

# Book Reviews

*Operations and effects of the generalized system of preferences.* United Nations. New York. 1974. (Document No. TD/B/C-5/15).

The developed economies, except the USA and Canada, have each implemented a Generalized System of Preferences (GSP) in order to encourage exports of the developing countries. Since the tariffs imposed on the imports from the developing countries are relatively small under the GSP, the developing countries have an advantage in the exports of commodities covered by the GSP. The GSPs of different countries vary in product coverage, depth of tariff cuts, safeguard measures for the protection of domestic industry, and the rules of origin. For a comparative analysis of the GSPs of different countries, an evaluation of the impact of the overall GSP on the exports of the developing economies, and of suggestions for devising ways and means for expanding the exports of the developing countries, several committees were formed by the UNCTAD Secretariat. The Report under review is a collection of documents prepared by those committees, including document Nos. TD/B/C-5.2 to TD/B/C-5.9. These documents are arranged under three heads, *viz.* General Report, Consideration of some important aspects of the GSP, and the Case Studies. The main issues discussed in these reports are: Special measures in favour of the least developed countries; Effect of the GSP on the tariff advantages enjoyed by the African countries associated with the European Economic Community (EEC); Analysis of the rule of origin; and Effects of the GSP of the EEC countries, Japan and the UK on the export earnings of the beneficiary countries.

The effect of the GSP on the exports of the least developed countries is discussed in TD/B/C-5/5. The GSP of the EEC countries covers only 15 percent of the dutiable imports from the least developed countries. The figures stand at 56 percent and 90 percent for the GSPs of the UK and Japan respectively. Only a small number of countries from amongst the least developed countries are benefited from the overall GSP at present, and the benefits from the GSP are not likely to flow to the majority of the least developed countries unless the product coverage is suitably improved.

The GSP affects the exports of the African countries associated with the EEC in two ways: there is a positive effect on their exports through export expansion possibilities in the markets of the preference-giving countries outside of the EEC; and, under the GSP, their tariff advantages with the EEC are reduced, resulting in a negative effect on their exports. The Report discusses at length the products adversely affected by the introduction of the GSP. However, only negative effects are discussed so that one fails to know the net effect of the GSP on the exports of those African countries. (For positive effects see TD/B/C-5/3 and 5/8.)

The preference-giving countries permit imports under their GSPs if and only if the products meet specific rules-of-origin requirements. These rules vary with different preference-giving countries. Basically, they state the minimum transformation requirements which must be met before a commodity can be given preferential treatment. As a result, these rules exclude most of the exports of the developing countries from the GSP. It is suggested that the developing countries should be considered as one area for the application of the rules of origin so that products manufactured on the basis of raw materials imported from other developing countries could benefit from the GSP.

The EEC countries fix a ceiling of the quantities of different products imported under the GSP. Moreover, maximum quotas are fixed for individual countries. Thus even if the ceiling is not reached, a country may not be allowed to export more if its own share has been exhausted. Products are categorised into sensitive, semi-sensitive and non-sensitive commodities. Trade in sensitive and non-sensitive commodities is restricted to safeguard domestic industry. Generally, the ceilings imposed provide inadequate export possibilities to the developing countries. It is suggested that processed and semi-processed agricultural products, industrial raw materials, and base metals be included in the GSP. Also, the methods applied to calculation of ceilings on imports should be revised. Further, the ceilings should be fixed at an aggregate level, say, the 4-digit level. A reserve quota should be established in case the global quota ceiling is not reached.

Japan has a vast majority of products in its GSP, including raw materials and some agricultural products. Ceilings are determined by applying a growth rate. However, this growth rate has always been exceeded by the growth of total imports. Due to a substantial transformation requirement, one-fourth of the trade fails to receive preferential treatment due to the rules of origin. The suggestions to improve Japan's GSP are similar to those for the EEC system, namely, an extension of product coverage and a revision of the formula used in the calculation of the ceilings. Also, in enforcing the rules of origin, all the beneficiary countries should be taken as one area.

The GSP of the UK is liberal and includes manufactured, semi-manufactured and agricultural products. However, it excludes textiles. Now that the UK has joined the EEC, the GSP of the EEC has two effects—trade diversion and trade creation. The developing countries are at a disadvantage as other developed countries are also given preferential treatment. Thus the advantages of the GSP are eroded. Moreover, the liberal GSP of the UK will be replaced by the restrictive GSP of the EEC, and this will have an adverse effect on the exports of the developing countries.

On the whole, the Report is interesting and contains some very useful documents. Since these documents discuss the GSPs of different countries at length, they should be helpful to government officials as well as individual exporters in framing their policies. The Report contains an immense amount of useful data which will no doubt of great help to researchers. The Report deserves a prominent place on the shelves of all important libraries.

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