Trade Ministers containing a standstill provision regarding the introduction of new tariff or non-tariff barriers in respect of the exports of developing countries. Furthermore quantitative restrictions which were inconsistent with the provisions of GATT were to be eliminated within a period of one year in respect of imports from the developing countries. In exceptional cases the restrictions was enbodied in part IV of the General nated by 31 December 1965. However, only in respect of some quantitative restrictions was action taken.

22. In November 1964, a similar standstill provision and obligation to reduce and eliminate quantitative restrictions was embodied in part IV of the General Agreement on Tariffs and Trade[4] but in less concrete terms, and no time-table was established for the elimination of quantitative restrictions and other trade barriers.

23. At the start of the Kennedy Round of negotiations it was the intention of Governments not only to reduce tariffs but also to relax and/or remove non-tariff barriers. In the final outcome, however, non-tariff barriers in respect of exports of manufactures and semi-manufactures were not dealt with, except for the questions of " anti-dumping " and the conditional removal of the " American Selling Price " system, neither of which was particularly related to the difficulties faced by the developing countries.

5. *United Nations Conference on Trade and Development*

24. At the first session of the Conference recommendation A.III.4 on " Guidelines for tariff and non-tariff barriers in respect of manufactures and semi-manufactures from developing countries " was adopted without dissent. In the context of the recommendation the Conference took note of the GATT programme mentioned in paragraph 21 above and further noted that the developed countries, which had subscribed to these commitments and undertakings, had at the Conference reaffirmed them and expressed their resolve to take any further actions that might be required to implement them.

25. Paragraphs 9 and 11 of recommendation A.III.4, which deal more specifically with the subject under discussion in this paper, are reproduced below.

> " 9. Developed countries should not, ordinarily, raise existing tariff or non-tariff barriers to exports from developing countries, nor establish new tariff or non-tariff barriers or any discriminatory measures, where such action would have the effect of rendering less favourable the conditions of access into their markets of manufactured and semi-manufactured products of export interest to developing countries. If, in exceptional and compelling circumstances, a developed country imposes or intensifies quantitative restrictions or increases tariffs on imports of manufactured or semi-manufactured products of export interest to developing countries, it should consult, upon their request, the developing countries affected, bilaterally or in appropriate international institutions;
>
> " . . .
>
> " 11. Developed countries should, as a matter of urgency, remove quantitative restrictions on manufactured and semi-manufactured products of export interest to developing countries as soon as possible."

In accordance with paragraph 17 of this recommendation, which provides for follow-up action, the Committee on Manufactures[5] has systematically considered the matter.

26. Since the first session of the Conference only a limited degree of progress has been achieved in reducing non-tariff barriers applied by the developed countries to the products of the developing countries and details of these are to be found in the reports on the implemen-

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[4] See Protocol amending the General Agreement on Tariffs and Trade to introduce a part IV on trade and development (GATT, *Basic Instruments and Selected Documents*, Thirteenth Supplement).

[5] See the terms of reference, work programme and discussions of the Committee on Manufactures (*Official Records of the Trade and Development Board, Second Session, Supplement No. 3; Ibid., Fourth Session, Supplement No. 2; Ibid., Fifth Session, Supplement No. 5* and summary records of the meetings of the Committee —TD/B/C.2/SR.1-36).

tation of the recommendations of the Conference contained in the " review of international trade and development for 1966 and 1967 ".[6]

27. At its fifth session the Trade and Development Board adopted item 11 (*c*) of the provisional agenda for the second session of the Conference which deals with this item. The President of the Trade and Development Board, in his summing up, indicated that at the second session of the Conference the ground would seem to have been prepared for an examination of the progress which could be made in the removal of these trade barriers.[7]

[6] See *Official Records of the Trade and Development Board, Fourth Session, Annexes*, agenda item 3, document TD/B/82/Add.2, and *Review of International Trade and Development, 1967* (United Nations publication, Sales No.: E.68.II.D.4).

[7] See *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14*, part one, paras. 30 and 31.

Chapter II

Survey of the existing quantitative restrictions

28. A list of the existing quantitative restrictions applied in the developed countries was presented to the Committe on Manufactures at its second session.[8] More extensive information is presented in the two supplementary reports to this paper. In document TD/20/Supp.4 and Corr.1 the existing quantitative restrictions in selected developed countries and on selected products are analysed and in document TD/20/Supp.3 and Corr.1 the origins and operation of the Long-Term Arrangement regarding International Trade in Cotton Textiles are examined.

29. Frequent changes in the import policies of the developed countries make it difficult to obtain up-to-date information on the quantitative restrictions applied, and certain developed countries only sporadically publish information. Furthermore, detailed information is not generally published on the kinds of restrictions applied (especially in respect of discretionary licensing) nor on the reasons for the introduction. Only incomplete information is available on the size and utilization of quotas. In view of this, the information presented in this section of the paper has had to be in general terms.

30. In 1965 imports into the major developed market-economy countries [9] of manufactures and semi-manufactures from developing countries amounted to about $ 7,000 million. It is estimated that some 12 to 15 per cent [10] of these imports were under quantitative import restrictions, mainly textiles and clothing and processed agricultural products. The processed agricultural items subject to quantitative restrictions include, in particular, processed vegetables and fruits, meat products, cereals, beverages and spirits. Apart from the cotton textiles and clothing covered by the Long-Term Arrangement, quantitative restrictions apply to some textile items such as jute goods, woollen textiles, hard fibre and coir products. In respect of the other manufactures and semi-manufactures exported from the developing countries quantitative restrictions are generally only maintained in one or a few developed countries. Examples of such products are leather and leather articles and footwear, porcelain and ceramic products, ferro-alloys, essential oils, dyestuffs, and glass and glassware.

31. For a precise evaluation of the effects of the quantitative restrictions applied, it would be necessary to collect statistics on the growth in such imports by product and by country. In respect of selected countries and products such an examination has been made in document TD/20/Supp.4 and Corr.1. In examining quantitative restrictions applied in a country, however, it should always be borne in mind that trade figures relate to factual import performance. They give no evidence of the import potential. Furthermore, in considering import figures for restricted items it should be borne in mind that the volume of imports can be large either because a liberal policy is adopted with regard to the allocation of import quotas or because the country is subjecting a large part of its trade to restrictions. Of course, the converse applies, namely the volume of imports subject to restrictions can be small because the country is not applying many restrictions or because it does not allow large imports of items subject to restrictions.

32. Detailed information on the types of restrictions applied in the developed countries is not available, but as an example of the types of restrictions used, Japan and the United Kingdom apply global quotas; the Federal Republic of Germany, both global and bilateral quotas, and, to a certain extent, liberal licensing; Denmark and Italy, global quotas and discretionary licences; and Norway, mainly discretionary licences and State trading monopolies.

33. Among the selected developed countries which apply quantitative restrictions (except on cotton textiles) the Benelux countries, Canada, Denmark, Japan, Norway, Switzerland and the United States [11] do not generally discriminate against the developing countries, although the allocation of import licences in some of these countries on the basis of past performance may involve some degree of discrimination.

[8] See document TD/B/C.2/26 and Corr.1 and 2.

[9] The following countries have been considered in this context: United States of America, Canada, EEC countries, EFTA countries (including Finland), Australia, New Zealand and Japan.

[10] This estimate is based on import figures recorded in national statistics for the restricted items; and from GATT information in respect of imports of cotton textiles from developing countries.

[11] For more detailed information on Japan's import régime, see document TD/20/Supp.4 and Corr.1.

34. As a result of the liberalization measures adopted in OEEC, the quantitative restrictions applied by France[12] depend on whether a country was a member of OEEC or only a party to the General Agreement on Tariffs and Trade.[13] A large number of products which are liberalized when they are imported from ex-OEEC countries are subject to quantitative restrictions when they are imported from other countries, including many developing countries.

35. In the Federal Republic of Germany,[14] two lists of countries are also used, more favourable treatment being applied to imports from ex-OEEC countries and their former dependent overseas territories generally, regardless of whether or not they have become independent in the meantime. On the other hand, Italy has, with minor exceptions, one list of restricted products which applies to imports from all countries except Japan and the State trading countries. The application of restrictions in the United Kingdom[15] depends on whether certain specified goods are imported from the "Relaxation Area", "Scheduled Territories", the "Dollar Area", or the "Eastern Area".

1. *Types of quantitative restrictions*

36. Existing quantitative restrictions on imports are specified in terms of quantity or value. Where certain imports are restricted, the quantities of imports admitted are administered either through global or bilateral quotas. The global quota would normally leave the importer free to choose his own source of supply from among those countries to which the global quota applies, whereas a bilateral quota limits the choice of the importer to purchases from the country to which the quota is allocated. Within a global quota, bilateral quotas may be allotted to the different countries. Quotas are also in some cases administered according to currency areas, as was the case with OEEC liberalization vis-à-vis the dollar area in the early years, the sterling area arrangements in the early post-war years and, as is still the case, with the French franc area. Quotas are invariably applied through the issue of licences to importers. A global quota open to all sources of supply is to be preferred, in view of its multilateral advantages, to a bilateral quota. In the case of all quotas, the extent to which they are utilized would obviously depend not only on commercial conditions, namely, price, quality, delivery deadline, but also on the method of administration, system of licensing, etc.

[12] For more detailed information, see document TD/20/Supp.4.

[13] Negative list ex-OEEC dollar and negative list "certains pays — parties à l'Accord général sur les tarifs douaniers et le commerce et pays assimilés" (Certain countries — Parties to the General Agreement on Tariffs and Trade and assimilated countries).

[14] For more detailed information, see document TD/20/Supp.4 and Corr.1.

[15] *Idem.*

37. The system of import licensing sometimes is combined with credit requirements to be complied with by the importer, often in the form of advance deposits. This is intended to ensure that the imports to not exceed the amounts licensed and to enforce credit restrictions.

38. The system of so-called "discretionary" licensing, which is prevalent in several developed countries, can often be applied as a means of restriction or even virtual import prohibition and in an arbitrary way. The lack of published information on the use of discretionary licensing makes it exceedingly difficult to evaluate the effects of discretionary licences. Rarely have such regulations been used by authorities for emergency situations arising in foreign trade.

39. State monopolies and trading arrangements are employed in several countries to license and restrict imports. These could be considered as a special form of import restriction; although State monopolies and State trading arrangements raise quite a different set of considerations and criteria.

2. *Reasons and economic implications of quantitative restrictions*

40. Whereas originally most quantitative restrictions were imposed on balance-of-payments grounds, today the main reason seems to be the protection of generally non-competitive domestic industries.

41. In a number of developed countries the agricultural sector is afforded almost complete protection from foreign competition. The policies adopted generally aim at a certain level of self-sufficiency and the maintenance of remunerative prices and assurance of reasonable incomes for the agricultural sector. The domestic agricultural price level is supported and a rigid import control is exercised in order to guarantee domestic and export outlets and prices.

42. In some developed countries quantitative restrictions are also used to guarantee a minimum quota to some preferred supplier developing countries, whether they are fully competitive or not with other developing countries. A similar effect is also reached when imports from competitive suppliers are subjected to quantitative restrictions, whilst imports from the less competitive suppliers are not.

43. Bilateral quotas discriminate, and this may also be true of multilateral quotas in their application and administration: *de facto* monopolies may well be created through the administration of quantitative restrictions. In addition, by limiting the volume of imports "special" profits may be obtained, of which the beneficiaries may in some cases be the domestic importers and/or the foreign suppliers. Furthermore, in the administration of import licences, the problem of graft can well arise.

Chapter III

Possible approaches for the removal of quantitative restrictions

44. In considering the removal of quantitative restrictions a number of approaches can be examined, besides adherence to the existing standstill arrangements. They are not necessarily alternatives and an examination of the various elements may well be desirable in reaching a solution to the problem. These approaches are:

1. Unilateral, bilateral and/or multilateral approach;
2. Product-by-product and/or general approach;
3. The gradual enlargement of quotas or total removal of all quantitative restrictions;
4. The removal of quantitative restrictions with or without voluntary export restrictions;
5. The removal of quantitative restrictions with or without the undertaking of adjustment assistance measures.

1. *Unilateral, bilateral or multilateral approach*

(*a*) *Advantages of a multilateral approach*

45. The elimination of quantitative restrictions may be approached on a unilateral basis by individual countries or country groups, on a bilateral basis between interested countries, or on a multilateral basis by all countries. Each country is generally free to liberalize imports unilaterally and not wait for similar action by other countries.

46. The individual country approach does, however, pose problems. Liberalization of imports by only one country will not, generally speaking, significantly improve the export possibilities of the developing countries, as long as restrictions are maintained in a number of other countries. In addition, such action could lead to an excessive concentration of exports to the liberalizing country, and this consideration could induce developed countries not to take unilateral action to liberalize imports. The bilateral approach to liberalization could lead, to a large extent, to new discrimination in the provision of access to the developing countries, and this might in turn cause further distortions in world trade. The multilateral approach has none of these disadvantages, and is more likely to lead to a substantial liberalization than sporadic, unco-ordinated, unilateral or bilateral liberalization measures. Therefore it would appear desirable for countries to agree on joint action to abolish quantitative restrictions, and thereby ensure some measure of equal sharing of the " burden " in facilitating increased imports from the developing countries.

(*b*) *Which countries should participate*

47. A programme for the removal of quantitative restrictions must necessarily include a standstill with regard to the introduction of new quantitative restrictions to which all developed countries should adhere. For the programme to be effective it would be desirable, therefore, for all developed countries to participate in its preparation and implementation. Since the removal of quantitative restrictions should be of benefit to all developing countries, it is necessary that all of them participate also in the preparation and implementation of the programme.

2. *Product-by-product approach*

48. Further consideration would seem to be required on the question of whether it would be preferable to liberalize quantitative restrictions in the developed countries on a product-by-product or product group-by-product group basis, or to liberalize in respect of all products at one time.

49. The product-by-product approach would enable countries to concentrate initially on those products where liberalization would appear to involve no serious difficulties for the countries concerned and it would also enable the problems in respect of the individual products and industries to be better taken into account. For these reasons it would appear that agreement in respect of particular products could be more easily reached than if an agreed programme were to aim at the complete removal of restrictions for all products at one time.

50. Besides cotton textiles, which come under the Long-Term Arrangement on International Trade in Cotton Textiles, there is, however, no group of products except processed food products on which quantitative restrictions are generally applied and which constitute a significant amount of exports from the developing countries. Furthermore, processed food is not as homogeneous a category of products as cotton textiles and therefore it may not be appropriate for action to be taken for the group as a whole.

51. In addition to the above-mentioned groups, the remaining products concerned are miscellaneous manufactures and semi-manufactures from a number of groups, e.g. leather and leather articles and footwear, porcelain and ceramic products, ferro-alloys, essential oils, dyestuffs and glass and glassware, and textiles and clothing other than of cotton. By and large these items are exported by only one or a few developing countries and the restrictions when considered together concern many developed countries even though they are only maintained with regard to each individual item largely in one or a few developed countries. And yet these items are of considerable importance to the developing countries in terms of both current exports and potential expansion under favourable conditions of access in developed countries. Thus, while a product-by-product approach may be appropriate in certain cases, it would be essential

to deal with these products on a multilateral basis, in view of the interest of several developing countries and of the need for the developed countries to agree on their mutual sharing of the burden.

3. *Standstill arrangements and the gradual increase in quotas with a view to their elimination*

52. In accepting the need for the elimination of the existing quantitative restrictions, countries must obviously maintain and continue to adhere to the standstill arrangement on the introduction of new restrictions.

53. Since industries in developed countries whose products are protected by quantitative restrictions might often not be able to face full foreign competition, including that from the developing countries, the immediate and complete abolition of the import restrictions — whatever the merit of such action in principle — might lead to difficulties and a gradual approach might thus be more realistic. In this connexion, the procedure adopted by EEC and EFTA would seem particularly appropriate for consideration. Both EEC and EFTA began their removal of the remaining quantitative restrictions with the declaration of a standstill and with an obligation to notify existing quantitative restrictions. The close economic and commercial ties of the member States of the two organizations naturally facilitated this procedure. However, given the general acceptance of the need to eliminate existing quantitative restrictions and to observe a standstill on further restrictions, it would seem desirable to consider whether a procedure similar to that in EEC and EFTA (i.e. standstill combined with a notification of existing restrictions) and an agreed procedure for their progressive removal, should be adopted in UNCTAD in respect of the remaining restrictions on the products of developing countries.

54. One method of gradual liberalization would be to provide for a steady enlargement of the quotas, to be determined in advance. Obviously, in determining the rate of increase, the special circumstances of the particular product in question would have to be taken into consideration, this being particularly important in regard to processed agricultural products which are protected in the general framework of the agricultural policies of the developed countries.

55. The period during which the removal of quantitative restrictions should be accomplished might also be fixed in advance. The determination of such a period in advance would have the advantage of providing the industries concerned in the developed countries with a reasonable opportunity for adjustment.

56. It could also be considered how, and to what extent, " zero quotas " could be replaced by gradually increasing quotas. Domestic consumption or an increment of consumption could be taken as the basis of reference since there would be no imports which would provide the base. The Governments of the countries concerned might provide for substantial increases in the quotas and, finally, quotas could be eliminated altogether, the import of the products in question thus being fully liberalized.

4. *Voluntary export restrictions*

57. Arrangements for voluntary export restrictions have been resorted to when it became difficult to eliminate quantitative import restrictions without injury to the protected domestic industries of the countries concerned. In the late 1950s Japan accepted voluntary export restrictions in trade agreements with nearly twenty countries and these restrictions were applied in the case of " sensitive goods ". The arrangements have ranged from formal agreements between governments to private arrangements between the industries in the countries concerned.

58. Voluntary restrictions have several disadvantages. In fact they are a reversal to bilateral deals with all their limitations. Often those arrangements are not negotiated publicly. In a number of cases the countries accepting the voluntary restrictions have had no satisfactory alternative solution. On the other hand, such arrangements have the merit that the consent of the exporting country is required for their continuance and renewal, in contrast to quantitative restrictions which could be unilaterally imposed by the importing country. Nevertheless, such arrangements cannot be considered a satisfactory method of dealing with the problem of quantitative restrictions.

5. *Adjustment assistance*

59. Adjustment assistance to the affected industries in the developed countries can significantly facilitate the removal of quantitative restrictions, by making it possible for the industries concerned to adjust to the changed conditions following the eventual removal of quantitative restrictions. In this connexion an important question arises, namely, whether Governments in the developed countries should place stress on measures designed to improve the productivity and competitiveness of the industry concerned through modernization, the introduction of technological improvements etc., or on measures designed to facilitate the mobility of these factors of production, including labour and management, into other industries or economic sectors. The Governments in the developed countries concerned may be obliged to pay particular attention to the social aspects of the adjustment problem, in particular where labour mobility is limited, and where the industries concerned are located in areas not providing suitable alternative sources of production and therefore employment opportunities. Such considerations would therefore need to be taken into account, but if the objective of import liberalization is to bring about an increase in imports from the developing countries, adjustment assistance measures will have to be so designed as to enable the shift of productive resources away from those industries into more modern and dynamic industries in which the developed countries have generally a comparative advantage. This will also help steadily towards evolving a new international division of labour.

60. Provision exists in national laws and in international treaties (such as the Treaty of Rome, of the

European Coal and Steel Community and EFTA) for a variety of adjustment assistance measures to be given to industry and labour. These assistance measures are designed to cope with the difficulties caused by rapid technological changes and the process of economic integration. In this connexion, attention is drawn to document TD/19/Supp.2 and Corr.1, which contains a description of the provisions currently in force. Developed countries could consider to what extent these adjustment assistance measures, designed obviously for different purposes or in connexion with other international obligations, could appropriately be used to deal with the effects which increased imports from the developing countries might have on specific industries in the developed countries. It is recognized that those adjustment assistance measures are provided under conditions of reciprocal advantage among the developed countries, but it may be useful to consider whether such adjustment aid could be extended by the developed countries to their own industries in response to the increased imports from developing countries, particularly having regard regard to the fact that the adjustment problems likely to be created by additional imports from the developing countries will probably be far smaller in terms of magnitude and complexity than those which the developed countries are facing in the normal process of technological change.

6. *Supplementary measures*

61. The removal of the remaining quantitative restrictions in the developed countries will facilitate access to their markets by the developing countries. However, this measure alone will not necessarily lead to a substantial expansion in the exports of the developing countries, particularly since their industries may not at that stage be fully competitive or have sufficient supply capacity. The removal of restrictions by the developed countries will therefore have to be accompanied by other measures, in particular by vigorous and determined export promotion measures by the developing countries themselves and by the adoption of measures to improve and diversify their production. In this connexion, reference may be made to document TD/21 [16] and TD/21/Supp. 1 which contain suggestions for a possible export promotion programme.

62. Measures of trade liberalization and economic integration among the developing countries, especially among those belonging to the same region, would also significantly contribute to the ability of the developing countries to benefit from the improved access to the developed market economies which the removal of quantitative restrictions would provide.

[16] See this volume, p. 105.

Chapter IV

Suggestions for a programme of import liberalization

63. On the basis of the analysis contained in the previous chapters on the existing quantitative restrictions on imports of the developing countries and of the various trade liberalization techniques and methods adopted in recent years by international and regional organizations, it seems appropriate to indicate some suggestions which could provide the basis for a possible programme for consideration by the second session of the United Nations Conference on Trade and Development. The suggestions relate to the following: observance of a standstill on further restrictions; more liberal administration of the quantitative restrictions currently in force pending their elimination; agreed international procedure for the regular and systematic collection of the necessary detailed information on existing restrictions; elimination of discriminatory elements in the restrictions currently applied; steady increase in import quotas for the various products or product groups, taking into consideration the particular circumstances prevailing in the countries concerned; the fixing of a deadline for the final elimination of the restrictions and the setting up of an effective institutional machinery to carry out the above tasks.

1. *Standstill*

64. It has been indicated in this report that standstill arrangements have played an important role in introducing liberalization programmes. Recommendation A.III.4 of the first session of the Conference, to which attention has been drawn earlier, and also supported by all countries, also provides for a standstill. Since this recommendation was adopted without dissent, it would be desirable to include the standstill as adopted in the programme for liberalization of quantitative restrictions.

2. *Inventory of existing quantitative restrictions*

65. In order to secure the removal of the remaining restrictions in the developed countries, it would seem desirable that the developed countries should provide detailed information about them under an agreed procedure of notification. Such information would facilitate a realistic examination of the problems of the products concerned in a multilateral forum and the determination of measures appropriate to the items concerned. In these notifications the countries concerned should give details on the extent and the special character of the quantitative restrictions, the reasons for their maintenance and their economic implications.

3. *More liberal administration of quantitative restrictions currently in force*

66. During the transitional period in which quantitative restrictions would remain in force pending their final elimination, the administration of the restrictions could

be liberally applied by the authorities concerned. In the case of global quotas, efforts should be directed to facilitating their full use. Global quotas could also be thrown open to all countries so that the importers would have free choice of the source of supply. Discretionary licences could be applied in a more liberal and less arbitrary fashion.

4. *Elimination of discriminatory elements in existing restrictions*

67. Some developed countries have maintained restrictions reflecting less than most-favoured-nation treatment for several products of special export interest to certain developing countries. These products include textiles and clothing other than of cotton, several processed agricultural products, many consumer goods, some base metal products and certain chemical items. It would be desirable for the developed and developing countries to discuss and agree upon the elimination of this discriminatory element.

5. *Global quotas in place of bilateral quotas*

68. Negotiations for the removal of the remaining quantitative restrictions could aim at establishing global quotas where there are only bilateral quotas or discretionary licences. It is important to ensure that the global quotas established for particular products do not adversely affect the exporting countries which enjoy a certain degree of access to the market through bilateral quotas or other devices. Some developed countries already apply global quotas to a few important product groups of major export interest to the developing countries, such as preserved or prepared vegetables, fruit and juices. However, for many other products, bilateral quotas and discretionary licensing are prevalent and these could, with advantage, be converted into global quotas wherever feasible.

6. *Elimination of global quotas not fully utilized during a certain period*

69. Simultaneously with the replacing of bilateral quotas by global quotas, consideration could be given to the elimination of those global quotas which are not fully utilized during a certain period, and the imports of the products subject to those quotas might be freed altogether from quantitative restrictions. The non-utilization of global quotas for any reasonable period of time would appear to underline that such an import restriction was unnecessary. Such shadow quotas should, therefore, be accepted as superfluous.

7. *Gradual increase in global quotas*

70. Several formulae can be considered for bringing about a steady increase of the quotas aimed at a growth in imports from the developing countries. Following the successful experience by EEC and EFTA, it might be desirable to fix an annual percentage increase in the quotas, with a view to achieving full liberalization by the end of the period envisaged in the programme.

71. Where such an automatic and orderly increase in quotas would not prove feasible, substantial increases in import quantities could be provided for, on the basis of detailed consultations among both the developing and developed countries concerned. The exact formulas to be adopted would clearly depend on the particular conditions of production and trade in the different products or product groups concerned, in both the developing and developed countries. The multilateral machinery of consultation in UNCTAD, proposed in the final section of this chapter, would provide the countries concerned with the necessary opportunity of working out the details of the acceptable formulas.

72. One specific formula which could be considered in regard to those commodities where additional imports could cause special difficulties would be to base imports or additional imports from developing countries on the annual increment in the domestic consumption of the product concerned in the developed countries. In certain cases the volume of imports permitted might even be related to the volume of consumption in the developed countries. Where these formulas would not prove practicable or acceptable, increases in permissible imports could be negotiated, taking into account the degree of temporary protection from quantitative restrictions deemed essential for the domestic industry in the developed country concerned. But even in all these cases it would seem desirable that the ultimate goal of the elimination of quantitative restrictions is adhered to and that efforts are made to realise this through appropriate adjustment assistance measures in favour of the industries affected in the developed countries.

8. *Duration of the period of liberalization*

73. The period over which the remaining import restrictions would be abolished should be fixed in advance. In determining this period the countries concerned would naturally wish to take into account the urgency of measures calculated to expand the export earnings of the developing countries. While the period should be as short as possible, it need not necessarily be uniform in respect of all the remaining restrictions. In regard to restrictions on certain processed agricultural products, it might be realistic to provide for a longer period. Also, through regular review procedure, progress in eliminating restrictions could be assessed with a view, if possible, to shortening the period.

9. *Parallel action by developing countries*

74. It should be stressed that liberalization measures by the developed countries would not in themselves automatically lead to an increase in the exports of the developing countries. The latter have to take effective export promotion measures as well as trade expansion measures among themselves in order to benefit from the liberalization measures. These subjects have already been referred to in this report. While export promotion

measures and trade expansion and economic integration measures by the developing countries would not form part of the trade liberalization programme discussed in this report, sight should not be lost of their significance and relevance in this context.

10. *Institutional arrangements*

75. The drawing up and carrying out of a multilateral programme on the above lines would be most effectively done within the framework of an international organization whose membership comprises all the developed and developing countries concerned. It would thus appear appropriate for UNCTAD to play the central role in this task.

76. To this end, consideration might be given to the establishment within UNCTAD of a group on non-tariff barriers as a subsidiary body of the Committee on Manufactures. The functions of the Group could be described in the following terms: (*a*) to collect, on a systematic and regular basis, the necessary detailed information on the remaining quantitative restrictions, especially on products of export interest to the developing countries; (*b*) to examine these restrictions, their extent and special nature, the reasons for their maintenance and their economic effects on both developed and developing countries; (*c*) to draw up, on the basis of the suggestions and recommendations which the second session of the Conference might adopt on the subject of trade liberalization, concrete and specific elements of a programme of liberalization in individual products or product groups as appropriate, this programme to be prepared on a multilateral basis so that all the developed countries which participate in its preparation can agree upon an equitable sharing of the burden in respect of trade liberalization; (*d*) to give consideration to the adjustment assistance measures which could be adopted by the developed countries with a view to facilitating the fulfilment of the liberalization programme; and (*e*) to review annually, and on an *ad hoc* basis as necessary, the progress achieved in the fulfilment of the above programme, with special regard to its effects in stimulating the exports of developing countries.

77. The first phase of the programme will be devoted very largely to the removal of quantitative restrictions, as dealt with in this report. Other non-tariff barriers are also of considerable importance and are being currently studied by the UNCTAD secretariat in the work programme of the Committee on Manufactures. It would, therefore, be appropriate for the proposed group on non-tariff barriers to deal also with these other non-tariff barriers in the second phase of its work.

MEASURES FOR THE PROMOTION, EXPANSION AND DIVERSIFICATION OF EXPORTS OF MANUFACTURES AND SEMI-MANUFACTURES FROM DEVELOPING COUNTRIES

Document TD/7/Supp.13

THE ROLE OF EXPORT CREDITS IN FINANCING THE DEVELOPMENT AND PROMOTING THE EXPORTS OF DEVELOPING COUNTRIES

Progress report by the Fiscal and Financial Branch of the Department of Economic and Social Affairs of the United Nations

[*Original text: English*]
[*7 December 1967*]

CONTENTS

	Paragraph	Page
PREFACE	1-7	101
I. EXPORT CREDITS AND DEVELOPMENT FINANCING	8-11	102
II. EXPORT CREDITS AND EXPORT PROMOTION: THE POSSIBLE ESTABLISHMENT OF NATIONAL AND REGIONAL SCHEMES FOR THE FINANCING OF CAPITAL GOODS EXPORTS BY AND AMONG THE DEVELOPING COUNTRIES	12-19	103

Preface

1. The first session of the United Nations Conference on Trade and Development discussed the potentialities of export credits both for financing exports of capital goods from developed to developing countries, and for promoting exports by the latter countries. [1] These two aspects of the export credit question in fact constitute two separate topics and will be examined at the second session of the United Nations Conference on Trade and Development in connexion with two different agenda items. The first aspect will be considered under agenda item 12 (" Growth, development finance and aid ") and the second aspect will be studied under agenda item 11 (" Expansion and diversification of exports of manufactures and semi-manufactures of developing countries ").

2. Prior to the first session of the Conference the question of export credits had been covered in reports on the international flow of private capital and the promotion of that flow [2] prepared by the Fiscal and Financial Branch of the Department of Economic and Social Affairs of the United Nations. However, export credits as such had not been dealt with formally by any United Nations organ until 1962, when the Committee for Industrial Development at its second session requested the Secretariat to prepare a study of " measures and techniques in promoting exports of industrial equipment to underdeveloped countries ". Two preliminary reports on that subject [3] were submitted to the Committee at its third and fourth sessions, held in 1963 and 1964 respectively.

3. In 1964, the question of export credits was considered at the first session of the Conference, and recommendation A.IV.14 in the Final Act recommended that the International Bank for Reconstruction and Development (IBRD) be invited:

" 1. To make a study of the use (actual and potential) and terms of suppliers' credits and credit insurance, including rediscounting arrangements:

(*a*) For financing exports from developed to developing countries, taking account of the capacity of the latter to repay and of other effects on their economies and balance of payments;

(*b*) As regards their effects on competition between the exports of developing and developed countries, as well as between the developed countries;

(*c*) As a means of financing trade between the developing countries.

" 2. To take account, in so doing, of the relevant observations, recommendations and suggestions submitted to the Conference including those in the draft recommendation by Spain and Tunisia annexed hereto;

" 3. To identify the difficulties which arise or may arise, in particular as regards debt service, and to consider possible solutions;

" 4. To submit the study to the United Nations at the earliest possible date together with any appropriate recommendations."

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[1] See recommendation A.IV.14 in *Proceedings of the United Nations Conference on Trade and Development*, vol. I, *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 50 and 51.

[2] See *The International Flow of Private Capital, 1956-1958* (United Nations publication, Sales No.: 59.II.D.2), chap. IV; also " The promotion of the international flow of private capital " (E/3325), paras. 74-76.

[3] See " The provision of credits for the financing of imports of machinery and equipment into developing countries: export credit systems and institutions " (E/C.5/26) and " Export credits for the financing of capital goods requirements of developing countries " (E/C.5/64 and Corr.1).

4. In view of the work on export credits already carried out by the United Nations Secretariat, the IBRD and the Secretariat felt that their tasks were largely complementary and agreed to co-operate closely in the preparation of their reports. On this basis, the final United Nations study, entitled *Export Credits and Development Financing*, part one " Current practices and problems "; part two: " National export credit systems ",[4] and the IBRD report entitled *Suppliers' Credits from Industrialized to Developing Countries*[5] were submitted to the Committee on Invisibles and Financing related to Trade at its second session (4-19 April 1967).

5. At that session,[6] the representatives of several developing and developed countries requested the Secretary-General of the United Nations to keep the country studies contained in part two of the first report up to date. Several representatives also requested IBRD and the United Nations Secretariat to expand their reports to cover the use of export credits as a means of helping developing countries to increase their exports and of financing trade among such countries.[7]

6. The question of export credits was subsequently examined by the Economic and Social Council in connexion with its consideration of the agenda item entitled " Financing of economic development ". In resolution 1270 (XLIII) the Council, after noting with satisfaction the two aforementioned reports and the interest in the subject of export credits expressed by the Committee on Invisibles and Financing Related to Trade and the Council's Committee for Programme and Co-ordination, requested the Secretary-General of the United Nations:

" (*a*) To keep up to date the country studies included in part two of his report;

" (*b*) To consult with the appropriate national and international authorities on the best means of establishing the most practical national and regional schemes for the financing of capital goods exports by and among the developing countries, on the basis of the available experience with existing export credit schemes in developing and developed countries."

7. The purpose of this progress report is to inform the second session of the Conference of the steps which are being and will be taken to comply with the requests of the Committee on Invisibles and Financing related to Trade and to implement Economic and Social Council resolution 1270 (XLIII) in connexion with both aspects.

[4] E/4274 and Add.1 (United Nations publication, Sales No.: 67.II.D.1).

[5] International Bank for Reconstruction and Development, 20 January 1967.

[6] See report of the Committee on its second session (*Official Records of the Trade and Development Board, Fifth Session, Supplement No. 3*, para. 56).

[7] A preliminary examination of this problem was contained in a special annex to the above-mentioned report of the Secretary-General of the United Nations (E/4274 and Add.1, part one, annex).

I — Export credits and development financing

8. While the normal function of export credits is to serve as an instrument for financing international trade, medium-term and especially long-term export credits have increasingly become an important source of external financing for the purchase of heavy machinery and equipment needed for development projects in developing countries. According to the latest estimate contained in the 1967 report by the Chairman of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD), the gross volume of medium-term and long-term export credits granted in 1966 by the twenty-one member States of OECD amounted to approximately $ 2,750 million.[8] Export credits have thus superseded traditional portfolio investment as the major source of private loan financing for economic development in developing countries, for bond issues for investment in developing countries amounted to only $ 490 million in 1966.[9] The countries with centrally-planned economies also provide export credits with maturities of from five to eight years as a significant element of their over-all aid programmes.

9. As has been emphasized in the report of the Secretary-General of the United Nations on *Export Credits and Development Financing*, export credits are a relatively expensive form of development financing. However, in an increasing number of instances their cost is reduced by Government interest subsidies and refinancing from public funds, particularly in the case of long-term credits, which now can often be obtained at interest rates inferior to those prevailing on the international bond market. Many developed countries grant such subsidies and refinancing, and provide Government export credit insurance enabling their exporters to expand export credit maturities until they are, in several cases, almost as long as bond maturities. Their willingness to do so may be explained by the fact that they find it easier to increase the volume of export credits than that of aid credits. This in turn follows from their view that export credits — particularly long-term credits — combine growth-stimulating effects (which benefit their domestic economies) with development aid features (which benefit the developing countries).

10. In these circumstances, it is important that developing countries should make the best possible use of such export credits as may be available to them. These credits can play a useful role in the complex machinery of development financing, provided that their flows, terms and conditions are taken into account in a continuing review of the flows, terms and conditions of the aggregate external financing of all forms likely to be obtained by the recipient country.

11. Part two of the Secretary-General's report, which contains a survey of nineteen national export credit systems, was prepared with a view to providing develop-

[8] OECD, *Development Assistance Efforts and Policies, 1967 Review*, September 1967, p. 62.

[9] Calculated on the basis of data contained in *World Bank and IDA, Annual Report 1966/1967*, pp. 36 and 38.

ing countries with information and guidance concerning the policies, rules, regulations and practices of export credit institutions. Pursuant to Economic and Social Council resolution 1270 (XLIII) and the requests of the Committee on Invisibles and Financing related to Trade, the above country studies will be brought up to date through direct consultations with officials of the export credit insurance and export credit institutions concerned. The first revision of the volume will be issued early in 1969, and subsequent revisions are expected to be published every two years. An effort will also be made to expand the range of countries covered as conditions may justify and resources may permit. In this way developing countries will be kept informed of changes in export credit insurance and export credit financing policies, terms and conditions in the various countries covered.

II — Export credits and export promotion: the possible establishment of national and regional schemes for the financing of capital goods exports by and among the developing countries

12. In order to find outlets for their present and projected industrial production, many developing countries have been paying increasing attention to the expansion of existing export markets and the opening up of new ones, particularly within the context of regional or sub-regional economic integration movements. In their drive to increase their exports and to diversify them, especially by the inclusion of such non-traditional goods as chemicals, light engineering products, transport equipment and other capital goods, exporters in developing countries face keen competition from traditional suppliers in the developed countries. This competition is not confined to price, quality and delivery period but also extends to the capacity to offer deferred payment terms. Consequently suppliers in developing countries have been increasingly feeling the need to establish export financing facilities that would enable them to offer credit maturities comparable to, if not identical with, those granted by exporters in other countries.

13. Some developing countries — Argentine, Brazil, India, Israel, Mexico and Pakistan — have already established export credit insurance and export credit schemes and others are contemplating the introduction of such schemes. The United Nations has been active in providing technical assistance to the governments of Member States interested in establishing such schemes. Since the publication of the Secretary-General's report on *Export Credits and Development Financing* additional requests have been received for such assistance.

14. If such schemes have as yet been introduced in only a few of the most advanced developing countries, the reason is, as noted in the annex to part one of the Secretary-General's report, that their operation presents special problems in developing countries. The volume of exports which would be available for insurance in most developing countries is still relatively small and it might therefore be difficult for an insurance scheme to spread risks adequately, maintain an effective credit information service and cover its administrative costs. Premiums cannot be set too high, since the added cost might increase the sale price of the goods to an uncompetitive level or, if the exporter bore the cost himself in order to secure the order, reduce his margin of profit, which may already be dangerously small. If, over a certain period, premiums should fail to cover administrative costs and claims, governments would be obliged to make up the deficit with a resulting strain on their already limited financial resources.

15. Furthermore, even if export credit insurance is available, exporters may still face serious problems when seeking to finance their export credit transactions. The provision of such financing depends on banking resources being available for the required period at acceptable interest rates. The banking resources available in developing countries may be more or less sufficient to meet foreseeable short-term export credit financing requirements, although the high money-market interest rates prevailing in most developing countries may impede their effective use. In the case of export transactions involving credits with maturities excee ding one year, however, exporters in developing countries may find it difficult to obtain financing even if they have insurance coverage, for such medium-term credit facilities as exist are often devoted to the financing of relatively high-cost housing and construction projects at very high interest rates.

16. In view of the special problems involved in introducing and operating export credit insurance and export credit schemes on a national basis, in developing countries, the Fiscal and Financial Branch will, in the course of its research and consultations relating to existing schemes in developing countries, devote particular attention to an analysis of their effectiveness and economic justification, with a view to their possible improvement and practical adaptation to other developing countries.

17. Although this analysis of the existing schemes may show that in certain developing countries national schemes could be established on a self-supporting basis, and that in others the establishment of Government-subsidized schemes might well be economically justified, it is probable that there are many developing countries for which neither of these alternatives would be relevant. For those countries, the best solution might therefore be the establishment of sub-regional or regional schemes. These schemes could be co-ordinated with any existing national schemes and would benefit all members by making it possible to spread the risks and lower administrative costs. In the case of areas moving towards economic integration, the establishment of such schemes would be facilitated by the impetus towards economic integration, and would in turn give added momentum to the economic integration movement. Careful consideration will, nevertheless, be needed in the case of each sub-regional integration area, to determine whether its resources and requirements are likely to be adequate for supporting a sub-regional scheme of its own, taking into account the possible burden of Government subsidization on the one hand, and the potential producing

and exporting capacity of the area in manufactured or semi-manufactured goods on the other.

18. At the regional level, a first step in facilitating export credit financing has been taken by the Inter-American Development Bank, which, starting on 1 January 1964, has provided refinancing facilities for medium-term export credits for intra-Latin American exports of capital goods. Regional and sub-regional development banks have indeed a special interest, under their charters, in the expansion of external trade of member countries.[10] The enquiry will, therefore, be carried out in close consultation with these, as with other interested development finance institutions.

19. Under Economic and Social Council resolution 1270 (XLIII), the Secretary-General will submit to the Council at its forty-fifth session in the summer of 1968 a progress report on his inquiry, at which time it is hoped to indicate especially the initial reactions of the multinational financial institutions and the national governments concerned. This progress report, as well as such concrete proposals for the establishment of export credit and export credit insurance schemes as may emerge from this inquiry at the national, regional or indeed worldwide level, will also be at the disposal of the Committee on Invisibles and Financing related to Trade.

[10] See e.g., the Preambles to the Charters establishing the African and Asian Development Banks, article I of the Agreement establishing the Inter-American Development Bank and chapter I of the Agreement establishing the Central American Bank for Economic Integration.

Document TD/21

A POSSIBLE PROGRAMME FOR THE PROMOTION OF EXPORTS OF MANUFACTURES AND SEMI-MANUFACTURES FROM DEVELOPING COUNTRIES

Report by the UNCTAD secretariat

[*Original text: English*]
[*13 November 1967*]

CONTENTS

	Page
INTRODUCTION	105
SUMMARY OF THE SUGGESTIONS FOR A POSSIBLE EXPORT PROMOTION PROGRAMME FOR THE DEVELOPING COUNTRIES	106
A. The creation of an export consciousness in the developing countries	106
B. Production of the right product for overseas markets	106
C. Market planning and promotion	106

Introduction

1. At the fifth session of the Trade and Development Board,[1] there was a consensus that the second session of the United Nations Conference on Trade and Development might fruitfully examine a programme for the promotion of exports of manufactured and semi-manufactured products from the developing countries. While it was recognised that the primary responsibility for export promotion must lie with the developing countries, it was also recognized that it was equally important that action be taken by the developed countries and the United Nations and other competent international organizations in assisting the developing countries in their export promotion efforts.

2. In view of this consensus the secretariat has prepared a report (TD/21/Supp.1) [2] designed to assist the second session of the Conference in drawing up a programme for the promotion of exports of manufactures and semi-manufactures from the developing countries. In the report account has been taken of the suggestions and recommendations made by the two joint UNCTAD/UNIDO meetings of groups of experts which were held in October 1966 and June 1967 to discuss the promotion of exports of manufactures and semi-manufactures from the developing countries (see TD/21/Supp.1, annexes I and II).

3. The need for an export promotion programme for the developing countries must be viewed in the context of the other international policy measures being examined to assist expansion and diversification in developing countries' exports of manufactures and semi-manufactures. While at the second session of the Conference member States will be considering the question of the granting of preferences to the exports of manufactures and semi-manufactures from the developing countries and also the question of the removal of non-tariff barriers to such trade, even if such policy changes were agreed upon, they would in themselves only facilitate the trade of the developing countries and would require to be paralleled by export promotion efforts by these countries. It is in this context, therefore, that an export promotion programme must be considered. While the success of such a programme will depend primarily on the initiative of the developing countries, the developed countries can, to a great extent, assist the developing countries in their export promotion efforts. The role of the United Nations is essentially that of a catalyst, namely, to stimulate and facilitate action in export promotion by both developing and developed countries.

4. Particular attention has been drawn to three facets of the problems faced by the developing countries in the matter of export promotion, namely:

(*a*) The creation of an export consciousness in the developing countries, including the provision of information on opportunities in overseas markets for their exports;

(*b*) The production of the right product for the overseas market, in particular the importance of having the right design not only for the product itself but also for its packaging; and

(*c*) The use of appropriate market planning and market promotion methods.

5. In examining these problems in the above-mentioned report (TD/21/Supp.1), suggestions have been made concerning possible action which could be taken by developing countries themselves, by developed countries and by the United Nations. The following is a summary of the main suggestions set forth in that report.

[1] See *Official Records of the General Assembly, Twenty-second Session, Supplement No. 14*, part one, para. 76.
[2] Mimeographed.

Summary of the suggestions for a possible export promotion programme for the developing countries

A — The creation of an export consciousness in the developing countries

1. *Trade information services*

(*a*) Developing countries should consider establishing and/or improving their trade commissioner/commercial attaché services and assigning trade commissioners to markets where there are prospects for the immediate sale of goods. They should inform their exporters of the services available from their trade commissioner services and discuss with exporters the desirability of opening up new posts.

(*b*) Developed countries might consider making available, on a short-term secondment basis, their own trade promotion staff to meet the urgent requirements of developing countries for trained export promotion personnel.

(*c*) The United Nations should consider the possibility of employing trade promotion experts and trade commissioners of developed countries (e.g. those who have recently retired from their own services) and assign them to assist and train officers of developing countries.

(*d*) Developed countries could consider establishing within their own governmental trade promotion machinery small units to collect and disseminate information on the marketing and export opportunities of developing countries.

(*e*) Consideration should be given to strengthening the trade information and advisory services in the proposed joint UNCTAD/GATT international trade centre and also to the possibility of establishing regional trade promotion centres.

2. *Training of personnel on export matters*

(*a*) Developing countries should establish within their territories training courses in export matters for personnel in industry and government.

(*b*) Developed countries should consider providing more fellowships and opportunities for the in-service training of personnel from developing countries.

(*c*) The United Nations should consider organizing training courses in export promotion for senior government officials; training courses for personnel who could then act as instructors in their own countries for regions, and regional seminars on the new methods of marketing and distribution with the participation of high-ranking managers of leading importing firms in developed countries.

3. *Problems created by the size of production units in developing countries*

(*a*) Developing countries should explore the possibilities of regional and sub-regional integration in order to increase the opportunities for large-scale production units and should establish export promotion agencies and bodies on a regional basis.

(*b*) The United Nations should, in co-operation with the Governments concerned, consider providing technical and financial assistance in the formation of such bodies.

4. *Export credit and insurance*

(*a*) Developing countries in a position to export manufactures and semi-manufactures requiring the offering of credit terms should consider establishing export credit and insurance facilities.

(*b*) Developed countries should examine the possibility of providing credit and reinsurance facilities for component and intermediate goods exported under joint agreements by developing and developed countries and supplied to third countries.

(*c*) The United Nations should consider establishing an international credit status reporting service to provide initial assistance to the developing countries in the establishment of export credit insurance bodies.

B — Production of the right product for overseas markets

(*a*) Developed countries should consider, where appropriate, the establishment of design centres in their own countries and, where impracticable because of insufficient products for export, the establishment of design centres on a regional basis.

(*b*) Developed countries should consider making the services of their design centres available to developing countries.

(*c*) If regional and national design centres were to be establish in developing countries, the United Nations should consider providing assistance by supplying on a short-term basis technical assistance experts qualified in design matters.

C — Market planning and promotion

1. *Market surveys*

(*a*) In respect of future market surveys to be undertaken by developing countries, it is suggested that the latter should consider the possibility of having such surveys made on a regional or sub-regional basis where similar and complementary products are available for export from a region.

(*b*) Once product-by-product surveys have been made by developing countries, the United Nations should consider the possibility of providing some measure of technical assistance, such as the provision of specialized experts to enable these countries to take fuller advantage of the surveys.

2. *Overseas marketing channels*

(*a*) When it is impossible to find a suitable agent in individual major markets or in a group of adjacent countries, developing countries should examine the possibility of establishing their own overseas marketing outlets, including the establishment of overseas warehouses to break down into marketable packages such products as tea, spices and oil cakes for sale in developed countries. Where possible, this should be done jointly by a number of developing countries.

(*b*) To assist developing countries to operate such a system on a viable and economic basis, the United Nations should consider the possibility of providing technical and financial assistance in the initial years.

3. *Publicity*

(*a*) The Governments of developing countries should consider the possibility of establishing, nationally and regionally, export promotion bodies to co-ordinate the efforts of industries producing similar or complementary products for export and, in particular, the establishment of promotion bureaux in major importing markets.

(*b*) If such promotion bodies are established by developing countries, the United Nations and developed countries should consider providing technical and financial assistance to ensure that they operate on a viable and economic basis.

4. *Trade fairs and exhibitions*

(*a*) Developing countries should consider, where practical, participating in specialized trade fairs in the developed countries on a national and regional basis.

(*b*) Developed countries should consider extending further assistance to developing countries by providing free space for them in their trade fairs.

(*c*) Importers in developed countries should, in their own interest, consider financially assisting developing countries to participate in trade displays and store promotions as has already been done to a certain extent in a number of developed countries.

(*d*) Developing countries should consider organizing trade fairs individually and on a regional basis.

(*e*) Developed countries should consider participating more actively in the trade fairs organized in developing countries, and assist in the training of developing countries' officials by permitting them to participate in the organization of trade fairs in developed countries.

(*f*) The United Nations should consider providing technical assistance experts to assist in the training of developing countries' officials in the techniques of organizing trade fairs.

Document TD/54

UNITED NATIONS DEVELOPMENT PROGRAMME ASSISTANCE IN EXPORT PROMOTION AND RELATED FIELDS

Paper submitted by the secretariat of the United Nations Development Programme

[*Original text: English*]
[*12 January 1968*]

CONTENTS

	Paragraph	Page
INTRODUCTION	1	108
CO-ORDINATION	2-3	108
UNDP EXPORT PROMOTION PROJECTS	4-6	109
EXPORT-ORIENTED INDUSTRIES	7-14	109
INFRA-STRUCTURE	15-19	110
EXPORT PLANNING AND MARKETING	20-21	110
TOURISM	22-24	110
IMPORT SUBSTITUTION	25-29	111
REGIONAL DEVELOPMENT	30-33	111

ANNEX

Table	Page
1. Assistance in export promotion and related fields authorized by the Governing Council of UNDP	112
2. UNDP-assisted projects in export promotion and related fields under implementation as at 31 December 1967	115

Introduction

1. In a statement at the fourth session of the Governing Council of the United Nations Development Programme (UNDP) in June 1967, the Programme's Administrator stressed the importance of exports as " one of the fundamental development tools in so far as foreign sales are a major source for the external financing of national economic growth ". In this connexion, one of the central problems before UNCTAD, the UNDP and other United Nations bodies concerned with development is how best to marshal resources and supply the co-ordinated assistance needed to help provide the low-income countries with the tools to strengthen their trading and foreign exchange positions.

Co-ordination

2. Over the past several years, the co-ordination of United Nations family assistance in the field of trade expansion has made considerable progress. The UNDP has developed close and productive relations with UNCTAD and increasingly looks to it for substantive guidance with respect to trade questions. In accord with arrangements worked out with UNCTAD, all requests for UNDP assistance to projects which have a bearing on trade expansion are submitted to UNCTAD for assessment. Now, with the UNDP examining still more closely the trade expansion possibilities in each new request for assistance, the Programme hopes to draw more extensively on UNCTAD's specialized knowledge. In addition, UNCTAD's growing expertise in all aspects of trade expansion will enable it to play a larger role in offering initiatives and new directions for possible UNDP action.

3. In view of these broadening relations, the Administrator of the Development Programme welcomes the recent inclusion of the Secretary General of UNCTAD as a member of the UNDP's Inter-Agency Consultative Board. He is also pleased to note the establishment of an Export Promotion Programme to co-ordinate United Nations family assistance, ensure the most efficient use of resources and take greater advantage of the data being compiled by the regional economic commissions, the regional banks, the United Nations Industrial Development Organization (UNIDO), the UNDP, the General Agreement on Tariffs and Trade (GATT) and

other bodies. The establishment as from 1 January 1968 of an International Trade Centre under the aegis of the United Nations Export Promotion Programme and to be jointly operated by UNCTAD and GATT will further aid trade expansion by providing a central supporting unit for information, advisory services, research and other forms of assistance to guide United Nations bodies implementing projects related to foreign trade.

UNDP export promotion projects

4. As at 31 December 1967, the UNDP, through its participating and executing agencies, was implementing 163 projects with a direct relation to, or a bearing upon, some phase of export promotion. Of these, 49 projects were of the large-scale pre-investment type, while 114 projects were smaller scale undertakings being implemented under the provisions of the 1967-1968 technical assistance biennium. UNDP earmarkings for export services, equipment and fellowships in connexion with these projects amounts to the equivalent of $63.6 million. The distribution of this assistance among the recipient countries is shown in table 1 to this paper. Table 2 indicates project titles and executing agencies. The Administrator's recommended list of pre-investment projects for approval at the fifth session of the Governing Council in January 1968 contains another five projects related to trade expansion. UNDP earmarkings for these projects were estimated at $3.6 million. UNDP expenditures for export promotion projects in the pre-investment and technical assistance components were $8.4 million in 1966, a $2.4 million increase over 1965. Expenditures for 1967 are estimated at $10.3 million.

5. In addition, the UNDP was supporting other projects which, in a less direct way, were also contributing to an increase in the exports of developing countries. Such projects are excluded from the scope of this paper and from the information contained in the annex thereto. Import substitution projects are also excluded from the data in the annex, though the topic is discussed in the paper.

6. UNDP-assisted projects in trade expansion and related fields fall into the following broad categories:

- Development or strengthening of export-oriented mining and manufacturing industries, farming, fisheries and forestry;
- Strengthening of infra-structure in areas vital to export promotion, such as port and harbour improvement, modernization of maritime services transport, road and river studies and surveys of facilities required for moving export products to shipping points;
- Advisory and training services in export planning, marketing and in the establishment of export promotion machinery at the governmental level;
- Development of the tourist industry;
- Support of regional projects to expand trade among developing countries.

Examples of projects in the above categories are described in the following paragraphs.

Export-oriented industries

7. Through its Special Fund and 1967-1968 Technical Assistance components, the UNDP was assisting, as at 31 December 1967, a total of sixty export-oriented projects for which $31.6 million had been earmarked. In addition, field work on many export-oriented projects had been completed before that date and already produced a catalyzing effect on the export position of the recipient countries. For instance, UNDP/FAO assistance to Chile for the development of its forest resources helped establish a Forestry Research Institute and spurred the investment of more than $100 million for pulp and paper plants whose output will be largely exported. A forestry survey in Honduras has helped stimulate a $75 million investment for a pulp, paper and timber complex whose products will fill domestic and foreign needs.

8. A Food Processing Institute, being established with UNDP and FAO assistance in China (Taiwan), will investigate and promote techniques for improved preservation and processing of food for the export as well as the domestic market. Another UNDP project is aimed at helping Argentina expand markets for its fishery industry. Other export-oriented fishery projects are being assisted in Central America, the Caribbean and Africa.

9. In Afghanistan, an animal health and husbandry project is providing training and extension services to help develop the livestock industry, which accounts for 40 per cent of the country's exports. In the Sudan, a training and advisory institute has been established for the development of the hides, skins and leather industries, with particular emphasis on the export market. This project, completed in 1967, is being followed up by a second project concerned with improved production and quality control methods. Meanwhile, foreign orders have already been placed and filled.

10. A rubber development project in Thailand aims to increase the productivity of the country's natural rubber industry, which is the nation's largest foreign exchange earner. Surveys in Argentina, Bolivia, Burma, Chile, Senegal and other countries have located extensive mineral deposits which can be developed for export.

11. In Algeria, the United Nations is supervising a project concerned with the development and export potential of the natural gas and petroleum resources of the country and exploring the economic and technical feasibility of transporting gas by undersea pipeline to Europe. Another phase of this project is attempting to forecast the long-range export markets of selected petrochemicals.

12. Rwanda, a country with almost no modern processing facilities, is being aided in the establishment of a pilot plant to produce the insecticide pyrethrum for export. Until now, land-locked Rwanda has had to send the flowers from which the pyrethrum extract is drawn 1,000 miles to the nearest seaport. As a result, transportation costs consumed half the price received. The development of modern facilities for pyrethrum

production in Rwanda itself should eventually increase its foreign exchange earnings.

13. Over the years, technical assistance projects have also played an important role in the development of export-oriented industries. For instance, during the 1965-1966 technical assistance biennium, projects in Bolivia and Ecuador were directed toward increasing forestry exports from those countries. Aid was also provided to eight countries for petroleum exploration, production and marketing. Some thirty-five other countries received assistance in agricultural and mining fields directly related to exports.

14. In Burma, the Government is planning to implement recommendations made under a recent technical assistance mission for a tobacco products factory with export potential. Improved copra processing methods have been developed, with expert assistance, in the Philippines, which accounts for some 60 per cent of total world exports of that product. Under the current technical assistance programme, some twenty-five countries and territories are receiving expert help in a variety of export-oriented industrial fields, including agriculture, forestries, fisheries and other areas related to foreign trade.

Infra-structure

15. A necessary complement to the assistance provided to governments for the development of export-oriented industries is the aid given to improve and strengthen infra-structure. This help covers a broad spectrum of fields ranging from the improvement of trunk roads to the modernization of major harbours.

16. In Guyana, for example, a UNDP-assisted project carried out by the International Bank for Reconstruction and Development (IBRD) investigated siltation and erosion conditions in Georgetown Harbour and recommended improvements which would allow easier access for heavy ocean-going ships. The improvements were made and one result has been cheaper costs for the country's exports. Another project has recommended steps for developing needed port facilities in Bangkok. The Government has accepted the recommendations and plans for the expansion and modernization of the port have already been drafted.

17. In China (Taiwan), a UNDP-United Nations project has been assisting in the establishment of an institute which will seek to modernize the shipping industry and to train merchant marine officers. One objective of this project is to bring about a favourable balance of shipping payments. Another project, now being implemented by UNIDO, is assisting Paraguay in setting up a technical standards institute. Its activities will include advisory services on export marketing problems.

18. A transport survey of the southern regions of the Central African Republic and Cameroon aims to facilitate transportation between the Central African Republic and the coast and to develop forestry and agricultural exports. An engineering and economic survey for a proposed railway linking interior iron ore deposits in Gabon with a new seaport has been completed under the supervision of IBRD. Studies have indicated the existence of markets for substantial iron ore exports and, as an additional dividend, increased accessibility to interior forest resources could provide a large amount of lumber for export.

19. Numerous technical assistance projects, most of them implemented by the United Nations, have also been providing infra-structural help. Under the current biennium, thirteen countries are receiving assistance with infra-structure projects related to trade expansion. Developing countries are also being offered assistance in transportation fields, such as maritime shipping, organization of ports and harbours, transport economics, evaluation of road networks, highway construction and maintenance, bridge building and air services. Countries such as Nicaragua are receiving support in industrial planning and productivity in export fields. Other countries are being aided in development planning and evaluation and in additional infra-structure areas which, either directly or indirectly, bear on trade expansion.

Export planning and marketing

20. Considerable help has been offered to the developing countries in the strengthening of export planning, marketing and promotion services. For instance, UNDP-assisted Economic Development and Planning institutes in Africa, Asia and Latin America are offering instructional and advisory services in a wide range of fields, including foreign trade, external finance and over-all development planning. At the request of Governments, these institutes have also undertaken specific assignments related to export problems. Currently, the UNDP is assisting six Special Fund projects in export planning and regional trade for which $15.3 million has been earmarked.

21. In addition, a large number of technical assistance missions have been completed or are being implemented in the fields of export promotion and marketing. In the 1965-1966 biennium, thirty-nine separate trade promotion and marketing projects, costing more than $1 million, were carried out. The 1967-1968 biennium contains forty such projects for which $1.8 million has been earmarked. Under the current biennium, a market research expert is helping Malta on export problems; assistance is being offered to the foreign trade promotion centre in Mexico; Argentina, China, Greece and other countries are receiving aid in trade promotion and marketing as well as in the compilation of trade statistics. Countries are also being assisted in the rationalization of their tariff structures. Another important area of assistance is the UNDP-United Nations series of seminars and workshops on marketing and trade promotion being held in the developing regions.

Tourism

22. One aspect of export promotion which is receiving an increased amount of attention is tourism. With an estimated 120 million people having taken vacations

abroad in 1967, tourism is the biggest single export industry on the world trade ledger. With few exceptions, however, the developing countries have not been able to win a proportionate share of the benefits. Yet, studies indicate that some countries could ease — and even solve — their balance-of-payments difficulties through a relatively modest expansion of their tourist facilities. No less than minerals or forests, each developing country's tourist potential is a natural resource capable of adding to the national wealth. As such, the UNDP is giving the closest attention to soundly conceived high priority projects in this field for which Governments have requested assistance.

23. More than 1,200 hotel workers were trained as part of a vocational training project in Yugoslavia implemented by the International Labour Organisation (ILO). At the conclusion of UNDP assistance in 1963, the Government took over supervision of the training centres which have since graduated additional thousands of skilled people.

24. The UNDP has also advised Turkey and Mexico on various phases of the tourist industry. In 1967, the UNDP's Governing Council approved assistance to a project in Yugoslavia designed to draw up a long-term economic plan for the South Adriatic region with special emphasis on the development of tourist facilities and services. The project calls for the preparation of detailed plans for the development of the tourist industry in four specific areas, together with estimates regarding the investments needed for the construction of the appropriate facilities. Another approved pre-investment project calls for the development of a comprehensive tourist industry programme in Jamaica. In addition, twenty-nine projects in 1967-1968 technical assistance programme deal with the development of the tourist industry.

Import substitution

25. An important aspect of the over-all foreign exchange position of the developing countries is import substitution. While recognizing that import substitution has its limitations and may actually prove uneconomical in the case of inefficient or highly protected industries, the UNDP has been keenly aware of the value of supporting projects which could help developing countries produce some of the goods they must now buy abroad.

26. In Pakistan, a United Nations mineral survey made on behalf of the UNDP located large iron-ore and coal reserves which could serve as the basis for an iron/steel mill, thus enabling the country to fill part of its increasing need in these products from domestic production. In Chile, the ILO is supervising a UNDP-assisted project to increase the efficiency of small firms and promote the establishment of industries to manufacture products now being imported.

27. At its fourth session, in June 1967, the Governing Council approved a project to offer assistance for the development of a hides, skins and leather demonstration and training centre in Rwanda. In the absence of any local tanning or leather utilization industry, most hides and skins produced in the country are exported. Yet, more than 80 per cent of the export earnings derived from hides and skins must be spent annually on imported leather products.

28. Smaller-scale technical assistance projects also focus on import substitution. During the 1965-1966 biennium, for example, a team of experts studied mineral industries in two Indian states and recommended local processing of aluminium and steel as a substitute for imported metals. Projects in the current biennium also related to import substitution in that they aim to increase domestic productivity of items currently purchased abroad.

29. In many countries, however, the effort to increase domestic production is hampered by scanty knowledge of local market conditions, insufficient or inaccurate census figures and a general lack of essential data. Under its technical assistance component, therefore, the UNDP is supplying many countries — including Malaysia, Mauritania, Nigeria and Swaziland — with assistance in compiling statistical and other data relating to internal market potential and in strengthening government statistical departments.

Regional development

30. In considering the problems of trade promotion, import substitution and domestic market expansion, regional development is a subject of paramount importance. Historically, the export trade of the developing countries has been oriented towards the industrialized nations. Until recently, little or no attention had been paid to increasing commerce among the developing countries. Indeed, it is usually easier for the developing countries of Africa, Asia and Latin America to ship goods overseas to the industrialized nations than to transport commodities to other countries in the same continent. Yet, trade among the low-income countries themselves offers one of the most promising avenues for future growth. Increased regional trade would also help overcome the barrier to production in those countries where the existence of a small domestic market may make production of certain goods economically unfeasible.

31. Accordingly, the UNDP is assisting a number of regional projects which aim to help developing country growth through an expansion of market potential beyond national borders to the point where production can enjoy the economies of scale. For instance, the United Nations is making a preliminary study of a north-south route across the Sahara desert in Algeria with a view toward increasing trade among Algeria, Tunisia, Mali and Niger. Another African project calls for navigability and port studies on the Senegal river and is aimed, in part, at increasing commerce between Guinea, Mali, Mauritania and Senegal as well as increasing exports from these countries to other regions. A rail and road transport study in Kenya, Uganda and the United Republic of Tanzania aims at stimulating commerce among these countries.

32. In Asia, the UNDP is providing assistance to the Regional Transport Technical Bureau of the Asian Highway which will ultimately spur trade in a vast region extending from Iran to Singapore. In the Americas, the UNDP has been assisting the Research Institute for Industry, which is playing a key role in the expansion of Central American trade on a regional basis and is helping the area develop import substitution industries. Many other regional projects under implementation in the pre-investment and technical assistance fields relate to trade expansion in a less direct way, but are of significance in terms of building a base which can support a substantial increase in foreign commerce.

33. Despite the scope of these activities, much remains to be done in the areas of export promotion and market expansion to strengthen the trading positions of the low-income countries and mould the dividend of foreign commerce into the powerful development tool it could be. The UNDP is confident that the United Nations family, with the assistance of UNCTAD, can contribute toward achieving these objectives.

ANNEX

TABLE 1

Assistance in export promotion and related fields authorized by the Governing Council of UNDP

(Projects under implementation as at 31 December 1967)

Field and country	Number of projects and Governing Council earmarkings					
	Technical Assistance		Special Fund		Total	
	No.	Earmarkings $ U.S.	No.	earmarkings $ U.S.	No.	Earmarkings $ U.S.
I. *Exported-oriented industries*						
Afghanistan	—	—	1	1 041 000	1	1 041 000
Algeria	—	—	1	836 900	1	836 900
Argentina	—	—	1	1 555 200	1	1 555 200
Boliva	2	48 500	1	818 900	3	867 400
Brazil	1	33 000	—	—	1	33 000
Cameroon	—	—	1	765 700	1	765 700
Ceylon	1	29 400	—	—	1	29 400
Chad	1	44 000	—	—	1	44 000
Chile	1	124 100	—	—	1	124 100
China (Taiwan)	1	14 600	2	1 608 200	3	1 622 800
Gambia	1	26 600	—	—	1	26 600
Ghana	1	33 000	1	888 100	2	921 100
Gilbert and Ellice Is.	1	11 000	—	—	1	11 000
Guinea	1	22 000	—	—	1	22 000
Guyana	—	—	1	1 308 300	1	1 308 300
Indonesia	2	361 300	—	—	2	361 300
Iran	2	73 200	1	732 200	3	805 400
Israel	1	84 000	—	—	1	84 000
Jordan	—	—	1	605 500	1	605 500
Kenya	1	50 000	—	—	1	50 000
Madagascar	—	—	1	753 400	1	753 400
Malta	1	5 400	1	711 200	2	716 600
Mexico	1	69 600	1	1 734 800	2	1 804 400
Niger	—	—	1	877 300	1	877 300
Nigeria	—	—	1	461 500	1	461 500
Paraguay	1	44 000	1	543 900	2	587 900
Philippines	—	—	1	729 900	1	729 900
Rwanda	—	—	2	2 002 400	2	2 002 400
Saudi Arabia	1	19 200	—	—	1	19 200
Senegal	—	—	1	978 800	1	978 800
Singapore	1	11 000	—	—	1	11 000
Somalia	—	—	1	731 600	1	731 600
Sudan	—	—	2	1 160 400	2	1 160 400
Thailand	—	—	2	1 537 900	2	1 537 900
Tonga	1	35 640	—	—	1	35 640
Trinidad	1	5 200	—	—	1	5 200
Turkey	1	140 000	1	1 868 700	2	2 008 700
United Arab Republic	1	145 320	—	—	1	145 320

TABLE 1

Assistance in export promotion and related fields authorized by the Governing Council of UNDP *(continued)*

(Projects under implementation as at 31 December 1967)

Field and country	Technical Assistance No.	Technical Assistance Earmarkings $ U.S.	Special Fund No.	Special Fund Earmarkings $ U.S.	Total No.	Total Earmarkings $ U.S.
Uruguay	—	—	1	1 100 800	1	1 100 800
Western Samoa	2	58 600	—	—	2	58 600
Zambia	1	90 000	—	—	1	90 000
Regional (Africa)	—	—	1	779 000	1	779 000
Regional (Americas)	—	—	2	3 856 500	2	3 856 500
Total	29	1 578 660	31	29 988 100	60	31 566 760
II. *Infra-structure*						
Bulgaria	1	4 200	—	—	1	4 200
Ceylon	1	19 400	—	—	1	19 400
Chile	—	—	1	735 800	1	735 800
China (Taiwan)	2	27 400	1	1 492 700	3	1 520 100
Ecuador	1	3 000	—	—	1	3 000
Gabon	1	39 500	1	3 415 000	2	3 454 500
Gilbert and Ellice Is.	1	44 000	—	—	1	44 000
Guinea	1	28 000	—	—	1	28 000
Indonesia	1	54 600	—	—	1	54 600
Nicaragua	—	—	1	768 000	1	768 000
Paraguay	—	—	1	825 300	1	825 300
Philippines	1	37 800	—	—	1	37 800
Surinam (Netherlands)	—	—	1	509 500	1	509 500
United Arab Republic	1	76 600	—	—	1	76 600
Regional (Africa)	2	18 500	4	4 044 200	6	4 062 700
Regional (Asia and Far East)	1	100 000	—	—	1	100 000
Interregional	2	190 000	—	—	2	190 000
Total	16	643 000	10	11 790 500	26	12 433 500
III. *Export planning and regional trade*						
Algeria	2	99 000	—	—	2	99 000
Argentina	1	196 700	—	—	1	196 700
China, Republic of	1	9 600	—	—	1	9 600
Congo (Brazzaville)	1	22 000	—	—	1	22 000
Greece	1	7 200	—	—	1	7 200
Haiti	1	13 000	—	—	1	13 000
Honduras	1	11 000	—	—	1	11 000
India	1	123 400	—	—	1	123 400
Indonesia	2	95 700	—	—	2	95 700
Iran	2	142 340	1	1 058 900	3	1 201 240
Israel	1	3 600	—	—	1	3 600
Korea, Republic of	1	7 200	—	—	1	7 200
Laos	1	33 000	—	—	1	33 000
Malta	1	16 200	—	—	1	16 200
Mexico	1	3 600	—	—	1	3 600
Morocco	1	44 000	—	—	1	44 000
Nepal	1	3 600	—	—	1	3 600
Pakistan	1	3 600	—	—	1	3 600
Paraguay	1	44 000	—	—	1	44 000
Poland	1	3 600	—	—	1	3 600
Somalia	1	44 000	—	—	1	44 000
Thailand	1	8 400	—	—	1	8 400
Uruguay	1	20 000	—	—	1	20 000
Regional (Africa)	4	93 000	2	5 016 600	6	5 109 600
Regional (Americas)	4	590 900	2	5 640 900	6	6 231 800

TABLE 1

Assistance in export promotion and related fields authorized by the Governing Council of UNDP *(concluded)*

(Projects under implementation as at 31 December 1967)

Field and country	*Technical Assistance* No.	*Technical Assistance* Earmarkings $ U.S.	*Special Fund* No.	*Special Fund* Earmarkings $ U.S.	*Total* No.	*Total* Earmarkings $ U.S.
Regional (Asia and Far East)	4	130 000	1	3 536 300	5	3 666 300
Regional (Middle East)	1	20 000	—	—	1	20 000
Interregional	1	50 000	—	—	1	50 000
Total	40	1 838 640	6	15 252 700	46	17 091 340
IV. *Tourism*						
Algeria	1	14 000	—	—	1	14 000
Bolivia	1	22 000	—	—	1	22 000
Botswana	1	39 800	—	—	1	39 800
Bulgaria	2	11 300	—	—	2	11 300
Central African Republic	1	48 350	—	—	1	48 350
Ceylon	1	19 000	—	—	1	19 000
Cyprus	3	54 700	—	—	3	54 700
Ghana	1	18 200	—	—	1	18 200
India	1	20 000	—	—	1	20 000
Indonesia	1	4 000	—	—	1	4 000
Iran	1	44 000	—	—	1	44 000
Israel	1	25 600	—	—	1	25 600
Jamaica	—	—	1	439 300	1	439 300
Kenya	1	55 500	—	—	1	55 500
Lebanon	1	14 000	—	—	1	14 000
Malta	1	5 400	—	—	1	5 400
Mexico	1	64 200	—	—	1	64 200
Panama	1	5 500	—	—	1	5 500
Peru	1	7 330	—	—	1	7 330
Rumania	1	31 900	—	—	1	31 900
Tunisia	1	21 840	—	—	1	21 840
United Arab Republic	1	15 300	—	—	1	15 300
Yugoslavia	—	—	1	1 114 400	1	1 114 400
Zambia	1	25 600	—	—	1	25 600
Regional (Africa)	3	128 400	—	—	3	128 400
Regional (Americas)	1	38 200	—	—	1	38 200
Total	29	734 120	2	1 553 700	31	2 287 820
GRAND TOTAL	114	4 794 420	49	58 585 000	163	63 379 420

TABLE 2

UNDP-assisted projects in export promotion and related fields

(Under implementation as at 31 December 1967)

Country and project	Participating and executing agency	Document reference
Afghanistan		
Special Fund		
Training and Demonstration in Animal Health and Animal Husbandry	FAO	DP/SF/R.1/Add.1
Algeria		
Special Fund		
Industrial and Marketing Surveys on Petroleum Derivatives and Natural Gas	UNIDO	SF/R.10/Add.1
Technical Assistance		
Trade promotion and marketing	United Nations	DP/TA/L.5/Add.3
Economic analysis	FAO	DP/TA/L.5/Add.3
Economic analysis	FAO	DP/TA/L.5/Add.3
Argentina		
Special Fund		
Fishery Development Project	FAO	SF/R.10/Add.2
Technical Assistance		
Industrial development and productivity	United Nations	DP/TA/L.5/Add.4
Bolivia		
Special Fund		
Centre for Petroleum Development, Santa Cruz	United Nations	SF/R.11/Add.3
Technical Assistance		
Industrial development and productivity	United Nations	DP/TA/L.5/Add.6
Cultural tourism, preservation of cultural heritage	UNESCO	DP/TA/L.5/Add.6
Forestry development	FAO	DP/TA/L.5/Add.6
Botswana		
Technical Assistance		
Forestry development and industries	FAO	DP/TA/L.5/Add.7
Brazil		
Technical Assistance		
Rural institutions and services	FAO	DP/TA/L.5/Add.8
Bulgaria		
Technical Assistance		
Trade promotion and marketing	United Nations	DP/TA/L.5/Add.10
Cultural tourism, conservation of cultural property	UNESCO	DP/TA/L.5/Add.10
Transport and communications	United Nations	DP/TA/L.5/Add.10
Cameroon		
Special Fund		
Forest and forest industries development	FAO	DP/SF/R.3/Add.7
Central African Republic		
Technical Assistance		
Human resources development	ILO	DP/TA/L.5/Add.15
Ceylon		
Technical Assistance		
Trade promotion and marketing	United Nations	DP/TA/L.5/Add.16
Transport and communications	United Nations	DP/TA/L.5/Add.16
Social institutions development	ILO	DP/TA/L.5/Add.16
Chad		
Technical Assistance		
Economic analysis	FAO	DP/TA/L.5/Add.17

TABLE 2

UNDP-assisted projects in export promotion and related fields *(continued)*

(Under implementation as at 31 December 1967)

Country and project	*Participating and executing agency*	*Document reference*
Chile		
Special Fund		
Naval Construction Training and Research Centre, Valdivia	UNESCO	DP/SF/R.1/Add.13
Technical Assistance		
Industrial development and productivity	United Nations	DP/TA/L.5/Add.18
China		
Special Fund		
Food Processing Institute, Hsinchu	FAO	DP/SF/R.1/Add.14
Forest and forest industry development	FAO	SF/R.10/Add.7
National Maritime Development Institute, Daipei	United Nations	SF/R.10/Add.8
Technical Assistance		
Trade promotion and marketing	United Nations	DP/TA/L.5/Add.19
Economic surveys	United Nations	DP/TA/L.5/Add.19
Transport and communications	United Nations	DP/TA/L.5/Add.19
Fisheries development	FAO	DP/TA/L.5/Add.19
Congo (Brazzaville)		
Technical Assistance		
Trade promotion and marketing	United Nations	DP/TA/L.5/Add.22
Cyprus		
Technical Assistance		
Trade promotion and marketing	United Nations	DP/TA/L.5/Add.26
Human resources development	ILO	DP/TA/L.5/Add.26
Human resources development	ILO	DP/TA/L.5/Add.26
Ecuador		
Technical Assistance		
Transport and communications	United Nations	DP/TA/L.5/Add.30
Gabon		
Special Fund		
Engineering Study of the Owendo-Belinga Railway	IBRD	DP/SF/R.1/Add.25
Technical Assistance		
Transport and communications	United Nations	DP/TA/L.5/Add.35
Gambia		
Technical Assistance		
Fisheries development	FAO	DP/TA/L.5/Add.36
Ghana		
Special Fund		
Food Research and Development Service	FAO	SF/R.6/Add.12
Technical Assistance		
Forestry development	FAO	DP/TA/L.5/Add.37
Forestry development	FAO	DP/TA/L.5/Add.37
Gilbert and Ellice Islands		
Technical Assistance		
Maritime training	IMCO	DP/TA/L.5/Add.38
Human resources development	ILO	DP/TA/L.5/Add.38
Greece		
Technical Assistance		
Trade promotion and marketing	United Nations	DP/TA/L.5/Add.39

TABLE 2

UNDP-assisted projects in export promotion and related fields *(continued)*

(Under implementation as at 31 December 1967)

Country and project	Participating and executing agency	Document reference
Guinea		
Technical Assistance		
Transport and communications	United Nations	DP/TA/L.5/Add.41
Industrial development and productivity	United Nations	DP/TA/L.5/Add.41
Guyana		
Special Fund		
Forest Industrial Development Survey	FAO	DP/SF/R.1/Add.71
Haiti		
Technical Assistance		
Trade promotion and marketing	United Nations	DP/TA/L.5/Add.43
Honduras		
Technical Assistance		
Trade promotion and marketing	United Nations	DP/TA/L.5/Add.44
India		
Technical Assistance		
Preservation of cultural property	UNESCO	DP/TA/L.5/Add.46
Trade promotion and marketing	United Nations	DP/TA/L.5/Add.46
Indonesia		
Technical Assistance		
Trade promotion and marketing	United Nations	DP/TA/L.12
Statistics	United Nations	DP/TA/L.12
Human resources development	ILO	DP/TA/L.12
Cultural tourism, preservation of cultural heritage	UNESCO	DP/TA/L.12
Transport and communications	United Nations	DP/TA/L.12
Natural resources development and power	United Nations	DP/TA/L.12
Iran		
Special Fund		
Hides, skins, and leather development	FAO	SF/R.10/Add.25
Research Centre for Industrial and Trade Development	UNIDO	DP/SF/R.3/Add.24
Technical Assistance		
Economic analysis	FAO	DP/TA/L.5/Add.47
Public administration	United Nations	DP/TA/L.5/Add.47
Cultural tourism, conservation of cultural heritage	UNESCO	DP/TA/L.5/Add.47
Plant production and protection	FAO	DP/TA/L.5/Add.47
Human resources development	ILO	DP/TA/L.5/Add.47
Israel		
Technical Assistance		
Trade promotion and marketing	United Nations	DP/TA/L.5/Add.49
Preservation of cultural property	UNESCO	DP/TA/L.5/Add.49
Industrial development and productivity	United Nations	DP/TA/L.5/Add.49
Jamaica		
Special Fund		
Assistance in physical development planning	United Nations	DP/SF/R.3/Add.27
Jordan		
Special Fund		
Centre for Research, Demonstration and Training in Agricultural Marketing, Amman	FAO	SF/R.7/Add.21
Kenya		
Technical Assistance		
Forestry	FAO	DP/TA/L.5/Add.53
Forestry	FAO	DP/TA/L.5/Add.53

TABLE 2

UNDP-assisted projects in export promotion and related fields *(continued)*

(Under implementation as at 31 December 1967)

Country and project	*Participating and executing agency*	*Document reference*
Korea, Republic of		
Technical Assistance		
Trade promotion	United Nations	DP/TA/L.5/Add.54
Laos		
Technical Assistance		
Trade promotion	United Nations	DP/TA/L.5/Add.56
Lebanon		
Technical Assistance		
Trade promotion and marketing	United Nations	DP/TA/L.5/Add.57
Madagascar		
Special Fund		
Survey and development of selected forest areas	FAO	DP/SF/R.1/Add.39
Malta		
Special Fund		
Horticultural Demonstration and Training Centre	FAO	SF/R.10/Add.35
Technical Assistance		
Cultural tourism, conservation of historical monuments	UNESCO	DP/TA/L.5/Add.65
Trade promotion and marketing	United Nations	DP/TA/L.5/Add.65
Industrial development and productivity	United Nations	DP/TA/L.5/Add.65
Mexico		
Special Fund		
National Institute of Forest Investigations	FAO	SF/R.10/Add.36
Technical Assistance		
Trade promotion and marketing	United Nations	DP/TA/L.5/Add.68
Public finance	United Nations	DP/TA/L.5/Add.68
Fisheries development	FAO	DP/TA/L.5/Add.68
Morocco		
Technical Assistance		
Economic analysis	FAO	DP/TA/L.5/Add.70
Nepal		
Technical Assistance		
Trade promotion and marketing	United Nations	DP/TA/L.5/Add.71
Nicaragua		
Special Fund		
Highway and Port Survey on the Southern Atlantic Coast	IBRD	SF/R.11/Add.27
Niger		
Special Fund		
Development of Animal Production and Water Resources in Eastern Niger	FAO	SF/R.9/Add.26
Nigeria		
Special Fund		
Hides and Skins Demonstration and Training Project in the Northern Region	FAO	SF/R.7/Add.25
Pakistan		
Technical Assistance		
Trade promotion	United Nations	DP/TA/L.5/Add.77

TABLE 2

UNDP-assisted projects in export promotion and related fields *(continued)*

(Under implementation as at 31 December 1967)

Country and project	*Participating and executing agency*	*Document reference*
Panama		
Technical Assistance		
Cultural tourism	UNESCO	DP/TA/L.5/Add.78
Paraguay		
Special Fund		
Technical Standards National Institute	UNIDO	SF/R.5/Add.25
Navigation Study of the Paraguay River South of Asunción	United Nations	SF/R.10/Add.43
Technical Assistance		
Trade promotion and marketing	United Nations	DP/TA/L.5/Add.79
Industrial development and productivity	United Nations	DP/TA/L.5/Add.79
Peru		
Technical Assistance		
Cultural tourism, preservation of cultural heritage	UNESCO	DP/TA/L.5/Add.80
Philippines		
Special Fund		
Demonstration and Training in Forest, Forest Range, and Watershed Management	FAO	SF/R.10/Add.45
Technical Assistance		
Transport and communications	United Nations	DP/TA/L.5/Add.81
Poland		
Technical Assistance		
Trade promotion and marketing	United Nations	DP/TA/L.5/Add.82
Romania		
Technical Assistance		
Trade promotion and marketing	United Nations	DP/TA/L.5/Add.83
Rwanda		
Special Fund		
Pilot Plant for Industrialization and Pyrethrum Production, Mukingo	UNIDO	DP/SF/R.1/Add.56
Hides, Skins, and Leather Demonstration and Training Centre, Kigali	FAO	DP/SF/R.4/Add.42
Saudi Arabia		
Technical Assistance		
Trade promotion and marketing	United Nations	DP/TA/L.5/Add.85
Senegal		
Special Fund		
Institute of Food Technology, Dakar	FAO	SF/R.9/Add.32
Singapore		
Technical Assistance		
Forestry development	FAO	DP/TA/L.5/Add.89
Somalia		
Special Fund		
Training Centre for Hides, Skins and Leather Development, Mogadiscio	FAO	DP/SF/R.3/Add.47
Technical Assistance		
Economic analysis	FAO	DP/TA/L.5/Add.91
Sudan		
Special Fund		
Industrial Research Institute, Khartoum	UNIDO	SF/R.7/Add.32
Demonstration and Marketing Research for Improved Hides, Skins and Leather Production	FAO	DP/SF/R.3/Add.49

TABLE 2

UNDP-assisted projects in export promotion and related fields *(continued)*

(Under implementation as at 31 December 1967)

Country and project	Participating and executing agency	Document reference
Surinam (Netherlands)		
Special Fund		
Transportation Study	IBRD	SF/R.8/Add.27
Thailand		
Special Fund		
Research and Training Centre for Rice Protection	FAO	SF/R.4/Add.36
Rubber development	FAO	SF/R.8/Add.38
Technical Assistance		
Statistics	United Nations	DP/TA/L.5/Add.96
Tonga		
Technical Assistance		
Coconut rehabilitation	FAO	DP/TA/L.5/Add.98
Trinidad		
Technical Assistance		
Natural resources development and power	United Nations	DP/TA/L.5/Add.99
Tunisia		
Technical Assistance		
Conservation of cultural heritage	UNESCO	DP/TA/L.5/Add.100
Turkey		
Special Fund		
Research and Training Centres for the Production, Processing and Marketing of Fruit and Vegetables	FAO	SF/R.10/Add.55
Technical Assistance		
Economic analysis	FAO	DP/TA/L.5/Add.101
United Arab Republic		
Technical Assistance		
Trade promotion and marketing	United Nations	DP/TA/L.5/Add.103
Transport and communications	United Nations	DP/TA/L.5/Add.103
Plant production and protection	FAO	DP/TA/L.5/Add.103
Uruguay		
Special Fund		
Animal Production and Grasslands Programme at the Alberto Boerger Agricultural Research Centre, La Estanzuela	FAO	SF/R.6/Add.39
Technical Assistance		
Trade promotion	United Nations	DP/TA/L.5/Add.106
Western Samoa		
Technical Assistance		
Forestry development	FAO	DP/TA/L.5/Add.109
Industrial development and productivity	United Nations	DP/TA/L.5/Add.109
Yugoslavia		
Special Fund		
Regional Plan for the South Adriatic Region	United Nations	DP/SF/R.3/Add.61
Zambia		
Technical Assistance		
Forestry development	FAO	DP/TA/L.5/Add.112
Natural resources development and power	United Nations	DP/TA/L.5/Add.112

TABLE 2

UNDP-assisted projects in export promotion and related fields *(concluded)*

(Under implementation as at 31 December 1967)

	Participating and executing agency	*Document reference*
REGIONAL PROJECTS		
Africa		
Special Fund		
Transport Survey of the Southern Regions of the Central African Republic and Cameroon	IBRD	SF/R.10/Add.64
Lake Victoria Fisheries Research	FAO	SF/R.10/Add.69
Trans-Saharan Road Study	United Nations	DP/SF/R.3/Add.65
Navigability and Port Studies on the Senegal River	United Nations	DP/SF/R.3/Add.65
Feasibility Study for a Road from Bujumbura to Kigoma	IBRD	DP/SF/R.4/Add.56
African Institute for Economic Development and Planning	United Nations	SF/R.8/Add.48
Centre of Industrial Studies for the Maghreb	UNIDO	DP/SF/R.1/Add.77
Navigability and Port Studies on the Senegal River	United Nations	DP/SF/R.3/Add.67
Technical Assistance		
Forestry development (East African Common Services Organization)	FAO	DP/TA/L.5/Add.29
Sub-regional Seminar on Ports and Harbours (West Africa)	United Nations	DP/TA/L.5/Add.113
Sub-regional Seminar on Ports and Harbours (East Africa)	United Nations	DP/TA/L.5/Add.113
Wildlife management and conservation	FAO	DP/TA/L.5/Add.113
Regional Pilot Professor for Training of African Museum Technicians (Jos, Nigeria)	UNESCO	DP/TA/L.5/Add.113
ECA/GATT Course in Commercial Policy	United Nations	DP/TA/L.5/Add.113
Customs Administration Seminar	United Nations	DP/TA/L.5/Add.113
Training Course in Customs Administration	United Nations	DP/TA/L.5/Add.113
ECA/GATT Course in Commercial Policy	United Nations	DP/TA/L.5/Add.113
The Americas		
Special Fund		
Caribbean Fishery Development Project	FAO	SF/R.6/Add.42
Central American Fishery Development Project	FAO	SF/R.10/Add.65
The Central American Research Institute for Industry, phase II	UNIDO	SF/R.11/Add.44
Latin American Institute for Economic and Social Planning, Santiago	United Nations	DP/SF/R.3/Add.69
Technical Assistance		
Regional Centre for Training of Laboratory Technicians in the Conservation of Cultural Property	UNESCO	DP/TA/L.5/Add.114
Seminar on Trade Promotion and Marketing	United Nations	DP/TA/L.5/Add.114
Trade promotion and marketing	United Nations	DP/TA/L.5/Add.114
OAS/IDB/ECLA Central American Programming Mission	United Nations	DP/TA/L.5/Add.114
Central American Integration Programme	United Nations	DP/TA/L.5/Add.114
Asia and the Far East		
Special Fund		
Asian Institute for Economic Development and Planning	United Nations	SF/R.6/Add.43
Technical Assistance		
Working Group on Regional Plan Harmonization	United Nations	DP/TA/L.5/Add.115
Seminar and Study Tour on State Trading		DP/TA/L.5/Add.115
Seminar on Trade Liberalization	United Nations	DP/TA/L.5/Add.115
Seminar on Financial Aspects of Trade Expansion	United Nations	DP/TA/L.5/Add.115
Asian Highway Co-ordinating Committee	United Nations	DP/TA/L.5/Add.115
Middle East		
Technical Assistance		
Centre on Marketing Programme, Procedures and Organization	FAO	DP/TA/L.5/Add.117
Inter-Regional		
Technical Assistance		
Second Group Training Course in Trade Promotion	United Nations	DP/TA/L.5/Add.118
Seminar on Containerization and other Methods for Movement of Products	United Nations	DP/TA/L.5/Add.118
Ports and Shipping Training Centre	United Nations	DP/TA/L.5/Add.118

Document TD/10/Supp.1 *

REVIEW OF THE TRADE IN MANUFACTURES AND SEMI-MANUFACTURES

Report by the UNCTAD secretariat

[Original text: English]
[31 October 1967]

CONTENTS

	Paragraph	Page
INTRODUCTION AND SUMMARY		
A. Introduction	1-2	126
B. Summary of conclusions	3-12	126
CHAPTER I. WORLD TRADE IN MANUFACTURES AND SEMI-MANUFACTURES		
A. General trends in world trade	13-16	127
B. Trade in manufactures and semi-manufactures	17-22	127
C. Concluding remarks	23	129
CHAPTER II. IMPORTS INTO DEVELOPED MARKET-ECONOMY COUNTRIES OF MANUFACTURES AND SEMI-MANUFACTURES FROM DEVELOPING COUNTRIES		
A. General trends	24-26	129
B. Geographical distribution of trade	27-42	129
C. Main products imported from developing countries	43-82	136
D. Concluding remarks	83	140
CHAPTER III. IMPORTS INTO SOCIALIST COUNTRIES OF EASTERN EUROPE OF MANUFACTURES AND SEMI-MANUFACTURES FROM DEVELOPING COUNTRIES		
A. General trends	84-87	141
B. Geographical distribution	88-91	141
C. Commodity composition	92-97	142
D. Concluding remarks	98	143
CHAPTER IV. TRADE IN MANUFACTURES AND SEMI-MANUFACTURES AMONG DEVELOPING COUNTRIES		
A. General trends	99-102	143
B. Composition of trade among developing countries	103-109	143
C. Trade by origin and destination	110-112	146
D. Concluding remarks	113	148

LIST OF TABLES

Table		Page
1.	Share of world exports in manufactures and semi-manufactures (SITC Sections 5-8)	128
2.	Growth of the export trade in manufactures and semi-manufactures (SITC Sections 5-8)	128
3.	Imports of manufactures and semi-manufactures from developing countries into developed market-economy countries by main categories of products	130
4.	Imports of manufactures and semi-manufactures from developing countries into developed market-economy countries	131
5.	Imports of manufactures and semi-manufactures by major developed market-economy countries from developing countries, 1961-1965, by broad category groups	131
6.	Imports of manufactures and semi-manufactures into developed market-economy countries from developing countries, by main countries of origin	132
7.	Principal manufactured and semi-manufactured products imported by developed market-economies from selected supplying developing countries	134
8.	Imports of selected products from developing countries, 1961-1965	139
9.	Exports of manufactures and semi-manufactures from the developing to the socialist countries of Eastern Europe, 1961-1965	141
10.	Commodity composition of exports of manufactures and semi-manufactures from the developing countries to the socialist countries of Eastern Europe, 1961-1965	142
11.	Exports from developing countries to world and to other developing countries, 1955-1965	144
12.	Exports of manufactures and semi-manufactures of selected developing countries to world and to other developing countries, 1962	145
13.	Exports of manufactures among developing countries by origin and destination, 1955-1965	146

* Incorporating document TD/10/Supp.1/Corr.1.

Introduction and summary

A. Introduction

1. The Committee on Manufactures at its second session from 4 to 21 July 1967 considered a preliminary study prepared by the UNCTAD secretariat entitled "Review of imports of manufactures and semi-manufactures from the developing countries 1961-1965" (TD/B/C.2/24 and Corr.1). In the course of the consideration of that study it was suggested that it would be useful to combine in one document information concerning the trade of the developing countries with the developed market-economies, their trade with the socialist countries of Eastern Europe and the trade among the developing countries themselves.[1] Acting on this suggestion and utilizing whatever additional data were available, the UNCTAD secretariat has prepared the present review of the trade in manufactures and semi-manufactures from the developing countries with all markets.

2. The description and classification of countries and territories and the arrangement of material should not be considered to imply any judgement by the secretariat of UNCTAD regarding the legal status of any country or territory, or in respect of the delineation of its boundaries, or regarding its economic system. The inclusion of a particular country or territory in any economic or geographical grouping (or its exclusion) has been dictated by considerations of the availability of comparable data in statistics of the United Nations and other international agencies.

B. Summary of conclusions

3. In the period 1955-1965, world trade in manufactures and semi-manufactures grew almost twice as fast as that in primary commodities. Whereas trade in primary commodities grew at an average annual rate of 4.8 per cent, that in manufactures and semi-manufactures grew at a rate of 9.2 per cent.

4. The developed market-economy countries continued to be the main exporters of manufactures and semi-manufactures, accounting for 82.1 per cent of world exports of these products in 1965. The share of the developing countries, which declined from 6.6 per cent to 5.0 per cent during the period 1955-1958, improved to 5.8 per cent in 1965.

5. The bulk of the manufactures and semi-manufactures imported by developed market-economy countries from developing countries still consists of a number of products traditionally imported from these countries, such as textiles, food-stuffs, timber products, leather and other products involving simple manufacturing processes. A certain diversification in the supplies from developing countries has, however, taken place, and during the period 1961 to 1965, the new products exported included, in particular, manufactured fertilizers, telecommunication apparatus, travel goods, manufactures of leather, and toys and games. Within the groups of products traditionally exported there has been some noticeable diversification, in particular the export of wood pulp and a wide range of clothing items.

6. With regard to the geographical distribution of the imports from the developing countries, one striking recent trend has been the diversification of, and rapid increase in, United States imports of manufactures and semi-manufactures from these countries. Some diversification and growth in imports of these goods from the developing countries into the Federal Republic of Germany has also taken place but on a smaller scale in value terms.

7. The expansion of exports of manufactures and semi-manufactures from the developing to the developed market-economy countries during the period 1961 to 1965 was confined to a small number of countries. The biggest growth in these exports was achieved by Hong Kong, increases in exports being achieved also by China (Taiwan), Yugoslavia, Israel, a number of Latin American countries and the Republic of Korea.

8. The exports of manufactures and semi-manufactures from the developing countries to the socialist countries of Eastern Europe nearly trebled in the period 1961 to 1965. In 1965, the total value of these exports was estimated to be approximately $ 558 million. However, despite the rapid rise in recent years, the absolute as well as the relative levels of this trade are still not very high.

9. Of the socialist countries' imports of manufactures and semi-manufactures from developing countries, Yugoslavia supplied over 60 per cent of the total in 1965, and the other developing countries (mainly India and the United Arab Republic) supplied the rest. The imports from Yugoslavia consist mainly of machinery and transport equipment, whilst those from the other developing countries, mainly of traditional textile products and footwear. However, in recent years, there have been some signs of diversification in the socialist countries' imports from developing countries other than Yugoslavia, and such products as tyres, batteries, small tools, cosmetics and brushes are now being imported.

10. The composition of the trade in manufactures and semi-manufactures among developing countries strikingly resembles that of their total exports of these products. Although a certain diversification is taking place, the principal exports still consist of a limited range of products, mostly textiles and other light manufactures. However, while these two groups accounted in 1955 for more than 80 per cent of the trade in manufactures and semi-manufactures among

[1] Report of the Committee on Manufactures on its second session (*Official Records of the Trade and Development Board, Fifth session, Supplement No. 5*), para. 5.

the developing countries, in 1965 their share in this trade had declined to about 65 per cent. This fall is an indication of the process of the substitution of domestic products in the developing countries, in particular of textile and clothing products, for imported products.

11. The remaining exports in the trade of manufactures and semi-manufactures of developing countries, comprising chemicals, machinery and transport equipment, registered the highest rates of increase during the period 1955 to 1965. The result was a considerable rise in the share of these goods in the total trade of manufactures and semi-manufactures among the developing countries.

12. A striking characteristic of the trade in manufactures and semi-manufactures among developing countries is the heavy regional concentration of this trade, in terms of the origin and destination of the products. For example, of Asia's total exports of manufactures and semi-manufactures to the developing countries in 1965, 75 per cent was shipped to countries within the region. The corresponding proportion for Africa (and islands) 85.5 per cent, and for Latin America as high as 94 per cent.

CHAPTER I

World trade in manufactures and semi-manufactures

A. GENERAL TRENDS IN WORLD TRADE

13. During the period 1955 to 1965, world trade [2] in all items, including primary products and manufactured goods, grew steadily except for an interruption in 1958, and doubled in value from $ 92.8 billion to $ 186.1 billion. The annual increments in world trade ranged from $ 5.7 billion in 1961 to $ 18.4 billion in 1964, the average annual increase being $ 9.3 billion. However, there was a decline of $ 4.0 billion in 1958. The annual growth rates likewise varied from 4.5 per cent in 1961 to 12.0 per cent in 1964, a fall of 3.6 per cent occurring in 1958, and averaged 7.2 per cent. Since 1963, however, growth rates have been maintained on the whole at relatively higher levels than in earlier years. The combined impact of a bigger base and a higher growth rate in the period 1962 to 1965 resulted in an increase in world trade of $ 45.2 billion in that period, a figure comparing well with the $ 48.1 billion recorded for the longer period 1955 to 1962.

14. *Developed market-economy countries.* [3] Exports [4] of all items from this group of countries rose from $ 59.7 billion in 1955 to $ 128 billion in 1965. In line with the world trade pattern, exports from this group increased steadily during the period, with a slight interruption in 1958. The annual export growth rate for the group ranged between 5.6 per cent and 13.5 per cent and averaged 7.9 per cent, or slightly better than the world average. The group's share in world trade rose from 64.3 per cent in 1955 to 68.8 per cent in 1965.

15. *Developing countries.* [5] The developing countries gradually improved their exports [6] from $ 23.7 billion to $ 36.4 billion per annum during the period 1955 to 1958, apart from declining somewhat in 1958. The growth rates averaged 4.4 per cent for the period as a whole. This group's share in world trade declined from 25.5 per cent in 1955 to 19.6 per cent by 1965, a trend contrary to that occurring in the other groups of countries.

16. *Socialist countries.* [7] This group experienced a rise in exports entering world trade [8] from $ 9.4 billion to $ 21.7 billion per annum during the period 1955 to 1965. By contrast with the experience of the other two groups, the socialist countries' trade increased uninterruptedly throughout the period, even in 1958. The annual export growth rate, which ranged from 4.2 per cent to 17.4 per cent, averaged 8.7 per cent, almost double that for the developing countries. The group's share in world trade consequently improved from 10.2 per cent in 1955 to 11.7 per cent in 1965.

B. TRADE IN MANUFACTURES AND SEMI-MANUFACTURES

17. Manufactures and semi-manufactures continued to be the most dynamic sector of world trade in the period 1955 to 1965. While the share of primary commodities in world trade declined steadily from 49.4 per cent in 1955 to 39.6 per cent in 1965, the share of manufactured and semi-manufactured products [9] improved

[2] Because of the limited availability of the data, trade figures used in this part of the document are on an (f.o.b.) export basis.

[3] Developed market-economy countries include Canada, United States of America, Western Europe, Australia, New Zealand, South Africa and Japan (United Nations statistics — Economic Class I).

[4] Including the trade of these countries with each other.

[5] Including all countries in Asia, Africa and Latin America, except Japan and the socialist countries (United Nations statistics — Economic Class II).

[6] Including trade among the developing countries.

[7] Eastern Europe (Albania, Bulgaria, Czechoslovakia, Eastern Germany, Hungary, Poland, Romania, Union of Soviet Socialist Republics); China (mainland), Mongolia, North Korea and North Viet-Nam (United Nations statistics — Economic Class III).

[8] Including trade among the socialist countries.

[9] Of the ten major classifications ranging from 0 to 9 of the Standard International Trade Classification (SITC), Sections 0-4 are reckoned generally as primary commodities and sections 5-8 as manufactured and semi-manufactured products. This is a rough definition, since quite a number of items such as processed food, vegetable oils, fats, wood products and partly refined petroleum falling within sections 0-4 are manufactures. The classification herein attempted (as in a number of studies on the subject carried out by other agencies) would nevertheless serve the purpose of a broad assessment of world trade in manufactured products. This definition of manufactures and semi-manufactures must be borne in mind in subsequent parts of this report, where a broader definition is applied.

TABLE 1

Share of world exports in manufactures and semi-manufactures (SITC Sections 5-8)

Year	World	$ U.S. million: Developed market-economy countries	$ U.S. million: Developing countries	$ U.S. million: Socialist countries	Percentage of world total: Developed market-economy countries	Percentage of world total: Developing countries	Percentage of world total: Socialist countries
1955	45 620	37 960	3 030	4 630	83.2	6.6	10.2
1958	56 050	46 780	2 805	6 465	83.5	5.0	11.5
1960	69 710	57 390	3 840	8 480	82.3	5.5	12.2
1961	73 490	60 590	3 975	8 925	82.4	5.4	12.2
1962	79 490	64 740	4 220	10 530	81.4	5.3	13.3
1963	86 350	70 320	4 785	11 245	81.4	5.5	13.1
1964	98 710	80 810	5 485	12 415	81.9	5.6	12.5
1965	109 620	90 010	6 350	13 260	82.1	5.8	12.1

Source: United Nations, *Monthly Bulletin of Statistics.*

from 49.2 per cent in 1955 to 58.9 per cent in 1965. The widely differing experience of the two sectors can be further seen from their respective average annual growth rates, namely 4.8 per cent for primary commodities and 9.2 per cent for manufactures.

18. The relative shares in world trade of manufactures and semi-manufactures accounted for by the three groups are shown in table 1.

19. The developed market-economy countries accounted for the largest share in world exports of manufactures and semi-manufactures. From 83.2 per cent in 1955, their share declined slightly until 1963. During 1964 and 1965, however, it improved to 82.1 per cent. Of the total exports, including those of primary commodities, from these countries, exports of manufactures and semi-manufactures alone constituted 63.6 per cent in 1955 and 70.3 per cent in 1965. The average annual growth rate in the export of manufactures was 9.0 per cent as against a corresponding rate of 7.9 per cent for exports of all items.

20. By contrast, the share of the developing economies in world trade in manufactures and semi-manufactures was very low. After declining from 6.6 per cent in 1955 to 5.0 per cent in 1958, the share slightly improved to 5.8 per cent in 1965. On the other hand, it is encouraging to note that the average annual growth rate for the period as a whole was 7.7 per cent as regards these countries' exports of manufactures and semi-manufactures compared with the growth rate of only 4.4 per cent for all their exports as a whole. This change to some extent lessened their dependence on exports of primary commodities, with the share of manufactures and semi-manufactures in their total trade improving from 12.8 per cent in 1955 to 17.4 per cent in 1965. For the period as a whole, the growth in these countries' exports of manufactures and semi-manufactures was still, however, lower than the 9.0 per cent growth rate achieved by the developed market-economy countries. Accordingly, the difference in trade performance between the developed market-economy countries and the developing economies persisted.

21. The exports of manufactures and semi-manufactures from the socialist countries[10] increased from

[10] Including trade among these countries.

TABLE 2

Growth of the export trade in manufactures and semi-manufactures (SITC Sections 5-8)

	Percentage of world trade in manufactures	Trade in manufactures as percentage of trade in all items	Average growth rate percentage in manufactures trade 1955-1965	1955-1960	1960-1965
(*a*) Developed market-economy countries					
1955	83.2	63.6			
1965	82.1	70.3	9.0	8.6	9.4
(*b*) Developing countries					
1955	6.6	12.8			
1965	5.8	17.4	7.7	4.9	10.6
(*c*) Socialist countries					
1955	10.2	49.0			
1965	12.1	61.1	11.1	12.9	9.4

Source: United Nations, *Monthly Bulletin of Statistics.*

$ 4,630 million in 1955 to $ 13,260 million in 1965, equivalent to a growth rate of 11.1 per cent, which is higher than that of either of the other two groups considered. Consequently, the share of the socialist countries in world trade in manufactures and semi-manufactures increased substantially from 10.2 per cent in 1955 to 12.1 per cent in 1965. The share of these products in the socialist countries' exports of all items rose from 49.0 per cent in 1955 to 61.1 per cent in 1965.

22. Table 2 summarizes the evolution of the trade described above.

C. Concluding remarks

23. The main features of world trade during 1955-1965 were:

(*a*) World trade in all items (SITC 0-9) expanded from $ 92.8 billion in 1955 to $ 186.1 billion in 1965, at an average annual rate of 7.2 per cent. The increase in trade has been particularly marked since 1962.

(*b*) In the period 1955 to 1965, while the share of the developed market-economy countries in world trade in all items increased from 64.3 per cent to 68.8 per cent, and that of the socialist countries from 10.2 per cent to 11.7 per cent, the developing countries' share fell substantially from 25.5 per cent to 19.6 per cent.

(*c*) World trade in manufactures and semi-manufactures (SITC 5-8) in that period expanded at an average annual rate of 9.2 per cent, compared with 4.8 per cent for the trade in primary commodities (SITC 0-4) and 7.2 per cent for that in all items (SITC 0-9). Consequently, the share of manufactures and semi-manufactures in total world trade rose during 1955-1965 from 49.2 per cent to 58.9 per cent.

(*d*) The developed market-economy countries continued to dominate world trade in manufactures and semi-manufactures, and their share, though it declined slightly during the period, remained at the high level of 82.1 per cent in 1965. The share of the developing economies, which declined from 6.6 per cent in 1955 to 5.0 per cent in 1958, improved slightly to 5.8 per cent in 1965. The share of the socialist countries rose steadily from 10.2 per cent in 1955 to 12.1 per cent in 1965.

(*e*) The developed market-economy countries continued to provide the largest market for manufactured goods, the next in importance being the developing countries. During the period 1955 to 1965 while the developed market-economy countries nearly trebled their intake of these goods, the other two markets only doubled their intake.

Chapter II

Imports into developed market-economy countries of manufactures and semi-manufactures from developing countries

A. General trends

24. In 1965, the total value of the developed market-economy countries'[11] imports of manufactures and semi-manufactures[12] from developing countries was $ 7,014.5 million (see table 3). As a proportion of the developed market-economy countries' total imports of these products, such imports, however, fell during the ten-year period from 12.3 per cent in 1955 to 10.4 per cent in 1960 and to 9.1 per cent in 1965.

25. If unwrought base metals, petroleum products and ships and boats are excluded — because they are largely either products which are simply transformed raw materials and/or re-export items — the total value of the remaining imports into the developed market-economy countries of manufactures and semi-manufactures from developing countries in 1965 was $ 3,585.3 million, equivalent to 5.2 per cent of these countries' total imports of these products. This proportion likewise fell throughout the period under consideration (from 6.0 per cent in 1955 to 5.5 per cent in 1960, and to 5.2 per cent in 1965). The inference to be drawn is that the developed market-econmy countries' imports of manufactures and semi-manufactures from the developing countries have increased less rapidly than those from other supplier countries.

26. In the following paragraphs, which consider the imports of manufactures and semi-manufactures from the developing countries, imports of unwrought base metals, petroleum products and ships and boats are excluded.[13]

B. Geographical distribution of trade

27. *Importing countries* (see table 4). In 1965, five countries absorbed 79.5 per cent of the total imports of manufactures and semi-manufactures from deve-

[11] In this chapter, the composition of the groups of developed and developing countries is slightly different from that indicated in chapter I. For the purpose of the present chapter, the following are regarded as developed market-economy countries: United States of America, Canada, the States members of the European Economic Community (EEC), the States members of the European Free Trade Association (EFTA) (including Finland), Australia, New Zealand and Japan. The term " developing countries " as used in this chapter should be understood as comprising the rest of the world and Yugoslavia, and as not comprising the countries of Europe, the socialist countries and South Africa.

[12] Throughout this chapter, pearls and precious and semi-precious stones are not included in total imports of manufactures and semi-manufactures owing to the lack of comparable statistical data for the years before 1965. A brief analysis of the trade in these items is, however, contained in paragraphs 79 to 82.

[13] A brief comment on the changes which have occurred in respect of these products is contained in paragraphs 76 to 78.

TABLE 3

Imports of manufactures and semi-manufactures from developing countries into developed market-economy countries by main categories of products

($ U.S. million)

Categories of Products	*1955*		*1960*			*1965*			*Average annual growth rate 1955-1956*
	Imports from developing countries	*Percentage of total by categories*	*Imports from developing countries*	*Percentage of total by categories*	*Index 1955 = 100*	*Imports from developing countries*	*Percentage of total by categories*	*Index 1955 = 100*	
(1) Aluminium (total) and wrought metals	50.0 [a]	1.5	107.0 [a]	2.2	214.0	243.6	3.5	487.2	17.2
(2) Food-stuffs, including beverages and tobacco	553.1	16.5	703.4	14.6	127.1	740.3	10.6	133.8	3.0
(3) Textiles (including clothing)	265.0	7.9	663.5	13.8	250.4	1 198.6	17.1	452.3	16.3
(4) Chemicals	162.3	4.8	182.4	3.8	112.4	332.8	4.7	205.1	7.5
(5) Others	320.4	9.6	730.3	15.1	227.9	1 070.0	15.2	334.0	12.9
I. Sub-total	1 350.8	40.3	2 386.6	49.5	176.7	3 585.3	51.1	265.4	10.2
(6) Unwrought non-ferrous metals	1 164.8	34.7	1 084.9	22.5	93.1	1 653.8	23.6	142.0	3.6
(7) Petroleum products	825.7	24.6	1 327.6	27.5	160.8	1 739.1	24.8	210.6	7.8
(8) Ships and boats	13.6	0.4	22.5	0.5	165.4	36.3	0.5	266.9	10.3
II. Sub-total	2 004.1	59.7	2 435.0	50.5	121.5	3 429.2	48.9	171.1	5.5
III. *Total:* Manufactures and semi-manufactures (but excluding pearls and precious and semi-precious stones)	3 354.9	100.0	4 821.6	100.0	143.7	7 014.5	100.0	209.1	7.7
As percentage of total imports from all sources	12.3		10.4			9.1			

Sources: United Nations, *Commodity Trade Statistics, Statistical Papers, Series D*; OECD, *Foreign Trade Statistics Bulletins, Series C.*

[a] Estimated by UNCTAD secretariat.

TABLE 4

Imports of manufactures and semi-manufactures from developing countries into developed market-economy countries

($ U.S. million)

Importing developed market-economy countries	1961 Imports in value	1961 Percentage distribution	1965 Imports in value	1965 Percentage distribution	Average annual growth rate percentage 1961-1965
Developed market-economy countries, total	2 377.8	100.0	3 585.3	100.0	10.8
of which:					
United States of America	636.7	26.8	1 256.8	35.1	18.6
EEC	799.8	33.6	1 062.4	29.6	7.3
France	421.5	17.7	373.8	10.4	– 3.0
Federal Republic of Germany	215.3	9.1	444.2	12.4	19.9
United Kingdom of Great Britain and Northern Ireland	583.0	24.5	666.2	18.5	3.4
Japan	55.4	2.3	109.8	3.1	18.7
Others	302.9	12.8	490.1	13.7	12.8

Sources: United Nations, *Commodity Trade Statistics, Statistical Papers, Series D*; OECD, *Foreign Trade Statistics Bulletins, Series C.*

loping countries into the developed market-economy countries. These countries were, in order of importance: the United States of America (35.1 per cent), the United Kingdom of Great Britain and Northern Ireland (18.5 per cent), the Federal Republic of Germany (12.4 per cent), France (10.4 per cent) and Japan (3.1 per cent). The relative share of these five countries varied only slightly during the period 1961 to 1965 (from 80.4 per cent to 79.5 per cent), and the average annual growth rate of their imports of manufactures and semi-manufactures from developing countries was 10.5 per cent (which is slightly under the average rate for imports of such products into the developed marke-teconomy countries as a whole). When considered individually, however,

TABLE 5

Imports of manufactures and semi-manufactures by major developed market-economy countries from developing countries 1961-1965, by broad category groups

($ U.S. million c.i.f. and percentage share of world import)

Importing countries	Year	Aluminium (total) and wrought metals Value	Aluminium (total) and wrought metals Per cent	Food-stuffs incl. beverages and tobacco Value	Food-stuffs incl. beverages and tobacco Per cent	Textiles and clothing Value	Textiles and clothing Per cent	Chemicals Value	Chemicals Per cent	Other items Value	Other items Per cent	Total Value	Total Per cent
Developed market-economy countries, total	1961	164.5	3.3	695.9	21.1	683.7	15.7	221.7	4.9	612.0	2.3	2 377.8	5.4
	1965	243.6	3.2	740.3	16.9	1 198.6	16.7	332.8	4.5	1 070.0	2.5	3 585.3	5.2
of which·													
United States of America	1961	28.5	4.7	114.4	16.2	261.4	33.1	71.4	15.7	161.0	3.7	636.7	9.4
	1965	59.5	3.6	167.9	18.3	493.4	36.8	122.9	15.7	413.1	5.8	1 256.8	10.6
EEC	1961	66.4	3.0	400.8	40.5	100.3	6.1	83.5	4.8	83.5	4.8	799.8	5.0
	1965	114.4	3.8	365.7	25.4	246.9	8.2	80.8	2.7	80.8	2.7	1 062.4	4.1
France	1961	29.0	6.2	310.4	80.6	6.6	5.1	42.8	11.6	32.7	1.8	421.5	13.4
	1965	33.7	5.0	242.2	60.7	17.1	5.0	30.9	4.4	49.9	1.4	373.8	6.7
Federal Republic of Germany	1961	26.0	3.6	56.4	17.8	64.7	8.1	19.1	4.2	49.1	2.0	215.3	4.5
	1965	66.1	5.7	78.4	13.8	174.7	12.2	22.4	2.7	102.6	2.2	444.2	5.2
United Kingdom of Great Britain and Northern Ireland	1961	18.5	5.4	130.4	12.6	182.4	34.0	30.2	6.4	221.5	7.7	583.0	11.1
	1965	18.0	3.6	124.9	10.3	219.3	37.8	42.8	5.4	261.2	6.2	666.2	9.1
Japan	1961	15.7	8.2	15.2	29.9	8.8	42.1	12.0	3.6	3.7	0.5	55.4	4.1
	1965	29.1	13.6	34.0	32.5	6.0	10.5	17.6	4.3	23.1	2.2	109.8	6.0

Sources: United Nations, *Commodity Trade Statistics, Statistical Papers, Series D*; OECD, *Foreign Trade Statistics Bulletins, Series C.*

the trends of these countries' imports from developing countries showed wide divergencies during the period 1961 to 1965.

28. The Federal Republic of Germany's imports of such products from developing countries grew at an average annual rate of 19.9 per cent; those of Japan, 18.7 per cent and those of the United States of America, 18.6 per cent. On the other hand, the rate of growth in such imports into the United Kingdom was 3.4 per cent and in the case of France it was −3 per cent. In the EEC as a whole, the rate of growth was 7.3 per cent.

29. An examination of the imports of these five principal importing countries (see table 5) shows that in 1965 the *United States of America* imported 10.6 per cent of its total purchases of manufactures and semi-manufactures from developing countries (as against 9.4 per cent in 1961). The main items imported from these countries were textiles (especially clothing and woven textiles), followed by food-stuffs and wood products (in particular plywood and veneers, imports of which grew rapidly).

30. In the case of the *Federal Republic of Germany*, the share of imports of manufactures and semi-manufactures from developing countries in its total imports of such goods increased from 4.5 per cent in 1961 to 5.2 per cent in 1965. Imports of textiles, including clothing, which are the leading items, were particularly dynamic. All other imports of groups of products from the developing countries have also increased, in particular those of wrought metals.

31. By contrast, in *France*, the share accounted for by imports of manufactures and semi-manufactures from the developing countries in its total imports of such goods declined sharply from 13.4 per cent in 1961 to 6.7 per cent in 1965. This decline was to a large extent due to the drop in imports of food-stuffs and beverages (mostly wine from Algeria and Tunisia). In spite of this decline, food-stuffs still accounted for 65 per cent of France's total imports of manufactures and semi-manufactures from the developing countries in 1965.

32. In the *United Kingdom*, there was also a decline in the share accounted for by imports of manufactures

TABLE 6

Imports of manufactures and semi-manufactures into developed market-economy countries from developing countries, by main countries of origin

($ U.S. million)

	1961		*1965*	
Major supplying developing countries	*Exports in value*	*Per cent distribution*	*Exports in value*	*Per cent distribution*
Developing countries, total				
of which:	2 377.8	100.0	3 585.3	100.0
Hong Kong	320.4	13.5	723.6	20.2
India	397.3	16.7	472.2	13.2
Yugoslavia	146.8	6.2	255.7	7.1
Mexico	114.0	4.8	178.2	5.0
Algeria	252.4	10.6	161.8	4.5
China (Taiwan)	37.8	1.6	146.0	4.1
Brazil	79.2	3.3	130.5	3.6
Argentina	101.7	4.3	101.4	2.8
Iran	56.7	2.3	101.0	2.8
Israel	42.2	1.8	95.5	2.7
Malaysia/Singapore	53.0	2.2	87.4	2.4
Philippines	58.1	2.4	87.7	2.4
Morocco	61.5	2.6	72.7	2.0
Pakistan	45.5	1.9	71.2	2.0
Republic of Korea	1.7	—	61.2	1.7
Chile	9.5	0.4	61.0	1.7
Jamaica	9.0	0.4	50.6	1.4
Thailand	37.8	1.6	41.2	1.1
Panama	5.7	0.2	37.8	1.1
United Arab Republic	20.2	0.8	34.0	0.9
Peru	23.1	1.0	25.6	0.7
Guinea	13.7	0.6	25.1	0.7
Paraguay	16.1	0.7	21.3	0.6
Cameroon	19.9	0.8	21.0	0.6
Trinidad and Tobago	4.0	0.2	16.4	0.5
Sub-total	1 925.4	80.9	3 080.1	85.9
Others	453.3	19.1	505.2	14.1

Sources: United Nations, *Commodity Trade Statistics, Statistical Papers, Series D;* OECD, *Foreign Trade Statistics Bulletins, Series C.*

and semi-manufactures from the developing countries in total imports of such goods, from 11.1 per cent in 1961 to 9.1 per cent in 1965. Imports of textiles, however, which remain the principal import item, increased, a rise attributable essentially to the imports of clothing. Imports of wood products, in particular shaped wood, also increased while the imports of food-stuffs declined.

33. *Japan* in 1965 imported 6 per cent of its total imports of manufactures and semi-manufactures from the developing countries, as against 4 per cent in 1961. Food-stuffs remain the main import item, with a considerable increase in fruit preparations. Imports of wrought metals, which are the next most important item, also increased rapidly.

34. *Exporting developing countries* (see table 6). Hong Kong's share of the total imports of manufactures and semi-manufactures from the developing countries into the developed market-economy countries grew from 13.5 per cent in 1961 to 20 per cent in 1965. Yugoslavia's share in the developed market-economy countries' imports rose from 6 per cent to 7 per cent during the period; that of China (Taiwan) from 2 per cent to 4 per cent; Israel's from 2 per cent to 3 per cent; the Republic of Korea's from virtually nil to 2 per cent; Chile's from 0.5 per cent to 2 per cent; Jamaica's from less than 0.5 per cent to 1.5 per cent; and Panama's from 0.2 per cent to more than 1 per cent. In contrast to the growth in the percentage shares of the above-mentioned developing countries, India's share fell from 17 per cent to 13 per cent, Algeria's from 11 per cent to 4.5 per cent, and Argentina's from 4 per cent to 3 per cent.

35. An examination of the structure of exports of the main supplying developing countries (see table 7) shows that the bulk of these supplies to developed market-economy countries still consist of a number of products traditionally imported from developing countries.

36. In 1965, the share accounted for by *textiles and clothing* in the total exports of the main supplying developing countries to the developed market-economy countries was 87 per cent for Iran (essentially floor coverings); 76 per cent for India (textile yarn, fabrics, etc.); 70 per cent for Pakistan (textile fabrics, etc.); 57 per cent for Hong Kong (clothing, textile fabrics and yarn); 50 per cent for the Republic of Korea (clothing, fabrics); and 38 per cent for Philippines (clothing, fabrics). During the period 1961 to 1965, this share increased for all these countries, except Hong Kong and Pakistan.

37. In the case of *food-stuffs and beverages*, the relative shares in 1965 were 91 per cent for Algeria (wines, fruit preparations); 74 per cent for Morocco (fish and fruit preparations); 53 per cent for Argentina (meat preparations); 38 per cent for China (Taiwan) (fruit and vegetables preparations); 31 per cent for Brazil (fruit and meat preparations, cocoa butter); and 22 per cent for Israel (fruit preparations). Between 1961 and 1965, this share increased markedly in the case of Morocco, remained approximately stable in Algeria, China (Taiwan) and Israel, and declined in Argentina and Brazil.

38. Similarly, the share of *wood products* in the total exports of the main supplying developing countries was 55 per cent for Malaysia (shaped wood); 38 per cent for the Philippines (plywood, veneers, shaped wood); 25 per cent for Brazil (shaped wood); 24 per cent for the Republic of Korea (plywood, veneers); and 21 per cent for China (Taiwan) (plywood, veneers, shaped wood). In the period 1961 to 1965 this share grew in all these countries, except the Republic of Korea.[14]

39. With respect to *chemical products*, the relative export shares in 1965 were 25 per cent for Mexico (medicinal and pharmaceutical products); 25 per cent for Argentina (dyes and tanning products); 11 per cent for Israel (manufactured fertilizers); and 10 per cent for Brazil (essential oils). This share increased during the period under review in the case of Mexico and Argentina, but declined for the other countries.

40. The new products which are of increased importance in the imports of developed market-economy countries from a number of developing countries include *iron and steel, aluminium and other wrought non-ferrous metals*. The relative share accounted for by these products in total exports amounted to 25 per cent in the case of Mexico (silver, iron and steel); 8 per cent for Yugoslavia (copper, aluminium); 8 per cent for Brazil (iron and steel); 3 per cent for India (iron and steel); and 2 per cent for Argentina (iron and steel). This share increased in all these countries from 1961 to 1965, except in India whose exports of iron and steel declined.

41. *Other manufactured articles, mechanical and electrical apparatus, etc.*, account for only a small part of the total imports of developed market-economy countries from the major developing countries, though the shares accounted for by these goods are significant in the case of Hong Kong (perambulators, toys, sporting goods, telecommunication apparatus, etc.), and to a lesser extent, of India, Pakistan, Yugoslavia, Israel, the Republic of Korea and China (Taiwan).

42. *Direction of main trade flows*. During the period 1961 to 1965, a high rate of growth characterized exports from Hong Kong to the United States (from $ 112.9 million in 1961 to $ 309.4 million in 1965), to the EEC (from $ 33.6 to $ 111.9 million) and to Japan (from $ 3.0 to $ 9.9 million). A marked increased occurred also in exports from China (Taiwan) to the United States (from $ 19.0 to $ 78.4 million), the EEC (from $ 7.5 to $ 32.7 million) and Japan (from $ 3.5 to $ 17.0 million). The large increase in Yugoslavia's exports was accounted for mainly by higher shipments to the EEC (from $ 66.0 million in 1961 to $ 156.3 million in 1965) and that in Israel's exports was attributable to bigger sales to the EEC (from $ 10.8 to $ 20.2 million), to the United States (from $ 7.6 to $ 13.0 million) and to the United Kingdom (from $ 15.4 to $ 27.8 million). During the same period, imports of manufactures and semi-manufactures from India fell by $ 20 million in the United Kingdom and by over $ 4 million in Japan, whereas there was a strong increase in imports from

[14] For the Republic of Korea, however, the exports increased in absolute values from $ 0.7 million in 1961 to $ 14.7 million in 1965.

TABLE 7

Principal manufactured and semi-manufactured products imported by developed market-economies from selected supplying developing countries

($ U.S. million c.i.f.)

Selected supplying developing countries	1961 Exports in value	1961 Per cent distribution	1965 Exports in value	1965 Per cent distribution
Hong Kong, total	320.4	100.0	723.6	100.0
of which:				
Clothing	124.3	38.8	301.2	41.6
Textile yarn, fabrics, etc.	68.3	21.3	113.5	15.7
Manufactured articles n.e.s. (artificial flowers, etc.)	28.5	8.9	73.0	10.1
Perambulators, toys, games, etc.	17.2	5.4	55.4	7.7
Telecommunications apparatus (transitor radios, etc.)	3.2	1.0	32.8	4.5
India, total	397.3	100.0	472.2	100.0
of which:				
Textile yarn, fabrics, etc.	273.6	68.9	356.0	75.4
Leather	54.4	13.7	54.7	11.6
Iron and steel	25.0	6.3	12.7	2.7
Chemicals (essential oils, perfumes, etc.)	11.0	2.8	11.8	2.5
Food-stuffs	7.9	2.0	5.3	1.1
Clothing	0.3	—	4.5	1.0
Yugoslavia, total	146.8	100.0	255.7	100.0
of which:				
Food-stuffs and beverages	44.4	30.2	45.8	17.9
Wood, shaped	19.9	13.6	26.2	10.2
Clothing	7.5	5.1	25.3	9.9
Non-ferrous wrought metals (copper, aluminium etc.),	6.5	4.4	21.6	8.4
Textile yarn, fabrics, etc.	11.5	7.8	20.6	8.1
Mexico, total	114.0	100.0	178.2	100.0
of which:				
Chemicals (medicinal) and pharma. products, essential oils, etc.)	26.8	23.5	44.3	24.9
Non-ferrous wrought metals (silver, etc.)	19.2	16.8	27.8	15.6
Food-stuffs (fruit prep., etc.)	11.6	10.2	24.8	13.9
Textile yarn, fabrics, etc.	20.3	17.8	21.3	12.0
Iron and steel	6.6	5.8	15.8	8.9
Algeria, total	252.4	100.0	161.8	100.0
of which:				
Food-stuffs and beverages (wine, fruit and veget. prep.)	230.1	91.2	147.8	91.3
Textile yarn, fabrics, etc.	1.6	0.6	2.8	1.7
Chemicals (medicinal and pharmaceutical products)	6.4	2.5	2.9	1.8
China (Taiwan), total	37.8	100.0	146.0	100.0
of which:				
Food-stuffs and beverages (fruit and vegetables prepared, etc.)	14.5	38.4	54.9	37.6
Plywood, veneers, etc.	5.4	14.3	22.2	15.1
Clothing	4.0	10.6	15.7	10.8
Textile yarn, fabrics, etc.	6.5	17.2	13.1	9.0
Chemicals (essential oils, etc.)	5.4	14.3	9.4	6.4
Wood, shaped	1.0	2.6	8.0	5.5
Brazil, total	79.2	100.0	130.5	100.0
of which:				
Food-stuffs (fruit and meat preparations, cocoa butter, etc.)	30.9	39.0	40.8	31.3
Wood, shaped	18.5	23.4	33.3	25.5
Chemicals (essential oils, etc.)	18.8	23.7	13.1	10.0
Iron and steel	2.9	3.7	10.2	7.8
Textile yarn, fabrics, etc.	0.3	0.4	7.8	6.0
Argentina, total	101.7	100.0	101.4	100.0
of which:				
Food-stuffs (meat preparations, etc.)	73.2	72.0	53.5	52.8
Chemicals (dyes and tanning products)	23.7	23.3	25.1	24.8
Leather	0.7	0.7	3.6	3.6
Iron and steel	—	—	1.8	1.8

TABLE 7

Principal manufactured and semi-manufactured products imported by developed market-economies from selected supplying developing countries *(continued)*

($ U.S. million c.i.f.)

	1961		1965	
Selected supplying developing countries	*Exports in value*	*Per cent distribution*	*Exports in value*	*Per cent distribution*
Iran, total	56.7	100.0	101.0	100.0
of which:				
Textiles (floor coverings, etc.)	45.1	79.5	88.3	87.4
Food-stuffs (fish preparations, etc.)	10.6	18.7	12.2	12.1
Israel, total	42.2	100.0	95.5	100.0
of which:				
Food-stuffs (fruit preparations, etc.)	9.5	22.5	21.0	22.0
Chemicals (manufactured fertilizers, etc.)	5.8	13.7	10.8	11.3
Textile yarn, fabrics, etc.	3.0	7.1	9.7	10.2
Clothing	7.3	17.3	9.2	9.6
Plywood, veneers, etc.	3.2	7.6	6.8	7.1
Malaysia/Singapore, total	53.0	100.0	87.4	100.0
of which:				
Wood, shaped	11.3	21.3	47.9	54.8
Food-stuffs (fruit preparations, etc.)	12.1	22.8	14.5	16.6
Chemicals	5.4	10.2	4.3	4.9
Clothing	—	—	4.3	4.9
Philippines, total	58.1	100.0	87.7	100.0
of which:				
Clothing	23.5	40.4	29.6	33.8
Plywood, veneers	13.0	22.4	28.7	32.7
Wood, shaped	3.9	6.7	5.0	5.7
Textile yarn, fabrics, etc.	0.9	1.5	3.7	4.2
Morocco, total	61.5	100.0	72.7	100.0
of which:				
Food-stuffs (fish and fruit preparations, alcoholic beverages, etc.)	39.1	63.6	54.1	74.4
Pulp and waste paper	2.1	3.4	3.6	5.0
Leather	2.1	3.4	2.5	3.4
Chemicals	2.7	4.4	2.5	3.4
Pakistan, total	45.5	100.0	71.2	100.0
of which:				
Textile yarn, fabrics, etc.	37.8	83.1	49.9	70.1
Leather	2.7	5.9	11.9	16.7
Perambulators, toys, games, etc.	1.2	2.6	2.8	3.9
Republic of Korea, total	1.7	100.0	61.2	100.0
of which:				
Clothing	—	—	17.1	27.9
Plywood, veneers, etc.	0.7	41.2	14.7	24.1
Textile yarn, fabrics, etc.	1.0	58.8	13.7	22.4
Footwear	—	—	3.7	6.0
Fish preparations	—	—	2.0	3.3

Sources: United Nations, *Commodity Trade Statistics, Statistical Papers, Series D*; OECD, *Foreign Trade Statistics Bulletins, Series C.*

India into the United States (from $ 142.9 million in 1961 to $ 221.6 million in 1965), and there was a smaller increase in imports from India into the EEC (from $ 52.8 million to $ 58.4 million). The United Kingdom's imports from Argentina fell by almost $ 17 million. The EEC's imports from Algeria fell by $ 91 million and, likewise, there was a decrease of $ 21 million in EEC's imports from Tunisia and a decrease of $ 12 million in its imports from Thailand. A $ 26.5 million increase occurred in the EEC's imports from Iran and a $ 21 million increase in its imports from Brazil. Imports of manufactures and semi-manufactures into the United States of America from the majority of the developing countries increased strongly during the period, and the falls which occurred in these imports from particular developing countries were minor.

C. Main products imported from the developing countries (table 8)

43. In 1965, 74 per cent, in terms of value, of the developed market-economy countries' imports of manufactures and semi-manufactures from the developing countries consisted of twenty products or product groups. In decreasing order of importance these are:

	Value of imports, 1965 ($ U.S. million)
1. Clothing	432
2. Fabric (other than cotton)	252
3. Shaped wood	216
4. Alcoholic beverages	200
5. Cotton fabrics	194
6. Fruit, preserved and fruit preparations	154
7. Meat, preserved and meat preparations	143
8. Floor coverings	138
9. Plywood and veneers	118
10. Leather products	97
11. Textile products n.e.s. [a]	91
12. Manufactured articles n.e.s. [b]	91
13. Inorganic chemicals	86
14. Vegetables, preserved or prepared	78
15. Pig-iron, etc.	65
16. Perambulators and toys	65
17. Silver, platinum, etc.	63
18. Fish, preserved and fish preparations	62
19. Textile yarn and thread	56
20. Essential oils and perfumes	53

[a] SITC group 656: Bags and sacks, tents, blankets, etc.

[b] SITC group 899: Handicrafts, toilet articles, artificial flowers, articles of human hair, etc.

44. This concentration of imports from developing countries becomes even more evident if these imports are compared, product by product, with the developed market-economy countries' imports from all sources. For example, in 1965, the twenty main manufactures imported from the developing countries accounted for nearly 18 per cent of the value of the developed market-economy countries' total imports of the products in question, whereas their total imports from the developing countries in that year accounted for only a little over 5 per cent of the developed market-economy countries' total imports from all sources.

Textiles, including clothing

45. Clothing imports from the developing countries rose from $ 177 million in 1961 to $ 432 million in 1965, an increase in the developing countries' share in the developed market-economy countries' total imports from 17 per cent to 21 per cent. Hong Kong was mainly responsible for this large increase, its share rising from $ 124 million to $ 301 million during the period. In 1965, more than 80 per cent of the total imports from the developing countries were absorbed by the United States of America, the Federal Republic of Germany and the United Kingdom.

46. Imports of non-cotton woven fabrics, including jute fabrics, grew from $ 174 million in 1961 to $ 252 million in 1965, of which almost $ 230 million was in jute fabrics. The United States took 75 per cent of these exports from developing countries, its imports increasing from $ 120 million in 1961 to $ 183 million in 1965. India supplied $ 212 million, or almost 90 per cent, of these exports to developed market-economy countries.

47. Imports of woven cotton fabrics from developing countries rose from $ 117.5 million in 1961 to $ 194 million in 1965. The United Kingdom remains the leading importer with $ 69 million in 1965; the United States came second with $ 63 million. The two main suppliers of cotton textiles are Hong Kong and India, whose shipments rose respectively from $ 45 million in 1961 to $ 70 million in 1965 and from $ 48 million to $ 64 million.

48. Imports of floor coverings and tapestries from developing countries amounted to $ 138 million in 1965, as against $ 77 million in 1961. During that period, these imports rose from $ 30 million to $ 70 million in the EEC countries, from $ 9 million to $ 16 million in the United States, and from $ 20 to $22 million in the United Kingdom. The main supplier of floor coverings and tapestries is Iran, whose exports increased from $ 45 million in 1961 to $ 88 million in 1965.

49. Imports of other textile products (including bags and sacks, tents, blankets, etc.) amounted to $91 million in 1965, as against $69 million in 1961. Australia was the major importer, with purchases of $ 23 million in 1965. The Federal Republic of Germany, Italy and the United Kingdom were other important markets. Although India is the major exporter of these products, imports from that country increased only from $ 34.9 million in 1961 to $ 39 million in 1965, while those from Hong Kong grew from $ 13 million to $ 27 million.

50. Textile yarn and thread (all fibres) accounted in 1965 for imports valued at $ 55.7 million, as against $ 41 million in 1961. The imports into the EEC countries (mainly the Federal Republic of Germany) rose from $ 15.6 million in 1961 to $ 19.2 million in 1965. The United Kingdom's imports fell from $ 13.7 million in 1961 to $ 10.9 million in 1965. Among the developing countries, India continued to be the main supplier, exporting $ 18 million worth in 1965, but this was more than $ 3 million below the 1961 figure. Other important suppliers were Hong Kong, Israel, Brazil and Colombia.

Food-stuffs, including beverages and tobacco

51. Imports of processed food-stuffs from the developing countries into the developed market-economy countries grew by less than 2 per cent during the period 1961 to 1965.

52. To a large extent, this slow growth is attributable to the decline in the trade in alcoholic beverages, imports of which fell from $ 271 million in 1961 to $ 200 million in 1965. France's imports of alcoholic beverages fell by $ 80 million during this period largely because of a reduction in its imports from Algeria and Tunisia.

53. The biggest increase in imports of food-stuffs into the developed market-economy countries from the developing countries occurred in the case of preserved

and prepared fruit, imports of which grew from $ 99 million in 1961 to $ 154 million in 1965. The developed market-economy countries' imports of prepared and preserved vegetables also grew during the period from $ 55 million to $ 78 million. China (Taiwan) was the major supplier of these products, the developed market-economy countries' imports of prepared and preserved fruit from that country rising from $ 11 million to $23 million and of prepared and preserved vegetables from $ 3 million to $ 31 million. Israel, Malaysia and Mexico are also major suppliers.

54. Although imports by the developed market-economy countries of canned and prepared meat from the developing countries grew slightly from $ 134 million in 1961 to $ 143 million in 1965, such imports into the United Kingdom fell from $ 73 million in 1961 to $ 50 million in 1965. This decline reflected a considerable fall in the imports from Argentina, from $ 27 million to $ 11 million. During the same period, imports of these products into the United States increased from $ 43 million to $ 53 million, and those into the EEC from $ 18 million to $ 33 million, reflecting increased imports from Yugoslavia, Brazil, Paraguay and Uruguay.

55. The developed market-economy countries' imports of tinned and prepared fish grew from $ 46 million in 1961 to $ 62 million in 1965. France and the United States remain the leading importers, with approximately $ 20 million each in 1965. The main suppliers are Morocco, Mexico, Senegal, Peru and Panama.

Manufactured timbers

56. Manufactured timber imports from the developing countries have continued to increase their share in the developed market-economy countries' total imports of these products. Shaped wood imports increased from $ 152 million in 1961 to $ 216 million in 1965, and imports of plywood and veneers grew from $ 46 million to $ 118 million. The United States is by far the largest importer of plywood and veneers from the developing countries; in 1965 it took almost 70 per cent of the total developed market-economy countries' imports of these products. The United Kingdom is the leading importer of shaped wood ($ 68 million in 1965). The Philippines remained the major supplier of plywood and veneer ($ 29 million in 1965), but there was a striking increase in imports from China (Taiwan), which rose from $ 5 million in 1961 to $ 22 million in 1965; similarly, imports from the Republic of Korea rose from $ 1 million to $ 15 million. Malaysia was the major supplier of shaped wood ($ 48 million in 1965).

Leather and leather manufactures

57. For the period 1961 to 1965, the imports of leather and leather manufactures from the developing countries grew by less than 8 per cent. In the United Kingdom, which was the major importer of these products, imports fell from $ 36 million to $ 33 million, whereas they rose from $ 7 million to $ 22 million in the United States and more slowly in the EEC from $ 23 million to $ 33 million. The main changes which have occurred in respect of the supply of leather from the developing countries have been the emergence of Latin American countries as important suppliers to the United States, and a slight fall in imports from India which remained the major supplier ($ 55 million in 1965).

Chemicals

58. Imports of inorganic chemicals, oxides, etc., from developing countries rose from $ 47 million to $ 86 million between 1961 and 1965. The two main markets for these products were the United States ($ 30 million worth of imports in 1965) and Norway ($ 27.2 million). The two leading suppliers were Jamaica and Guinea, whose exports to developed countris in 1965 totalled $ 22.1 and $ 20.5 million respectively. However, exports from Guyana, Trinidad and Tobago and the Netherlands West Indies also increased.

59. Imports of manufactured fertilizers from the developing countries expanded even more rapidlty. They totalled $ 28 million in 1965, as against $ 12 million in 1961. The main trade flow in this branch is that between Chile (which supplies nearly half of the developing countries' total exports of fertilizers) and the United States, which takes practically all Chile's exports (valued at $ 13 million in 1965). The other major supplier is Israel ($ 6 million in 1965) which supplies some of the EEC countries. Smaller amounts were exported by the Netherlands West Indies, Trinidad and Tobago, Colombia, Argentina, Brazil, the United Arab Republic and Thailand.

60. The developed market-economy countries' imports of medicinal and pharmaceutical products from developing countries totalled $ 40 million in 1965, as against $ 18 million in 1961. The United States is the main market for these products ($ 20.5 million in 1965) and is supplied almost exclusively by Mexico and Panama; the last two countries accounted in that year for more than 70 per cent of the total exports of these products by developing countries. Imports from Brazil and Algeria, on the other hand, fell considerably after 1961.

61. During the period 1961 to 1965, imports of essential oils, perfumes, etc., from the developing countries, have declined, despite a rise in 1965. These imports amounted in 1965 to $ 53 million. A large number of developing countries supply essential oils; but the bulk of the United States imports of $ 19 million came from Latin America and Asia, while the bulk of EEC imports of $ 21 million came from Africa.

Wrought metals [15]

62. The developed market-economy countries' imports of pig-iron from developing countries rose

[15] This broad category group relates to the SITC items specified below:

67 — Iron and steel (including pig-iron)
681 — Silver, platinum and other metals of the platinum group
682.2 — Copper, worked
683.2 — Nickel, worked
684 — Aluminium
685.2 — Lead, worked
686.2 — Zinc, worked
687.2 — Tin, worked
688.0 — Iranium and thorium and their alloys.

from $ 36 million in 1961 to $ 65 million in 1965. During the period 1961-1965, there were great disparities in the trends of the imports into the principal markets. Whereas United States imports fell from $ 19.5 million to $ 13.2 million and those of the United Kingdom increased from $ 3.4 million to only $ 3.9 million, the EEC countries' imports rose from $ 11.9 million to $ 24.5 million and those of Japan, which were negligible in 1961, reached $ 19.2 million. The main suppliers of pig-iron among the developing countries in 1965 were the territory of the former Federation of Rhodesia and Nyasaland ($ 14 million); India ($ 11.5 million); Brazil ($ 7.8 million) and Yugoslavia ($ 5.5 million).

63. Imports of iron and steel from developing countries (in the form of ingots, bars, tubes, sheets, etc.) amounted to $ 30.5 million in 1965. The United States provided the main market, taking $ 18.5 million worth, followed by the EEC countries, Austria and Denmark. The main suppliers among the developing countries were Mexico, India, Ecuador, Yugoslavia, Brazil and Venezuela; the remainder of the imports came from developing countries in Africa.

64. Worked copper alloys imported from the developing countries grew strikingly from $ 3 million to $ 53 million during the period 1961 to 1965. However, the majority of this increase occurred in 1965 and was, to a large extent, a result of special factors prevailing in the major exporting country — Chile. These exports from Chile have largely occurred as a consequence of Chile's ability to obtain unwrought copper at the domestic producer's price while being able to sell semi-fabricated copper abroad at prices strongly influenced by the high quotations for electrolytic wire bars on the London Metal Exchange.

65. The developed market-economy countries' imports of aluminium from developing countries amounted to $ 27 million in 1965, as against $ 23 million in 1961. Of this total, unwrought aluminium accounted for $ 22.3 million and worked aluminium for $ 4.4 million. France is still the main importer of unwrought aluminium from these countries (although the total value of its imports fell from $ 17.7 million in 1961 to $ 14 million in 1965). By contrast, United States imports of crude aluminium from the developing countries rose during the same period from $ 0.5 to nearly $ 6 million and of worked aluminium from $ 2.3 to $ 4.4 million. Among the exporting developing countries, Cameroon supplied practically all the unwrought aluminium and Yugoslavia nearly all the worked aluminium.

66. Apart from these main products — or groups of products — imported from developing countries, it may be useful to mention a number of other products the imports of which into the developed market-economy countries rose significantly during the period 1961 to 1965.

Products of precision industries and jewellery

67. Imports of telecommunications apparatus grew from $ 10 million in 1961 to $ 42 million in 1965. United States increased its imports of these products from the developing countries from $ 3 million in 1961 to almost $ 27 million in 1965. In the United Kingdom, imports rose from $ 6 million to almost $ 11 million. Hong Kong supplied the bulk of these imports (transistor radios mainly), which grew from $ 3 million in 1961 to $ 25 million in 1965.

68. Imports of sound recorders, musical instruments, etc., from developing countries amounted to $ 3.6 million in 1965, as against $ 1.4 million in 1961. The only important market for these products was the United States, whose principal suppliers were Mexico, Yugoslavia, and the Republic of Korea.

69. Imports of scientific medical, optical, measuring, etc., instruments and apparatus from the developing countries amounted to $ 10.8 million in 1965. The United Kingdom is the principal market ($ 5.3 million in 1965), followed by the United States ($ 2.3 million) and the EEC countries ($ 1.9 million). The main supplier was Hong Kong (which in 1965 was responsible for more than half of the total exports by the developing countries). Other major suppliers were Pakistan, India, Israel, Ivory Coast and Nigeria.

70. Imports of watches and clocks from the developing countries totalled $ 1.8 million in 1965. These imports came almost exclusively from Hong Kong and went to the United States, Switzerland, Australia and Canada.

71. Imports of jewellery amounted to $ 13 million in 1965. The main markets for these products from developing countries were the United States ($ 6 million in 1965), the United Kingdom ($ 3 million) and the EEC countries. The main supplier was again Hong Kong (nearly $ 10 million in 1965).

Products of miscellaneous industries

72. Imports of preambulators, toys, games and sporting goods increased substantially between 1961 and 1965, rising from $ 21 million to $ 65 million. During this period, United States imports rose from $ 7 to $ 24 million and those of the United Kingdom from $ 9 to $ 20 million, these two countries alone taking nearly 70 per cent of the developed market-economy countries' total imports from developing countries. Other markets were the Federal Republic of Germany, Canada and Australia. More than 80 per cent of all these imports came from Hong Kong, whose exports increased from $ 17 million in 1961 to $ 55 million in 1965. Other major suppliers were Pakistan and Yugoslavia.

73. Imports of footwear grew from $ 24 million in 1961 to $ 43 million in 1965. Imports into the EEC, mostly the Federal Republic of Germany, grew from $ 3.7 million to $ 9.9 million; into the United States from $ 6.6 million to $ 11.1 million, and into the United Kingdom from $ 11.2 million to $ 14.8 million. Hong Kong is the major supplier, and its exports increased from $ 16 million to $ 24 million.

74. Imports of suitcases and hand luggage from developing countries rose from $ 3.4 million in 1961 to $ 24.3 million in 1965 — $ 22 million worth coming from Hong Kong. Here again, the United States was

TABLE 8

Imports of selected products from developing countries, 1961-1965

($ U.S. million c.i.f.)

SITC No.	Item	1961 World	1961 Developing countries	1961 Per cent share	1965 World	1965 Developing countries	1965 Per cent Share	Annual average rate of growth (imports from developing countries) 1961-1965
013	Meat, tinned n.e.s. or prepared	453.1	133.9	29.6	506.0	143.5	28.4	0.2
032	Fish, tinned or prepared	301.5	46.1	15.3	388.7	61.9	15.9	7.7
053	Fruit, preserved, prepared ...	405.4	99.3	24.5	516.2	153.8	29.8	11.5
055	Vegetables, preserved, prepared	202.5	55.0	27.2	284.7	77.9	27.4	9.1
099	Food preparations, n.e.s.	62.1	2.5	4.0	99.3	6.6	6.6	27.5
112	Alcoholic beverages	925.0	270.9	29.3	1 162.6	200.0	17.2	−7.3
243	Wood, shaped	1 435.6	151.9	10.6	1 843.6	216.3	11.7	9.3
251	Pulp and waste paper	1 148.6	4.4	0.4	1 538.3	16.5	1.1	39.2
513	Inorganic chemicals, etc.	349.6	46.6	13.3	567.9	86.2	15.2	16.6
521	Chemicals from coal, petroleum etc.	106.7	3.8	3.6	65.5	2.6	4.0	−9.1
541	Medicine and pharmaceutical products	436.5	17.9	4.1	707.7	39.3	5.5	21.3
551	Essential oils, perfume, etc. ..	140.0	44.7	31.7	212.7	53.2	25.0	4.4
561	Fertilizers manufactured	403.2	12.3	3.0	542.0	28.1	5.2	23.0
599	Chemicals, n.e.s.	763.5	30.6	4.0	885.3	29.6	3.3	−0.8
611	Leather	306.5	70.4	23.2	385.3	96.6	25.1	8.3
612	Manufacture of leather or artificial leather	34.5	2.3	6.6	56.8	4.1	7.1	15.6
631	Veneers, plywood, etc.	308.0	46.2	15.0	560.4	117.6	21.0	26.3
632	Wood manufactures, n.e.s. ...	170.1	11.4	6.7	223.0	18.3	8.2	12.6
651	Textile yarn and thread	802.2	40.8	5.1	1 205.7	55.7	4.6	8.1
652	Cotton fabrics, woven	733.6	117.5	16.0	782.0	194.0	24.8	13.4
653	Woven textiles, non-cotton ...	931.8	174.3	18.7	1 804.8	252.2	14.0	9.7
656	Textile etc. products, n.e.s. ...	222.5	69.3	31.1	308.2	91.2	29.6	7.1
657	Floor coverings, tapestry, etc.	276.9	77.3	27.9	476.6	138.3	29.0	15.7
665	Glassware	146.9	3.2	2.2	232.2	5.1	2.2	12.4
671	Pig-iron, etc.	369.1	36.3	9.8	609.7	65.1	10.7	15.7
682.2	Copper alloys, worked	206.1	2.7	1.3	507.8	53.4	10.5	110.0
684	Aluminium	588.7	22.8	3.9	962.6	26.8	2.8	4.1
685.2	Lead alloys, worked	4.9	1.2	24.4	7.5	1.4	18.7	3.9
686.2	Zinc alloys, worked	11.4	0.8	7.0	18.4	3.0	16.3	39.2
696	Cutlery	74.4	0.6	0.8	157.4	4.3	2.7	60.7
697	Household equipment of base metals	110.5	1.8	1.7	212.0	8.2	3.8	46.1
698	Metal manufactures, n.e.s.	510.7	7.5	1.5	657.8	10.7	1.6	9.3
711	Power generating machinery other than electric	981.8	37.2	3.8	1 476.4	21.4	1.5	−12.9
724	Telecommunications apparatus	680.5	10.0	1.5	1 288.2	42.5	3.3	43.6
821	Furniture	174.7	18.0	10.3	401.5	30.8	7.7	14.4
831	Travel goods, handbags, etc.	71.7	3.4	4.7	142.5	24.3	17.0	60.7
841	Clothing (excluding fur clothing)	1 032.8	177.2	17.2	2 018.7	431.6	21.4	24.9
851	Footwear	338.9	23.5	6.9	530.5	42.6	8.0	16.1
861	Optical elements, etc.	688.4	6.2	0.9	1 257.0	10.8	0.9	14.9
864	Watches and clocks	223.6	—	—	359.3	1.8	0.5	—
891	Musical instruments, etc.	275.3	1.4	0.5	541.7	3.6	0.7	26.6
893	Articles of artificial plastic materials, n.e.s.	119.8	2.3	1.9	330.0	18.9	5.7	65.8
894	Perambulators, toys, games and sporting goods	262.0	20.8	7.9	562.0	64.6	11.5	31.8
897	Jewellery and goldsmiths' and silversmiths' ware	136.1	8.1	6.0	182.8	13.1	7.2	12.8
899	Manufactured articles, n.e.s. ..	317.9	45.8	14.4	435.7	91.0	20.9	18.7
	TOTAL	18 245.6	1 960.2	10.7	28 015.0	3 060.6	10.9	11.8

Sources: United Nations, *Commodity Trade Statistics, Statistical Papers, Series D*; OECD, *Foreign Trade Statistics Bulletins, Series C.*

the main market, followed — a long way behind — by the United Kingdom, the Federal Republic of Germany and Australia.

75. Imports of furniture from the developing countries totalled $ 31 million in 1965. In that year, the United States took more than $ 13.3 million worth of these products, EEC (mainly the Federal Republic of Germany) $ 10.3 million worth, and the United Kingdom $ 4.2 million worth. By far the largest supplier was Yugoslavia (nearly $ 20 million) followed by Hong Kong ($ 5.9 million).

Processed petroleum products, unwrought base metals and ships and boats (see table 3)

76. Imports of processed petroleum products from developing countries into developed market-economy countries amounted in 1965 to $ 1,739 million, which represents 25 per cent of total imports of manufactures and semi-manufactures from developing countries. The situation of petroleum products does not require any further elaboration in this report, since they are part of a world market whose evolution depends mainly on decisions taken outside the developing countries.

77. Unwrought base metals from the developing countries accounted in 1965 for imports valued at $ 1,654 million, equivalent to 24 per cent of total imports of manufactures and semi-manufactures from these countries into the developed market-economy countries. Copper alloys constitute the bulk of these imports of unwrought metals (72 per cent in 1965). It should be noted that the products in this category involve only a small amount of processing as compared with the final products from the original ores and are, therefore, virtually raw materials

78. Imports of ships and boats from the developing countries to the developed market-economy countries amounted to $ 36 million in 1965. They are largely re-export items.

Pearls, precious and semi-precious stones

79. Imports by the developed market-economy countries of these items from the developing countries were valued at $ 365 million in 1965, equivalent to 9 per cent of the total imports of manufactures and semi-manufactures (excluding unwrought base metals, petroleum products and ships and boats) from the developing countries.

80. In 1965, the United Kingdom imported $ 150 million of this total of $ 365 million, or over 40 per cent. For the earlier years, however, figures on a comparable basis are not available for United Kingdom imports of these products and, therefore, in reviewing the period 1961 to 1965, it was not possible to include these items in the total figures of imports of manufactures and semi-manufactures from the developing countries.

81. As regards the other major developed market-economy countries for which comparable figures are available for the earlier years, EEC imports rose from $ 32 million in 1961, to $ 64 million in 1965; but despite this substantial increase, the developing countries' share in this market grew only from 16 per cent to 17 per cent. United States imports rose from $ 37 million to $ 83 million — the developing countries' share rising from 17 per cent to 23 per cent — and Japan's imports grew from $ 3 million to $ 19 million — an increase in the developing countries' share from 28 per cent to 43 per cent.

82. These items represent a major export earner for a number of developing countries. In 1965, Israel supplied products worth $ 98 million; Sierra Leone, $ 66 million; Angola and India, $ 28 million each; the Democratic Republic of the Congo, $ 24 million; Hong Kong, $ 22 million; and the Equatorial Customs Union and the United Republic of Tanzania, $ 18 million each.

D. Concluding remarks

83. (*a*) The exports of manufactures and semi-manufactures from developing countries are composed mainly of a few groups of products involving simple technology and/or processing of certain raw materials or resources.

(*b*) While these products account for a decreasing share in total imports into developed market-economy countries, the developing countries are becoming increasingly dependent on exports of such items and in obtaining a larger share of the developed market-economy countries' total imports of these items.

(*c*) However, a certain diversification in the types of products exported from the developing countries and in terms of the markets supplying these products has taken place. Despite this trend towards diversification, there has not been any significant increase in the share of the developing countries as a whole in the total imports of manufactures and semi-manufactures into the developed market-economy countries during the period 1961 to 1965.

(*d*) With regard to the geographical distribution of the imports from the developing countries, one of the striking features of the recent trend has been the diversification of, and rapid increase in, United States imports from these countries. Such diversification and growth are also discernible in the case of imports into the Federal Republic of Germany but on a smaller scale in value terms.

(*e*) The expansion of exports from the developing to the developed market-economy countries during the period 1961 to 1965 was confined to a limited number of countries: first Hong Kong, followed by China (Taiwan), Yugoslavia, Israel, a number of Latin American countries, and the Republic of Korea.

Chapter III

Imports into socialist countries of Eastern Europe of manufactures and semi-manufactures from developing countries

A. General trends

84. The trade in all commodities of the developing countries with the socialist countries was the most dynamic sector of all the world trade flows in the decade 1955-1965. The exports from the developing countries to the socialist countries of Eastern Europe rose from about $ 610 million in 1955 to $ 1,400 million in 1960, and to over $ 2,800 million in 1965, thus more than quadrupling in ten years.

85. Exports of manufactures and semi-manufactures from the developing countries to the socialist countries of Eastern Europe have grown at a high rate. Negligible in 1955, they rose to around $ 200 million by 1961 and to $ 558 million by 1965 (see table 9).

86. The share of manufactures and semi-manufactures in the total imports of the socialist countries from the developing countries has increased markedly during the period 1961 to 1965. This share rose from under 8 per cent in 1961 to over 16 per cent by 1964 and to over 19 per cent by 1965.

87. Despite the rapid rise in recent years, the absolute as well as the relative levels of this trade are still not very high. For example, in 1965, the EEC countries imported $ 1,094 million worth of manufactured goods (SITC groups 5 to 8) from the developing countries, while the socialist countries of Eastern Europe imported approximately $ 558 million.

B. Geographical distribution

88. In the exports of manufactures and semi-manufactures from the developing countries to the socialist countries of Eastern Europe, Yugoslavia played a dominant role.[16] Out of a total of some $ 558 million in 1965, it supplied $ 346 million, or over 60 per cent of the total (see table 10). About one-half of the exports of manufactures and semi-manufactures from Yugoslavia to the socialist countries of Eastern Europe went to the Soviet Union.

89. The exports of manufactures and semi-manufactures from the other developing countries to the

[16] The trade between Yugoslavia and the socialist countries of Eastern Europe has expanded very rapidly in recent years, rising from $ 167 million in 1962 to $ 460 million in 1965. The share of the socialist countries of Eastern Europe in Yugoslavia's exports rose from only 24 per cent in 1962 to 42 per cent in 1965. In fact, this trade was responsible for three-fourths of the entire expansion of Yugoslavia's exports during this period.

Table 9

Exports of manufactures and semi-manufactures from the developing to the socialist countries of Eastern Europe, 1961-1965

($ U.S. million)

Items	*1961*	*1962*	*1963*	*1964*	*1965*
From Yugoslavia					
Chemicals	9	9	12	22	31
Machinery, etc	59	55	50	59	157
Other manufactures	56	51		118	158
Total ...	124	115	137	199	346
From other developing areas					
Chemicals	6	12	7	23	20
Machinery, etc	—	—	—	—	2
Other manufactures	70	65	100	145	190
Total ...	76	77	107	168	212
Total developing countries					
Chemicals	15	21	20	25	51
Machinery, etc	59	55	50	59	157
Other manufactures	126	116	174	263	348
Total ...	200	192	244	367	558

Sources: United Nations, *Monthly Bulletin of Statistics,* March 1967; and *Commodity Trade Statistics, Statistical Papers, Series D.*

socialist countries of Eastern Europe rose from $ 77 million in 1962 to $ 212 million by 1965, thereby nearly trebling. Furthermore, the share of exports of manufactures and semi-manufactures in total exports from these developing countries to the socialist countries of Eastern Europe rose from 6 per cent in 1962 to over 11 per cent in 1964 and to nearly 12 per cent in 1965.

90. Detailed information is not available to indicate precisely the relative importance of developing countries other than Yugoslavia as exporters of manufactures and semi-manufactures to the socialist countries of Eastern Europe. But preliminary information about exports from India and the United Arab Republic would seem to suggest that India was responsible for over one-fourth (about $ 79 million) of the exports of manufactures and semi-manufactures from all the developing to the socialist countries in 1964, and the United Arab Republic for over one-tenth ($ 34 million). In all, the three countries (Yugoslavia, India and the United Arab Republic) would seem to account for over 90 per cent of the total, with the remaining countries contributing around one-tenth. The share of manufactures and semi-manufactures in the exports of India and the United Arab Republic to the socialist countries rose from near zero in the mid-fifties to nearly one-third and one-fifth respectively in 1965.

91. Among the importing socialist countries of Eastern Europe, the Soviet Union was the largest single market. In 1965, it accounted for approximately half of the total imports of manufactures and semi-manufactures from the developing countries to this area. Czechoslovakia and Eastern Germany were the other principal importers.

C. Commodity composition

92. Products imported by the socialist countries from the developing countries may be grouped into three broad categories. The first broad group, and in absolute terms the most important at present, consists of manufactures and semi-manufactures which are traditional exports of some of the developing countries. These include mainly textile products, footwear and clothing.

93. The second group consists of products which are relatively new exports of the developing countries and which reflect the efforts of both trading partners to diversify their trade. Czechoslovakia's import lists include about thirty-five items of manufactures and semi-manufactures from the developing countries, ranging from batteries, tyres, small tools, fittings, floor coverings, brushes and sport goods, to metal working tools, cosmetics, refrigerators, wines and fruit juices. This increased and diversified trade seems to be the result of systematic market research, import promotion methods, trade missions and contacts between experts. Hungary is planning to import from the developing countries such new items as refrigerators, compressors, air-conditioning equipment, batteries, etc.; the recent purchase of 500 railway wagons from India is a major illustration of this development. Bulgaria is also to import, under the latest agreement with India, chemicals, pharmaceutical products, diesel engines, tyres, batteries, motor car-chassis, etc.

94. The third category, although very small in volume at present, may play an important role in the future. It includes imports of manufactures and semi-manufactures resulting from arrangements on industrial co-operation between the socialist countries and the developing countries. Under the latest agreement between the Union of Soviet Socialist Republics and Algeria, the former has undertaken to import steel made by a plant which is to be constructed in Algeria with Soviet assistance. Trade in hides and leather from Pakistan also resulted from co-operative efforts on both sides. The exchange of such goods calls for new methods of promoting trade. It reflects co-operative attempts at a planned transformation of the structure of output and trade of the developing countries.

95. An examination of the structure of the exports of the three principal supplying developing countries shows that the pattern of exports of manufactures and semi-manufactures to the socialist countries from Yugoslavia differs from that of the exports from the other suppliers (see table 10). Over 45 per cent of all the exports of manufactures and semi-manufactures from Yugoslavia to the socialist countries in 1965 consisted of machinery and transport equipment. Important among these items were some of the relatively advanced forms of manufacture: for example, electrical distributing equipment, ships and boats and transport equipment. Of some significance is the fact that the composition of exports of manufactures and semi-manufactures has broadened considerably, with the consequence that Yugoslavia's dependence on exports of only a few items, as was the case in the early 1950s, will be reduced. In most respects, the exchange of goods

TABLE 10

Commodity composition of exports of manufactures and semi-manufactures from the developing countries to the socialist countries of Eastern Europe, 1962-1965

($U.S. million)

Items	*1962*	*1963*	*1964*	*1965*
From Yugoslavia				
Machinery, etc.	55	50	59	57
Chemicals	9	13	22	31
Textile yarn and fabrics	1	4	6	7
Other items	50	70	112	151
Total	115	137	199	346
From other developing countries				
Textile yarn and fabrics	36	65	100	140
Chemicals	12	7	23	20
Machinery, etc	—	—	—	2
Other items	29	35	45	50
Total	77	107	168	212

Source: United Nations, *Monthly Bulletin of Statistics*, May 1966, March and May 1967.

between Yugoslavia and the socialist countries has now achieved a pattern which resembles that of the exchange of goods between two developed trading partners rather than between a developing and a developed country. The transition to this stage was attained within the space of approximately ten years.

96. The most important exports of manufactures and semi-manufactures from India to the socialist countries were jute manufactures, cotton piece goods, footwear and coir manufactures. These four items amounted to approximately $ 64 million in 1964-1965, or roughly 80 per cent of India's total exports of manufactures and semi-manufactures to that group of countries One single item — jute manufactures — accounted for a little over half this total.

97. In the case of the United Arab Republic, in addition to cotton yarn and fabrics, which still represent the bulk of exports of manufactures and semi-manufactures, a number of newly-produced goods were exported to the socialist countries of Eastern Europe, e.g. processed foods, chemicals, artificial fibres and yarn, essential oils, medicaments, footwear and other consumer goods. Moreover, for some of these products the socialist countries are now the largest markets.

D. Concluding remarks

98. The data regarding the imports into the socialist countries of Eastern Europe of manufactures and semi-manufactures from developing countries show the following characteristics:

(*a*) The bulk of these imports is made up of traditional items exported by developing countries, and in particular textile goods;

(*b*) A number of products which are relatively new in the exports of developing countries have also been absorbed by the socialist countries and reflect the increasing efforts of both trading partners to diversify their trade;

(*c*) A heavy concentration of trade in these products by origin and destination.

Chapter IV

Trade in manufactures and semi-manufactures among developing countries *

A. General trends

99. In 1965 trade among developing countries in all commodities amounted $ 7,907 million, a figure 35 per cent higher than that reached in 1955. In spite of this increase, the share of this trade in their total trade gradually declined during the period from 24.5 per cent in 1955 to 21.1 per cent in 1965 (see table 11).

100. Trade in manufactures and semi-manufactures between developing countries almost doubled during the period under review, rising from $ 925 million in 1955 to $ 1,761 million in 1965. This increase is also reflected in the rising share of manufactures and semi-manufactures in their total trade with each other — 15.8 per cent in 1955 as against 22.3 per cent in 1965.

101. The increase in the flow of manufactures and semi-manufactures among developing countries was, however, smaller than the increase in their total exports of the same products. Their total exports of these products amounted to $ 4,886 million in 1965, an increase of 162 per cent since 1955. This rapid rise in total trade has led to a decline in the relative share accounted for by trade in manufactures and semi-manufactures among developing countries. This share dropped sharply from 49.6 per cent in 1955 to 36 per cent in 1965.

102. This declining trend no doubt reflects the growing attention given by the developing countries to increasing their exports primarily to the developed market-economy countries as a means to finance their ever-expanding import requirements from these countries. More importantly, this declining trend is to a large extent the result of similar import-substitution policies adopted in these countries. The large distances separating developing countries of Africa, Asia and Latin America, and making interregional trade costly and cumbersome, have also aggravated the trend.

B. Composition of trade among developing countries

103. The composition of trade in manufactures and semi-manufactures among developing countries bears a striking resemblance to that of their total exports of these products. In both cases the principal exports consist of a limited range of products, confined mostly to textiles and " other light manufactures ". These two groups accounted for $ 1,148 million in 1965, or close to two-thirds of the trade in manufactures among developing countries. The process of import substitution is reflected in the declining shares of these two groups in relation to total trade in manufactures and semi-manufactures among the developing countries. The most pronounced impact of this decline affected textiles, whose share in the total trade in manufactures and semi-manufactures among developing countries fell from 41.1 per cent in 1955 to 28.9 per cent in 1965.

* Because of lack of data, this analysis deals mostly with traditional manufactured products. An attempt is made, however, to extend the coverage to include processed food-stuffs, wood products, petroleum products and other products which have been dealt with in the preceding chapters.

TABLE 11

Exports from developing countries to world and to other developing countries, 1955-1965

A = Rate of increase index (1955 = 100)
B = Percentage share in total (0-9) in each year
C = Percentage share in total export of manufactures and semi-manufactures (5-8 less 67/68 ex. 681) in each year
D = Percentage share in total intra-trade
E = Percentage share in total intra-trade of manufactures and semi-manufactures.

($ U.S. million)

SITC Code		1955	1956[a]	1957	1958	1959	1960	1961	1962	1963	1964	1965
0-9	All commodities											
	World	23 927	24 860	25 815	25 131	26 117	27 916	28 219	29 630	32 310	35 243	37 541
	Developing countries	5 862	5 800	6 288	5 756	5 799	6 194	6 243	6 570	6 920	7 412	7 905
	A	100.0	98.9	107.3	98.2	98.9	105.7	106.5	112.1	118.0	126.4	134.9
	B	24.5	23.3	24.4	22.9	22.2	22.2	22.1	22.2	21.4	21.0	21.1
5-8 less 67/68 except 681	Manufactured goods less base metals											
	World	1 864	1 870	2 149	2 056	2 283	2 624	2 777	3 116	3 724	4 168	4 886
	Developing countries	925	967	989	896	925	1 097	1 211	1 260	1 424	1 543	1 761
	A	100.0	104.5	106.9	96.9	100.0	118.6	130.9	136.2	153.9	166.8	190.4
	B	3.9	3.9	3.8	3.6	3.5	3.9	4.3	4.3	4.4	4.4	4.7
	C	49.6	51.7	46.0	43.6	40.5	41.8	43.6	40.4	38.2	37.0	36.0
	D	15.8	16.7	15.7	15.6	16.0	17.7	19.4	19.2	20.6	20.8	22.3
5	Chemicals											
	World	254	235	259	245	251	313	340	372	416	483	570
	Developing countries	82	90	99	92	98	111	130	153	184	225	259
	A	100.0	109.8	120.7	112.2	119.5	135.4	158.5	186.6	224.4	274.4	315.9
	C	4.4	4.8	4.6	4.5	4.3	4.2	4.7	4.9	4.9	5.4	5.3
	E	8.9	9.3	10.0	10.3	10.6	10.1	10.7	12.1	12.9	14.6	14.7
7	Machinery and transport equipment											
	World	125	135	167	192	233	275	319	417	449	462	657
	Developing countries	92	105	110	105	134	165	192	266	306	294	354
	A	100.0	114.1	119.6	114.1	145.7	179.3	208.7	289.1	332.6	319.6	384.8
	C	4.9	5.6	5.1	5.1	5.9	6.3	6.9	8.5	8.2	7.1	7.2
	E	8.9	10.9	11.1	11.7	14.5	15.0	15.9	21.1	21.5	19.1	20.1
67 and 68 less 681	Base metals											
	World	1 263	1 420	1 207	937	1 218	1 496	1 482	1 490	1 565	1 817	2 154
	Developing countries	69	78	105	85	91	121	122	146	175	202	261
	A	100.0	113.0	152.2	123.2	131.9	175.4	176.8	211.6	253.6	292.8	378.3
65	Textiles											
	World	668	690	746	681	743	928	978	991	1 133	1 238	1 384
	Developing countries	380	390	399	349	341	410	430	414	432	457	509
	A	100.0	102.6	105.0	91.8	89.7	107.9	113.2	108.9	113.7	120.3	133.9
	C	20.4	20.9	18.6	17.0	14.9	15.6	15.5	13.3	11.6	11.0	11.4
	E	41.1	40.3	40.3	39.0	36.9	37.4	35.5	32.9	30.3	29.6	28.9
6 and 8 less 65/67/68 except 681	Other light manufactures											
	World	817	810	977	938	1 056	1 108	1 140	1 336	1 726	1 985	2 275
	Developing countries	371	382	381	350	352	411	459	427	502	567	639
	A	100.0	103.0	102.7	94.3	94.9	110.8	123.7	115.1	135.3	152.8	172.2
	E	40.1	39.5	38.5	39.1	38.1	37.5	37.9	33.9	35.3	36.7	36.3

Sources: United Nations, *Monthly Bulletin of Statistics*, March, April, 1961, 1966 and 1967; *Commodity Trade Statistics, Statistical Papers, Series D*, 1955-1965.

[a] Excluding Yugoslavia.

TABLE 12

Exports of manufactures and semi-manufactures of selected developing countries to world and to other developing countries, 1962 *

($ U.S. thousand)

SITC code	*Products*	*World*	*Developing countries*
012	Meat, dried, salted or smoked	9 768	545
013	Meat, canned or prepared	98 159	9 055
032	Fish, canned or prepared	31 348	4 591
046	Meal and flour of wheat or of meslin	11 939	11 456
047	Other meal and flour of cereals	2 095	1 056
048	Cereal preparations	11 718	9 917
052	Dried fruit	11 520	3 609
053	Fruit, preserved or prepared	95 180	8 939
055	Vegetables, preserved or prepared	47 737	11 057
062	Sugar preparations, non-chocolate	2 609	1 582
071.3	Coffee extracts and preparations	2 081	176
072.2	Cocoa powder, unsweetened	—	—
072.3	Cocoa butter and paste	31 880	195
073	Chocolate and products	567	306
091	Margarine and shortening	4 423	3 840
099	Food preparations, n.e.s.	10 481	6 996
111	Non-alcoholic beverages, n.e.s.	1 792	1 677
112	Alcoholic beverages	53 795	13 228
122	Tobacco manufactures	32 519	30 854
431	Animal and vegetable oils, processed	17 688	2 312
Sub-total I	Processed foods	477 748	121 391
231.2	Synthetic rubber and rubber substitutes	308	307
231.3	Reclaimed rubber	—	—
231.4	Waste and scrap of unhardened rubber	19 164	12 084
243	Wood, shaped or simply worked	169 162	47 000
251	Pulp and waste paper	12 892	5 615
266	Synthetic and regenerated fibres	3 794	320
267	Waste materials from textile fabrics	2 687	—
Sub-total II	Crude materials	208 007	65 326
332	Petroleum products	1 353 633	505 667
341.2	Gas, manufactured	..	..
351	Electric energy	1 216	—
Sub-total III	Mineral fuels	1 354 849	505 667
5	Chemicals	270 237	121 581
67, 68 less 681	Base metals	918 858	123 527
65	Textiles	872 740	368 545
7	Machinery	397 216	274 483
8	Miscellaneous manufactured articles	573 095	176 058
951	Firearms of war and ammunition	182	182
961	Coin (other than gold)	164	—
Sub-total IV 5 + 6 (less 67, 68 but incl. 681) + 7 + 8 + 951 + 961	Manufactures and semi-manufactures	2 691 519	1 133 459
Total I + II + III + IV	Manufactures and all semi-manufactures	4 732 123	1 825 843
TOTAL (0 to 9)	ALL ITEMS	16 530 649	3 894 552

Source: United Nations, *Commodity Trade Statistics, Statistical Papers, Series D*, 1962.

* Includes summary data for: Argentina, Brazil, Brunei, Burma, Cameroon, Central African Republic, Ceylon, Chad, Chile, China (Taiwan), Colombia, Comoro Islands, Congo (Brazzaville), Congo (Democratic Republic of), Dahomey, Ethiopia, French Guiana, French Polynesia, French Somaliland, Gabon, Ghana, Guadeloupe, Hong Kong, India, Indonesia, Israel, Ivory Coast, Jamaica, Korea (Republic of), Laos, Libya, Madagascar, Malaya (Federation of), Mali, Martinique, Mauritania, Mexico, Netherlands Antilles, New Caledonia, Niger, Nigeria, Pakistan, Peru, Philippines, Reunion, Sabah, Sarawak, Senegal, Singapore, Somalia, Surinam, Thailand, Togo, Trinidad and Tobago, Tunisia, Upper Volta, Viet-Nam (Republic of), Yugoslavia.

104. The remaining exports, consisting of chemicals and machinery and transport equipment, registered the highest rates of increase in this trade during the period under review; this increase was made possible by the rapid expansion of the import demand of developing countries for these groups of products. Their reciprocal trade in chemicals rose from $ 82 million in 1955 to $ 259 million in 1965, an increase from 8.9 per cent to 14.7 per cent of the total trade in manufactures and semi-manufactures among developing countries. Similarly, the corresponding increase in machinery and transport equipment during the same period was from $ 92 million to $ 354 million, or a relative increase from 8.9 per cent to 20.1 per cent.

105. With regard to such products as processed food-stuffs and products listed under " crude materials " and " mineral fuels ", figures have, however, been extracted for 1962 only (see table 12). If the above categories are included in the developing countries' total trade with each other in manufactures and semi-manufactures, it is estimated that their share was nearly 38 per cent in 1962.

106. The share of manufactured products listed under " crude materials " accounted for 3.6 per cent of the total and was made up mostly of the following items; shaped or simply worked wood, waste and scrap of unhardened rubber, and relatively small quantities of pulp and waste paper.

107. Brazil and Indonesia are the dominant suppliers of the first and second items respectively.

108. The share of processed food-stuffs was 6.6 per cent of the total, comprising mostly the following products: canned meat, canned fish, meal and flour of wheat, cereal preparations, dried fruit, preserved fruit, preserved vegetables, margarine and shortening, food preparations, alcoholic beverages and tobacco manufactures. Hong Kong and Singapore account for half of these exports. Other important exporters include Argentina and North Borneo (Sabah).

109. Products listed under " mineral fuels " accounted for a much higher share (28 per cent of the developing countries' total trade with each other in manufactures and semi-manufactures) and were made up almost exclusively of petroleum products. The main supplier is the Netherlands Antilles, followed by Indonesia, Singapore, Trinidad and Tobago and Sarawak (in fact, some of these exports would seem to be re-exports).

C. Trade by origin and destination [17]

110. A striking feature about trade in manufactures and semi-manufactures among developing countries is the heavy concentration of exchanges taking place within the regions in terms of origin and destination. Of the total of $ 1,140 million exported by Asia to the developing countries in 1965, $ 858 million or 75 per cent were destined for countries within the region. This proportion reached 85.5 per cent for Africa (and islands) in the same year and for Latin America it was as high as 94 per cent (see table 13).

111. Asia plays a predominant part in the total trade in manufactures and semi-manufactures among developing countries. Its share in 1965 amounted to almost two-thirds of this trade. Although in absolute terms Asia's trade with the developing countries increased during the period, the relative importance of the developing countries as markets for Asian products has declined sharply from a peak of 60.4 per cent in 1955 to a mere 37 per cent in 1965. This performance should be viewed against the background of Asia's dominant and growing role as an exporter to the developed market-economy countries and of the import substitution policies adopted

[17] Since in this section the data are global, the trend for individual countries may be at variance with the over-all trends.

TABLE 13

Exports of manufactures * among developing countries by origin and destination, 1955-1965

($ U.S. million)

Destination	*Value*						*Per cent distribution*				
		Developing areas					*Developing areas*				
Origin	*World*	*Total*	*Africa* [a]	*Asia* [b]	*Latin America*	*Yugoslavia*	*Total*	*Africa*	*Asia*	*Latin America*	*Yugoslavia*
Developing areas [c]											
1955	1 806	904	216	623	110	3	50.1	12.0	34.8	6.1	0.2
1956	1 870	967	226	704	96	..	51.7	12.1	37.6	5.1	..
1957	2 030	961	254	681	113	6	47.7	12.5	33.5	5.6	0.3
1958	1 925	863	204	608	97	9	44.8	10.6	31.6	5.0	0.5
1959	2 095	866	211	617	99	9	41.3	10.1	29.5	4.7	0.4
1960	2 420	1 035	232	757	119	12	42.8	9.6	31.3	4.9	0.5
1961	2 555	1 150	243	828	134	7	45.0	9.5	32.4	5.2	0.3
1962	2 810	1 130	246	784	159	11	40.2	8.8	27.9	5.7	0.4
1963	3 295	1 300	249	899	191	10	39.5	7.6	27.3	5.8	0.3
1964	3 755	1 420	268	924	278	17	37.8	7.1	24.6	7.4	0.5
1965	4 300	1 605	363	891	320	20	37.3	8.4	20.7	7.4	0.5

TABLE 13

Exports of manufactures * among developing countries by origin and destination, 1955-1965 *(continued)*

($ U.S. million)

Destination / *Origin*	*Value*						*Per cent distribution*				
		Developing areas					*Developing areas*				
	World	*Total*	*Africa* [a]	*Asia* [b]	*Latin America*	*Yugoslavia*	*Total*	*Africa*	*Asia*	*Latin America*	*Yugo-slavia*
Africa [a]											
1955	509	217	212	48	3		42.6	41.7	9.4	0.6	
1956	533	247	237	57	1		46.3	44.5	10.7	0.2	
1957	581	257	245	57	—		44.2	42.2	9.8	—	
1958	543	215	207	47	1		39.6	38.1	8.9	0.2	
1959	585	236	216	58	2		40.3	36.9	9.9	0.3	
1960	616	237	199	56	5		38.5	32.3	9.1	0.8	
1961	621	241	193	65	8		38.8	31.1	10.5	1.3	
1962	577	213	183	48	5		36.9	31.7	8.3	0.9	
1963	677	212	178	49	5		31.3	26.3	7.2	0.7	
1964	720	210	179	50	4		29.1	24.9	6.9	0.6	
1965	886	313	273	53	12		35.9	30.8	6.0	1.4	
Asia [b]											
1955	1 321	798	157	626	55		60.4	11.9	47.4	4.2	
1956	1 384	851	162	697	42		61.5	11.7	50.4	3.0	
1957	1 534	847	190	663	56		55.2	12.4	43.2	3.7	
1958	1 416	757	207	597	49		53.5	14.6	42.2	3.5	
1959	1 589	756	166	613	49		47.6	10.4	38.6	3.1	
1960	1 914	914	179	751	60		47.8	9.4	39.2	3.1	
1961	2 030	1 001	189	813	60		49.3	9.3	40.0	3.0	
1962	2 187	972	180	767	64		44.4	8.2	35.1	2.9	
1963	2 537	1 110	178	894	62		43.8	7.0	35.2	2.4	
1964	2 863	1 128	191	914	67		39.4	6.7	31.9	2.3	
1965	3 081	1 140	207	858	68		37.0	6.7	27.8	2.2	
Latin America											
1955	237	56	1	1	53		23.6	0.4	0.4	22.4	
1956	243	56	1	1	52		23.0	0.4	0.4	21.4	
1957	231	59	1	1	53		25.5	0.4	0.4	22.9	
1958	234	48	1	1	46		20.5	0.4	0.4	19.7	
1959	235	54	1	2	48		23.0	0.4	0.9	20.4	
1960	240	57	3	7	46		23.8	1.3	2.9	19.2	
1961	271	75	2	1	57		27.7	0.7	0.4	21.0	
1962	318	88	1	10	76		27.7	0.3	3.1	23.9	
1963	378	120	1	6	112		31.7	0.3	1.6	29.6	
1964	478	207	1	7	193		43.3	0.2	1.5	40.4	
1965	524	236	1	3	222		45.0	0.2	0.6	42.4	
Yugoslavia											
1955	58	18					31.0				
1956	..	..					..				
1957	119	22					18.5				
1958	131	24					18.3				
1959	188	50					26.6				
1960	204	50					24.5				
1961	222	54					24.3				
1962	306	119					38.9				
1963	429	114					26.6				
1964	413	106					25.7				
1965	586	136					23.2				

Sources: United Nations *Monthly Bulletin of Statistics* and *Commodity Trade Statistics, Statistical Papers, Series D.*

* Includes SITC sections 5, 7, 6 and 8 less 67, 68 but including 681.

[a] African continent and islands.

[b] Including Middle East countries.

[c] Totals do not add up because of different country compositions in the regional breakdown.

in a number of developing countries in this region, in particular in respect of textile and clothing production.

112. Manufactured and semi-manufactured products exported from the African continent and islands to all developing countries have also declined as a percentage of total exports of their products, again a result of the decline in the regional trade among developing countries. By contrast with this situation in Asia and Africa, that in Latin America is the reverse. In that region, the developing countries' share in the region's total exports of manufactures and semi-manufactures increased from 23.6 per cent in 1955 to 45 per cent in 1965. The bulk of this trade still takes place at the regional level.

D. Concluding remarks

113. (*a*) The trade in manufactures and semi-manufactures among developing countries showed a marked increase during the period under review.

(*b*) This trade, however, declined in relation to total exports of manufactures and semi-manufactures, a trend reflecting the growing attention given by the developing countries to increasing their exports primarily to the developed market-economy countries.

(*c*) This trade is still made up of a limited range of products and is confined mostly to textiles and " other light manufactures ". However, the share of these two groups declined during the period; this decline is an indication of the process of the replacement of imports of these products by domestic production in the developing countries.

(*d*) There is a heavy regional concentration of trade, in terms of the origin and destination of the products, in Asia, Africa and Latin America.

(*e*) Asia plays a predominant part in the total trade of manufactures and semi-manufactures among developing countries.

Document TD/46/Rev.1 *

SOME LABOUR IMPLICATIONS OF INCREASED PARTICIPATION OF DEVELOPING COUNTRIES IN TRADE IN MANUFACTURES AND SEMI-MANUFACTURES

Report by the International Labour Office

[*Original text: English*]
[*9 January 1968*]

CONTENTS

	Paragraph	Page
I. Some general considerations	1-10	149
II. The impact of increased imports of manufactures and semi-manufactures from developing countries on employment in developed countries during 1961-1965: some tentative findings	11-15	151
III. The magnitude of the effects of increased imports from developing countries on employment	16-17	154
IV. Comparison of employment opportunities lost owing to increased productivity	18-19	154
V. Concluding remarks	20	155

ANNEXES

	Page
I. Methods of estimation and sources of data used	156
II. Table 1.— Provisional estimates of employment opportunities lost due to increase of imports from developing countries and due to productivity increase in selected branches of manufacturing in selected developed countries between 1961 and 1965	157
Table 2.— Summary table	165
III. Table 3.— Selected industrial products imported from developing countries by selected developed countries, 1961-1965	166
IV. Table 4.— Index numbers of production and employment in selected branches of manufacturing in 1965	167

I — Some general considerations

1. For developing countries where capital is scarce and labour plentiful the cost advantage of exporting industrial products to developed countries would seem to lie, for some considerable time, mainly in items whose production requires a less than average ratio of capital to labour, because interest rates are higher and average manufacturing wages are lower in developing than in developed countries. Apart from earning more foreign exchange, the development of industries manufacturing labour-intensive products for export markets would have the additional advantage of providing more immediate opportunities for industrial employment.

2. To realize the potential cost advantage of labour-intensive products for export, many developing countries at early stages of industrialization would probably need to choose among such products those for which there is little need for highly specialized skills and the average learning time required of the workers is relatively short. In other words, the skill requirements for the efficient production of these items — efficient enough to compete favourably in export markets — should not be high, so that with effective training a skilled labour force of sufficient size could be speedly formed to meet the export needs. Where present industrial workers are already fully familiar with the basic job content for producing exportable products, the problem of training becomes that much easier: it will be chiefly one of improving and raising their existing skills to levels dictated by the export markets.

3. The case for the export of labour-intensive industrial products, as stated above, is admittedly much simplified.[1] Needless to say, each developing country has to select export-oriented industries in the light of its own particular circumstances; and there is evidence that for developing countries profitable export outlets exist for both labour-intensive and capital-intensive industries. Valid arguments have indeed been advanced for the expansion of exports of products of certain capital-intensive industries by developing countries at relatively early stages of industrialization. Among these are the expansion of exports, especially on a sound regional

* Incorporating TD/46/Rev.1/Corr.1

[1] For a fuller discussion, see " Progressive industrial technology for developing countries ", ILO, *Human Resources for Industrial Development* (Geneva, 1967) (Series Studies and Reports, New Series No. 71), especially pp. 201-207.

or sub-regional basis, as a means of overcoming the obstacle of the small domestic markets of a great many developing countries in the development of capital goods industries which are capital-intensive and whose output is on a large scale, and the more favourable conditions of demand in the developed countries for a variety of industrial products (e.g. intermediate goods like semi-manufactured raw materials and components) which can well be produced by developing countries without requiring highly specialized skills but which do require sophisticated types of capital-intensive technology.[2]

4. Nevertheless, the preponderance of labour-intensive industrial products in the total of industrial products imported by developed countries from developing countries does tend to indicate that developing countries enjoy cost advantages in exporting such products. A recent study of world demand for, and supply of, manufactures and semi-manufactures during the period 1955-1965 made by the UNCTAD secretariat clearly reveals that, apart from certain products largely based on natural resources, the bulk of the developed market-economies' demand for manufactures and semi-manufactures from developing countries still consists of products generally characterized by a high labour component and involving simple manufacturing technology.[3] More significantly, over the period most of these products showed high average annual rates of import growth (in terms of value at current prices of imports of developed market economies as a whole) including a variety of new industrial products which are also labour-intensive (e.g. footwear, travel goods, pottery, furniture and wood manufactures, articles of rubber, n.e.s.). Among the relatively new industrial products imported from developing countries, however, a number of capital-intensive products also showed high rates of import growth from small import values in the base year 1955 (e.g. aluminium, pulp, fertilizer, glass, cement, crude chemicals from coal, petroleum and natural gas).

5. How far and in what categories of industrial products the developed countries will increase their imports from developing countries in the years ahead depends, however, not only on the relative cost conditions but more significantly on the extent to which the developed countries are prepared to reduce their present trade barriers, tariff and non-tariff, against the industrial products of developing countries. If the developed countries are not prepared to go far in this direction, one principal reason will be the fear of displacement of labour caused by increased imports.

6. Since the developing countries do not hoard foreign exchange, increases in their exports to developed countries can be expected to be associated (sometimes with a certain time-lag if their foreign exchange holdings are being built up from very low levels) with increases in their imports of capital goods or other products from developed countries. Thus, there is no reason to expect the general level of employment in developed countries to fall if these countries increase their imports from developing countries. And there will be a net economic gain if this process of mutual trade expansion leads to a transfer of labour from low-productivity to high-productivity industries, as is often the case.

7. In the individual industries likely to be affected, the fear of displacement of labour is none the less real. Forward-looking policy, such as has already been adopted in a number of developed countries, seeks to facilitate the structural adaptation of employment to the emerging trade pattern by providing adequate adjustment measures for all displaced workers. It is not proposed in this paper to elaborate on the various measures that might be taken.[4] Briefly, such measures are of three types:

(*a*) Those which seek to promote a redeployment of the labour force, in terms of occupations, industries, and areas, and which may be termed collectively an " active manpower policy ";

(*b*) Those which seek to redevelop areas where populations depend for their livelihood on a declining or even disappearing industry; and

(*c*) Those to maintain the income of workers during intervals between jobs, including periods of retraining, or in some cases of workers who may be forced into early retirement.[5]

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[2] Cf United Nations Industrial Development Organization (UNIDO) — International Symposium on Industrial Development (Athens, 29 November-20 December 1967), " The need for an export-oriented pattern of industrialization " (ID/CONF.1/56). See also the " General study of exports of manufactures and semi-manufactures from developing countries and their role in development ", particularly chap. IV (see *Proceedings of the United Nations Conference on Trade and Development*, vol. IV, *Trade in Manufactures and Semi-Manufactures* (United Nations publication, Sales No.: 64.II.B.14), pp. 46 *et seq.*).

[3] See UNCTAD, " World demand for, and supply of, manufactures and semi-manufactures of actual or potential export interest to developing countries " (TD/B/C.2/30/Add.1, para. 13). The study shows that if petroleum products and base metals are excluded, in 1965 nearly 75 per cent of the total value of the developed market-economies' imports of manufactures and semi-manufactures from the developing countries concentrated on nineteen main products or groups of products. In decreasing order of importance these products are: clothing; fabrics (other than cotton); shaped wood; alcoholic beverages; cotton fabrics; preserved fruits and fruit preparations; prepared or preserved meat; floor coverings; plywood and veneers; leather products; textile products, n.e.s.; manufactured articles, n.e.s.; inorganic chemicals; prepared or preserved vegetables; pig-iron; perambulators and toys; prepared or preserved fish; textile yarn and thread; essential oils and perfumes (TD/B/C.2/30/Add.1, para. 78).

[4] For a discussion of this subject see " Structural employment problems in the industrialized countries caused by higher imports of manufactured goods from the developing countries ", prepared by the International Labour Office, in *Proceedings of the United Nations Conference on Trade and Development*, vol. IV, *Trade in Manufactures and Semi-Manufactures* (United Nations publication, Sales No.: 64.II.B.14), pp. 145-153. Cf. also ILO, *Unemployment and Structural Change*, Studies and Reports, New Series, No. 65, and *Employment and Economic Growth*, chap. V, "Structural employment problems ", Studies and Reports, New Series, No. 67, pp. 102-122.

[5] See David A. Morse, Director-General of the International Labour Office: *Labour Policies and the Development of International Trade* (Sidney Hillman Memorial Lecture, University of Pittsburgh, 19 October 1966), published in *Publication Series in Public and International Affairs* (Graduate School of Public and International Affairs, University of Pittsburgh), p. 10.

Full and expeditious implementation of these types of measures could do much to overcome the harmful effects on individual workers of structural change arising from import competition or, for that matter, from any other causes.

8. Linked with, and indeed prior to, the application of adjustment measures is the question of the magnitude of labour transfers likely to occur in different individual industries as a result of increased imports of industrial products from developing countries. The magnitude would vary with the volume and nature of imports. Obviously, imported industrial products complementary to the industries of developed countries would not cause any displacement of labour. For imports of competitive industrial products the adverse repercussions on employment would be less from those having a higher income elasticity of demand in the developed countries and less from those competing with expanding industries than with stagnant or declining industries.

9. It has been generally felt that increased imports of labour-intensive manufactures of the traditional type would necessitate a greater transfer of labour than other types of industrial products from developing countries, since many of these products have a low income-elasticity of demand in the developed countries and compete with industries which appear to be relatively stagnant. Moreover, these import-competitive industries themselves are, in many cases, relatively labour-intensive. It would, therefore, be particularly useful to form some quantitative notion of the scale of labour transfer that might be required as a consequence of increased imports of these products in the coming years. This would mean making certain projections on varying assumptions about the rates of increase in the imports of these products, the rates of economic growth in the developed countries and other relevant parameters.

10. This report is a preliminary step in this direction.[6] It is preliminary because it makes no projections. Further research is obviously required. Its limited object is to assess the loss of employment owing to increased imports from developing countries in certain selected branches of manufacturing during the period in the three main industrial areas of the world which import the largest amounts of manufactures and semi-manufactures from developing countries, namely North America, the European Economic Community (EEC) area and the European Free Trade Association area (EFTA).[7] To put the problem in perspective, these estimated employment losses are compared with the employment-loss equivalents of productivity increases and also with the total volume of manufacturing employment. The estimates arrived at are provisional, for two reasons. First, the methods of estimation adopted are simple and very crude. Secondly, for a number of developed countries some of the data required are not readily available, and consequently certain simplifying or arbitrary assumptions had to be made. These estimates are therefore expected to involve fairly wide margins of error and are subject to revision. Some tentative findings from an analysis of these estimates are presented in the following section. The methods of estimation adopted are discussed in some detail in annex I to this report. The estimates of the employment effects of import increases and of productivity increases in selected branches of manufacturing in individual developed countries and the data used are given in other annexes.

[6] In this connexion, reference should be made to an outstanding study of the quantitative effects of import liberalization on employment in the United States by Walter S. Salant and Beatrice N. Vaccara entitled *Import Liberalization and Employment: The Effects of Unilateral Reductons in the United States Import Barriers* (Washington D.C., The Brookings Institution, 1961).

[7] For the purpose of this study North America means the United States of America and Canada.

II — The impact of increased imports of manufactures and semi-manufactures from developing countries on employment in developed countries during 1961-1965: some tentative findings

11. For the purpose of this assessment eight groups of industrial products were selected on the basis of their quantitative importance and/or high growth rates in the imports of industrial products by developed countries from developing countries. These are listed below together with the corresponding code numbers of the International Standard Industrial Classification of All Economic Activities (ISIC) and those of the Standard International Trade Classification.[8]

[8] See United Nations, *Statistical Papers, Series M*, No. 4, Rev.1, *International Standard Industrial Classification of 11 Economic Activities* and Statistical Papers, Series M, No. 34, *Standard International Trade Classification (Revised)*.

Groups of industrial products selected	*ISIC code*	*SITC code*
1. Processed foods	20	Items in section O specified in document TD/B/C.2/3 — " The definition of primary commodities, semi-manufactures and manufactures " and SITC No. 431
2. Textiles (including made-up textile goods, except wearing apparel)	23 and the relevant part of 24	65

Group of industrial products selected	*ISIC code*	*SITC code*
3. Clothing	243	841
4. Footwear	241	851
5. Wood products and furniture ..	25 and 26	243, 63 and 821
6. Leather and leather products except footwear and wearing apparel	29	61
7. Chemicals and chemical products	31	51
8. Metal products, except machinery and transport equipment	36	69

12. From the available data on imports, production and employment two sets of estimates have been derived for the industries producing the above eight groups of products in North America, in the EEC countries and in the EFTA countries for the period 1961-1965. The two sets of estimates, as already mentioned, are:

(*a*) The employment effects of the import increases, i.e., the number of additional jobs that would have existed in each of these industries, if during the period the actual increase in imports of industrial products from developing countries in categories identified by the corresponding SITC code had not taken place, on the simplifying assumption that everything else during the period remained unchanged;

(*b*) The employment effects of productivity increases, i.e. the number of additional jobs that would have existed in each of these industries, if during the period the actual increase in labour productivity in the same industry had not taken place, on the simplifying assumption that everything else during the period remained unchanged.

Since the assumption that " everything else remains the same " has been used, it is necessary to point out at the outset that the employment equivalents thus estimated do not mean the actual number of jobs or workers displaced. The latter might very well be nil, or the actual employment in the industry might have, in fact, increased where the total demand for the products of the industry was expanding. These estimates only aim to show the " pure effects " of import increase and of productivity increase on employment in isolation from all other forces, induced or independent, impingeing on the industry in question over the same period. As regards the import increase effect, the underlying assumption is that all the industrial products imported from developing countries under the SITC code numbers given in the above list are competitive with the industries in the developed countries. This is, however, not always true for a number of semi-manufactures. The estimates of the import increase effect are therefore to that extent overstated.

13. The methods of estimation used are simple but crude. For the estimation of the employment effect of import increases in each of these eight industries, employment is assumed to decrease from the 1961 level in inverse proportion to the change in the volume of imports from developing countries as a percentage of domestic production in 1961 in the corresponding categories. [9] Thus, if the increase in the volume of imports in a certain category was 3 per cent of domestic production in 1961, the employment effect would be estimated at −3 per cent. Multiplying the number of workers employed in the industry in 1961 by this ratio gives the number of employment or job equivalents lost owing to import increases.[10]

14. The estimates of the employment effects of productivity increases were obtained by multiplying the number of workers employed in the industry by the average total rate of reduction in labour input per unit of output for the industry as a whole over the period 1961-1965.[11] The latter was derived from the index numbers of production and employment for the years 1961 and 1965 for the industry in question. For some of these industries the relevant index numbers are lacking in several developed countries. In such cases the reduction in labour-input requirements was estimated on certain arbitrary assumptions. These and other data problems encountered are discussed in annex I to this report.

15. Table 1 presents the estimates of employment effects of (*a*) import increases from developing countries during the period 1961-1965 and (*b*) productivity increase over the same period in the eight selected manufacturing

[9] Let M_{1961} and M_{1965} stand for the volume of imports in 1961 and in 1965, respectively, ΔM for $M_{1965} - M_{1961}$, O_{1961} for domestic production in 1961, N for the number of workers employed in 1961 and $-\Delta N$ for the number of employment opportunities lost owing to increased imports. The formula used for estimating $-\Delta N$ is as follows:

$$-\Delta N = N_{1961} \left(\frac{\Delta M}{O_{1961}}\right)$$

However, in applying this formula, because of difficulties in arriving at figures for the physical volume of imports and of domestic production for the broad categories of products selected, value figures expressed in 1965 prices were used both with respect to ΔM and O_{1961}, as explained in annex I to this report.

[10] The industry concerned naturally covers a much wider range of products than the competing imported products from developing countries. Its coverage, whether wide or narrow, however, would not affect significantly the employment effect expressed in absolute numbers, provided that within the industry the output per worker of those workers producing goods directly competing with the imports do not differ significantly from the average output per worker for the whole industry, which is indeed a crucial assumption implicit in the procedure adopted. For the wider its coverage, the smaller will be the ratio of the increase of these imports to the total volume of output produced by the industry.

[11] The rate of reduction in labour input per unit of output equals one minus the reciprocal of the rate of productivity increase or one minus the ratio of the rate of increase in employment to the rate of increase in output.

industries in North America, in the EEC area and in the EFTA area, each area being taken as a whole. As has already been emphasized, these estimates, as well as those for individual countries, given in annex II are provisional. The main tentative findings from these estimates are summed up below.

TABLE 1

Provisional estimates of employment opportunities lost due to increase of imports from developing countries in selected branches of manufacturing in selected developed countries, 1961-1965

	In '000s	*As percentage of employment loss directly associated with productivity increase*	*As percentage of total employment in the branch in 1965*	*As percentage of total manufacturing employment in 1965*
		I. *Processed foods*		
North America	1.4	0.7	0.08	0.007
EEC	2.8	2.7	0.24	0.013
EFTA (excl. Switzerland)	− 0.2	− 0.4	− 0.03	− 0.002
	II. *Textiles (incl. made-up textile goods except wearing apparel (ISIC 244))*			
North America	7.5	3.8	0.66	0.039
EEC (excl. Luxembourg)	10.2	5.5	0.54	0.048
EFTA (excl. Switzerland)	2.9	1.9	0.28	0.026
		III. *Clothing*		
North America	10.0	11.9	0.78	0.052
EEC	12.7	31.7	1.20	0.059
EFTA (excl. Switzerland and Portugal)	10.3	14.1	1.86	0.095
		IV. *Footwear*		
North America	0.6	1.9	0.22	0.003
EEC (excl. Netherlands and Luxembourg)	0.6	3.7	0.16	0.003
EFTA (excl. Switzerland and Portugal)	1.2	7.1	0.84	0.011
		V. *Wood products and furniture*		
North America	4.7	4.6	0.44	0.024
EEC	6.8	5.4	0.70	0.032
EFTA (excl. Switzerland)	3.3	6.2	0.66	0.030
		VI. *Leather and leather products, except wearing apparel*		
North America	1.1	16.0	0.83	0.006
EEC (incl. France)	2.4	n.a.	1.11	0.011
(excl. France)	1.8	21.0	1.12	0.012
EFTA (excl. Switzerland and Portugal)	− 0.2	− 6.0	− 0.31	− 0.002
		VII. *Chemical and chemical products*		
North America	1.6	1.0	0.19	0.008
EEC	0.2	0.07	0.02	0.001
EFTA (excl. Switzerland)	2.3	n.a.	0.39	0.021
(excl. Switzerland, Portugal)	2.3	1.7	0.40	0.022
		VIII. *Metal products, except machinery and transport equipment*		
North America	0.4	0.2	0.03	0.002
EEC (excl. Netherlands, Belgium, Luxembourg)	0.2	0.2	0.01	0.001
EFTA (excl. Switzerland and Finland)	0.5	n.a.	0.07	0.005
(excl. Switzerland, Finland and Portugal)	0.4	0.5	0.06	0.004

NOTE: An extended version of this table is given in table 2 in annex II.

III — The magnitude of the effects of increased imports from developing countries on employment

16. As far as can be derived from the available data in all the eight industries combined the total number of workers who would have lost, or been obliged to change, jobs as a result of import increases from developing countries between 1961 and 1965 amounts to about 27,000 in North America, 35,000 in the EEC area and 20,000 in the EFTA area. These area totals are not strictly comparable, partly because, as indicated in the table, the totals for the EFTA area and the total figures for some industries in the EEC area do not include all the countries of the area for lack of data. Roughly speaking, these area total numbers for all the eight industries combined represented less than 0.2 per cent of total manufacturing employment in 1965 in each industrial area.

17. As regards the individual selected industries, the following features may be noted:

(*a*) In five selected industries — processed foods, footwear, leather and leather products (except footwear and wearing apparel), chemical and chemical products, metal products (except machinery and transport equipment) — the magnitude involved in each case was extremely small. The maximum area figure of employment lost owing to increased imports from developing countries was less than 3,000 workers, as was shown in the food processing industry of the EEC area. As percentages of total manufacturing employment in 1965, the numbers were negligible, ranging from 0.001 to 0.02 per cent.

(*b*) In the industry producing wood products and furniture, the numbers involved were slightly higher, the area totals ranging from 3,000 to 7,000 workers.

(*c*) In the textiles industry, the area totals amounted to between 3,000 and 10,000 workers. These numbers, however, formed no more than 0.3 to 0.7 per cent of the number of workers employed in the industry and only 0.03 to 0.05 per cent of total manufacturing employment in 1965 on the area-wide basis.

(*d*) In the clothing industry, the magnitude of employment opportunities lost owing to increased imports from developing countries was higher than in other selected industries. The area totals ranged approximately between 10,000 and 13,000 workers, representing 0.8 to 1.9 per cent of the volume of employment in the industry but still no more than 0.05 to 0.1 per cent of total manufacturing employment. Among the individual countries concerned, according to these estimates, the relative magnitude expressed as a percentage of employment in the industry was greater in Sweden, Denmark and the Federal Republic of Germany than in the other countries. It is significant that both in the Federal Republic of Germany and in Sweden the index number of production of wearing apparel in 1965 was appreciably higher than in 1961,[12] in spite of the heavy increase in competing imports from developing countries. Employment in the industry would, therefore, also have risen if it had been unaffected by other factors.

[12] With 1958 as the base year, the index number rose from 123 in 1961 to 146 in 1965 in the Federal Republic of Germany, from 127 in 1961 to 141 in 1965 in Sweden, and from 129 in 1961 to 151 in 1964 in Denmark, for which the 1965 index number was not readily available. It should, however, be pointed out that ISIC item 244 (manufacture of made-up textile goods, except wearing apparel) was included in the index numbers for Germany for both 1961 and 1965, and in the index number for Sweden for 1965 and excluded from the index numbers for Denmark. (*Source:* United Nations: *The Growth of World Industry, 1953-1965: National Tables* (United Nations publication, Sales No.: 67.XVII.10) pp. 100, 157 and 417).

IV — Comparison of employment opportunities lost owing to increased productivity

18. Among other factors affecting employment in industry is the increase in labour productivity. It will be instructive to see how the number of employment opportunities lost owing to increased imports from developing countries compares with that resulting from increased productivity in the industry in question over the same period. The inadequacy of part of the data used and the arbitrariness of certain assumptions resorted to in computing the rates of increase in labour productivity make it necessary to stress once more the provisional character of the estimates obtained. With this important reservation the comparison has produced the following results:

(*a*) In nearly all the eight selected industries the number of employment opportunities lost owing to increased imports from developing countries was only a small fraction of the number lost owing to increased productivity or smaller labour input per unit of output. On the area-wide basis in the industry producing processed foods, in the chemical industry and in the industry manufacturing metal products (except machinery and transport equipment), the ratios of employment opportunities lost owing to increased imports from developing countries to those ascribable to increased productivity (expressed as a percentage) were as small as 0.2 per cent to 2 per cent. The ratios were between 2 to 7 per cent in the footwear industry and between 5 to 6 per cent in the wood products and furniture industry. In the industry producing leather and leather products (except wearing apparel), the ratios were higher, ranging from 16 to 21 per cent, but the numbers of employment opportunities lost owing to increased imports from developing countries were small.

(*b*) In the textile industry, the smallness of the ratios in each of the three major industrial areas seems particularly striking. The ratios ranged from about 2 per cent to 5.5 per cent. In other words, during the period 1961-1965, the employment opportunities lost owing to increased productivity in the industry were about 18 to 50 times as large as the employment opportunities lost owing to increased imports from developing countries. For example, in North America the ratio for the textile industry was about 4 per cent. In absolute numbers, the employment opportunities lost owing to increased imports of textiles from developing countries amounted to about 7,500 jobs as against 197,000 jobs lost owing to increased productivity. Equally significant is the fact that the actual volume of employment in the textile industry in North America in 1965 was greater than in 1961 owing to the increase in production.[13]

(*c*) In the clothing industry, for which the magnitude of employment opportunities lost owing to increased imports from developing countries was larger than in the other selected industries, its ratio to that ascribable to increased productivity was also substantially higher. Even so, these ratios (as percentages) for the three industrial areas varied between 12 to 32 per cent. That is to say, during the period under review the impact of productivity increases on employment in the industry was roughly 3 to 8 times as great as that of the increase of imports from developing countries. Therefore, in each industrial area taken as a whole, the main factor adversely affecting employment in the clothing industry during the period was increased productivity rather than increased imports from developing countries.

19. An attempt was also made to compare the level of, and the rate of increase in, labour productivity in each of the eight selected industries with the corresponding averages for the manufacturing industries as a whole in the individual countries of the three industrial areas. With respect to the relative levels of productivity in these industries,[14] in each of the countries examined the value added per worker in the chemical industry was markedly higher than the over-all manufacturing average. In the industry producing processed foods, the value added per worker was higher than the average in a number of countries but lower in several other countries. In the other six selected industries, with a few exceptions, the value added per worker was lower than the average by varying degrees in the countries examined. Among these industries value added per worker appears to be the lowest in the clothing industry and in the footwear industry; in some of the countries examined it was little more than half the over-all manufacturing average. As regards the relative rates of productivity increase, a firm and systematic comparison was rendered difficult by the inadequacies of the data used. From the estimates of productivity increases computed from these data it would seem that, with the notable exception of the chemical industry, in all other selected industries the rates of productivity increase during the period under review were, in the majority of cases, slower than the average rate of productivity increase for the manufacturing industries as a whole.

[13] With 1958 as base year between 1961 and 1965, the index number of production in the textile industry increased from 114 to 143 in the United States and from 125 to 182 in Canada. Over the same period with the same base year, the index number of employment in the textile industry rose from 97 to 100 in the United States and from 101 to 120 in Canada. (*Source:* United Nations, *The Growth of World Industry, 1953-1965: National Tables* (United Nations publication, Sales No.: 67.XVII.10), pp. 53, 54, 462 and 463).

[14] The relative levels of productivity are given in annex II, table 2.

V — Concluding remarks

20. The foregoing tentative findings, though confined to a limited number of industries, tend to suggest that, by and large there is considerable scope for the developed countries to expand their imports of industrial products, capital-intensive as well as labour-intensive, from developing countries without seriously reducing employment in the industries directly affected. For some industries, in which labour productivity is substantially below the over-all manufacturing average, an increase in competing imports would provide a salutary impetus to shifting their workers and especially workers in the least efficient producing units to new or expanding industries with labour productivity higher than average, or to industries producing goods for export to developing countries. This process of labour transfer would be facilitated by the vigorous application of measures of structural adjustment. As the above comparison has shown, in terms of the probable magnitude involved, such structural employment problems as may arise from increased import competition from developing countries seem far more manageable than the employment problems presented by rising labour productivity resulting from technological progress.

ANNEXES

Annex I

Methods of estimation and sources of data used

Estimation of employment opportunities lost owing to increased imports from developing countries

1. The employment opportunities lost during 1961-1965 were obtained by multiplying the number of workers employed in each selected industry in 1961 by the ratio of the increase in the value of imports in the corresponding specified categories from developing countries between 1961 and 1965 to the gross value of production of the industry in 1961 in 1965 prices.

2. The increase in the value of imports was computed from data on value of imports (in U.S. dollars, c.i.f.) in 1961 and in 1965 supplied by the UNCTAD secretariat.

3. Gross value of production (i.e. the sales value of goods produced) was used because it corresponds roughly to the value of imports. For the United States, United Kingdom, France, Federal Republic of Germany and Austria figures of gross value of production were readily available.[a] For other countries these figures were estimates obtained by multipliying the figures of value added by certain assumed ratios of gross value of production to value added relating to these industries. The value added figures were taken from census-type data given in United Nations: *The Growth of World Industry, 1953-1965 : National Tables* (hereafter referred to as United Nations national tables).[b] For the other countries of the EEC area and the EFTA area, the ratios derived from the United Kingdom data were applied; for Canada the ratios derived from the United States data were applied. Switzerland is not included in this study for lack of data on gross value of production or on value added for the industries selected.

4. Except those for the United States and Italy, the figures of gross value of production for these industries thus derived or taken directly from the readily available sources relate to years later than 1961 and, in most of these countries, to 1963. Moreover, all the figures are gross value of production expressed at current prices prevailing in the years to which they relate and not at 1965 prices. In order to convert these figures into gross value of production in 1961 in 1965 prices, the figures were adjusted for the price changes and for the changes in volume of production with the aid of index numbers of production in these industries given in the United Nations national tables and the wholesale price indices of the products of these industries (and, in some cases, consumer price indices of food for industries producing processed foods). The estimated figures of gross value of production in 1961 in 1965 prices thus arrived at in national currencies were then converted into United States dollars at the exchange rates prevailing in 1965.

[a] For the United States, the value of shipments given in Department of Commerce, Bureau of Census: *Annual Survey of Manufactures*, 1961. For the United Kingdom, the value of sales and work done given in " Census of Production Results for 1963 " in *Board of Trade Journal* (London, 24 December 1965), pp. 1516-1519. For France, gross value of production for 1962 given in " Quelques résultats essentiels du recensement de l'industrie " in *Institut National de la Statistique et des études économiques: Etude et Conjoncture* (Paris, February 1967) pp. 126-147. For Germany, gross receipts for 1963, and for Austria, gross value of production for 1963, both of which were given in United Nations: *The Growth of World Industry, 1953-1965, National Tables* (United Nations publication, Sales No.: 67.XVII.10), pp. 22-24 and pp. 160-163.

[b] For Italy, the figures of gross product (at factor cost) for these industries in 1961 were taken from Instituto Centrale di Statistica: *Annuario Statistico Italiano, 1966*, p. 412.

5. The 1961 and 1965 (or 1964) employment figures (in absolute numbers) used for making these estimates (both with respect to the import increase effect and the productivity increase effect) are also derived figures.[c] These were derived from the employment figures given in the census-type data (most of them taken from the United Nations national tables and some from national sources) for the same year, say, 1963, to which the original figures of value added or gross value of production relate. The method of derivation was to adjust them to the 1961 level and to the 1965 level according to the movement of index number of employment in the selected industries given in the United Nations national tables. The reason for so doing was to ensure consistency between the employment figures and the value of output figures used for these estimates, since by this method both magnitudes came more or less from the same source and with the same coverage. The 1961 and 1965 absolute figures for total manufacturing employment were derived in the same manner. The absolute numbers thus derived are, however, expected to be smaller than the employment figures available from some other sources because establishment surveys of the census type, on which these estimates depend, usually have a smaller coverage.

Estimation of employment opportunities lost owing to increased productivity

6. The method adopted for estimating employment opportunities lost owing to increased productivity is to multiply the number of workers employed in each selected industry in 1961 by the rate of decrease in labour input per unit of output in the industry between 1961 and 1965. The latter was calculated from the following formula:

$$1 - \left(\frac{\textit{Index number of employment for 1965}}{\textit{Index number of employment for 1961}} \middle/ \frac{\textit{Index number of production for 1965}}{\textit{Index number of production for 1961}} \right)$$

7. All the index numbers of production and most of the index numbers of employment used for these estimates were taken from United Nations national tables; for some countries the index numbers of employment were taken from the ILO *Year Book of Labour Statistics, 1966*.

8. Several difficulties were encountered in calculating the rates of decrease in labour input per unit of output between 1961 and 1965. First, for certain selected industries the index numbers of employment are not available in certain countries as, for example, for the industry manufacturing wearing apparel except footwear (ISIC 241) in France and in Italy, and certain arbitrarily assumed rates of decrease in labour input per unit of output were used in the calculation. Secondly, for a number of selected industries the index numbers of employment and production often do not have the same coverage. For instance, in the Netherlands for the " chemical and chemical products " group (ISIC 31) petroleum and coal products were included in its employment indices but were excluded from its production indices. Thirdly, for many countries the rates of decrease in labour input per unit of output calculated relate to the period 1961-1964 owing to the lack of employment indices for 1965.

[c] Except the 1961 employment figures for the United States and Italy, which are the original figures given by the sources.

Annex II

TABLE 1

Provisional estimates of employment opportunities lost due to increase of imports from developing countries and due to productivity increase in selected branches of manufacturing in selected developed countries between 1961 and 1965 (in thousands of engaged employees)

1. *Processed Foods*

	Employment						Employment opportunities lost							
		Employment in the branch			In absolute number due to			As per cent of employment in the branch in 1965		As per cent of total manufacturing employment in 1965				
	Total manufacturing employment in 1965	*1961*	*1965*	*Percentage decrease in labour input per unit of output 1961-1965*	*Import increase = column (2) × column (12)*	*Productivity increase = column (2) × column (4) ÷ 100*	*Column (5) as per cent of column (6)*	*Import increase*	*Productivity increase*	*Import increase*	*Productivity increase*	*Increase in value of imports between 1961 and 1965 as per cent of value of production in 1961 (at 1965 prices)*	*Value added per worker as per cent of average for total manufacturing in 1963*	*Column (4) as per cent of average for total manufacturing between 1961 and 1965*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
North America														
United States of America ..	17 489	1 495	1 465	12	1.3	179	0.72	0.09	12.0	0.007	1.02	0.09	109 [k]	75
Canada	1 570	179	193	11	0.1	20	0.5	0.05	11.0	0.006	1.25	0.06	83	58
North America, total	19 039	1 674	1 658		1.4	199	0.7	0.08	12.0	0.007	1.05			
EEC														
France	7 106	287	287	11 [b]	0.5	32	1.56	0.16	11.0	0.007	0.45	0.16	115 [l]	73
Germany (Fed. Rep. of) ...	7 327 [a]	308	318 [a]	10 [cd]	1.0	31	3.22	0.31 [a]	10.0 [a]	0.014 [a]	0.42 [a]	0.31		77 [c]
Italy	4 742 [a]	338	345 [a]	5 [c]	0.9	17	5.29	0.26 [a]	5.0 [a]	0.019 [a]	0.36 [a]	0.27	101 [k]	42 [c]
Netherlands	1 300	175	171	11 [f]	0.6	19	3.16	0.35	11.0	0.046	1.45	0.32	99	58
Belgium and Luxembourg .	875	39	39	11 [g]	0.2 [e]	5	−4.00	−0.57	11.0	−0.029	0.50	−0.57	184 [i]	56
EEC, total	21 359	1 147	1 160		2.8	104	2.69	0.24	8.97	0.013	0.49			
EFTA														
United Kingdom of Great Britain and Northern Ireland	8 135	564	564	6	−0.56 [ea]	34	−1.65	−0.10 [e]	8.0	−0.007 [e]	0.42	−0.10 [e]	104	46
Sweden	916	61	62	12	0.87	7	1.00	0.11	12.0	0.007	0.72	0.11	49	48
Norway	347	41	42	11	0.12	4.5	2.67	0.29	11.0	0.035	1.30	0.29	67	65
Finland	408 [a]	41	45 [a]	4 [c]	−0.03 [e]	2	−1.50	−0.08 [ea]	4.0 [a]	−0.008 [a]	0.49 [a]	0.08 [a]	119	33 [c]
Denmark	484	38	38 [a]	13 [c]	0.01	5	2.0	0.82 [a]	13.0 [a]	0.002 [a]	1.24 [a]	0.02	183	87 [c]
Austria	577	42	43	15 [h]	0.11	6	1.83	0.26	15.0	0.019	1.04	0.26	60	94
Portugal	280 [i]	37	40 [i]	1 [jm]	0.07	0.4	17.50	0.19	1 [i]	0.025	0.14	0.19	82	n.a.
Switzerland	—	—	—	—	n.a.	—	—	n.a.	—	—	—	n.a.	—	—
EFTA total (excl. Switzerland)	11 067	822	634		−0.21	58.9	−8.36	−0.03	7.06	−0.002	0.53			

[a] Figure relates to 1964. [b] Includes beverages. [c] Figure relates to the period 1961-1964. [d] The 1961 production index, which was not available, was assumed to bear the same ratio to the 1962 index as the 1962 index to the 1963 index. [e] —sign indicates employment equivalents gained due to decrease of imports from developing countries. [f] Employment indices include beverages and tobacco. The comparable 1961 employment index, which was not available, was assumed to be the same as the 1962 index. [g] Belgium only. [h] Production indices include beverages; employment indices include beverages and tobacco. [i] Figure relates to 1963. [j] Figure relates to the period 1961-1963. [k] Figure relates to 1961. [l] Figure relates to 1962. [m] Production index includes beverages.

Annex II

Table 1

Provisional estimates of employment opportunities lost due to increase of imports from developing countries and due to productivity increase in selected branches of manufacturing in selected developed countries between 1961 and 1965 (in thousands of engaged employees) *(continued)*

2. Textiles (including made-up textile goods, except wearing apparel, ISIC 244)

	Employment						Employment opportunities lost					Increase in value of imports between 1961 and 1965 as per cent of value of production in 1961 (at 1965 prices)	Value added per worker as per cent of average for total manufacturing in 1963	Column (4) as per cent of average for total manufacturing between 1961 and 1965
		Employment in the branch			In absolute number due to			As per cent of employment in the branch in 1965		As per cent of total manufacturing employment in 1965				
	Total manufacturing employment in 1965	1961	1965	Percentage decrease in labour input per unit of output 1961-1965	Import increase = column (2) × column (12)	Productivity Increase = column (2) × column (4) ÷ 100	Column (5) as per cent of column (6)	Import increase	Productivity increase	Import increase	Productivity increase			
	(1)	(2)	(3)	(4)[b]	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
North America														
United States of America	17 469	1 012	1 042	18	7.4	182	0.41	0.71	17	0.042	1.04	0.73	61 [g]	112
Canada	1 570	86	101	18	0.1	15	0.67	0.10	11	0.006	0.98	0.15	71	95
North America, total	19 039	1 098	1 143		7.5	197	3.81	0.66	17	0.039	1.03			
EEC														
France	7 106	544	528	1	1.1	5	22.0	0.21	1	0.015	0.07	0.20	78 [h]	7
Germany (Fed. Rep. of)	7 327 [a]	602	546 [a]	20 [c]	6.0	120	5.00	1.10 [a]	22 [a]	0.082 [a]	1.63 [a]	1.08	81	154 [c]
Italy	4 742 [a]	599	587 [a]	5 [c]	2.6	300	8.67	0.44 [a]	5 [a]	0.055 [a]	0.63 [a]	0.44	72 [g]	42 [c]
Netherlands	1 309	104	96	14	0.4	15	2.67	0.42	16	0.031	1.15	0.38	72	74
Belgium	827	119	115	12	0.07	14	0.50	0.06	12	0.007	1.69	0.06 [i]	115 [h]	70
EEC, total (excl. Luxembourg)	21 311	1 968	1 872		10.17	184	5.53	0.54	9.83	0.048	0.95			
EFTA														
United Kingdom of Great Britain and Northern Ireland	8 135	825	748	12	0.8	99	0.81	1.10	13	0.010	1 22	0.09	79	92
Sweden	916	46	42	17	0.6	8	7.50	1.44	19	0.065	0.87	1.28	79	68
Norway	347	20	20	12	0.1	2	5.00	0.53	12	0.031	1.69	0.53	78	70
Finland	488 [a]	34	31 [a]	12 [c]	0.2	4	5.00	0.82 [a]	13 [a]	0.056 [a]	1.00	0.68	69	100 [c]
Denmark	404	25	25 [a]	19 [c]	0.6	5	12.00	2.63 [a]	19 [a]	0.161 [a]	1.24	2.63	86	127 [c]
Austria	577	74	69	22	0.3	16	1.88	0.38	23	0.045	2.77	0.35	88	137
Portugal	280 [d]	109	110 [e]	17 [ef]	0.3	19	1.58	0.30 [d]	17 [d]	0.125	6.78	0.30	82	n.a.
Switzerland	—	—	—	—	n.a.	—	—	—	—	—	—	n.a.	—	—
EFTA, total (excl. Switzerland)	11 067	1 133	1 045		2.9	153	1.90	0.28	14.6	0.026	1.38			

[a] Figure relates to 1964. [b] Excludes made-up textile goods, except wearing apparel, (ISIC 244) because the index numbers of textile production and employment (ISIC 23) used for this computation did not include these products. [c] Figure relates to the period 1961-1964. [d] Figure relates to 1963. [e] Figure relates to the period 1961-1963.

[f] Production index includes clothing; employment index obtained by taking an unweighted average of the index numbers for the cotton and woollen industry. [g] Figure relates to 1961. [h] Figure relates to 1962. [i] Value of imports covers imports into Luxembourg.

Annex II

Table 1

Provisional estimates of employment opportunities lost due to increase of imports from developing countries and due to productivity increase in selected branches of manufacturing in selected developed countries between 1961 and 1965 (in thousands of engaged employees) *(continued)*

3. *Clothing*

	Employment							*Employment opportunities lost*						
		Employment in the branch			*In absolute number due to*			*As per cent of employment in the branch in 1965*		*As per cent of total manufacturing employment in 1965*				
	Total manufacturing employment in 1965	*1961*	*1965*	*Percentage decrease in labour input per unit of output 1961-1965*	*Import increase = column (2) × column (12)*	*Productivity increase = column (2) × column (4) ÷ 100*	*Column (5) as per cent of column (6)*	*Import increase*	*Productivity increase*	*Import increase*	*Productivity increase*	*Increase in value of imports between 1961 and 1965 as per cent of value of production in 1961 (at 1965 prices)*	*Value added per worker as per cent of average for total manufacturing in 1963*	*Column (4) as per cent of average for total manufacturing between 1961 and 1965*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
North America														
United States of America	17 469	1 071	1 189	7	9.2	75	12.27	0.77	6	0.053	0.43	0.86	52 [k]	44
Canada	1 570	89	100	18	0.8	9	8.89	0.80	9	0.051	0.57	0.91	50	53
North America, total	19 039	1 160	1 289		10.0	84	11.9	0.78	6.5	0.052	0.44			
EEC														
France	7 106	298	289	1 [b]	0.1	3	3.33	0.03	1	0.001	0.04	0.03	56 [l]	n
Germany (Fed. Rep. of)	7 327 [a]	346	360 [a]	6 [cd]	10.0	10	100	2.79 [a]	6 [a]	0.137 [a]	0.29 [a]	2.89	64	25 [cd]
Italy	4 742 [a]	229	229 [a]	5 [bc]	0.3	11	2.73	0.14 [a]	5 [a]	0.007 [a]	0.23 [a]	0.14 [e]	59 [k]	n
Netherlands	1 309	128 [f]	127 [f]	6 [d]	1.6	8	20.0	1.26 [f]	6 [f]	0.122	0.61	1.26 [f]	50 [f]	32 [d]
Belgium and Luxembourg	875	57 [l]	58 [l]	14 [gj]	0.7	8	8.75	1.26	14	0.077	0.91	1.28 [l]	84 [gl]	127 [gj]
EEC, total	21 359	1 058	1 063		12.7	40	31.7	1.2	3.8	0.059	0.19			
EFTA														
United Kingdom of Great Britain and Northern Ireland	8 135	435	406	12	6.80	52	13.07	1.67	13	0.086	0.64	1.56	54	92
Sweden	916	50	46	19 [h]	2.00	9	22.22	4.35	21	0.022	0.98	4.00	64	76 [h]
Norway	347	18	16	12 [d]	0.25	2	12.50	1.55	14	0.072	0.62	1.38	68	80 [d]
Finland	408 [a]	24	22 [a]	3 [j]	0.23	0.7	32.85	1.04 [a]	3 [a]	0.056 [a]	0.18 [a]	0.94	69	25 [j]
Denmark	404 [a]	25	25 [a]	13 [c]	0.65	5	13.0	3.05 [a]	13 [a]	0.161	0.74 [a]	3.05	72	87 [c]
Austria	577	31	37	13 [m]	0.33	4	8.25	0.89	11	0.057	0.69	1.07 [f]	71	81 [m]
Portugal	—	—	—	—	n.a.	—	—	—	—	—	—	n.a.	—	—
Switzerland	—	—	—	—	n.a.	—	—	—	—	—	—	n.a.	—	—
EFTA, total (excluding Switzerland and Portugal)	10 787	583	552		10.26	72.7	14.11	1.86	13.17	0.095	0.67			

[a] Figure relates to 1964. [b] Assumed to be the same as in the textile industry. [c] Figure relates to the period 1961-1964. [d] Index numbers of production and employment include made-up textile goods other than wearing apparel (ISIC 244). [e] Value of production in 1961 estimated by multiplying the gross product of "clothing and footwear" in 1961 by the ratio of employment in the industry manufacturing wearing apparel except footwear to total employment in the industrial group manufacturing footwear, other wearing apparel and made-up textile goods (ISIC 24) in 1961. [f] Employment figures, value of production in 1961 and value added per worker in 1963 include made-up textile goods other than wearing apparel. [g] Belgium only. [h] Index numbers of employment and the 1965 production index include made-up textile goods other than other wearing apparel. [i] For Luxembourg employment figures and value of production in 1961 include footwear and made-up textile goods other than wearing apparel. [j] Figure relates to the period 1961-1963. [k] Figure relates to 1961. [l] Figure relates to 1962. [m] Clothing production assumed to have increased at the same rate as production in the whole industrial group of clothing, footwear and other made-up textile goods (ISIC 24). [n] Actual figure relating to the clothing industry not available.

Annex II

TABLE 1

Provisional estimates of employment opportunities lost due to increase of imports from developing countries and due to productivity increase in selected branches of manufacturing in selected developed countries between 1961 and 1965 (in thousands of engaged employees) *(continued)*

4. *Footwear*

	Total manufacturing employment in 1965	*Employment — Employment in the branch — 1961*	*Employment — Employment in the branch — 1965*	*Employment — Employment in the branch — Percentage decrease in labour input per unit of output 1961-1965*	*Employment — In absolute number due to — Import = column (2) × column (12)*	*Employment — In absolute number due to — Productivity increase = column (2) × column (4) ÷ 100*	*Column (5) as per cent of column (6)*	*Employment opportunities lost — As per cent of employment in the branch in 1965 — Import increase*	*Employment opportunities lost — As per cent of employment in the branch in 1965 — Productivity increase*	*Employment opportunities lost — As per cent of total manufacturing employment in 1965 — Import increase*	*Employment opportunities lost — As per cent of total manufacturing employment in 1965 — Productivity increase*	*Increase in value of imports between 1961 and 1965 as per cent of value of production in 1961 (at 1965 prices)*	*Value added per worker as per cent of average for total manufacturing in 1963*	*Column (4) as per cent of average for total manufacturing between 1961 and 1965*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
North America														
United States of America ..	17 469	252	244	11	0.4	28	1.43	0.16	11	0.002	0.16	0.16	54 [f]	69
Canada	1 570	22	21	12	0.2	3	6.67	0.94	13	0.013	0.12	0.92	49	63
North America, total	19 039	274	265		0.6	21	1.93	0.22	11.70	0.003	0.16			
EEC														
France	7 106	97	97	8 [b]	0.1	8	1.25	0.10	8	0.001	0.04	0.10	56 [g]	53 [b]
Germany (Fed. Rep. of) ...	7 327 [a]	102	97 [a]	11 [c]	0.1	11	9.9	0.84 [a]	11 [a]	0.011 [a]	0.15 [a]	0.79	65	85 [c]
Italy	4 742 [a]	160	172 [a]	−3 [c]	0.1	−5	−2.0	0.06 [a]	−3 [a]	0.002 [a]	−0.11 [a]	0.08 [i]	59 [f]	−25 [c]
Netherlands	—	[d]	[d]	n.a.	[d]	[d]		[d]	[d]	[d]	[d]	[d]	[d]	n.a.
Belgium	827	16 [d]	16 [d]	12 [eh]	0.3 [e]	2 [e]	15.00	0.17 [e]	12 [e]	0.033 [e]	0.24 [e]	0.17 [e]	94 [eg]	109 [eh]
EEC, total (excl. Netherlands and Luxembourg) .	20 002	375	382		0.6	16	3.75	0.16	4.19	0.003	0.08			
EFTA														
United Kingdom of Great Britain and Northern Ireland	8 135	107	99	11	0.7	11	6.36	0.70	11	0.009	0.14	0.64	70	86
Sweden	916	9	8	12 [j]	0.3	1	30.0	4.10	13	0.037	0.12	3.75	58	48
Norway	347	5	4	16 [k]	0.03	1	3.0	0.73	18	0.009	0.21	0.71	70	94
Finland	408 [a]	9	8.5 [a]	4 [h]	0	0.4	0	0	4	0	0.09	0	68	33 [h]
Denmark	404 [a]	7	6 [a]	16 [c]	0.06	1	6.0	0.94	16	0.016	0.25	0.81	70	107 [c]
Austria	577	14	13	13 [l]	0.08	2	4.0	0.61	13	0.014	0.35	0.63	73	[m]
Portugal	—	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Switzerland	—	—	—	—	n.a.	—	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EFTA, total (excl. Switzerland and Portugal)	10 787	151	138		1.17	16.4	7.134	0.84	11.88	0.011	0.15			

[a] Figure relates to 1964. [b] Employment indices include leather and leather products. [c] Figure relates to the period 1961-1964. [d] For the Netherlands and Luxembourg figures were included in the clothing industry. [e] Belgium only. [f] Figure relates to 1961. [g] Figure relates to 1962. [h] Figure relates to the period 1961-1963. [i] Value of production in 1961 estimated by multiplying the gross product of " clothing and footwear " in 1961 by the ratio of employment in the footwear industry to total employment in the industrial group manufacturing footwear, other wearing apparel and made-up textile goods (ISIC 24) in 1961. [j] Employment assumed to have increased at the same rate as in the clothing industry during 1961-1965. [k] Employment index includes clothing and made-up textile goods other than wearing apparel. [l] Assumed to be the same as the industrial group manufacturing footwear, other wearing apparel and made-up textile goods (ISIC 24). [m] Actual figure relating to the footwear industry not available.

Annex II

TABLE 1

Provisional estimates of employment opportunities lost due to increase of imports from developing countries and due to productivity increase in selected branches of manufacturing in selected developed countries between 1961 and 1965 (in thousands of engaged employees) *(continued)*

5. *Wood Products and Furniture*

	Employment						*Employment opportunities lost*							
		Employment in the branch			*In absolute number due to*			*As per cent of employment in the branch in 1965*		*As per cent of total manufacturing employment in 1965*				
	Total manufacturing employment in 1965	*1961*	*1965*	*Percentage decrease in labour input per unit of output 1961-1965*	*Import increase = column (2) × column (12)*	*Productivity increase = column (2) × column (4) ÷ 100*	*Column (5) as per cent of column (6)*	*Import increase*	*Productivity increase*	*Import increase*	*Productivity increase*	*Increase in value of imports between 1961 and 1965 as per cent of value of production in 1961 (at 1965 prices)*	*Value added per worker as per cent of average for total manufacturing in 1963*	*Column (4) as per cent of average for total manufacturing between 1961 and 1965*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
North America														
United States of America ..	17 469	833	916	11 [c]	4.5	95	4.74	0.49	10	0.026	0.54	0.58	63 [h]	70 [c]
Canada	1 570	113	132	7 [c]	0.2	8	2.5	0.17	6	0.015	0.51	0.22	71	37 [c]
North America, total	19 039	946	1 048		4.7	103	4.56	0.44	9.83	0.024	0.54			
EEC														
France	7 106	223	235	10 [d]	1.7	22	7.73	0.72	9	0.024	0.31	0.77	69 [i]	67 [d]
Germany (Fed. Rep. of) ...	7 327 [a]	292	286 [a]	18 [bc]	2.6	52	5.0	0.91 [a]	18 [a]	0.035 [a]	0.71 [a]	0.86	81	138 [be]
Italy	4 742 [a]	372	350 [a]	8 [bf]	1.5	30	5.0	0.43 [a]	9 [a]	0.032 [a]	0.63 [a]	0.39	70 [h]	67 [bf]
Netherlands	1 309	60	65	16 [g]	0.7	10	7.0	1.08	15	0.053	0.76	1.21	68	64
Belgium and Luxembourg ..	875	35	36	35 [h]	0.3	12 [j]	2.5	0.81	32 [j]	0.034	1.37 [j]	0.98	180 [ij]	206 [j]
EEC, total	21 359	982	972		8.8	126	5.4	0.70	12.6	0.032	0.59			
EFTA														
United Kingdom of Great Britain and Northern Ireland	8 135	276	284	6 [c]	2.70	17	15.88	0.95	6	0.033	0.21	0.98	75	46 [c]
Sweden	916	71	76	21 [c]	0.10	15	0.67	0.12	20	0.011	0.16	0.13	82	84 [c]
Norway	347	26	26	19 [c]	−0.01	5	−0.20	−0.04	19	0.029	1.47	0.04	83	112 [c]
Finland	408 [a]	53	50 [a]	9 [bc]	0.01	5	0.2	0.03 [a]	10 [a]	0.003 [a]	1.22 [a]	0.02	70	75
Denmark	404 [a]	26	29 [a]	15 [bc]	0.31	4	7.80	0.08 [a]	14 [a]	0.076 [a]	1.00 [a]	0.07	86	100
Austria	577	27	26	24	0.20	6	3.33	0.84	24	0.036	1.03	0.84	80	150
Portugal	280 [k]	19	19 [km]	11 [kl]	0.04	2	2.00	0.20 [k]	11 [k]	0.014 [k]	0.70	0.20 [m]	71 [n]	n.a.
Switzerland	—	—	—	—	n.a.	—	—	—	—	—	—	n.a.	—	—
EFTA, total (excluding Switzerland)	11 067	498	510		3.35	54	6.20	0.66	10.59	0.30	0.49			

[a] Figure relates to 1964. [b] Figure relates to period 1961-1964. [c] Weighted average computed from separate figures for wood products and furniture. [d] Average annual rate of production increase between 1961 and 1965 assumed to be the same as that between 1960 and 1962. [e] Average annual rates of increase in production and in employment between 1961 and 1965 assumed to be the same as those between 1960 and 1962. [f] Assumed to be the same as in wood and cork products manufacturing industry.

[g] Average annual rate of production increase between 1961 and 1965 assumed to be the same as that of production index for wood and cork products between 1958 and 1963. [h] Figure relates to 1961. [i] Figure relates to 1962. [j] Belgium only. [k] Figures relate to 1963 or to period 1961-1963. [l] Employment index relates to cork products only. [m] Absolute figures for employment and value of production in 1961 relate to wood and cork products only. [n] Wood and cork products only.

Annex II

Table 1

Provisional estimates of employment opportunities lost due to increase of imports from developing countries and due to productivity increase in selected branches of manufacturing in selected developed countries between 1961 and 1965 (in thousands of engaged employees) *(continued)*

6. Leather and leather products, except wearing apparel

		Employment						*Employment opportunities lost*						
		Employment in the branch			*In absolute number due to*			*As per cent of employment in the branch in 1965*		*As per cent of total manufacturing employment in 1965*				
	Total manufacturing employment in 1965	*1961*	*1965*	*Percentage decrease in labour input per unit of output 1961-1965*	*Import increase = column (2) × column (12)*	*Productivity Increase = column (2) × column (4) ÷ 100*	*Column (5) as per cent of column (6)*	*Import increase*	*Productivity increase*	*Import increase*	*Productivity increase*	*Increase in value of imports between 1961 and 1965 as per cent of value of production in 1961 (at 1965 prices)*	*Value added per worker as per cent of average for total manufacturing in 1963*	*Column (4) as per cent of average for total manufacturing between 1961 and 1965*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
North America														
United States of America	17 469	122	121	8	1	7	14.3	0.80	6	0.006	0.04	0.80	62 [c]	37
Canada	1 570	9	11	−1	8.1	−0.1	0	1.13	−1	0.006	−0.06	1.32	60	−5
North America, total	19 039	131	132		1.1	6.9	16.0	0.83	5	0.006	0.04			
EEC														
France	7 106	57	58	n.a.	0.6	n.a.	—	1.00	n.a.	0.000	n.a.	1.60	72 [d]	n.a.
Germany (Fed. Rep. of)	7 327 [a]	71	69 [a]	7 [b]	0.1	5	2.0	0.14 [a]	7 [a]	0.001 [a]	0.87 [a]	0.14	82	54 [b]
Italy	4 742 [a]	50	52 [a]	−2 [b]	1.4	−1	−148	2.61 [a]	−2 [a]	0.028 [a]	−0.82 [a]	2.72	48 [b]	−17 [c]
Netherlands	1 309	24 [e]	24 [e]	15 [e]	0.1	4	2.5	0.37	15 [e]	0.007	0.31 [e]	0.37 [e]	81 [e]	79 [e]
Belgium and Luxembourg	875	6	6	8	0.16	0.5	32.0	2.70	6	0.010	0.06	2.70	119 [d]	47
EEC, total (including France)	21 359	208	209		2.36	—	—	1.11	—	0.011	—			
(excluding France)	14 253	151	151		1.76	8.5	21.0	1.12	6	0.012	0.06			
EFTA														
United Kingdom of Great Britain and Northern Ireland	8 135	55	54	4	−8.4	2.2	−18.0	−8.75	4	−0.005	0.03	−0.65	79	31
Sweden	916	6	5	20	0.1	1.0	−10.0	2.00	20	0.012	0.11	0.11	75	90
Norway	347	2	1.5	14	0	0.3	0	0	20	0	0.69	0	65	62
Finland	408 [a]	3	3 [a]	3 [b]	0	0.1	0	0	3 [a]	0	0.02 [a]	0	69	25 [b]
Denmark	404 [a]	3	3 [a]	12 [b]	0.01	0.3	3.0	0.37 [a]	3 [a]	0.002 [a]	0.87 [a]	0.37	84	86 [b]
Austria	577	5	5	−5	0.07	−0.2	−35.0	1.48	−5	0.012	−0.04	1.46	99	−31
Portugal	—	—	—	n.a.	0	n.a.	—	0	n.a.	—	—	0	—	—
Switzerland	—	—	—	—	n.a.	—	—	—	—	—	—	n.a.	—	—
EFTA, total (Excluding Switzerland and Portugal)	10 787	74	71.5		−0.22	3.7	−8.0	−0.31	5	−0.002	0.03			

[a] Figure relates to 1964. [b] Figure relates to period 1961-1964. [c] Figure relates to 1961. [d] Figure relates to 1962. [e] Index numbers of production and employment and value of production in 1961 include rubber products.

TABLE 1

Provisional estimates of employment opportunities lost due to increase of imports from developing countries and due to productivity increase in selected branches of manufacturing in selected developed countries between 1961 and 1965 (in thousands of engaged employees) *(continued)*

7. *Chemicals and chemical products*

	Employment							*Employment opportunities lost*						
		Employment in the branch			*In absolute number due to*			*As per cent of employment in the branch in 1965*		*As per cent of total manufacturing employment in 1965*				
	Total manufacturing employment in 1965	*1961*	*1965*	*Percentage decrease in labour input per unit of output 1961-1965*	*Import increase = column (2) × column (12)*	*Productivity increase = column (2) × column (4) ÷ 100*	*Column (5) as per cent of column (6)*	*Import increase*	*Productivity increase*	*Import increase*	*Productivity increase*	*Increase in value of imports between 1961 and 1965 as per cent of value of production in 1961 (at 1965 prices)*	*Value added per worker as per cent of average for total manufacturing in 1963*	*Column (4) as per cent of average for total manufacturing between 1961 and 1965*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
North America														
United States of America ..	17 469	715	786	21	1.4	150	0.9	0.18	19	0.008	0.86	0.19	198 [c]	131
Canada	1 570	64	72	18	0.2	11	1.8	0.21	16	0.010	0.73	0.24	155	100
North America, total	19 039	779	858		1.6	161	1.0	0.19	19	0.008	0.86			
EEC														
France	7 106	260	281	26 [g]	−0.5	68	−0.7	−0.18	24	−0.007	0.96	−0.21	155 [d]	173 [g]
Germany (Fed. Rep. of) ...	7 327 [a]	475	500 [a]	25 [b]	0.3	119	0.2	0.06 [a]	24 [a]	0.004 [a]	1.62 [a]	0.06	138	193 [b]
Italy	4 742 [a]	254	271 [a]	27 [b]	0.2	68	0.3	0.07 [a]	25 [a]	0.004 [a]	1.43 [a]	0.07	175 [c]	225 [b]
Netherlands	1 309	90	103	34 [i]	0.1	31	0.3	0.14	30	0.010	2.37	0.16 [h]	178	179
Belgium and Luxembourg .	875	46	53	16 [j]	0.1	7	0.1	0.25	13	0.015	0.80	0.28	213 [d]	94 [j]
EEC, total	21 359	1 125	1 208		0.2	293	0.07	0.10	24	0.006	1.37			
EFTA														
United Kingdom of Great Britain and Northern Ireland	8 135	439	439	24	0.79	150	0.7	0.18	24	0.001	1.30	0.18	174	185
Sweden	916	32	35	33 [k]	0.26	11	2.4	0.74	31	0.028	1.20	0.80	151	132
Norway	347	20	22	22 [i]	0.84	4	2.1	3.81	18	0.242	1.15	4.19	151	129
Finland	408 [a]	13	15 [a]	23 [b]	0.01	3	0.3	0.04 [a]	20 [a]	0.001 [a]	0.73 [a]	0.05	171	192 [b]
Denmark	404 [a]	19	21 [a]	16 [b]	0.07	3	2.3	0.33 [a]	14 [a]	0.017 [a]	0.74 [a]	0.38	145	107 [b]
Austria	577	47 [m]	50 [m]	24 [k]	0.37	11	3.4	0.74	22	0.064	1.91	0.81 [m]	138	150 [l]
Portugal	280 [f]	12 [f]	12 [e]	n.a.	−0.04	n.a.	—	−0.30 [g]	n.a.	−0.014 [g]	n.a.	−0.30	178	n.a.
Switzerland	—	—	—	—	n.a.	—	—	—	—		—	n.a.	—	—
EFTA, total (excl. Switzerland)	11 067	582	594		2.30	n.a.		0.39		0.021				
(excl. Switzerland and Portugal)	10 787	570	582		2.34	137	1.7	0.40	24	0.022	1.27			

[a] Figure relates to 1964. [b] Figure relates to period 1961-1964. [c] Figure relates to 1961. [d] Figure relates to 1962. [e] Figure relates to 1961. [f] Figure relates to 1962. The 1961 figure assumed to be the same as the 1963 figure. [g] Employment indices include rubber products. [h] The value added of chemical and chemical products in 1961 was estimated by multiplying the total value added of chemical and chemical products and petroleum and coal products in 1961 by the ratio of the amount of wages and salaries paid in chemical and chemical products to the total amount of wages and salaries paid in chemical and chemical products and petroleum and coal products in 1961. [i] Employment indices include petroleum and coal products. [j] Belgium only. [k] The 1965 production index includes petroleum and coal products and miscellaneous manufacturing industries. [l] Production indices include rubber products; employment indices include rubber products and petroleum and coal products. [m] Absolute figures for employment and value of production in 1961 include rubber products and petroleum and coal products.

Annex II

TABLE 1

Provisional estimates of employment opportunities lost due to increase of imports from developing countries and due to productivity increase in selected branches of manufacturing in selected developed countries between 1961 and 1965 (in thousands of engaged employees) *(concluded)*

8. *Metal products, except machinery and transport equipment*

	Employment						*Employment opportunities lost*					*Increase in value of imports between 1961 and 1965 as per cent of value of production in 1961 (at 1965 prices)*	*Value added per worker as per cent of average for total manufacturing in 1963*	*Column (4) as per cent of average for total manufacturing between 1961 and 1965*
		Employment in the branch			*In absolute number due to*			*As per cent of employment in the branch in 1965*		*As per cent of total manufacturing employment in 1965*				
	Total manufacturing employment in 1965	*1961*	*1965*	*Percentage decrease in labour input per unit of output 1961-1965*	*Import increase =column (2) × column (12)*	*Productivity increase =column (2) × column (4) ÷ 100*	*Column (5) as per cent of column (6)*	*Import increase*	*Productivity increase*	*Import increase*	*Productivity increase*			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
North America														
United States of America ..	17 469	1 051	1 177	19	0.4	200	0.2	0.03	17	0.002	1.14	0.04	94 [d]	119
Canada	1 570	97	119	13	0.04	13	0.3	0.03	11	0.003	0.80	0.04	93	67
North America, total	19 039	1 148	1 296		0.44	213	0.2	0.03	16	0.002	1.12			
EEC														
France	7 106	209	217	10	0.06	21	0.3	0.03	10	0.001	0.30	0.03	90 [e]	67
Germany (Fed. Rep. of) ...	7 327 [a]	721	743 [a]	5 [bf]	0.14	36	0.4	0.02 [a]	5 [a]	0.002 [a]	0.49 [a]	0.02	78	38
Italy	4 742 [a]	581	662 [a]	6 [g]	0.02	35	0.06	0.003 [a]	5 [a]	0.0004 [a]	0.74 [a]	0.004 [h]	332 [d]	60 [g]
Netherlands		n.a.	n.a.	n.a.	n.a.	n.a.		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Belgium and Luxembourg .		n.a.	n.a.	n.a.	n.a.	n.a.		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EEC total (excl. Netherlands, Belgium and Luxembourg)	19 175	1 511	1 622		0.22	92	0.2	0.01	6	0.001	0.48			
EFTA														
United Kingdom of Great Britain and Northern Ireland	8 135	508	518 [a]	11 [b]	0.36	56	0.6	0.07 [a]	11 [a]	0.004 [a]	0.69 [a]	0.07	88	85 [b]
Sweden	916	65	65	24 [i]	0.01	16	0.6	0.02	16	0.001	1.75	0.02	90	96 [i]
Norway	347	24	26	18	0.01	4	0.2	0.03	15	0.003	1.15	0.03	99	108
Finland	408 [a]	20	22 [a]	10 [b]	n.a.	2	n.a.	n.a.	9 [a]	n.a.	0.49 [a]	n.a.	84	83
Denmark	404 [a]	25	27 [a]	16 [b]	0.03	4	0.7	0.10 [a]	15 [a]	0.007 [a]	1.00 [a]	0.11	95	107
Austria	577	48	51	6	0.01	3	0.3	0.03	6	0.002	0.51	0.03	88	37
Portugal	280 [c]	8	8 [c]	n.a.	0.08	n.a.	—	0.10	n.a.	0.014	n.a.	1.02	64	n.a.
Switzerland	—	—	—	—	n.a.	—	—	—	—	—	—	n.a.	—	—
EFTA, total														
(excl. Switzerland and Finland)	10 659	678	695		0.50			0.07		0.005				
(excl. Switzerland, Finland and Portugal)	10 379	670	687		0.42	85	0.5	0.06	12	0.004	0.82			

[a] Figure relates to 1964. [b] Figure relates to period 1961-1964. [c] Figure relates to 1963. [d] Figure relates to 1961. [e] Figure relates to 1962. [f] Production during 1961-1965 assumed to have increased at the same rate as production of basic metals. [g] Figure relates to period 1961-1963. Employment indices include " machinery, except electrical machinery " (ISIC 36). [h] Value of production in 1961 estimated by multiplying gross product of all the metal industries in 1961 by the ratio of employment in industries producing metal products, except machinery and transport equipment (ISIC 35) to total employment in all the metal industries (ISIC 34, 35, 36, 37 and 38) in 1961. [i] The 1965 production index includes basic metals, machinery and transport equipment.

Annex II

TABLE 2

Summary table

	Employment			*Employment Opportunities Lost*						
		Employment in the branch		*In absolute number due to*			*As per cent of employment in the branch in 1965*		*As per cent of total manufacturing employment in 1965*	
	Total manufacturing in 1965	*1961*	*1965*	*Import increase*	*Productivity increase*	*Column (4) as per cent of column (5)*	*Import increase*	*Productivity increase*	*Import increase*	*Productivity Increase*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
					1. *Processed foods*					
North America	19 039	1 674	1 658	1.4	199	0.7	0.08	12	0.007	1.05
EEC	21 359	1 147	1 160	2.8	104	2.7	0.24	9	0.013	0.49
EFTA (excl. Switzerland)	11 067	822	834	− 0.2	59	− 0.4	− 0.03	7	−0.002	0.53
					2. *Textiles (incl. made-up textile goods, except wearing apparel (ISIC 244)*					
North America	19 039	1 098	1 143	7.5	197	3.8	0.68	17	0.039	1.03
EEC (excl. Luxembourg)	21 311	1 968	1 872	10.2	184	5.5	0.54	10	0.048	0.96
EFTA (excl. Switzerland)	11 067	1 133	1 045	2.9	153	1.9	0.28	15	0.026	1.38
					3. *Clothing*					
North America	19 039	1 160	1 289	10.0	84	11.9	0.78	7	0.052	0.44
EEC	21 359	1 058	1 061	12.7	40	31.7	1.20	4	0.059	0.19
EFTA (excl. Switzerland and Portugal)	10 787	583	552	10.3	73	14.1	1.86	13	0.095	0.67
					4. *Footwear*					
North America	19 039	274	265	0.6	31	1.9	0.22	12	0.003	0.16
EEC (excl. Netherlands and Luxembourg)	20 002	375	382	0.6	16	3.7	0.16	4	0.003	0.08
EFTA (excl. Switzerland and Portugal)	10 787	151	138	1.2	16	7.1	0.84	12	0.011	0.15
					5. *Wood products and furniture*					
North America	19 039	946	1 048	4.7	103	4.6	0.44	10	0.024	0.54
EEC	21 359	982	972	6.8	126	5.4	0.70	13	0.032	0.59
EFTA (excl. Switzerland)	11 067	498	510	3.3	54	6.2	0.66	11	0.030	0.49
					6. *Leather and leather products, except wearing apparel*					
North America	19 039	131	132	1.1	6.9	16	0.83	5	0.006	0.04
EEC (incl. France)	21 359	208	209	2.4	n.a.	n.a.	1.11	n.a.	0.011	n.a.
(excl. France)	14 253	151	151	1.8	8.5	21	1.12	6	0.012	0.06
EFTA (excl. Switzerland and Portugal)	10 787	74	71	− 0.2	3.7	− 6	− 0.31	5	− 0.002	0.03
					7. *Chemical and chemical products*					
North America	19 039	779	858	1.6	161	1	0.19	19	0.008	0.86
EEC	21 359	1 125	1 208	0.2	293	0.07	0.02	24	0.001	1.37
EFTA (excl. Switzerland)	11 067	582	594	2.3	n.a.	n.a.	0.39	n.a.	0.021	n.a.
(excl. Switzerland and Portugal)	10 787	570	582	2.3	137	1.7	0.40	24	0.022	1.27
					8. *Metal products, except machinery and transport equipment*					
North America	19 039	1 148	1 296	0.4	213	0.2	0.03	16	0.002	1.12
EEC (excl. Netherlands, Belgium and Luxembourg)	19 175	1 511	1 622	0.2	92	0.2	0.01	8	0.001	0.48
EFTA (excl. Switzerland and Finland)	10 859	678	695	0.5	n.a.	n.a.	0.07	n.a.	0.005	n.a.
(excl. Switzerland, Finland and Portugal)	10 379	670	687	0.4	85	0.5	0.06	12	0.004	0.82

Sources: see annexes I-IV.

Annex III

TABLE 3

Selected industrial products imported from developing countries by selected developed countries, 1961-1965

($ U.S. million c.i.f.)

SITC Code	*Processed foods* [a]		*Textiles* 65		*Clothing* 841		*Footwear* 851		*Wood products and furniture* 243 + 63 + 821		*Leather and leather manufactures, n.e.s.* 61		*Chemicals* 5		*Manufactures of metals, n.e.s.* 69	
	1961	1965	1961	1965	1961	1965	1961	1965	1961	1965	1961	1965	1961	1965	1961	1965
North America																
United States of America	108.5	160.4	177.9	301.3	83.5	192.1	6.6	11.1	63.0	130.4	8.3	22.7	71.4	122.9	9.8	18.6
Canada	10.1	13.0	21.2	37.6	7.0	14.7	1.3	2.8	5.5	8.7	0.1	—	2.5	6.2	0.4	1.1
North America, total	118.8	173.4	199.1	338.9	90.5	206.8	7.9	13.9	69.1	139.1	8.4	22.7	73.9	129.1	10.2	19.7
EEC																
France	59 299	69 055	6.3	16.2	0.3	0.9	0.6	1.1	8.4	20.8	7.1	12.0	42.8	30.9	0.7	1.3
Germany (Fed. Rep. of)	51 993	73 295	43.5	69.1	21.2	85.6	2.0	5.9	21.0	39.8	13.2	14.0	19.1	22.4	0.8	2.3
Italy	14 677	22 275	6.5	19.1	0.5	1.7	0.2	0.6	15.7	21.7	2.6	5.7	9.8	11.9	0.5	0.7
Netherlands	9 268	15 811	10.4	13.0	1.1	7.8	0.4	0.7	10.0	14.1	0.1	0.8	10.4	12.9	0.1	0.8
Belgium and Luxembourg	8 627	5 649	10.0	10.4	6.3	3.0	0.4	0.5	5.2	8.2	0.5	1.5	1.4	2.6	—	0.3
EEC, total	143 864	188 083	77.1	147.9	23.3	99.0	3.7	9.9	60.2	184.2	23.7	35.1	83.5	89.8	2.1	5.5
EFTA																
United Kingdom of Great Britain and Northern Ireland	120 484	113 745	136.0	141.5	46.4	77.8	11.2	14.8	72.8	92.3	36.7	33.7	30.2	42.8	2.4	5.8
Sweden	2 855	4 350	5.4	11.8	7.4	21.9	0.3	2.1	4.6	5.6	0.2	1.7	3.1	8.3	0.1	0.3
Norway	1 159	2 224	2.4	3.4	3.0	4.8	—	0.2	3.3	3.2	—	—	14.7	28.9	—	0.1
Finland	1 058	593	0.6	2.0	0.5	1.9	—	—	0.3	0.4	—	—	0.6	0.7	n.a.	—
Denmark	1 747	1 791	7.5	13.2	1.4	5.7	—	0.3	5.6	8.1	0.5	0.6	0.8	2.9	—	0.3
Austria	3 883	5 118	4.5	6.0	—	1.7	—	0.4	0.3	1.5	0.5	1.1	2.7	0.4	—	0.1
Switzerland	5 274	7 814	8.7	15.6	2.1	5.3	0.1	0.3	2.6	3.0	0.6	0.6	3.1	9.9	—	0.3
Portugal	256	576	1.1	2.1	—	0.3	—	—	0.5	0.6	—	—	0.9	0.7	—	0.2
EFTA, total	136 667	136 221	166.3	195.4	60.9	119.4	11.7	18.2	89.9	114.9	38.7	37.7	56.1	100.5	2.5	7.2

Source: Except for processed foods, figures in the table were supplied by the secretariat of UNCTAD. The figures for value of imports of processed foods from developing countries were computed by the ILO from data given in the UNCTAD secretariat working papers on statistics of imports on semi-manufactures and manufactures into selected developed countries for years 1961 and 1965.

[a] Processed foods include items SITC Code 431 (animal and vegetable oils and fats) and items in section 0 (feed and live animals) specified as semi-manufactures and manufactures in the UNCTAD document entitled " The definition of primary commodities, semi-manufactures and manufactures " (TD/B/C.2/3, July 1965).

NOTE: Small discrepancies between area totals and sums of figures for the individual countries are due to rounding.

Annex IV

TABLE 4

Index numbers of production and employment in selected branches of manufacturing in 1965

(1961 = 100)

	Processed foods (ISIC 20)		*Textiles (ISIC 23)*		*Wearing apparel (ISIC 243)*		*Footwear (ISIC 241)*		*Wood and cork products (ISIC 25)*		*Furniture (ISIC 26)*		*Leather and leather products, except wearing apparel (ISIC 29)*		*Chemical and chemical products (ISIC 31)*		*Metal products except machinery and transport equipment (ISIC 35)*		*Manufacturing industries as a whole (ISIC 2-3)*	
	Production	*Employment*	*Production*	*Employment*	*Production*	*Employment*	*Production*	*Employment*	*Production*	*Employment*	*Production*	*Employment*	*Production*	*Employment*	*Production*	*Employment*	*Production*	*Employment*	*Production*	*Employment*
North America																				
United States of America	111	98	125	103	120	111	109	97	116	105	137	117	105	99	140	110	138	112	131	111
Canada	121	108	145	119	123	111	108	95	124	114	132	125	115	116	137	112	142	123	137	112
EEC																				
France	112 [a]	100 [a]	98	97	n.a.	97	111	102 [d]	117 [e]	105 [e]	n.a.	n.a.	83 [d]	102 [d]	146	108 [f]	115	104	121	102
Germany (Fed. Rep. of)	119 [b]	103 [c]	119	91 [c]	119	105 [c]	111	95 [c]	n.a.	n.a.	n.a.	n.a.	104	97 [c]	153	104 [c]	n.a.	103 [c]	126	103 [c]
Italy	113	102 [c]	92	98 [c]	n.a.	n.a.	103	108 [c]	108	94 [c]	100	n.a.	94	104 [c]	152	107 [c]	97	110 [g]	126	106 [c]
Netherlands	110	98 [h]	107	92	105 [i]	99 [i]	n.a.	n.a.	127 [j]	107 [k]	n.a.	n.a.	114	97	172	114	n.a.	n.a.	126	102
Belgium	112	100	110	97	138 [i]	102 [i]	n.a.	n.a.	165 [k]	107 [k]	n.a.	n.a.	106	98	134	112	n.a.	n.a.	127	104
Luxembourg	136	103 [c]	43	n.a.	n.a.	n.a.	n.a.	n.a.	65	90	92	95 [c]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	107	n.a.
EFTA																				
United Kingdom of Great Britain and Northern Ireland	106	100	103	81	107	94	103	92	108	104	112	102	101	97	132	100	115 [c]	105	117	101
Sweden	116	102	109	90	111 [i]	90	109	n.a.	136 [l]	106	134 [p]	105	113	90	n.a.	107	n.a.	100	134	100
Norway	114	101	113	99	103 [i]	91	108	n.a.	122	91	126	100	89	77	139	109 [m]	130	107	126	104
Finland	118	110 [c]	93	92 [c]	93 [i]	105 [c]	n.a.	n.a.	109	93 [c]	118	102 [c]	88	95 [c]	158	115 [c]	122	109 [c]	122	103 [c]
Denmark	123	107	126	102	117	102	109	92	125	105	133	115	113	100	128	107	132	109	123	104
Austria	121	103	119	93	128 [i]	121	n.a.	97	129 [k]	98 [k]	n.a.	n.a.	98	103	140 [f]	107 [n]	111	105	118	100
Switzerland	122 [i]	112 [i]	108	92	134 [i]	105 [c]	n.a.	100	108 [k]	108 [k]	n.a.	n.a.	117	106	137 [m]	111 [m]	113 [o]	108 [p]	120	107
Portugal	117 [i]	n.a.	144 [r]	n.a.	n.a.	n.a.	n.a.	n.a.	123 [k]	n.a.	n.a.	n.a.	118	n.a.	137 [m]	n.a.	138 [q]	n.a.	142	n.a.

Sources: Unless indicated otherwise the above index numbers with 1961 as 100 were computed from the index numbers of industrial production and employment with 1958 as 100 given in United Nations, *The Growth of World Industry, 1935-1965: National Tables* (United Nations publication, Sales No.: 67.XVII.10). For Belgium, Sweden, Norway and Portugal, the index numbers of employment were computed from those given in ILO, *Year Book of Labour Statistics, 1966* (International Labour Office, Geneva).

[a] Includes beverages. [b] The 1961 production index, which was not available, was assumed to bear the same ratio to the 1962 index as the 1962 index to the 1963 index. [c] The index number relates to 1964. [d] Includes both footwear and leather products. [e] The production indices include furniture and fixtures (ISIC 26). The 1965 production index, which was not available, was computed on the assumption that between 1962 and 1965 the production increased at the same rate as the average annual growth rate between 1960 and 1962. [f] Includes rubber products. [g] Includes machinery. [h] In the Netherlands the employment indices after 1962 include beverages and tobacco; the corresponding 1961 index was assumed to be the same as the 1962 employment index. [i] Includes footwear, made-up textile goods other than wearing apperal. [j] Includes plywood, veneer, wooden doors and straw products only. [k] Includes furniture and fixtures. [l] The 1961 index includes furniture and fixtures. [m] Includes petroleum and coal products. [n] Includes rubber and petroleum and coal products. [o] Includes basic metals. [p] Includes basic metals, machinery and transport equipment. [q] Includes machinery and transport equipment. [r] Includes clothing and footwear.

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G 6908650

Printed in France
8650 — January 1969 — 4,150

Price: $U.S. 2.50
(or equivalent in other currencies)

United Nations publication
Sales No.: E.68.II.D.16

TD/97, Vol. III