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## ASEAN manufactured exports in the EEC markets: An empirical assessment of common and national tariff and non-tariff barriers confronting them

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ASEAN Manufactured Exports in the EEC Markets.  
An Empirical Assessment of Common and National  
Tariff and Non-Tariff Barriers Confronting  
Them.

by  
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## ASEAN Manufactured Exports in the EEC Markets.

An Empirical Assessment of Common and National Tariff and Non-Tariff Barriers Confronting Them.\*

### Problem Setting

Till the end of the sixties ASEAN-EEC trade relations exhibited the pattern of a traditional division of labour between primary commodity suppliers from LDCs and manufactured goods suppliers from DCs. The 1973 energy price shock and the following discussion on primary commodity cartels resp. commodity agreements within a New International Economic Order could have theoretically induced the EEC to perpetuate this pattern by institutionalizing its trade relations to ASEAN under the major objective of a safe access to input markets in primary commodities.

However, any EEC trade policy being confined to this sole aspect would have been misleading against the background of a rapid sectoral change in the ASEAN export flows to the EEC during the last decade. Within nine years (1968-1977) the ASEAN countries doubled the share of semi-manufactures and manufactures in their exports to the EEC from about 25 percent to more than 50 percent. To a great extent this may have been the outcome of an export-oriented industrialization policy pursued in most of the ASEAN economies and assisted by other "environmental" export stimulants such as the elimination of undervaluation of some EEC currencies and its positive impact on "footloose" EEC investments in ASEAN countries, aggressive wage policies of

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EEC trade unions as well as a world-wide lowering of tariff barriers due to the multilateral GATT negotiations on tariff cuts and tariff rate harmonizations.

Apart from the supply-oriented policies and the "environmental" changes the obvious drain towards a new intra-manufactures division of labour between the aging EEC economies and the newly industrialized ASEAN countries may have also been affected by specific EEC trade policies in manufactures towards LDCs in general and some groups of LDCs (ACP countries, Mediterranean countries)<sup>1</sup> in particular.

These policies starting with the beginning of the seventies, however, did not only encompass trade-stimulating components such as non-reciprocal tariff cuts within the scheme of the Generalized System of Preferences (GSP) but also gradually incorporated selective non-tariff barriers (NTBs) in the same measure as some LDCs proved to be highly competitive in various branches.

Among the LDCs seriously affected by both trade-stimulating and trade-deterrent EEC policies are four ASEAN countries (Malaysia, Philippines, Singapore and Thailand) which in 1977 accounted for about 85 percent of EEC manufactured imports from ASEAN. Hence the EEC tariff and non-tariff treatment of ASEAN manufactured exports mirrors something of the conflicting tendencies in EEC trade policies linking stimulating and deterrent measures in a package-deal approach.

The main purpose of this paper is, besides an identification of the structural changes in ASEAN manufactured exports and of the different competitive footings of the five ASEAN countries in the various EEC markets,

- to assess whether the GSP in general stimulated manufactured exports in the sense that they would have not been occurred without preferential treatment

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<sup>1</sup> The 1980 ASEAN-EEC trade and cooperation agreement does not provide a specific preferential treatment and is therefore not mentioned here.

- to trace briefly the consequences of the confusing parallelism of Commonwealth and non-Commonwealth ASEAN countries resp. of Commonwealth preferences, UK GSP scheme and EEC GSP scheme; a differentiation which became politically relevant after the UK access to the community
- to analyse in detail the specific shortcomings of the GSP scheme for ASEAN and
- to investigate the extent of and the possible reasons for some evidently diverging national trade policies of various EEC countries against ASEAN manufactures, especially in textiles.

Since the analysis focuses on trade policies on the demand side, a disaggregation by countries also stresses the different export performances of ASEAN as a whole in various EEC countries. A statistical breakdown of the export performances of ASEAN country X in EEC country Y is provided as far as the GSP is concerned but it would by far exceed the scope of the paper to discuss each square in the ASEAN country - EEC country trade matrix.

#### The Growth Pattern of ASEAN Manufactured Exports to the EEC 1968 - 1977

Three major shifts characterize the growth pattern of ASEAN manufactured exports to the EEC during the 1968 - 77 period:

First, a sectoral shift from raw material-intensive (Ricardo-) goods such as food, vegetable oils and fats (in the tables included in chemicals) and unwrought copper and tin (non-ferrous metals) towards either labour-intensive finished goods (clothing) or some labour-intensive components within an international intra-industry specialization (electronics, machinery parts, some fabrics etc.). This shift (appendix table 1\*), however, did not cover the entire Ricardo-goods sector. One major exception refers to wood products whose share in total EEC imports from ASEAN stagnated on a

20 percent level. Whereas the results for the community as a whole reflect the even more distinct shifts in the West German market, other EEC countries exhibit a rather heterogeneous pattern with sometimes countervailing shifts to those for the community. Roughly one can group West Germany, the Netherlands and the UK as those countries whose initial import structure in 1968 displayed the highest degree of diversification compared to the rest of the community and which still kept this rank in 1977 (together with France).

The second, regionally oriented, shift can be derived from the empirical evidence<sup>2</sup> that imports in complementary raw material-intensive goods face lower price elasticities of demand than substitutive finished goods and that overall income elasticities of demand rise if new more sophisticated product lines enter the export supply. Hence those EEC countries which shifted their demand for ASEAN manufactures towards those product lines gained higher shares in total EEC manufactured imports from ASEAN during the reference period (appendix table 2\*\*).

West Germany which in 1968 comprised about a quarter of total EEC manufactured imports from ASEAN increased this share to one third in 1977. In rapidly growing export industries as clothing and machinery the West German share even climbed to more than 40 percent. Again the patterns of the other EEC countries yield heterogeneous results among which the decrease of the UK share seems to be the most essential one for ASEAN, especially for Malaysia and Singapore, since in 1968 resp. 1977 about 90 resp. 80 percent of UK manufactured imports from ASEAN originated in these two Commonwealth members.<sup>3</sup>

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<sup>2</sup> See Robert M. Stern, Jonathan Francis and Bruce Schumacher, Price Elasticities in International Trade: An Annotated Bibliography. London: MacMillan, 1976, Chapter 2, pp. 12-26.

<sup>3</sup> During the reference period the UK share in EEC manufactured imports from the two Commonwealth members dropped from 38 to 25 percent.

Though the following analysis focus on policy tools as some possible determinants of the shifts, especially of the regional ones, other factors which are not further discussed should not be neglected<sup>4</sup>. Above all the transition from the Bretton Woods system to flexible exchange rates resulted in considerable divergencies in EEC country exchange rate changes vis-à-vis the dollar as well as in ASEAN country exchange rates changes<sup>5</sup>. In real terms all EEC members as well as all ASEAN countries appreciated vis-à-vis the dollar during 1968/77 with West Germany by far in the lead. By balancing EEC and ASEAN real exchange rates 1968 and 1977 it emerges that the ASEAN currencies depreciated uniformly only vis-à-vis the German mark and the Danish crown so that the observed regional shifts in export flows towards both markets may also be explained to some extent by diverging exchange rate changes (appendix table 3\*). According to table 3\* the relative competitive footing of ASEAN exports to the other six markets - compared with exports to West Germany and Denmark - deteriorated visibly, with France and the UK in the lead. The results also suggest that among the ASEAN members the exchange rate-induced export prospects improved mainly for Malaysia and the Philippines, to the detriment of Indonesia in particular.

With the exception of the latter country, whose currency movements deviated considerably from those of the other ASEAN members, the overall exchange rate changes in total may have

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<sup>4</sup> EEC country differences in per capita income levels, urbanization, penetration of markets by specific sales chains (i.e. mail order houses) and income distribution may be some of these factors.

<sup>5</sup> In this context we only refer to average medium term exchange rate changes over a nine years period in order to converge exchange rate changes with the manufactured export flow changes within the same period. Hence we abstract from short term variability as well as from changes of the "numeraire" (fixed currency peg, pegging to baskets, generalized floating etc.) which both in the short run may have adversely affected especially ASEAN primary commodity exports being outside the scope of this paper. See for an analysis stressing the adverse effects of uncertainty associated with increased short-term variability of flexible exchange rates and enhanced by the inavailability of an adequate forward cover Pradumna B. Rana, Flexible Exchange Rates and ASEAN Trade. Summarized in ISEAS, ASEAN Economic Research Unit, Newsletter 80/2, December 1980.



facilitated ASEAN exports to the EEC as witnessed by the 10 percent real depreciation of an unweighted ASEAN currency basket vis-à-vis an unweighted EEC currency basket. Measured over a nine years period, however, the annual changes (3 percent at the maximum) have been small and should therefore not be regarded as a decisive stimulus for the overall ASEAN manufactured export expansion during this period.

The change in the aggregate EEC-ASEAN trade balance in manufactures - the third major shift - lends further support to this assumption. In spite of the overall real depreciation and a successful export diversification of ASEAN suppliers the EEC trade surplus in nominal terms doubled during the reference period (appendix table 4\*) resp. remained constant in real terms if the unit value index of world manufactured exports is used as the deflator. Not surprisingly, EEC transport equipment and machinery exports mainly contributed to this surplus and outweighed by far the increasing deficits in textiles, clothing, wood and non-ferrous metals. Hence the division of labour between ASEAN and EEC during this period reflects inter-industry specialization trends in simple consumer goods and raw material-intensive intermediates as well as a beginning intra-industry specialization in the machinery industry<sup>6</sup>.

Among the EEC countries the UK proved to be the major source of the trade surplus mainly because it ran a much smaller deficit in the traditional ASEAN export industries than West Germany. Otherwise the overproportional increase of the West German surplus in the machinery sector would have put this country in the top rank of the EEC surplus members. Whether the deficit divergencies between the two major EEC markets for ASEAN can be attributed to different degrees of import barriers will be discussed later on particularly for textiles and clothing.

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<sup>6</sup> The intra-industry specialization argument holds though the machinery sector includes the wide range of miscellaneous industries (toys, sport equipment, office supplies and professional goods).

In accordance with these results the comparative advantages for ASEAN - as measured by the modified Balassa RCA-concept<sup>7</sup> - improved along the whole range of industries, however, starting from different stages and with a different speed (appendix table 5\*). Furthermore, some differences emerge with respect to the development of comparative advantages of the individual ASEAN countries vis-à-vis the EEC (appendix table 6\*). Apart from Indonesia whose export orientation in manufactures towards industrialized economies, probably due to the larger import substitution potential, still visibly lags behind the other ASEAN members, Singapore and Thailand for example have achieved different patterns of comparative advantages: Whereas Singapore<sup>8</sup> has succeeded in cutting down the EEC advantages in transport equipment and machinery, Thailand has concentrated its advantages on textiles and clothing. Such a divergency in the RCA-patterns of individual ASEAN members provokes trade policy implications as far as a competition between ASEAN members for a restricted EEC market access is concerned. The higher the differences in the individual patterns of advantages would emerge the less justified concerns about an "overlap" of say two ASEAN countries export flows on the community market would be and the less trade diverting effects would arise in case the EEC would introduce selective trade policy measures against individual ASEAN members. Such an overlap-index<sup>9</sup> has been calculated on the four-digit-

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<sup>7</sup> See for the original concept Bela Balassa, Trade Liberalisation and "Revealed" Comparative Advantage. The Manchester School of Economic and Social Studies, Vol. 33 (1965) pp. 99-117. - For modifications cf. Juergen B. Donges and James Riedel, The Expansion of Manufactured Exports in Developing Countries: An Empirical Assessment of Supply and Demand Issues. Weltwirtschaftliches Archiv, Vol. 113 (1977) pp. 58-87. - Bela Balassa, The Changing Pattern of Comparative Advantage in Manufactured Goods. The Review of Economics and Statistics, Vol. 61 (1979) pp. 259-266.

<sup>8</sup> The author accepts that the existence of entrepôt-trade and reexports does not allow for a strict convergency between goods originated in Singapore and those shipped from Singapore. Since the import statistics of the EEC reporting countries do not differentiate according to domestic exports and reexports, the country specific conclusions should be "deflated" correspondingly.

<sup>9</sup> See for the introduction of this index J.M. Finger, M.E. Kreinin, A Measure of "Export Similarity" and its Possible Uses. The Economic Journal, Vol. 89 (1979) pp. 905-912.

CCCN level which comprises about 300 tariff items and for the 1979 ASEAN manufactured and semi-manufactured GSP exports to the most absorptive EEC market, West Germany (appendix table 6\*).<sup>10</sup>

The results basically suggest a negligible overlap between individual ASEAN country exports with one exception: In 1979 about 48 percent of Malaysian preferential exports to West Germany was "matched" by corresponding Indonesian exports (and vice versa)<sup>11</sup>. Till 1978 (the end of Commonwealth preferences) this relatively high overlap could have theoretically implied some tariff discrimination of Indonesian exports to the UK market because of the traditional Commonwealth preferences in agricultures for Malaysia<sup>12</sup>.

To sum up, at least four of the five ASEAN countries successfully expanded their exports in traditional labour-intensive and raw material-intensive branches and to some extent penetrated into more sophisticated product lines of the transport equipment and machinery branch. Both export expansion and diversification, however, could not outweigh the persistent trade deficit of ASEAN with the EEC in manufactures which in real terms remained constant during the reference period. Thus the export-oriented industrialization in most of the ASEAN economies has also implied an increasing demand for sophisticated manufactured imports from the EEC. The general outcome of studies on trade in manufactures between advanced industrialized countries and the NICs that trade is a two-way process<sup>13</sup> is hence underlined by the actual ASEAN-EEC trade pattern.

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<sup>10</sup>The textile sector has been excluded from this calculation, since the strict import quota (sensitive goods) do not allow for conclusions based on the trade overlap-index.

<sup>11</sup>This overlap is mainly due to similar export pattern in processed agricultures (refined vegetable oils, processed fruits).

<sup>12</sup>Provided that the overlap coefficients can be generalized as being relevant for all EEC markets. The aspect of the Commonwealth preferences in discussed below.

<sup>13</sup>Louis Turner et al., Living with the Newly Industrializing Countries, Chatham House Papers, No. 7, The Royal Institute of International Affairs, London 1980, p. 51.

The Export Expansion of ASEAN Towards the EEC:  
Preference-Induced or Not?

As the first industrialized country resp. group the EEC of the Six established its GSP in Mid 1971. In 1974 the three new members Denmark, Ireland and the UK aligned their individual schemes in effect since 1972 to that of the EEC in accordance to their accession to the community. The basic options of the EEC scheme whose details are discussed for ASEAN exports below<sup>14</sup> imply a duty-free treatment on eligible industrial goods and tariff reductions as well as exemptions on eligible agricultural products, however, with a priori limitations taking the form of obligatory tariff quota (sensitive products), obligatory resp. facultative ceilings for semi-sensitive and non-sensitive products, maximum-amount limitations for individual beneficiaries (butoirs) and intra-EEC allocation rules for sensitive products and individual EEC countries.

The answer to the question of whether the EEC GSP contributed to the above-concluded ASEAN export expansion or not is closely related to another question of what would have happened without preferences. The choice of such a hypothetical reference system is facilitated by the fact that the United States introduced their GSP only in 1976 and Canada not earlier than 1974. The development of ASEAN exports to these two markets during 1968 and 1975 may therefore roughly be regarded as the reference system "without preferential treatment"<sup>15</sup>.

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<sup>14</sup> See for a general analysis of the GSP Tracy Murray, Trade Preferences for Developing Countries, London and Basingstoke: MacMillan, 1977. - Ann Weston, Vincent Cable and Adrian Hewitt, The EEC's Generalized System of Preferences - Evaluation and Recommendations for Change, London: Overseas Development Institute, 1980.

<sup>15</sup> In view of the low share of Canada in the combined imports of the two countries and of the implementation problems of the GSP after its introduction it seems to be plausible that the Canadian 1974/75 preferential imports do not distort the hypothetical reference system.

However, the findings from a regional export performance comparison should be cautiously interpreted. This is because the conditions of other factors being equal are only to some extent fulfilled in the EEC-9 - US/Canada comparison of the ASEAN export performance (table 8<sup>\*</sup>). The share of ASEAN in both regions manufactured imports from LDCs resp. total imports initially deviated by about 5 percent points resp. 1 percent point, but partially converged to a common share of about 10-11 percent in imports from LDCs following a rising trend in the EEC and a stagnating one in the US/Canada market. Instead, a slightly rising trend of the ASEAN participation in total manufactured imports is common to both industrialized areas.

Though the ASEAN countries do not enjoy a privileged status within the group of GSP beneficiaries it is by all means possible that they overproportionally benefited from the preferences, say because of a relatively high convergence between the GSP product coverage and their export supply or strong ties to experienced importers which apply for the preferences during the customs clearance process etc. Hence, there may have been a preference-induced trade impact for the ASEAN countries even if such an impact could not be assessed for the total of the beneficiaries.

Two aspects should therefore be tackled independently. First, did the GSP scheme facilitate LDCs exports to the EEC in general? Second, in what direction did the ASEAN group deviate from this general pattern?

The concept by which the preference-induced trade expansion for the beneficiaries as a group is assessed, is a familiar one<sup>16</sup>. It assumes that due to the preferences the ex-post changes of import-apparent consumption-ratios in the EEC

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<sup>16</sup> See Mordechai E. Kreinin, Trade Relations of the EEC. An Empirical Investigation, New York: Praeger, 1974, pp. 30-41. - Mordechai E. Kreinin, Static Effect of E.C. Enlargement on Trade Flows in Manufactured Products, Kyklos, Vol. 34 (1981) pp. 60-71.

during the 1968/75 period, disaggregated by imports from beneficiaries and non-beneficiaries, deviate from those which can be observed in the United States/Canada market during the same period under conditions of non-preferential market access. The change in the US/Canada ratio is hence taken as the "normal" pattern of LDCs export performance on industrialized markets. In accordance to Kreinin and also Balassa (using changes in ex post income elasticities of demand instead of import apparent consumption ratios) the reduction of domestic production has two sources; gross trade creation (GTC) and trade diversion (TD). GTC denotes the change in the ratio between imports from beneficiaries and apparent consumption (resp. change in the demand elasticity against imports from beneficiaries) and TD the change in the ratio between imports from non-beneficiaries and apparent consumption. In our context a negative trade diversion (sometimes denoted as external trade creation) would say that EEC imports from non-LDCs as a proportion of apparent consumption increased by more (or declined by less) than the corresponding change in the US import-apparent consumption ratio. This in fact emerges from the estimates (table 1).

During 1968 and 1975 imports in general contributed to a stronger reduction of domestic production within the EEC than did the imports of the US/Canada area. However, the increase of EEC imports from non-LDC sources outweighed by far the increase of imports from LDCs. Since imports from non-LDCs are to a great extent equivalent to the intra-EEC trade this result does not surprise. In 1968 the EEC finished the transition towards a customs union and introduced the common external tariff. The emerging intra-EEC trade incentives will have probably lasted through the whole period until 1975. In addition EEC imports from non-LDCs will have been enforced by the first EEC-EFTA tariff cut steps (starting from April 1973).

Whereas the trade diversion figures do not indicate any preference-induced shift in EEC imports from non-LDC sources on a relatively high aggregation level of eleven manufacturing

Table 1 : Shifts in EEC Import-Apparent Consumption-Ratios due to EEC Tariff Preferences for Developing Countries and ASEAN, 1968 - 1974/75

Industry	EEC Apparent Consumption 1974/75 (mill. Dollars)	Gross Trade Creation <sup>a</sup>		Trade Diversion <sup>b/c</sup>		Trade <sup>d</sup> Expansion (Reduction of Domestic Production)	Changes in Ratios between Imports from ASEAN and Apparent Consumption between 1968 and 1975 (Percentage Points)		Preference-Induced Trade Expansion for ASEAN in the EEC Market <sup>e</sup> in Mill. US-\$
		Millions of Dollars	Percent of EEC imports from LDCs 1975	Millions of Dollars	Percent of EEC imports from non-LDCs 1975		EEC ( $\Delta m_{EEC}^A$ )	USA/Canada ( $\Delta m_{US}^A$ )	
Food, Beverages and Tobacco	155 551	+ 31	0.9	- 6 533	36.8	6 564	+ 0.0952	+ 0.0105	+ 132
Textiles	40 626	+ 634	49.9	- 4 717	50.0	5 351	+ 0.0859	+ 0.0386	+ 19
Clothing	33 570	- 87	- 12.9	- 4 868	56.9	4 781	+ 0.2382	+ 0.2939	- 19
Wood Products, Paper and Printing	88 903	+ 35	+ 4.0	- 4 098	24.8	4 133	+ 0.1540	- 0.0373	+ 170
Rubber	11 018	- 8	- 33.3	- 549	28.3	541	+ 0.0210	-	+ 2
Chemicals	105 369	0	0	- 7 081	27.9	7 081	- 0.0149	+ 0.2997	- 331
Petroleum and Coal Products	60 361	-1 884	- 151.6	- 3 555	40.7	1 671	+ 0.0006	+ 0.2443	- 147
Non-Metallic Mineral Products	29 575	- 24	- 63.1	- 1 466	40.0	1 442	0	+ 0.0665	- 20
Ferrous and non-Ferrous Metals	94 864	-1 261	- 42.1	- 5 559	25.3	4 298	- 0.0281	- 0.0442	+ 15
Transport Equipment	72 180	- 22	- 15.3	- 2 627	15.4	2 605	- 0.0115	+ 0.0015	- 9
Machinery and other Manufactured Goods	200 515	-1 384	- 92.1	-19 109	34.5	17 725	+ 0.1556	+ 0.2325	- 154
Total Manufactures	892 530	-3 970	- 26.3	-60 162	32.3	56 192	+ 0.0778	+ 0.1161	- 342

$$^a \text{GTC} = \left[ (m_{EEC}^1 - m_{EEC}^0) - (m_{US}^1 - m_{US}^0) \right] C_{EEC}^1 \quad \text{resp.}$$

$$^b \text{TD} = \left[ (m_{US}^{*1} - m_{US}^{*0}) - (m_{EEC}^{*1} - m_{EEC}^{*0}) \right] C_{EEC}^1$$

where GTC and TD denote gross trade creation resp. trade diversion, m the ratio between imports from beneficiaries and apparent consumption, m<sup>i</sup> the ratio between imports from non-beneficiaries (non-LDCs) and apparent consumption C, the indices 0 and 1 the years 1968 and 1974/75 average and the indices EEC and US the importing areas of the European Community (including UK, Ireland and Denmark) and the USA plus Canada. - <sup>c</sup> A negative diversion effect is sometimes denoted as "external trade creation". - <sup>d</sup> Trade Expansion, i.e. the sum of gross trade creation and trade diversion, is also denoted as "trade creation proper" (Balassa). - <sup>e</sup>  $(\Delta m_{EEC}^A - \Delta m_{US}^A) C_{EEC}^1$

sectors the overall gross trade creation estimates for the total manufacturing sector suggest that the EEC GSP beneficiaries could not augment their share in apparent consumption to such an extent which exceeded that of the LDCs share in the US/Canada market under non-preferential conditions. Though there are three sectoral deviations from the overall estimates (food, textiles, and wood) they do not allow for a more positive judgement on the GSP trade incentives. This is because these sectors are just the ones which either incorporate strict quantitative limitations both within the GSP and beyond the preference scope (textiles, plywood, veneer) or are outside the core of GSP product coverage (food, beverages and tobacco). There may have been therefore other factors besides the GSP which could explain these deviations<sup>17</sup>. The negative conclusions about the preference-induced trade creation are underlined by the fact that just in the sector where the GSP ceilings are basically open-ended (machinery) the LDCs gained considerably higher shares in the US/Canada market under "normal" conditions than in the EEC market under the preferential status.

Table 1 also illustrates the answer to the second question in what direction the results for the ASEAN group deviate from a preference-induced export performance of all developing countries in the EEC. By taking the differences between the 1968/75 changes in the import market penetration of ASEAN (measured by the share of ASEAN manufactures in apparent consumption) in the EEC and in the US/Canada during the reference period as a rough indicator it emerges that the deviation from the performance of all LDCs is

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<sup>17</sup>One reason could be that some LDCs (for instance the francophone African associates, the Commonwealth members or Mediterranean countries) which benefited from special preferential agreements expanded their exports to the EEC stronger than their sales in the US/Canada market. Other explanations for the deviations observed would generally focus on business cycle differences, differentials in the income level and income level growth or in the intensity of intra-firm trade between the two import markets.



indeed negligible. Hence, in total also ASEAN performed better under "normal" conditions in the US/Canada market than under the preferential EEC status. This outcome even holds although in five of the eleven sectors the ASEAN increments in EEC market shares exceeded those of the US/Canada reference market. The positive trade expansion effects in these sectors, however, were outweighed by an adverse performance mainly in the chemical and machinery sector. In both sectors ASEAN penetrated considerably stronger in the US/Canada market than in the EEC market. Whereas for chemicals the privileged market access (compared to GSP conditions) for African associates and some Mediterranean countries in homogenous vegetable oils could explain the absolute decline in market shares, the heterogenous machinery sector does not allow for arguments which are confined to a different preferential treatment. Here other factors such as enforced US export-oriented investments<sup>18</sup> in ASEAN countries during the seventies may have had a stronger impact on export sales than the EEC tariff preferences.

However, the overall outcome that during 1968/75 the incremental import market penetration of ASEAN in the US/Canada market was by about 340 Mill. US-\$ higher than the incremental import market penetration in the EEC market, should not be evaluated as an absolute blame for the EEC GSP. Indeed the extra-ordinary export success of one of the few EEC GSP non-beneficiaries among the LDCs, Taiwan, suggests that preferential treatment may be overcompensated by other determinants of export growth especially if the export supply consists of sophisticated manufactures instead of homogenous resp. standardized ones. The Taiwanese pattern of exports to the EEC provides another hint for explaining differentials in the export performance. In 1977 Taiwan directed about 45 percent of its EEC exports towards the probably most absorptive West German market against only one third for ASEAN (table 2").

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<sup>18</sup>The current investigations of the US Department of Commerce on the US majority-owned foreign affiliates suggest such an increase. See US Department of Commerce. Survey of Current Business, Vol. 55 (1975) No. 8, pp. 22-39, Vol. 57 (1977) pp. 29-79.

Any approach which eliminates the heroic assumption of a homogenous EEC market will have to consider inter-EEC country differentials in growth, per capita income, market size, consumer preferences, traditional trade links, state of import-competing industries etc. as explanatory variables. The stronger these differences between the EEC members emerge, however, the more likely efforts of individual EEC members are to delink from a common trade policy in manufactures, particularly if this policy is principally designed to foster manufactured exports from LDCs (as it is the case with the GSP) and if thus this policy collides with vested interests of domestic suppliers and trade unions.

The latest evidence in detail discussed below suggests that in fact EEC members are going to deviate increasingly from the common trade policy either by drawing upon the established escape clauses (such as Art. 115.1 EEC treaty) or by splitting the EEC into administered and strictly controlled sub-markets (such as it is practiced by the administration of quota for sensitive GSP products for each EEC member and by the "burden sharing" principle within the Multifiber Agreement).

In this respect a comparison between the export performance of LDCs on the EEC and on the US/Canada market is distorted anyway because - irrespective of similarities in the absolute market size - the access conditions in the latter market are more harmonized and transparent and hence the gains in market penetration less costly to achieve than in the EEC case. It does not seem to be unlikely that this "harmonization" bonus for the US/Canada market may have outweighed the lacking preferential treatment during the 1968/75 period.

This would mean that any benefit from the EEC GSP not only depends on the overall competitiveness of ASEAN and other LDCs on industrialized markets but also on the degree of flexibility by which the export supply is shifted towards

the most absorptive EEC sub-market (in terms of market access conditions) resp. by which the structure of the export supply adjusts to the specific access conditions of individual EEC members.

Traditional trade links which still exist between Indonesia and the Netherlands or Singapore/Malaysia and the UK implicitly involve an element of inertia which in the short run may hamper the capacity of establishing new trade links with more absorptive EEC sub-markets. On the other hand, however, they may have to some extent guarded the individual ASEAN countries from loosing market shares after the colonially-determined trade concessions expired or after the respective EEC member started to impede imports in favour of domestic suppliers.

In the ASEAN case the UK illustrates both alternatives: That of a sub-market whose absorption of ASEAN manufactured exports (by shares) declined during the reference period (table 2\*) and that of a market whose traditional and privileged trade links with the two ASEAN Commonwealth members were scheduled to expire after the British EEC accession.

Before turning to the overall EEC trade policy towards ASEAN manufactures it will be briefly discussed what implication may have followed from the twofold differential treatment of two ASEAN members in one EEC sub-market.

#### Implications of the British EEC Entry for ASEAN<sup>19</sup>

The two Commonwealth countries of the ASEAN, Malaysia and Singapore, enjoyed a traditional preferential treatment on the UK market until these preferences expired in January 1978. The exports of the other three ASEAN countries to the

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<sup>19</sup> See for this chapter particularly Peter Tulloch, The Seven Outside. Commonwealth Asia's Trade with the Enlarged EEC, Overseas Development Institute. London 1973. - UNCTAD, Operation and Effects of the Generalized System of Preferences, TD/B/C.5/7, New York 1974. - Vincent Cable and Ann Weston, South Asia's Exports to the EEC. Obstacles and Opportunities, Overseas Development Institute. London 1979.

UK faced the usual MFN treatment during the fifties and sixties provided that the general GATT rules or - in the case of the non-GATT member Thailand - bilateral special arrangements were applied. Hence ASEAN countries never enjoyed a homogenous tariff treatment on the UK market in the pre-GSP period.

In 1972 a homogenous treatment became theoretically possible for the first time, when the UK established its own scheme of a Generalized System of Preferences which included the five ASEAN countries as beneficiaries. Since, however, the Commonwealth preferences were initially not scheduled to be phased out a totally homogenous tariff treatment towards ASEAN had not been achieved: Malaysia and Singapore got the option of claiming a preferential treatment under either system and of choosing the more favourable one. Mainly due to the original focus of all GSP schemes on semi-manufactures and manufactures (CCCN-chapters 25-99), where the British GSP scheme offered equivalent options compared to the Commonwealth preferences, the GSP in total was inferior to the considerably wider range on intra-Commonwealth preferential treatment in agricultures. This original focus of the GSP clearly met the UK's wishes to preserve the preferential treatment of Commonwealth countries to the greatest extent at least in its core, that means in processed agricultures (CCCN 1-24).

Under these conditions it is not astonishing that UK imports from Commonwealth Asia in 1972 claimed preferential treatment under the Commonwealth preferences rather than under the GSP.

The consequences from the UK GSP scheme for the ASEAN trade flows to the UK may have theoretically consisted in some trade diversion from Commonwealth ASEAN country sources to the Philippines, Thailand and Indonesia. However, it seems to be unlikely that trade diversion has been considerable since a substitutive instead of a complementary export supply

pattern between ASEAN countries only existed - if at all - for some agricultures where the Commonwealth preferences had not been essentially eroded<sup>20</sup>. In the realm of semi-manufactures and manufactures where the GSP could have stimulated trade diversion, the trade overlap between Commonwealth and non-Commonwealth ASEAN countries on the UK market and hence the scope for trade diversion was low<sup>21</sup>.

This status of preferential treatment of ASEAN exports to the UK, however, deteriorated considerably when the UK entered the EEC. The accession affected the ASEAN group as a whole as well as the two Commonwealth members in particular. As far as the group was concerned the deterioration was due to the fact that the relatively liberal and "open-ended" GSP scheme of the UK was superseded in 1974 by the more restrictive EEC scheme with its smaller product coverage and its a priori limitations on preferential imports. Especially during the first years of the GSP application the ceilings were not adequately adjusted to the growth rates of LDC exports and thus rendered the EEC scheme "closed-ended" for many products soon<sup>22</sup>. The erosion of preferences for Malaysia and Singapore was even worse. They belonged to those seven coun-

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<sup>20</sup> 60 percent of British dutiable imports from Malaysia and 56 percent of British dutiable imports from Singapore, both in 1970, were excluded from the British GSP treatment (mainly palm and coconut oils, palm nuts, canned pineapples and shellfish). See Peter Tulloch, op.cit., p.47.

<sup>21</sup> In 1968 Malaysia and Singapore comprised about 94 percent of UK's imports in manufactures (except food, beverages and tobacco) from ASEAN, whereas in 1975 this degree of regional concentration still amounted to 88 percent.

<sup>22</sup> See for some theoretical examples of the effect of the adjustment formula Tracy Murray, op.cit., p. 69. - During the last few years, however, an improvement of the EEC scheme can be observed, mainly because the number of "sensitive" products where the ceilings are binding has been reduced, but also because the product coverage has been improved by extending the list of processed agricultures. As it will be analysed for ASEAN below, the a priori limitations had no impact on the amount of preferential trade for non-sensitive products and were often considerably exceeded in "quasi-sensitive" items before the MFN tariff was reimposed.

tries of Commonwealth Asia<sup>23</sup> for which the EEC did not offer an equivalent substitute for the Commonwealth preferences which were scheduled to be eliminated till 1978.

In contrast to other independent Commonwealth developing countries of the Caribbean, African and Pacific area say Jamaica, Nigeria, Ghana, Kenya or Tonga, an associate status under the scheduled Lomé Convention was denied to Commonwealth Asia. In view of the EEC policy not to erode the "open-ended" tariff preferences of the Associates by means of an equivalent GSP scheme ASEAN as a whole, but especially Malaysia and Singapore had to suffer from a distinct deterioration of their competitive footing with the associate suppliers on the UK market. Neither the EEC GSP improvements during the last years nor the non-preferential cooperation agreement of 1980 between the EEC and ASEAN have been able to eliminate this deterioration fully.

However, the aspect of a de jure discrimination has to be tackled separately from a de facto change of trade flows due to this discrimination. Production cost advantages and the costs of breaking the above mentioned inertia of traditional trade relations may outweigh preference margins by far and lacking competitiveness or other supply bottlenecks cannot be compensated by changing ratios of preference margins between two countries or areas.

An estimate of the static value of preferences, that means the fiscal costs of preferences for the donor (customs revenues forgone) clearly indicates that for Malaysia and Singapore combined the value of preferences would have been considerably larger if the EEC had adopted the UK GSP scheme for processed agricultures instead of the actual case that the UK adopted the EEC scheme<sup>24</sup>. However, the essential

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<sup>23</sup> India, Pakistan, Bangladesh, Sri Lanka, Singapore, Malaysia and Hongkong.

<sup>24</sup> The ratio of the value of preferences between the two alternatives amounts to 3:1 taken the 1970 imports of the UK from the two ASEAN countries as the reference year. See Peter Tulloch, op.cit., pp. 51-52.

criterion of whether there has been a real deterioration of the ASEAN competitive footing with other suppliers after 1973 on the UK market is the trade diversion evidence.

Though there is some evidence that during 1971 and 1975 the ASEAN share in the UK imports of processed agricultures from developing countries slightly fell from about 10 percent to 7.5 percent it is difficult to judge about whether this was due to the erosion of the Commonwealth preferences and the adoption of the EEC GSP scheme by the UK. The case against trade diversion is that in spite of the UK adoption of the relatively restrictive EEC GSP scheme with its a priori ceilings in manufactures ASEAN could raise its share in the UK manufacturing imports (without processed agricultures) from developing countries from about 8 percent to 11 percent during the same period and - due to the weight of manufactures against processed agricultures - from 8 to 10 percent for total manufacturing (including processed agricultures). Moreover, there is no evidence that the EEC associates could benefit from the deterioration of ASEAN competitive footing on the UK market, since their overall share in the UK extra-EEC imports fell too. Another aspect which makes it difficult to link the erosion of preferences with changing regional trade flows, is that some processed agricultures, for example refined sugar, are excluded from preferential treatment in any case, but are subjected to quota and other restrictions. However, the considerable change of the UK imports in processed agricultures from Commonwealth ASEAN members to those from non-Commonwealth ASEAN members in favour of the latter group can just be attributed to sugar exports from the Philippines to the UK starting in 1974.

To sum up, the UK accession to the community has ultimately resulted in

- a distinct erosion of the preferences for Malaysia and Singapore in this sub-market compared to the hypothetical situation with the Commonwealth preferences maintained and in

- homogenous but less far-reaching tariff preferences for all ASEAN members under the EEC GSP compared to the hypothetical situation with the UK GSP scheme.

A direct evidence for an accession-induced trade diversion, however, is low, at least for a trade diversion from ASEAN sources to other LDC sources. If at all, the deterioration of the preferential treatment may have prevented ASEAN from gaining additional market shares in the UK market comparable to those the group scored in other EEC sub-markets (table 2\*). Hence due to the accession, the UK market has been probably rendered less absorptive towards ASEAN than the market could have been with an autonomous, more open-ended preferential trade policy.

#### The Overall ASEAN Export Performance under the EEC GSP Scheme

A first rough appraisal of the GSP product coverage in the ASEAN manufactured export supply highlights a considerable discrepancy between EEC imports from ASEAN in tariff items covered by the GSP (so-called GSP-covered imports) and actual GSP-receiving imports (duty-free manufactured and agricultural imports or agricultural imports at reduced tariff rates): In 1978 GSP-receiving imports from ASEAN amounted to only 35 percent of total imports in GSP tariff items (table 9\*). Compared with the corresponding figure for all GSP beneficiaries of less than 27 percent this does not seem to be a bad record at the first glance. What, however, gives more rise to concern is the fact that the EEC country deviations from the EEC average have been substantial by ranging between 17.5 percent for Italy at the minimum and 54.8 percent for Denmark at the maximum. One could argue that this may be due to inter-EEC country differentials in the structure of GSP imports from ASEAN so that countries with a high share of sensitive goods where ceilings are restrictive and obligatory would exhibit lower GSP trade shares than those with a higher percentage of non-sensitive goods where ceilings are open-ended. The empirical evidence, however, does not support this argument. The absolute range



of EEC country deviations from the average for non-sensitive industrial goods<sup>25</sup> has been even wider (from 10.4 percent for French imports to 57.3 percent for Irish imports) than for total manufactures.

Three systematic patterns emerge in general:

- (1) GSP-receiving imports from ASEAN covered a significantly lower share in total manufactured imports in France and Italy<sup>26</sup> compared to the EEC average and a higher share in Denmark irrespective of the degree of sensitivity.
- (2) The higher the degree of sensitivity the lower the GSP trade share. That means that though the preference margin in sensitive goods proved to be highest among all categories (between 12 and 15 percent) an early reimposition of MFN duties did not prevent ASEAN countries from exporting under non-preferential conditions provided that there had not been any ultimate ceilings for total exports.
- (3) The lower the absolute volume of trade is the higher the "utilization rate" of GSP options seems to be. This perhaps could indicate a monopsonistic or oligopolistic position of one or few experienced importers which account for the bulk of the imports and which either apply for the preferences or are even predesignated by the national customs authorities as GSP users (by means of import permit issues according to past trade flows). The higher the trade volume is, the higher the probability of a polypolistic market structure among the im-

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<sup>25</sup>The category of semi-sensitive products which now has been cancelled in the renegotiated GSP scheme starting from 1981 comprised "intermediate" cases which were under permanent surveillance and which often faced an abrupt reimposition of MFN duties if the imports grew faster than a priori determined by the ceilings.

<sup>26</sup>In this respect Murray (op.cit., p. 76) and Weston et al. (op.cit., pp. 44 sqq.) argue that in France and Italy but also in the UK and Belgium importers are strongly linked with domestic producers and their vested interests and that protectionist pressures are there traditionally more apparent than in West Germany, the Netherlands and Denmark.

porters and higher therefore the number of those importers would be which either are unexperienced and hence do not claim for preferences or which are discriminated against the wellknown importers. This in fact may reduce the utilization rate.

Generally the GSP trade share is higher for agricultures than for semi-manufactures and manufactures shifting ASEAN countries whose export supply focus on agricultures, for example Indonesia (table 10\*), above the ASEAN average. Since agricultures are mainly intermediates to be further processed within the EEC and imported by few companies again the argument of the competition structure within the import trading sector may hold.

The GSP export performance of the individual ASEAN countries (tables 10\*- 14\*) does not deviate widely from the overall ASEAN outcome except in the Singapore case (table 13\*) where the relatively high percentage of sensitive and semi-sensitive industrial goods in the export supply visibly shifts the GSP trade share down to only 23 percent. Hence according to this criterion Singapore's benefit from the GSP (if there is any) seems to be the lowest one among all ASEAN members. The country tables whose extensive interpretation would go beyond the scope (and space) of the paper do not allow for a definite answer to the question whether traditional trade relations (Indonesia/Netherlands or Commonwealth ASEAN/UK) foster a higher share of GSP trade in total trade or not. Although the GSP share of both Benelux imports from Indonesia (table 10\*) and UK imports from Malaysia (table 11\*) clearly exceed the corresponding shares of imports from ASEAN (table 9\*) this may reflect the sectoral structure focussing on non-sensitive agricultures rather than the impact of traditional trade links.

In total these preliminary and admittedly rough interpretations of the ASEAN GSP trade in one year lend a first support to doubts whether the GSP provides a trade incentive at the margin, that means that it contributes to re-

duce the costs of marginal exports. Assumed that exporters would participate in the fiscal gains (the customs revenues forgone) the gains could be used in subsidizing marginal exports instead of retaining them as a "windfall" profit. In this case the GSP would provide an indirect incentive to expand exports, but the probability that exporters behave in this way should not be assessed too high<sup>27</sup>, even if this behaviour may be typical for competitive markets like the manufacturing markets in the EEC countries. The case against this behaviour simply lies in the possibility that it is the importer (especially the importer of "sensitive" goods with predesignated import permits accordings to past trade) who retains an extra-profit<sup>28</sup>. All these cases against the trade incentive element of the GSP are supported by the ASEAN GSP trade shares which indicate that though the majority of EEC manufactured imports from ASEAN did not receive any preferential treatment the ASEAN countries anyhow expanded their exports by volumes and by shares.

Due to its relatively low share in total manufactured imports, the GSP-receiving trade does not correctly indicate the ASEAN export performance within the EEC. Table 2 exhibits a rising trend of the ASEAN shares in preferential imports from LDCs in the EEC market as well in the most relevant sub-market West Germany during 1973 and 1978/79. This runs parallel to the overall performance for total ASEAN manufactured (dutiabale and non-dutiabale) exports (table 8<sup>\*\*</sup>). However, the rising trend for West Germany (from 7.5 percent to 16.4 percent) falls behind that for the total EEC (from 7.6 percent to 20.5 percent) although ASEAN - as already noted - succeeded in changing the regional structure of its EEC exports towards this most absorptive sub-market (table 2<sup>\*\*</sup>). Hence it was the growth pattern of dutiabale manufactured exports which determined the export perfor-

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<sup>27</sup> See for this argument Vincent Cable and Ann Weston et al., South Asia's Exports to the EEC, op.cit., p. 68.

<sup>28</sup> Cf. Richard Cooper, The European Community's System of Generalized Tariff Preferences: A Critique. Journal of Development Studies, Vol. 8 (1972), pp. 379-394.

mance rather than the pattern of the GSP-receiving exports. In other words, though ASEAN got a bigger piece of the GSP cake in the whole community than in West Germany<sup>29</sup>, this did not turn out to be a necessary precondition for an enforced import market penetration on the community level. It is rather likely that the complex and time-consuming procedure of qualifying exports for preferential treatment (direct consignment requirements, certificates of origin, minimal-processing rules) detain the beneficiaries or small importers from making use of the GSP options and that these options are not indispensable for many exports. Another bottleneck, however, evidently consists in the ceilings which are often criticized to

- be inadequately adjusted to growing exports
- discriminate against successful suppliers and
- jeopardize the principle of the free circulation of goods within the community.

The impact of the various ceilings for ASEAN will be highlighted in the following.

#### Ceilings for Semi-Sensitive and Sensitive Products

Though ceilings have been calculated for all kinds of GSP products, they have been relevant as barriers only for semi-sensitive and sensitive products. The former category has now been eliminated so that as of 1981 importers have to care about ceilings for semi-manufactures and manufactures (except textiles and some steel products) only in the case of about 90 sensitive goods where strict tariff quota, maximum-amount limitations and a rigid surveillance of goods originating in major GSP suppliers (including Singapore and in one case Malaysia) are likely to jeopardize any trade expansion effect.

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<sup>29</sup>Table 2 yields that mainly the Malaysian and Singapore semi-manufactures and manufactures as well as the Malaysian agricultures (exports of vegetable oils to the UK) gained overproportionally high shares in the EEC GSP trade compared to West German GSP trade.

Table 2 : Percentage Share of ASEAN in Total GSP Exports to the EEC and West Germany, 1973, 1976 and 1978<sup>a</sup>

	Agriculture (CCCN 1 - 24)			Semi-Manufactures and Manufactures (CCCN 25 - 99)			Total (CCCN 1 - 99)		
	1973	1976	1978	1973	1976	1978	1973	1976	1978
EEC									
Indonesia	7.7	6.7	7.9	0.7	0.3	0.5	1.1	1.8	2.4
Malaysia	4.8	24.2	21.8	0.9	1.6	2.5	1.1	7.0	7.5
Philippines	0.6	4.0	9.0	0.7	1.0	1.9	0.7	1.7	3.7
Singapore	1.1	0.5	0.8	4.2	3.7	4.6	4.0	2.9	3.6
Thailand	0.6	2.2	5.5	0.7	1.1	2.6	0.7	1.4	3.3
ASEAN	14.8	37.6	45.0	7.2	7.7	12.1	7.6	14.8	20.5
West Germany <sup>b</sup>									
Indonesia	0.7	10.9	7.7	0.2	0.3	0.2	0.2	1.8	1.6
Malaysia	2.0	13.6	12.3	0.9	1.7	1.6	0.9	3.4	3.6
Philippines	0	10.3	20.1	1.2	1.4	2.1	1.2	2.7	5.4
Singapore	0	0.2	0.7	4.6	5.3	3.6	4.4	4.5	3.1
Thailand	0	2.8	6.3	0.9	1.4	1.9	0.8	1.7	2.7
ASEAN	2.7	37.8	47.1	7.8	10.1	9.4	7.5	14.1	16.4

<sup>a</sup> 1979 for West Germany

<sup>b</sup> In 1976 the West German share in ASEAN's manufactured exports to the EEC under the GSP amounted to 18.1 percent in agricultures, 44.0 percent in semi-manufactures and manufactures and 28.2 percent in total GSP-products.

Sources: Data provided by the West German Ministry of Economics - Axel Borrmann et al, Das allgemeine Zollpräferenzsystem der EG und seine Auswirkungen auf die Einfuhren aus Entwicklungsländern. Eine Untersuchung des HWWA-Instituts Hamburg, Hamburg September 1979 - Own calculations

The 1978 figures, however, yield some puzzling results (table 15 ). Though the ceilings proved to be insufficient to correspond to the higher export capacity of the beneficiaries, they nevertheless exceeded the actual GSP-receiving imports in sensitive industrial goods resp. semi-sensitive industrial and agricultural goods so that the beneficiaries in total did not exploit even the modest GSP options notwithstanding their by far higher export capacity in GSP tariff items. On the other hand a considerable portion of ASEAN exports in these items had been dutiable though ASEAN still scored a better utilization rate of the GSP than the beneficiaries in total. One reason for this outcome could be that the total export supply of LDCs concentrate on few competitive countries whose exports beyond the maximum-amount limitations (butoirs) are denied GSP tariff treatment. The consequence is that a portion of the ceilings is reserved for minor LDCs which, however, suffer from supply bottlenecks and cannot benefit from the GSP options. Hence, by cutting the ceiling down to the butoir, major suppliers are discriminated without benefiting the minor LDCs<sup>30</sup>.

In case some empirical evidence could be found in favour of this anti-major supplier bias in the GSP then ASEAN members would be adversely affected since they proved to be the major suppliers among the GSP beneficiaries in the past for some products and thus faced MFN treatment beyond the butoir. Table 16\*, however, which records all products where ASEAN exports exceeded the butoir does not lend much support to this hypothesis. There is only one case (Singapore's exports of umbrellas) where an ASEAN country faced MFN treatment for exports beyond the butoir although beneficiaries in total did not fully exhaust the ceiling (9.0 Mill. EUA) with their GSP-receiving exports (8.7 Mill. EUA). In any other case ASEAN exports were allowed to exceed the butoir by far before facing the reimposition of tariffs and so were all GSP beneficiaries exports concerning the ceiling. However, this seemingly liberal handling of the GSP

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<sup>30</sup>See for this argument Tracy Murray, op.cit., p. 71.

only reflects the inadequateness of the ceilings and the doubtfulness of the butoir compared with the export capacity of LDCs in general and the ASEAN countries in particular. For example, even the concession given to the Philippines, Malaysia and Thailand to export about 300 tons knitted gloves duty-free instead of ex ante only 35 tons at the maximum or the concession given to all beneficiaries to export 606 tons duty-free does not stimulate exports worth mentioning if at the same time the EEC market absorbs seven times as much as the actual duty-free amount.

The few extraordinary cases recorded above, however, should not be misinterpreted. In total ASEAN countries are not as important suppliers for individual GSP products as Hongkong, South Korea or Yugoslavia, so that on the average the GSP-receiving exports of individual ASEAN members (not the exports of the group) did not exceed 50 percent of the butoir in 1978. More relevant than the butoir is the fact that the ASEAN exports (and within the ASEAN group mainly Thailand's exports) compete to some extent with other LDCs exports and hence face MFN treatment beyond the total ceiling for all beneficiaries even if ASEAN countries are minor suppliers. Table 17<sup>2</sup> which allows for a distinction between the two reasons of tariff reimposition (high individual export capacity or high export capacity of GSP beneficiaries combined) yields for the West German market a striking difference between Singapore where the former reason prevails and Thailand where the latter one dominates and where additionally the percentage of products affected is relatively high (about two-third of Thailand's total exports under GSP conditions).

Notwithstanding the costs of export incentives forgone due to the tariff reimposition additional costs of uncertainty arise for countries like Thailand whose GSP export supply first strongly competes with that of other beneficiaries and second focus on sensitive or quasi-sensitive goods.

These costs have accrued from two sources of uncertainty in the GSP scheme: First, not to know whether the ceiling for a semi-sensitive product would become obligatory or not, second not to know at what time all beneficiaries would exhaust the ceiling and at what time consequently some exports of an individual beneficiary like Thailand would be charged duty.

Under these conditions Thailand may conclude that benefiting from the GSP has something to do with a game of chance or a day-by-day bargaining between experienced (and lucky) importers and the EEC customs authorities for ceilings which often become closed-ended already after the first day of a year. The hypothesis that it is mainly the importer who gains from the tariff exemptions on intra-marginal (semi-sensitive and sensitive) exports of LDCs under rules of uncertainty rather than the consumer or exporter cannot be easily refused.

Sensitive goods provide an additional source of concern about the GSP since they are subjected to the split of the community ceiling into EEC country tariff quota (this is the "burden sharing principle") according to merely rough criteria such as GDP, population and trade. Though the quota are theoretically useless in a customs union with free internal circulation of goods they nevertheless incorporate protectionist elements. This is because they provoke additional costs of indirect exports to an EEC country A whose quota has been already exhausted via an EEC country B whose quota is still open and which therefore does not charge duty on GSP products shipped to country B. Hence there is an incentive to bear the cost differentials between indirect and direct exports to country A as long as the additional costs of indirect exports do not exceed the duty avoided. If they do exports will be directly shipped to A and consequently be charged duty. Since the costs may be high not only in terms of transportation and of surmounting administrative barriers within the EEC but also in terms of time-waste the



case of both exhausted ceilings in A and unexhausted ceilings in B may be rather likely. Irrespective of whether exports are shipped directly and charged with duties or indirectly without duties but charged with additional costs tariff quota introduce a protection equivalent in favour of import-competing suppliers in the destination country A.

Since the tariff quota are fixed on a product-by-product basis and not on a country or country group basis it is difficult to relate the tariff quota allocation only to ASEAN exports. However, if we regard the EEC regional import pattern towards ASEAN as being representative for all beneficiaries then there is some evidence that the allocation rule be it original or adjusted (table 18\*) did not reflect the actual import pattern of EEC countries which proved to be less or more absorptive towards ASEAN manufactured exports. Nevertheless tariff quota does not seem to have restrained ASEAN from directing its GSP exports towards those EEC sub-markets which proved to be most absorptive under MFN-conditions, too.

The regional pattern of GSP-receiving exports is even more distinct than that of total ASEAN exports in sensitive GSP items (including dutiable exports). West Germany and Denmark are those two sub-markets whose absorption of duty-free sensitive goods from ASEAN deviate to the greatest extent from both their apriori quota as well as from their share in EEC total imports of sensitive GSP items from ASEAN (table 18\*).

There is strong evidence that the extraordinarily high duty-free import shares of West Germany and Denmark as well as the low shares of France and Italy can be explained by less or more protectionist attitudes of the national authorities in administering the tariff quota. Especially France applies procedures which discriminate against outsiders and which favour few traditional importers closely linked to domestic manufacturers<sup>31</sup>. Instead Denmark which

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<sup>31</sup>Cf. Ann Weston, op.cit., p. 83.

generally pursues the most liberal trade policy towards LDCs applies the open "first-come first-served" principle where outsiders can effectively intensify competition in the import trading sector. In general, whereas the restrictive community ceilings for sensitive goods are likely to jeopardize any incentive at the margin for overall ASEAN exports and among ASEAN countries especially for Thailand's exports, the EEC country tariff quota do not seem to have hampered ASEAN's orientation towards the most absorptive EEC sub-market, West Germany.

### Cumulative Origin Rules

There is no dissent in various empirical studies on the GSP that restrictive rules of origin are one of the major obstacles to a wider spread of preferences and that they tend to slow down the value of imports actually receiving preferential treatment below the value of imports otherwise eligible for preferences<sup>32</sup>. A way out of this restriction is the cumulation of various processing stages within the group of beneficiaries. However, the EEC while applying this liberal form of origin rules to imports from ACP countries where inter-state trade and hence inter-state specialization is weak is rather reluctant to grant the same for the more competitive GSP beneficiaries. An exception is the partial cumulative treatment conceded to three integration schemes which are either advanced customs unions (Central American Common Market) or on the half-way towards internal trade liberalization (ASEAN, Andean Group).

Whether the partial cumulation treatment contributes to reduce the share of dutiable ASEAN exports in preferential items cannot be empirically checked because the customs

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<sup>32</sup>Besides the studies on the GSP already cited above UNCTAD studies and replies from a questionnaire on the implementation of the GSP and on its shortcomings provided by some GSP beneficiaries are worth to be mentioned here. See UNCTAD, The GSP and the Lomé Convention. TD/B/C.5/49/Add. 1, 21 April 1977, and Replies from Preference-Receiving Countries, TD/B/C.5/54, 18 May 1977.

declaration sheets for GSP treatment do not yet specify the various stages of processing and the inter-state trade within the integration schemes but only record that cumulation treatment has been claimed and taken for granted.

However, some theoretical examples can be discussed which refer to the different requirements of local processing. First, the case where there is no minimum local value added content required. Assumed that Malaysia imports raw cotton from Egypt (CCT 5501) in order to produce cotton yarn (CCT 5505). The yarn is exported to Singapore where it is processed to clothing (CCT 6101) to be ultimately exported into the EEC. The normal GSP origin rules require that the so-called "double tariff item jump" (5501 → 5505 → 6101) is done in one country so that the Singapore exports of clothing would not fulfil the requirements under normal origin rules. Since Malaysia and Singapore are taken as one unit in the ASEAN cumulation treatment the exports of clothing meet the GSP origin rules.

Second the case that the third country import content must not exceed a certain limit. Assumed that Malaysia has a car assembly plant producing cars (without seats) worth 100 units with inputs from Japan worth 40 units. The cars are exported to Singapore where the seats are installed worth 10 units again with inputs from Japan worth 4 units. The complete car with an ASEAN value added content of 66 units and a Japanese input content of 44 units is exported from Singapore to the EEC and meets the cumulative origin rule requirements. Under normal rules GSP treatment would have been denied since then the Malaysian value added would have been regarded as a third country import content. However, it is important to note that there is no cumulation of third country inputs or local value added. The two processing stages must both separately fulfil the minimum local value added content of 60 percent.

The third case highlights this restrictive element in the cumulation treatment. Some products, say radios or electro-

nics are only qualified for GSP treatment if, in addition to the minimum local value added content requirement, a minimum of local materials originating in the country is processed. Say that Malaysia assembles radios worth 100 units with 40 units Japanese inputs at the maximum, 50 units local materials originating in Malaysia and with transistors again originating in Malaysia. Only if these three requirements are met, the radio is taken as originating in Malaysia and only then the radio can be exported to Singapore for final processing (prior to GSP exports) worth say 20 units, again with 8 units Japanese inputs and 10 units Singapore inputs. So it is not possible to cut down for example the local value added content in Malaysia to 55 units with 45 units third country inputs and with the other two requirements fulfilled, whereas in Singapore 17 units local value added and 3 units Japanese import content would be added.

Inter-ASEAN specialization advantages are likely to concentrate on the processing of electronics and electrical equipment where for instance inter-state wage differentials can be used<sup>33</sup> rather than on the textile production where vertically integrated processing chains are already nationally available and where there are not as large scale incentives to spread processing over various countries as they exist in the electrical equipment industries.

Hence the prohibition of cumulation in the processing of goods where the EEC GSP scheme requires minimum percentages of local value added (the more sophisticated engineering and equipment industries) considerably erodes the value of cumulative origin rules for ASEAN.

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<sup>33</sup> See for the underlying motives of intra-firm trade between various Southeast Asian countries including Malaysia and Singapore the case of the Japanese Toko Inc. analysed by Nakano Kenji, Inter-FTZs Operation of Japan's Electronics Firms. In: Free Trade Zones & Industrialization in Asia, Special Issue, Japan-Asia Quarterly Review, Pacific-Asia Resources Center, Tokyo 1977, pp. 199-207.

The ASEAN Gains from the GSP: A Brief Summary

EEC officials argue that a restrictive GSP scheme is better than no GSP scheme at all and that its complexity only reflects the necessary compromise between vested domestic interests and the export promotion demands of LDCs as well as between major and minor suppliers. Though being doubtless correct such a modest pretension does not coincide with the initial GSP target to promote LDC manufactured exports by reducing market access barriers in the industrialized countries, that means to eliminate export disincentives where they exist: at the margin and not intra-marginally. In comparison to other developing countries especially of the Latin American sphere Asian countries among which ASEAN economies are outstanding together with India, Hongkong and South Korea performed better and gradually increased their share in duty-free or duty-reduced LDC manufactured and agricultural exports to the EEC<sup>34</sup>.

But perhaps this performance might also be explained by more (compared to Latin American competitors) world market-oriented factor price policies including exchange rate policies, by more footloose export-oriented foreign investments in manufactures, by more skill availability both on the entrepreneur and on the employee side etc. and hence would have happened without preferences anyway.

A definite answer cannot be given but instead some tentative judgement on the various facets of the GSP puzzle is possible:

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<sup>34</sup>Taiwan should be mentioned separately since it is excluded from the EEC GSP but nevertheless scored extraordinarily high export growth rates. See for a discussion of arguments why Latin America has fallen behind Asian competitors in world manufactured exports in general and in manufactured exports to the EEC in particular Gustav Ranis, Challenges and Opportunities Posed by Asia's Super-Exporters: Implications for Manufactured Exports from Latin America. Yale Economic Growth Center, Discussion Paper No. 358, August 1980. - Rolf J. Langhammer, EEC Trade Policies and Latin American Export Performance. A Discussion of Causalities. Intereconomics, 5/1980, pp. 246-251.

First, if there is any export incentive at all then the non-sensitive goods are most likely to profit, since there is no uncertainty on whether ceilings become closed-ended or not, and hence no race for scarce quotas and less opportunities for monopoly importers to put the tariff revenues saved in their pockets as a windfall profit<sup>35</sup>.

However, EEC MFN tariff reductions have been advanced particularly in the non-sensitive sector<sup>36</sup> where its average preference margin amounted to only 7.8 percent in 1976 (against 8.9 percent for semi-sensitive and 12.1 percent for sensitive products). Thus, though two thirds of the 1978 EEC GSP-receiving imports from ASEAN concentrated on non-sensitive agricultures and manufactures (table 9<sup>a</sup>) the export expansion stimulus may have been low because of the low preference margins. This argument is underlined by the ASEAN specific export pattern of dominating non-sensitive agricultures where the preference margin is particularly cut down due to the fact that in agricultures tariff reductions instead of tariff exemptions prevail. The scenario may differ among the ASEAN countries especially between Malaysia and Singapore, the former being the major exporter of agricultures and the latter focussing on manufactures of all three degrees of sensitivity.

Second, sensitive or semi-sensitive exportables which are relevant mainly for Thailand, Singapore and to some extent the Philippines do hardly offer some scope for export incentives. Ceilings are rigid and though not being always strictly applied, inadequate compared to the export capacity of the major suppliers. Tariff revenues are saved only for intra-marginal exports and hence may be passed to the importer rather than to the consumer or exporter. Among the

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<sup>35</sup>The ODI-study by comparing growth rates of exports of various beneficiaries and non-beneficiaries to various donor and non-donor countries concludes that some export incentives have been working in the non-sensitive machinery sector. See Ann Weston, op.cit., p.139 seq.

<sup>36</sup>See Axel Borrmann, op.cit., table, p. 135.

ASEAN countries Thailand seems to be mostly affected by ceilings as well as butoirs.

Third, while there is no empirical evidence on the effect of cumulative origin rules for ASEAN, the prohibition of cumulation for products with minimum limits of a local value added content allows for the apriori judgement that this restriction jeopardizes the major part of incentives of an inter-ASEAN country vertical specialization in sophisticated manufactures.

Fourth, the EEC does not pursue a homogenously liberal policy of administrating quota and ceilings. Even in non-sensitive products some EEC members seem to have created additional national barriers against the inflow of GSP products. Countries as France and Italy clearly deviate from the more liberal partners Denmark and West Germany.

Fifth, the "trade" effect seems to be confined but so does the "aid" effect (table 19\*). By multiplying the average preference margin by the GSP-receiving exports as well as by the butoir something like the actual and hypothetical fiscal gains from the GSP for exporting countries can be assessed provided that the tariff revenue forgone is fully passed to the exporter. That this is evidently not the case has been discussed above under the heading of closed-ended ceilings, intra-marginal exports, and uncertainty. These three aspects provide clear incentives for importers to collect the revenues forgone as a windfall profit. But even if this would not happen the actual gains for ASEAN in total of 74 Mill. US-\$ and the national hypothetical gains of about 58 Mill. US-\$ at the maximum for Philippines<sup>37</sup> would be negligible compared to official grants of more than 410 Mill. US-\$ which ASEAN received in 1978 by DAC donor countries<sup>38</sup>.

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<sup>37</sup>Of course the maximization of individual gains would cut down the gains of the other countries, because of the butoir which cannot be exhausted by all ASEAN countries simultaneously.

<sup>38</sup>DAC/OECD, Development Co-operation, 1979 Review Paris, November 1979, table B.3.

To sum up: This is not to say that the EEC GSP scheme has not been favourable for various individual ASEAN exporters. What, however, gives rise to concern - notwithstanding the details - is that actual GSP-receiving imports still only cover a relatively small portion of EEC imports from ASEAN in GSP-covered items (even in non-sensitive items) and that ASEAN countries will be increasingly faced with the "anti-major supplier" bias of the national customs authorities.

National Protectionism within the EEC and its Impact on ASEAN Manufactured Exports<sup>39</sup>

Up to now the EEC trade policy has been assumed to be a community instrument being homogenous to the greatest extent irrespective of the various EEC countries concerned. However, notwithstanding national peculiarities in the administration of GSP tariff quotas as well as national non-tariff barriers such as subsidies, government procurement, standards and regulations etc., the EEC is in fact a "not-so-perfect customs union"<sup>40</sup>. Since its foundation it has preserved the right for its individual members to maintain national import quotas for a wide range of products outside the so-called common liberalization list.

Besides this heritage from the pre-integration period the EEC has additionally fixed both community import quotas and national shares in quotas for textiles in the various voluntary export self-restraints agreements (VESRA) established between the EEC and the major LDC textile suppliers among which are also the five ASEAN countries. Assumed an individual EEC member decides to stop imports exceeding

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<sup>39</sup> This chapter summarizes the findings published in detail in Rolf J. Langhammer, Nationaler Protektionismus im Rahmen der EG-Handelspolitik, dargestellt am Beispiel der Industriegüterimporte aus ASEAN-Ländern, Die Weltwirtschaft, 1981, H. 1.

<sup>40</sup> Juergen B. Donges, What is Wrong with the European Communities? Eleventh Wincott Memorial Lecture, The Institute of Economic Affairs, London 1981, p. 10 seq.



the apriori fixed quota<sup>41</sup> then this national protectionist instrument can only be effective if besides the direct imports the indirect imports (via other EEC countries whose markets are still open) are also cut off. Since the interruption of trade among EEC countries requires a formal sanction of the EEC commission, the frequency of the so-called non-application procedure of community treatment (Art. 115 EEC treaty), shortly the closing of one EEC sub-market against imports from a specific third country can be taken as an indicator of actual national protectionism.

Table 20<sup>32</sup> provides an EEC country-ASEAN country frequency distribution of such national barriers against indirect imports (and consequently also against direct imports) from ASEAN during 1976 and 1979. The pattern clearly denotes France, the UK, and Ireland as the three outstanding countries which delinked from ASEAN textile fabrics and clothing exports. There is a difference between the three countries, however, in as much as Ireland confined the barriers to clothing whereas France and the UK frequently interrupted the wide range of indirect and direct textile fabrics and clothing imports mainly from Thailand (including the only non-textile product, tiles). A frequency distribution of individual EEC country import licencing against ASEAN textile exporters as fixed in the five VESRA<sup>42</sup>

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<sup>41</sup>To make use of the right to stop imports beyond the quota is only an option. The experience suggests that some EEC countries frequently claim this option whereas other countries tend to use quota only as a "fleet in being" by which exporting countries can be disciplined or as a means of last resort.

<sup>42</sup>Individual EEC country import licencing means that if the textile exports of individual LDC suppliers to an EEC member exceed the apriori fixed member share in the community quota and that if consultation talks fail this EEC member can claim to fix absolute maximum import amounts for the following years being valid only for its market and being strictly licenced by both supplier and EEC country authorities (export and import licences according to the so-called double-check).

displays a similar pattern. Again France and the UK comprised more than 50 percent of total EEC countries import licences against ASEAN countries among which again Thailand has been most seriously affected. Denmark and West Germany range at the end of the protection scale as measured by both frequency distributions.

In addition the per capita maximum import amounts of individual EEC countries against ASEAN textiles and clothings (table 21\*) differ widely among the countries concerned and thus lend support to the assumption that the national authorities each follow very different criteria in fixing the maximum amounts.

It can only be very tentative to sketch the amount of imports from ASEAN forgone due to diverging national protectionist policies. One way bases on the observation that the protectionist "leaders" in textiles are not surprisingly those EEC partners whose share of textile and clothing imports in domestic apparent consumption lagged behind the EEC average of about 13 percent in 1976. If these countries (France, Italy, Belgium, the UK and Ireland) would have reduced their textile protectionism down to the community level and if this would have resulted in an increase of their import share in apparent consumption up to the EEC average by replacing domestic production, then the ASEAN share in additional textile imports of the five EEC countries could have amounted to about 60 Mill. US-\$ or 40 percent of the 1976 textile imports of the five countries from ASEAN.

#### Causes of National Protectionism

In search of some causes for different degrees of national protectionism against ASEAN (and of course against other competitive suppliers) three hypotheses shall be briefly discussed.

First, inter-EEC country differences in employment losses due to worsening trade balances with ASEAN in import-competing branches such as textiles.

Second, vested interests of some EEC country investors in areas whose exports in the past enjoyed a privileged access to individual EEC markets and whose privileges have been gradually eroded, for instance export-oriented investments in former colonies or other areas of strong bilateral ties (Mediterranean area).

Third, in general different institutional backgrounds for protectionism in EEC countries.

The underlying calculations for the first aspect are based on familiar input-output techniques by which the demand for employment due to final demand changes, in our case changes of net trade balances within a period, is assessed via the domestic transaction matrix and the average sectoral employment-gross output-ratio (table 3). This ceteris paribus approach may of course be generally questioned notwithstanding the usual critics against the application of outdated tables for actual problems<sup>43</sup>. However, since

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<sup>43</sup>For instance, underemployment on the job is excluded and so is consequently the reaction of employers to reduce labour X-inefficiency if final demand changes. Other reaction patterns such as stronger international linkages instead of maintaining domestic ones or technologically determined changes in capital-labour-ratios in branches negatively affected by import competition are also ruled out. Furthermore the use of average employment-output ratios instead of incremental ones tend to underestimate employment losses in labour-intensive branches where the incremental ratios are probably higher at the margin than intra-marginally and to overestimate employment gains in capital-intensive branches where the incremental capital-labour ratio is likely to exceed the average one. See for the presentation and the critique of this procedure Errol Grinols and Erik Thorbecke, The Effects of Trade between the U.S. and Developing Countries on U.S. Employment. In: Edmond Malinvaud and Jean-Paul Fitoussi (Eds.), Unemployment in Western Countries. Proceedings of a Conference held by the International Economic Association at Bischenberg/France, London 1980, pp. 101-134.

Table 3: Employment Gains and Losses<sup>a</sup> in the EEC due to Changes in Net Trade Balances with ASEAN between 1968 and 1975, in Number of Jobs

EEC-Countries Affected Sector i	West Germany	France	Italy	Netherlands	UK	Denmark	Belgium <sup>b</sup>	Ireland	EEC	
									In Absolute Figures	In Percent Of Total Employment 1975
Food, Beverages, Tobacco	- 1410	+ 360	- 40	-1310	- 2720	+ 190	- 330	+ 90	- 5170	0.2
Textiles	- 740	- 370	- 270	- 260	- 270	- 90	+ 70	- 40	- 1970	0.1
Clothing, Footwear	- 2420	- 1270	- 50	- 990	- 850	- 430	- 90	+ 20	- 6080	0.4
Wood, Paper, Printing	- 1440	- 170	-2270	-3060	- 3320	- 360	- 990	0	-11610	0.4
Rubber	+ 380	+ 360	+ 180	- 180	+ 720	+ 40	0	+170	+10890	0.4
Basic Chemicals	+ 3240	+ 3170	+1500		+ 560	- 30	+ 780			
Petroleum, Coal Products	+ 50	+ 10	- 70	+ 50	+ 20	--	- 60			
Non-Metallic Mineral Products	+ 670	+ 630	+ 560	+ 20	+ 1230	+ 30	+ 210	--	+ 3350	0.3
Ferrous and Non-Ferrous Metals	+ 3460	+ 330	+ 450	+ 500	+ 1540	+ 30	- 140	--	+ 6170	0.3
Transport Equipment	+ 3730	+ 2950	+2210	+3080	+ 8900	+ 240	+1780	--	+98880	0.8
Machinery and other Manufactured Goods	+25160	+10540	+4670	+4700	+29280	+1500				
Total Employment Gains	+36690	+18350	+9570	+8350	+42250	+2030	+2840	+420	+120500	
Total Employment Losses	- 6010	- 1810	-2700	-5800	- 7160	- 910	-1610	- 40	- 26040	
Net Employment Effect	+30680	+16540	+6870	+2550	+35090	+1120	+1230	+380	+ 94460	0.4

<sup>a</sup> Calculated by the following formula:  $\Delta E_i = \sum_j \frac{E_i}{Y_i} r_{ij} [(X_j^{75} - M_j^{75}) - (X_j^{68} - M_j^{68})]$   
 $r_{ij} = (I - A^d)_{ij}^{-1}$

$\frac{E_i}{Y_i}$  is the 1968/75 average sectoral labour-gross output-ratio (direct use of primary factor E in sector i to produce output X) in the respective EEC-country,  $r_{ij}$  the total direct and indirect use of sector i by sector j (element in the inverse Leontief matrix  $r_{ij}$  derived from the domestic transactions matrix  $A^d$  of the respective EEC-country) and  $X_j$  resp.  $M_j$  the EEC-exports to resp. imports from ASEAN in sector j. The change in the trade balance between 1968 and 1975 is thus sector's j final demand change which requires additional production and employment in the sectors i (i = 1 ... n). The overall employment effect  $\Delta E$  in each sector i is the total of individual employment changes caused by changes in the trade balance of each sector j (j = 1 ... n).

The national gross output figures have been made compatible by converting them from national currencies into US-\$.  
<sup>b</sup> Since for Belgium only value added data were available gross output figures have been estimated by multiplying the sectoral gross output-value added-ratios of the Netherlands by the Belgian value added data. Thus we assume the same value added content for the Belgian manufacturing sector as for the Netherlands.

Source: UN, Commodity Trade Statistics, Series D, various issues. - UN, Yearbook of Industrial Statistics, 1977. - UN, Growth of World Industry, 1973. - IBRD World Tables 1980. - UN/ECE, Standardized Input-output Tables of ECE Countries for Years around 1965, New York 1977. - Own calculations.

our concern relates to inter-EEC country differences in net employment effects rather than to precise magnitudes of jobs lost and gained, the "naive" input-output-approach can be justified.

The calculations suggest that while the intensified industrial division of labour between the EEC and ASEAN stimulated more gains in jobs in the human capital-intensive sectors than losses in the traditional labour-intensive sectors in all EEC countries between the 1968/75 period, the branch concentration of losses as the probably politically more relevant criterion for national protection differs by countries. The share of the textiles and clothing sector involved in employment losses ranges from 5 percent in Belgium to 100 percent for Ireland resp. 90 percent for France. These are just those two countries which after 1975 pursued the most explicit national maximum import amount policy against ASEAN suppliers, together with the UK.

As the national protectionism is not a global one but a highly selective complement to the community "base" protectionism and as the domestic pressure for additional protection can be easier internationally justified on a selective branch basis than in a global context - apart from the rather effective political pressure of well-organized sectoral trade and employers unions -, the branch concentration of employment losses in some EEC countries may provide some explanations for national protectionism. Arguments like the low overall employment incidence of the division of labour with ASEAN or the inter-sectoral shifts of employment and growth as well as the presumably positive net employment balance evidently exert a minor influence in the political bargaining for protection than sectorally confined considerations.

The second hypothesis that vested capital owner interests play an important role in explaining national protectionism is supported by the fact that especially France but also

the Benelux countries and Italy traditionally import textiles from ACP- and Mediterranean countries where they had established export-oriented affiliates under privileged trade relations between the home country and the host country. These bilateral ties had to be both modified within the course of the EEC internal integration process and sometimes eroded. The more the regional discrimination especially on the French market slowed down to the detriment of exports from former colonies<sup>44</sup> and the more the cost advantages of ASEAN suppliers emerged, the more quantitative restrictions have been demanded as a substitute for past market access guarantees of traditional suppliers. Table 4 displays that ASEAN textile suppliers<sup>45</sup> penetrated much stronger in the relatively open West German market than did the ACP- and Maghreb competitors whereas the situation was reverse on the three other more protected markets of France, the Benelux countries and Italy. The extraordinarily high regional disequilibrium for French imports in textile intermediates exhibits a strong French intra-firm trade component in trade between the home country and its former dependencies for which high protection has been sought and granted.

Table 4 : Ratio Between EEC Country Imports from Francophone ACP Countries plus Maghreb and ASEAN in Cotton Fabrics and Outer Garment, 1979

EEC Importing Country	Cotton Fabrics (CCCN 5509)	Outer Garment (CCCN 6101/6102)
West Germany	0.06	0.69
France	41.39	3.22
Benelux	3.62	2.13
Italy	0.40	6.35

Source: Eurostat, Analytical Tables of Foreign Trade NIMEXE - 1979, Vol. F, Luxembourg 1980.

<sup>44</sup>See for an analysis of the crisis of the French textile industry and their foreign investments in ACP countries Lynn Krieger Mytelka and Suzanne Bonzon Laurent. Vers une Troisième Crise du Textile? Repères, Paris, No. 67, Nov.-Dec. 1979, pp. 34-41.

<sup>45</sup>The tariff headings 5509 and 6101/6102 represent the core of textile protectionism against ASEAN.

Neither sectorally concentrated employment losses nor vested interests of EEC capital owners are sufficient pre-conditions for national protectionism. They describe motives of pressure groups which demand protection but do not explain why the supply of protection is actually provided by the national authorities. Traditionally the institutional background of protection widely differs between the individual EEC members and has for example influenced the extent to which the partners agreed to abolish national quota on specific imports since the establishment of a common trade policy in 1968 and to pass these goods over to the common liberalization list<sup>46</sup>.

Though the empirical evidence strongly suggests to rank France, the UK and Italy at the upper end of the protection scale and Denmark as well as West Germany at its lower end it is difficult to give concrete and generally valid criteria of the underlying roots. Each country condemns a global protectionism, while to a different degree pleading for safeguard measures against "concurrence anormale" whatever this means.

The more, however, trade unions and employer associations dominate both the public discussion and the adviser institutions for the government against consumer associations and trade boards, the more it is likely that the sectorally confined view of selective safeguard measures against imports will be shared by the officials. The 1978 voting

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<sup>46</sup>In 1978 still 20 percent of EEC imports of semi-manufactures and manufactures (CCT 25-99 minus 27, (mineral oils)) from LDCs was not commonly liberalized, in other words, this part of imports was still subjected to national import quota (and hence to national trade policy competence) in at least one member country. Again France and the UK take the lead in national quota towards LDCs exports; 11 resp. 12 percent of their respective imports from LDCs faced national quota—followed by Italy. The ranking list shifts to Italy as the leader in quantitative restrictions towards extra-EEC sources in general due to import quota on cars from DCs outside the EEC. Again West Germany keeps the stern-light of the protection convoy. See for further details Rolf J. Langhammer, Nationaler Protektionismus, op.cit., Table 1.

behaviour of the institutional member groups in the French economic consultant board for the government, the Conseil Economique et Social<sup>47</sup>, exhibits some evidence as far as the French position in the New International Industrial Division of Labour is concerned: Employer associations, the representatives of the medium-sized enterprises as well as the conservative and socialist trade unions voted in favour of a draft report and a policy recommendation provided by the industrial and commercial section of the Conseil and pleading for both selective French safeguard measures against "concurrence anormale" and a "Buy French" campaign. The communist trade unions were the only groups which voted against the draft, but only because of a lacking condemnation of multinationals and their role in the international division of labour, whereas some non-aligned persons and the representatives of the overseas territories abstained from voting. Neither consumer associations nor trade boards were heard, though being institutional members in the Conseil, however, with only few votes. The ODI-study reports on similar institutional linkages between both producers and trade unions and their powerful partners in the ministries, the industry sections and the customs authorities<sup>48</sup>.

During the latest time the divergencies within the EEC between more and less protectionist members seem to have aggravated notwithstanding the internal subsidy competition in steel products. Especially the textile imports from LDCs increasingly face protectionist resistance first because the various pressure groups gathered in order to provide a favourable background for a more restrictive, new MFA-agreement starting from 1982. Second, because

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<sup>47</sup> See L'Avenir des Industries Françaises et la Nouvelle Répartition Internationale de la Production Industrielle. Journal Officiel de la République Française, Avis et Rapports du Conseil Economique et Social No. 4, 1979, 27 January 1979.

<sup>48</sup> Ann Weston, op.cit., pp. 44-52.



France again took the lead in the national protectionism by classifying the French textile industry as a "strategically important industry" (a de facto status quo guarantee) and by establishing rigid origin certificate controls in EEC internal trade against indirect imports mainly via West Germany (March 1981)<sup>49</sup>.

The most disturbing aspect of this new wave of national protectionism seems to be the fact that LDC suppliers flexibly react to it by shifting exports to the more absorptive and open sub-markets - as it also happened in the ASEAN case - and hence encourage a national protectionism also in these markets where pressure groups argue in terms of a regional disequilibrium in the community burden sharing towards LDCs exports. In this context national protectionism becomes more epidemic within the EEC, the more the regional shifts of exports as a reaction to forerunners in protectionism coincide with an overall poor economic growth performance in the import market as it is now the case.

### Outlook

Though ASEAN manufactured exports towards the EEC exhibited an overproportional performance during the last decade - compared to other less developed countries exports - and though the institutional trade relations between the two groups steadily improved and culminated in the non-preferential trade and cooperation agreement of March 1980, numerous tariff and particularly non-tariff barriers against ASEAN still exist as has been shown above.

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<sup>49</sup>The French customs authorities argue that the free EEC-internal trade has been increasingly abused. In fact the peculiarities of free trade between the two German states allow for some abuse in origin certificates if for example textile products originating from Asian countries are exported to the FRG via the GDR and if the products have ultimately passed the West German customs clearance with a GDR origin certificate.

More relevant than the actual status at the beginning of the eighties are the protection forecasts for the next decade which are far from being rosy:

First, the EEC is facing strong diverging national interests and internal conflicts between more and less liberal members and it is not unlikely that LDCs export interests (except those of ACP countries) will be sacrificed in order to keep the community running. The renegotiated MFA-agreement could bring the first proof of this hypothesis.

Second, the EEC will be enlarged by Mediterranean countries whose export manufactures (in the case of Greece and Portugal, perhaps later on of Turkey) focus on sensitive items also supplied by ASEAN. Hence the prolongation of protection in these categories is most likely and this will outweigh the perspectives of a larger EEC market for ASEAN goods.

Third, trade preferences towards LDCs are increasingly seen as a burden resp. as an aid element rather than as an instrument of real income gains or an incentive of internal and international structural changes. Consequently preferences will be concentrated on least developed countries and be gradually frozen for major suppliers as for examples the ASEAN countries. Notwithstanding this gradual erosion the preferences will in any case be principally eroded if MFN tariff cuts are continued. Safeguards and the less transparent non-tariff barriers which are more difficult to be tackled in GATT rounds will provide an effective substitute to tariff barriers.

Fourth, the ACP countries will be furthermore given priority in EEC trade policies. For some ASEAN countries especially Malaysia this priority might be crucial since EEC-ACP cooperation will include financial and technical EEC sponsorship for export-oriented investments in agri-

cultural processing (such as refining of vegetable oils) where ASEAN and ACP countries are competing units.

The assets of ASEAN needed in order to minimise the adverse effects are reciprocity in trade negotiations, the diversification potential of the ASEAN economies and the ongoing integration process, the increasing attractiveness for EEC investors (especially after the expectations with regard to the Chinese market proved to be unrealistic), the political stability, the natural resource basis and the endowment with financial intermediates.

Special interest should be devoted to intra-firm trade between ASEAN and the EEC since apart from mutual gains in specialization and economies of scale a strong intra-firm component would probably weaken the protection coalition between EEC trade unions and domestic producers having been the most powerful barrier to EEC imports from ASEAN in the past.

Table 1\* Sectoral Composition of EEC Country Imports in Manufactures from ASEAN, 1968 and 1977

Industry <sup>a</sup>	West Germany		France		Italy		Netherlands		UK		Denmark		Belgium		Ireland		EEC	
	1968	1977	1968	1977	1968	1977	1968	1977	1968	1977	1968	1977	1968	1977	1968	1977	1968	1977
Food, Beverages and Tobacco	<u>37.9</u> <sup>b</sup>	14.4	0.2	7.5	1.1	0.6	7.4	<u>19.5</u>	13.8	6.7	<u>35.2</u>	<u>13.6</u>	13.0	<u>17.9</u>	-	3.2	16.0	11.9
Textiles	0.3	4.7	-	3.3	0.7	<u>25.3</u>	0.5	1.9	<u>3.5</u>	3.4	-	<u>8.4</u>	-	<u>6.7</u>	-	<u>25.2</u>	1.1	5.6
Clothing	0.3	<u>15.3</u>	<u>1.4</u>	<u>12.5</u>	-	4.7	-	6.0	<u>1.7</u>	9.2	-	<u>17.0</u>	-	6.2	-	<u>13.8</u>	0.8	10.9
Wood Products, Paper and Printing	8.5	12.7	<u>20.6</u>	17.8	1.7	<u>29.0</u>	16.0	<u>29.3</u>	<u>36.5</u>	<u>24.2</u>	<u>37.5</u>	8.8	<u>52.7</u>	<u>37.6</u>	16.0	<u>27.7</u>	20.4	20.8
Rubber	0.1	0.2	0.3	0.3	-	0.4	-	0.2	<u>0.9</u>	<u>1.1</u>	-	0.3	-	0.2	-	-	0.3	0.4
Chemicals	22.9	11.4	57.8	5.6	22.4	5.8	23.5	<u>25.2</u>	<u>34.1</u>	<u>27.5</u>	7.6	9.5	<u>26.4</u>	14.8	<u>84.0</u>	<u>27.4</u>	32.3	16.0
Petroleum and Coal Products	0.8	-	-	-	-	-	<u>23.9</u>	-	0.5	-	-	-	-	-	-	-	3.9	-
Non-Metallic Mineral Products	0	0.4	0	-	-	-	-	0.2	0	-	-	-	0.1	-	-	-	0	0.2
Non-Ferrous and Ferrous Metals	<u>28.8</u>	<u>16.5</u>	19.7	<u>25.7</u>	<u>74.1</u>	<u>30.4</u>	16.7	6.1	5.2	6.6	17.9	0.2	7.8	10.0	-	-	22.4	13.9
Transport Equipment	-	0.2	-	0.3	-	0	<u>11.8</u>	0.5	0.6	0.3	-	<u>40.4</u>	-	1.6	-	-	1.9	2.0
Machinery and other Manufactured Goods	0.4	<u>24.2</u>	-	<u>27.0</u>	-	3.8	0.2	11.1	<u>3.2</u>	<u>21.0</u>	<u>1.8</u>	1.8	-	5.0	-	2.7	0.9	18.3
Total Manufactures	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<sup>a</sup> See for the industrial classification scheme based on the three-digit SITC data UNCTAD, Handbook of International Trade and Development Statistics, 1978, Supplement 1979, New York 1979, p. 603. - <sup>b</sup> The underlined national shares exceed the corresponding EEC average.

Sources: UN, Commodity Trade Statistics, current issues.

Table 2: Regional Composition of ASEAN Manufactured Exports in the EEC, 1968 and 1977

Industry	Year	West Germany	France	Italy	Netherlands	UK	Denmark	Belgium	Ireland	EEC
Food, Beverages and Tobacco	1968	63.5	0.3	0.6	6.9	20.9	4.9	2.9	-	100.0
	1977	40.5	8.0	0.4	28.4	11.2	4.8	6.6	0.1	100.0
Textiles	1968	8.2	-	5.7	7.4	78.7	-	-	-	100.0
	1977	27.9	7.3	33.8	6.0	11.8	6.1	5.2	1.9	100.0
Clothing	1968	10.5	35.9	-	-	53.6	-	-	-	100.0
	1977	46.5	14.7	3.3	9.4	16.8	6.4	2.5	0.4	100.0
Wood Products, Paper and Printing	1968	11.2	19.2	0.7	11.7	43.5	4.1	9.3	0.3	100.0
	1977	20.5	10.9	10.5	24.4	23.3	1.8	8.0	0.6	100.0
Rubber	1968	12.1	13.4	-	-	74.5	-	-	-	100.0
	1977	14.0	8.8	7.9	7.5	56.1	3.5	2.2	-	100.0
Chemicals	1968	19.0	34.2	6.0	10.8	25.7	0.5	2.9	0.9	100.0
	1977	23.9	4.4	2.7	27.3	34.4	2.5	4.1	0.7	100.0
Petroleum and Coal Products	1968	4.9	-	-	92.1	3.0	-	-	-	100.0
	1977	-	-	-	-	-	-	-	-	-
Non-Metallic Mineral Products	1968	12.0	4.0	-	-	24.0	-	60.0	-	100.0
	1977	81.0	-	-	19.0	-	-	-	-	100.0
Non-Ferrous and Ferrous Metals	1968	34.6	16.9	28.6	11.1	5.7	1.8	1.3	-	100.0
	1977	39.6	23.6	16.5	7.6	9.5	0	3.2	-	100.0
Transport Equipment	1968	-	-	-	92.4	7.6	-	-	-	100.0
	1977	2.1	2.2	0.2	4.4	4.1	83.4	3.6	-	100.0
Machinery and other Manufactured Goods	1968	10.1	-	-	3.8	82.1	4.0	-	-	100.0
	1977	44.3	18.9	1.6	10.5	23.0	0.4	1.2	0.1	100.0
Total Manufactures	1968	26.9	19.1	8.7	14.9	24.3	2.2	3.6	0.3	100.0
	1977	33.4	12.7	7.6	17.3	20.0	4.2	4.4	0.4	100.0

Sources: UN, Commodity Trade Statistics, various issues.

Table 3\* Real Exchange Rate Changes<sup>a</sup> of ASEAN Country Currencies vis-à-vis EEC Country Currencies (1977 in percent of 1968)

ASEAN Country \ EEC Country	Indonesia	Malaysia	Philippines	Singapore	Thailand	ASEAN unweighted average
West Germany	+ 8.6	+ 39.1	+ 34.7	+ 28.2	+ 31.8	+ 28.5
France	- 18.6	+ 4.6	+ 1.4	- 3.5	- 0.9	- 3.4
Italy	- 10.8	+ 14.0	+ 9.9	+ 5.1	+ 8.1	+ 5.3
Netherlands	- 8.6	+ 17.2	+ 13.5	+ 8.1	+ 11.0	+ 8.2
UK	- 14.0	+ 10.1	+ 6.6	+ 1.5	+ 4.3	+ 1.7
Denmark	+ 5.3	+ 34.9	+ 30.7	+ 24.4	+ 27.9	+ 24.6
Belgium	- 6.5	+ 19.8	+ 16.0	+ 10.4	+ 13.4	+ 10.6
Ireland	- 10.1	+ 15.0	+ 11.4	+ 6.1	+ 9.0	+ 6.3
EEC unweighted average	- 6.8	+ 19.3	+ 15.5	+ 10.0	+ 13.1	+ 10.2

<sup>a</sup> + (-) = real depreciation (appreciation). The real exchange rate is measured by

$$r^r = \frac{\frac{r_A^n}{P_{A,US}}}{\frac{r_S^n}{P_{S,US}}}$$

where  $r^r$  denotes the real exchange rate (ASEAN country currency per EEC country currency),  $r_A^n$  the nominal exchange of ASEAN country A (per US-\$),  $P_{A,US}$  the ratio between the ASEAN country and the US wholesale price index,  $r_S^n$  the nominal exchange rate of EEC country S (per US-\$) and  $P_{S,US}$  the ratio between the EEC country and the US wholesale price index. For Malaysia and Singapore the consumer price index has been taken instead of the wholesale price index.

Sources: Calculated from IBRD, World Tables 1980, Washington 1980, IMF, Financial Statistics, current issues.

Table 4\* : Trade Balance<sup>a</sup> between the EEC Countries and ASEAN in Manufacturing Industries 1968 and 1977 in Mill. US-\$

Industry EEC Countries	Food, Beverages, Tobacco	Textiles	Clothing, Footwear	Wood, Paper, Printing	Rubber	Basic Chemicals	Petroleum, Coal Pro- ducts	Non-Metallic Mineral Pro- ducts	Ferrous and Non-Ferrous Metal	Transport Equipment	Machinery and other Manufac- tured Goods	Total
West Germany 1968	- 25.8	+ 5.4	+ 0.4	- 2.4	+ 2.7	+ 21.6	- 0.1	+ 2.7	- 10.0	+ 64.4	+ 137.4	+ 196.3
1977	-116.4	- 25.5	-122.7	- 85.9	+ 6.6	+114.7	+ 2.5	+ 10.8	-103.9	+204.0	+ 571.3	+ 455.5
France 1968	+ 13.3	+ 3.1	+ 0.4	- 8.0	+ 0.8	- 20.9	-	+ 1.4	- 7.4	+ 6.8	+ 13.4	+ 2.9
1977	+ 7.6	- 5.9	- 32.8	- 40.9	+ 4.0	+ 45.8	+ 2.3	+ 10.3	- 64.6	+115.0	+ 196.3	+ 237.1
Italy 1968	+ 1.1	+ 2.5	+ 0.1	+ 0.9	+ 0.4	+ 3.7	-	+ 2.0	- 16.9	+ 14.8	+ 42.3	+ 50.9
1977	- 0.0	- 44.7	- 3.1	- 49.3	+ 0.8	+ 18.1	+ 13.4	+ 11.8	- 51.8	+ 29.5	+ 38.6	- 36.7
Netherlands 1968	+ 29.7	+ 2.7	-	- 6.2	-	+ 13.3	- 7.6	+ 0.3	- 4.9	+ 1.2	+ 29.3	+ 57.8
1977	- 48.5	- 6.1	- 26.3	-126.5	+ 0.1	- 41.1	+ 3.6	+ 0.6	- 18.0	+ 39.6	+ 220.0	- 2.6
UK 1968	+ 17.7	+ 8.2	+ 0.1	- 12.0	+ 3.8	+ 27.9	+ 2.3	+ 5.3	+ 10.6	+ 55.3	+ 137.7	+ 256.9
1977	+ 13.0	+ 0.9	- 40.1	- 87.9	+ 2.0	+ 61.4	+ 5.8	+ 17.2	- 4.2	+168.9	+ 378.7	+ 515.7
Denmark 1968	+ 7.1	-	-	- 2.4	-	+ 2.5	-	+ 0.2	- 1.0	+ 0.5	+ 3.7	+ 10.6
1977	+ 7.0	- 4.3	- 17.9	- 9.0	- 0.1	- 5.0	-	-	+ 1.4	- 38.4	+ 6.9	- 59.4
Belgium/Lu- xemburg 1968	+ 2.7	+ 1.7	+ 0.2	- 5.5	+ 0.1	+ 1.9	+ 1.1	+ 2.0	+ 6.7	+ 0.4	+ 9.0	+ 20.3
1977	- 3.3	- 2.0	- 6.6	- 41.9	+ 0.3	+ 26.4	+ 1.1	+ 4.1	- 1.4	+ 8.8	+ 85.5	+ 71.0
Ireland 1968	+ 1.1	-	-	+ 0.5	-	- 0.5	-	-	-	-	-	+ 1.1
1977	+ 7.1	- 2.6	- 1.4	- 2.1	-	+ 2.2	-	+ 0.2	-	+ 0.2	- 0.1	+ 3.5
Total EEC 1968	+ 46.9	+ 23.6	+ 1.2	- 35.1	+ 7.8	+ 49.5	- 4.3	+ 13.9	- 22.9	+143.4	+ 372.8	+ 596.8
1977	-133.5	- 90.2	-250.9	-443.5	+ 13.7	+222.5	+ 28.6	+ 55.2	-242.5	+527.5	+1497.2	+1184.1

<sup>a</sup> EEC-exports to ASEAN minus EEC-imports from ASEAN

Source: Calculated from UN, Commodity Trade Statistics, Series D, various issues

Table 5\*: Structure of Revealed Comparative Advantages<sup>a</sup> of EEC Countries vis-à-vis ASEAN in Manufacturing Industries 1968 and 1977

Industry EEC Countries	Food, Beverages, Tobacco	Textiles	Clothing, Footwear	Wood, Paper, Printing	Rubber	Basic Chemicals	Petroleum, Coal Products	Non-Metallic Mineral Products	Ferrous and Non-Ferrous Metal	Transport Equipment	Machinery and other Manufactured Goods	
West Germany	1968	- 84.9	+ 80.5	- 5.6	- 50.4	+ 83.5	- 11.6	- 44.7	+ 99.5	- 54.2	+ 100.0	+ 99.1
	1977	- 92.1	- 56.0	- 91.7	- 71.8	+ 63.5	+ 20.3	+100.0	+ 52.1	- 66.0	+ 98.7	+ 46.9
France	1968	+ 98.2	+100.0	+ 16.9	- 55.0	+ 76.4	- 49.4	-	+ 99.9	- 51.5	+ 100.0	+100.0
	1977	- 10.5	- 52.2	- 75.2	- 64.5	+ 59.7	+ 39.8	+100.0	+100.0	- 71.1	+ 97.4	+ 35.5
Italy	1968	+ 33.4	+ 74.6	+100.0	+ 2.2	+100.0	- 16.9	-	+100.0	- 88.3	+ 100.0	+100.0
	1977	+ 8.5	- 83.4	- 10.9	- 76.6	+ 39.8	+ 50.1	+100.0	+100.0	- 77.0	+ 99.3	+ 75.1
Netherlands	1968	+ 70.1	+ 75.5	-	- 86.4	-	- 0.6	- 69.3	+100.0	- 65.4	- 17.6	+ 98.8
	1977	+ 39.2	- 54.7	-100.0	- 96.1	+ 5.6	- 22.5	+100.0	+ 29.0	- 50.2	+ 89.8	+ 69.3
UK	1968	- 10.3	+ 1.1	- 36.5	- 57.5	+ 27.3	- 17.0	+ 37.6	+ 99.4	- 3.4	+ 95.8	+ 91.0
	1977	- 13.2	- 23.3	- 81.1	- 66.9	- 13.3	- 11.7	+100.0	+100.0	- 30.1	+ 96.3	+ 45.7
Denmark	1968	+ 28.9	-	-	-100.0	-	+ 48.4	-	+100.0	- 83.1	+ 100.0	+ 89.6
	1977	+ 42.3	+ 5.0	-100.0	- 88.7	+ 22.4	+ 3.9	-	-	+ 84.6	- 71.0	+ 74.8
Belgium/Luxembourg	1968	+ 0.2	+100.0	+100.0	-100.0	+100.0	- 15.6	+100.0	+ 97.1	+ 61.2	+ 100.0	+100.0
	1977	- 26.6	- 31.7	- 92.6	- 98.6	+ 26.7	+ 26.6	+100.0	+100.0	- 24.9	+ 61.6	+ 84.7
Ireland	1968	+100.0	-	-	+ 39.9	-	- 56.2	-	-	-	-	-
	1977	+ 90.1	-100.0	-100.0	- 65.5	-	+ 16.4	-	+100.0	-	+ 100.0	- 40.1
Total EEC	1968	- 11.4	+ 57.7	- 18.9	- 61.5	+ 62.7	- 19.8	- 48.9	+ 99.3	- 47.8	+ 85.5	+ 97.0
	1977	- 39.8	- 54.4	- 84.7	- 76.8	+ 28.3	+ 3.2	+100.0	+ 84.2	- 59.7	+ 80.0	+ 52.8

$${}^a \text{RCA}_{ij} = \frac{\frac{x_{ij} - m_{ij}}{x_{ij} + m_{ij}}}{\frac{\sum_j (x_{ij} - m_{ij})}{\sum_j (x_{ij} + m_{ij})}} \cdot \left[ \frac{100}{\frac{\sum_j (x_{ij} - m_{ij})}{\sum_j (x_{ij} + m_{ij})}} \right] \text{ if } \frac{x_{ij} - m_{ij}}{x_{ij} + m_{ij}} > \frac{\sum_j (x_{ij} - m_{ij})}{\sum_j (x_{ij} + m_{ij})}$$

$$\text{RCA}_{ij} = \frac{\frac{x_{ij} - m_{ij}}{x_{ij} + m_{ij}}}{\frac{\sum_j (x_{ij} - m_{ij})}{\sum_j (x_{ij} + m_{ij})}} \cdot \left[ \frac{100}{1 + \frac{\sum_j (x_{ij} - m_{ij})}{\sum_j (x_{ij} + m_{ij})}} \right] \text{ if } \frac{x_{ij} - m_{ij}}{x_{ij} + m_{ij}} < \frac{\sum_j (x_{ij} - m_{ij})}{\sum_j (x_{ij} + m_{ij})}$$

where  $x_{ij}$  resp.  $m_{ij}$  denote the exports resp. imports of an EEC-country  $i$  to resp. from ASEAN in the manufacturing sector  $j$ .



Table 6<sup>a</sup>: Structure of Revealed Comparative Advantages<sup>a</sup> of EEC vis-à-vis ASEAN-Countries in Manufacturing Industries 1968 and 1977

ASEAN-Countries Sectors		Indonesia	Malaysia	Philippines	Singapore	Thailand
Food, Beverages, Tobacco	1968	- 32.8	48.5	- 37.0	28.4	- 16.1
	1977	- 60.0	- 25.0	- 50.2	46.7	- 43.4
Textiles	1968	100.0	52.9	83.0	14.1	79.8
	1977	- 3.9	- 48.1	12.9	- 18.4	- 90.5
Clothing, Footwear	1968	-	28.6	100.0	- 49.5	100.0
	1977	- 84.2	- 86.1	- 95.7	- 71.2	- 99.6
Wood, Paper, Printing	1968	- 12.3	- 83.0	- 2.3	- 51.5	- 23.7
	1977	- 58.5	- 87.2	- 78.0	- 69.9	- 53.3
Rubber	1968	100.0	31.5	100.0	100.0	100.0
	1977	100.0	10.9	100.0	31.0	13.2
Basic Chemicals	1968	- 17.5	- 38.0	- 6.8	- 15.7	33.2
	1977	- 14.0	- 30.9	13.9	89.8	91.2
Petroleum, Coal Products	1968	- 81.7	16.5	100.0	- 50.7	100.0
	1977	100.0	100.0	100.0	100.0	100.0
Non-Metallic Mineral Products	1968	100.0	100.0	100.0	96.1	99.1
	1977	100.0	87.6	100.0	100.0	22.3
Ferrous and Non-Ferrous Metal	1968	- 36.3	- 58.6	88.1	- 2.7	- 67.7
	1977	- 77.2	- 73.6	- 12.3	76.8	- 51.5
Transport Equipment	1968	100.0	98.9	32.3	96.6	100.0
	1977	96.1	99.3	85.9	32.0	100.0
Machinery and other Manufactures	1968	99.4	99.4	96.1	84.0	99.0
	1977	96.4	55.7	63.4	2.4	76.3

<sup>a</sup> See footnote (a) in table 5<sup>a</sup>.

Source: See table 2<sup>a</sup>.

Table 7\*: Trade Overlap<sup>a</sup> between Manufactured GSP Exports (except textiles) from ASEAN Members to West Germany 1979

Country (b) \ Country (a)	Indonesia	Malaysia	Philippines	Singapore	Thailand
Indonesia		0.481	0.036	0.051	0.045
Malaysia			0.134	0.069	0.109
Philippines				0.120	0.076
Singapore					0.093
Thailand					

<sup>a</sup> Defined as  $S(ab) = \left[ \sum_i \min (X_i (a), X_i (b)) \right]$ , where  $X_i (a)$  is ASEAN country a's manufactured preferential export under a four-digit CCCN-item i to West Germany, and  $X_i (b)$  ASEAN country b's export respectively.

Source: Data on GSP imports provided by the West German Ministry of Economics.

Table 8\*: Import Market Penetration of ASEAN Manufactures in the EEC and USA/Canada 1968 and 1975

Industry	Share of ASEAN in EEC and US/Canada Manufacturing Imports (Percentages)							
	EEC				US/Canada			
	Imports from LDCs		Total Imports		Imports from LDCs		Total Imports	
	1968	1975	1968	1975	1968	1975	1968	1975
Food, Beverages and Tobacco	4.4	8.1	0.8	1.3	16.8	12.8	5.8	5.1
Textiles	1.4	3.2	0.1	0.4	1.6	3.2	0.5	1.0
Clothing	0.8	3.6	0.1	0.8	8.8	6.1	2.8	3.6
Wood Products, Paper and Printing	33.6	44.6	1.4	1.8	25.9	12.4	2.3	1.2
Rubber	19.6	19.9	0.2	0.2	-	0	-	0
Chemicals	26.5	17.6	1.7	1.0	30.1	49.4	4.3	7.3
Petroleum and Coal Products	4.5	3.5	0.8	0.4	0	3.3	0	2.7
Non-Metallic Mineral Products	0.7	1.8	0	0	1.2	17.6	0	1.6
Non-Ferrous and Ferrous Metals	4.5	5.5	1.0	0.7	26.7	21.1	4.1	3.0
Transport Equipment	23.0	4.0	0.1	0	-	0.9	-	0
Machinery and other Manufactured Goods	1.6	21.1	0	0.6	0.6	15.2	0	2.3
Total Manufactures	7.4	10.0	0.6	0.7	12.0	11.4	1.7	2.4

Source: Calculated from: UN, Commodity Trade Statistics, current issues. - UNCTAD, Handbook of International Trade and Development Statistics, current issues.

Table 9\*EEC Imports from ASEAN under the GSP by GSP Categories 1978

Category	GSP-receiving imports	West Germany	France	Italy	Benelux	UK	Ireland	Denmark	EEC
Sensitive industrial products (except textiles)	in Mill. US-\$ <sup>a</sup>	8.9	4.2	1.8	2.3	46.1	0.9	4.5	68.7
	in percent of total EEC imports from ASEAN in GSP tariff items	7.7	5.6	4.4	4.0	30.9	17.8	50.5	15.2
Semi-sensitive industrial products (except textiles)	in Mill. US-\$	56.7	10.9	8.0	15.4	25.2	0.7	5.9	122.8
	in percent of total EEC imports from ASEAN in GSP tariff items	50.9	46.8	73.5	67.9	74.5	77.6	86.3	58.5
Non-sensitive industrial products (except textiles)	in Mill. US-\$	66.9	9.2	10.1	22.3	37.0	1.0	3.3	149.8
	in percent of total EEC imports from ASEAN in GSP tariff items	32.6	10.7	10.4	10.6	26.1	57.3	39.5	19.9
Sensitive textiles	in Mill. US-\$	15.0	3.6	--	0.3	5.5	0.2	5.1	29.7
	in percent of total EEC imports from ASEAN in GSP tariff items	10.6	10.4	--	0.8	9.1	9.0	24.7	8.7
Semi-sensitive textiles	in Mill. US-\$	3.4	1.0	--	--	0.9	0.1	0	5.4
	in percent of total EEC imports from ASEAN in GSP tariff items	77.8	61.0	--	--	44.5	59.3	27.5	39.6
Non-sensitive textiles	in Mill. US-\$	2.4	0.7	0.1	5.0	0.4	--	0.1	6.7
	in percent of total EEC imports from ASEAN in GSP tariff items	93.3	74.1	24.2	70.9	77.9	--	87.5	75.1
Sensitive agricultures (tobacco type Virginia, Cocoa butter, canned ananas)	in Mill. US-\$	25.8	0.2	--	3.0	17.9	0.4	3.6	51.1
	in percent of total EEC imports from ASEAN in GSP tariff items	66.7	3.9	--	10.9	63.3	91.8	78.9	43.1
Semi-sensitive agricultures (raw tobacco)	in Mill. US-\$	4.5	0.3	--	--	1.8	--	3.0	9.6
	in percent of total EEC imports from ASEAN in GSP tariff items	74.2	94.5	--	--	39.7	--	91.8	55.1
Non-sensitive agricultures	in Mill. US-\$	115.3	31.7	25.2	117.3	137.3	1.0	10.0	437.8
	in percent of total EEC imports from ASEAN in GSP tariff items	71.6	60.7	43.4	73.1	78.7	24.8	82.9	70.4
Total agricultures, semi-manufactures and manufactures <sup>b</sup>	in Mill. US-\$	298.9	61.8	45.2	165.6	272.0	4.3	35.7	883.5
	in percent of total EEC imports from ASEAN in GSP tariff items	38.1	22.1	17.5	31.4	44.9	29.0	54.8	34.8

<sup>a</sup> The data have been converted from European Units of Account (EUA) into US-\$ by the rate 1 US\$ = 0.837 EUA

<sup>b</sup> Discrepances between the sum of the individual categories and the total figure are due to rounding.

Source: Microfiche data Provided by the Statistical Office of the European Communities

Table 10\*: EEC Imports from Indonesia under the GSP by GSP Categories 1978

Category	GSP-receiving imports	West Germany	France	Italy	Benelux	UK	Ireland	Denmark	EEC
Sensitive industrial products (except textiles)	in 1000 US-\$ <sup>a</sup>	856	85	1	229	2960	--	--	4132
	in percent of total EEC imports from Indonesia in GSP tariff items	60.2	15.3	0.2	7.1	49.9	--	--	33.8
Semi-sensitive industrial products (except textiles)	in 1000 US-\$	796	317	41	308	1430	--	7	2899
	in percent of total EEC imports from Indonesia in GSP tariff items	66.6	88.5	18.7	57.0	94.0	--	63.6	75.6
Non-sensitive industrial products (except textiles)	in 1000 US-\$	2852	165	3128	1889	523	--	14	8571
	in percent of total EEC imports from Indonesia in GSP tariff items	45.2	2.6	5.2	15.2	3.4	--	2.4	8.5
Sensitive textiles	in 1000 US-\$	84	4	--	--	44	--	96	228
	in percent of total EEC imports from Indonesia in GSP tariff items	0.9	2.4	--	--	1.0	--	12.6	1.3
Semi-sensitive textiles	in 1000 US-\$	20	--	--	--	12	--	--	32
	in percent of total EEC imports from Indonesia in GSP tariff items	166.7	--	--	--	75.0	--	--	86.5
Non-sensitive textiles	in 1000 US-\$	33	2	1	--	1	--	1	38
	in percent of total EEC imports from Indonesia in GSP tariff items	40.7	100.0	100.0	--	50.0	--	100.0	41.3
Sensitive agricultures (tobacco type Virginia, cocoa butter, canned ananas)	in 1000 US-\$	92	--	--	65	37	--	18	213
	in percent of total EEC imports from Indonesia in GSP tariff items	32.9	--	--	20.7	72.5	--	35.3	15.2
Semi-sensitive agricultures (raw tobacco)	in 1000 US-\$	4499	268	--	--	1767	--	3017	9550
	in percent of total EEC imports from Indonesia in GSP tariff items	74.2	94.7	--	--	40.2	--	91.4	55.4
Non-sensitive agricultures	in 1000 US-\$	26517	7730	2611	32006	8287	84	1134	78369
	in percent of total EEC imports from Indonesia in GSP tariff items	81.6	64.6	43.7	76.9	84.8	9.6	53.7	74.6
Total agricultures, semi-manufactures and manufactures <sup>b</sup>	in 1000 US-\$	35749	8570	5782	34497	15062	84	4287	104045
	in percent of total EEC imports from Indonesia in GSP tariff items	62.7	42.7	8.6	54.1	36.2	9.2	62.9	40.5

<sup>a</sup> The data have been converted from European Units of Account (EUA) into US-\$ by the rate 1 US\$ = 0.837 EUA

<sup>b</sup> Discrepancies between the sum of the individual categories and the total figure are due to rounding.

Source: Microfiche data Provided by the Statistical Office of the European Communities.

Table 11\* EEC Imports from Malaysia under the GSP by GSP Categories 1978

Category	GSP-receiving imports	West Germany	France	Italy	Benelux	UK	Ireland	Denmark	EEC
Sensitive industrial products (except textiles)	in 1000 US-\$ <sup>a</sup>	1461	358	59	174	15102	513	949	18619
	in percent of total EEC imports from Malaysia in GSP tariff items	3.8	2.3	2.1	4.0	26.2	37.9	47.7	15.2
Semi-sensitive industrial products (except textiles)	in 1000 US-\$	7750	1465	550	2507	7127	67	337	19804
	in percent of total EEC imports from Malaysia in GSP tariff items	58.8	60.5	41.5	57.5	80.1	65.7	83.6	64.1
Non-sensitive industrial products (except textiles)	in 1000 US-\$	13202	1704	752	2578	10165	66	1711	30179
	in percent of total EEC imports from Malaysia in GSP tariff items	14.5	5.6	4.5	2.2	27.6	16.3	51.1	10.2
Sensitive textiles	in 1000 US-\$	4959	1598	--	--	1614	27	1099	9296
	in percent of total EEC imports from Malaysia in GSP tariff items	18.9	15.3	--	--	14.9	2.7	32.6	12.6
Semi-sensitive textiles	in 1000 US-\$	1454	329	--	--	45	75	23	1925
	in percent of total EEC imports from Malaysia in GSP tariff items	290.2	77	--	--	22.1	76.5	30.3	107.9
Non-sensitive textiles	in 1000 US-\$	2	1	--	--	--	103	--	106
	in percent of total EEC imports from Malaysia in GSP tariff items	3.6	100.0	--	--	--	100.0	--	6.6
Sensitive agricultures (tobacco type Virginia, cocoa butter, canned ananas)	in 1000 US-\$	906	--	--	59	11225	--	245	12435
	in percent of total EEC imports from Malaysia in GSP tariff items	22.5	--	--	10.9	98.7	--	245.0	76.8
Semi-sensitive agricultures (raw tobacco)	in 1000 US-\$	--	--	--	--	--	--	--	--
	in percent of total EEC imports from Malaysia in GSP tariff items	--	--	--	--	--	--	--	--
Non-sensitive agricultures	in 1000 US-\$	35567	10199	11905	55412	109387	625	6229	229324
	in percent of total EEC imports from Malaysia in GSP tariff items	66.1	51.1	60.7	69.0	83.8	23.8	90.5	73.1
Total agricultures, semi-manufactures and manufactures <sup>b</sup>	in 1000 US-\$	65302	15654	13265	60730	154666	1476	10593	321687
	in percent of total EEC imports from Malaysia in GSP tariff items	28.7	19.7	24.7	28.0	60.3	25.9	65.5	37.6

<sup>a</sup> The data have been converted from European Units of Account (EUA) into US-\$ by the rate 1 US\$ = 0.837 EUA

<sup>b</sup> Discrepances between the sum of the individual categories and the total figure are due to rounding.

Table 12\*: EEC Imports from Philippines under the GSP by GSP Categories 1978

Category	GSP-receiving imports	West Germany	France	Italy	Benelux	UK	Ireland	Denmark	EEC
Sensitive industrial products (except textiles)	in 1000 US-\$ <sup>a</sup>	2578	1058	801	1246	4474	56	494	10794
	in percent of total EEC imports from Philippines in GSP tariff items	14.0	16.9	29.5	11.0	36.1	10.9	73.5	20.5
Semi-sensitive industrial products (except textiles)	in 1000 US-\$	7865	1101	2544	2707	2493	60	569	17335
	in percent of total EEC imports from Philippines in GSP tariff items	76.0	51.2	86.8	77.2	69.7	63.8	66.7	73.9
Non-sensitive industrial products (except textiles)	in 1000 US-\$	14430	1153	503	4883	3676	13	409	25074
	in percent of total EEC imports from Philippines in GSP tariff items	52.9	4.6	15.5	38.5	12.6	6.3	24.8	25.2
Sensitive textiles	in 1000 US-\$	3134	425	--	--	1671	80	663	5970
	in percent of total EEC imports from Philippines in GSP tariff items	10.8	12.1	--	--	10.1	20.7	30.6	10.1
Semi-sensitive textiles	in 1000 US-\$	698	638	--	--	528	56	5	1926
	in percent of total EEC imports from Philippines in GSP tariff items	51.9	67.4	--	--	53.5	71.8	19.2	46.4
Non-sensitive textiles	in 1000 US-\$	189	407	--	76	32	--	33	737
	in percent of total EEC imports from Philippines in GSP tariff items	100.5	93.1	--	95.0	30.5	--	100.0	87.3
Sensitive agricultures (tobacco type Virginia, cocoa butter, canned ananas)	in 1000 US-\$	6698	168	--	1549	3928	--	1151	13493
	in percent of total EEC imports from Philippines in GSP tariff items	57.9	9.9	--	22.4	52.7	--	70.3	43.9
Semi-sensitive agricultures (raw tobacco)	in 1000 US-\$	13	--	--	--	6	--	--	19
	in percent of total EEC imports from Philippines in GSP tariff items	59.1	--	--	--	8.5	--	--	16.7
Non-sensitive agricultures	in 1000 US-\$	38137	2546	7598	22254	13866	266	1540	86294
	in percent of total EEC imports from Philippines in GSP tariff items	66.2	47.6	64.9	74.6	57.8	63.8	87.8	66.0
Total agricultures, semi-manufactures and manufactures <sup>b</sup>	in 1000 US-\$	73742	7497	11445	32714	30673	532	4863	161461
	in percent of total EEC imports from Philippines in GSP tariff items	47.4	16.5	49.2	45.7	32.5	31.3	55.5	40.3

<sup>a</sup> The data have been converted from European Units of Account (EUA) into US-\$ by the rate 1U\$ = 0.837 EUA

<sup>b</sup> Discrepances between the sum of the individual categories and the total figure are due to rounding.

Table 13\*: EEC Imports from Singapore under the GSP-by GSP Categories 1978

Category	GSP-receiving imports	West Germany	France	Italy	Benelux	UK	Ireland	Denmark	EEC
Sensitive industrial products (except textiles)	in 1000 US-\$ <sup>a</sup>	1992	2172	860	252	23173	362	2931	31748
	in percent of total EEC imports from Singapore in GSP tariff items	4.0	4.2	2.5	0.7	32.5	10.8	49.4	12.5
Semi-sensitive industrial products (except textiles)	in 1000 US-\$	24205	5694	2244	4132	7915	551	956	45697
	in percent of total EEC imports from Singapore in GSP tariff items	40.4	38.9	62.4	61.9	66.7	81.5	78.0	46.3
Non-sensitive industrial products (except textiles)	in 1000 US-\$	29126	4178	5030	10436	15968	699	392	65829
	in percent of total EEC imports from Singapore in GSP tariff items	46.7	27.7	35.5	16.7	40.2	81.0	21.3	33.5
Sensitive textiles	in 1000 US-\$	1760	287	--	--	559	61	185	2772
	in percent of total EEC imports from Singapore in GSP tariff items	4.1	1.6	--	--	3.0	7.5	3.4	2.7
Semi-sensitive textiles	in 1000 US-\$	108	--	--	--	62	--	--	170
	in percent of total EEC imports from Singapore in GSP tariff items	76.1	--	--	--	23.6	--	--	6.9
Non-sensitive textiles	in 1000 US-\$	--	--	--	--	--	--	--	--
	in percent of total EEC imports from Singapore in GSP tariff items	--	--	--	--	--	--	--	--
Sensitive agricultures (tobacco type Virginia, cocoa butter, canned ananas)	in 1000 US-\$	--	--	--	--	388	--	--	388
	in percent of total EEC imports from Singapore in GSP tariff items	--	--	--	--	101.6	--	--	19.2
Semi-sensitive agricultures (raw tobacco)	in 1000 US-\$	--	--	--	--	--	--	--	--
	in percent of total EEC imports from Singapore in GSP tariff items	--	--	--	--	--	--	--	--
Non-sensitive agricultures	in 1000 US-\$	2958	425	164	3278	1295	--	26	8144
	in percent of total EEC imports from Singapore in GSP tariff items	89.4	30.0	12.8	124.3	46.0	--	29.9	69.8
Total agricultures, semi-manufactures and manufactures <sup>b</sup>	in 1000 US-\$	60149	12676	8298	18099	49360	1673	4491	154748
	in percent of total EEC imports from Singapore in GSP tariff items	27.3	25.6	12.8	15.0	34.0	29.0	30.8	23.1

<sup>a</sup> The data have been converted from European Units of Account (EUA) into US-\$ by the rate 1 US\$ = 0.837 EUA

<sup>b</sup> Discrepancies between the sum of the individual categories and the total figure are due to rounding.



Table 14\*: EEC Imports from Thailand under the GSP by GSP Categories 1978

Category	GSP-receiving imports	West Germany	France	Italy	Benelux	UK	Ireland	Denmark	EEC
Sensitive industrial products (except textiles)	in 1000 US-\$ <sup>a</sup>	1998	529	71	409	404	1	108	3520
	in percent of total EEC imports from Thailand in GSP tariff items	31.9	44.7	38.2	38.4	33.8	8.3	41.1	34.6
Semi-sensitive industrial products (except textiles)	in 1000 US-\$	16103	2274	2572	5778	6253	16	4065	37116
	in percent of total EEC imports from Thailand in GSP tariff items	60.6	63.2	93.7	75.8	78.2	80.0	92.2	70.0
Non-sensitive industrial products (except textiles)	in 1000 US-\$	7328	2002	725	2558	6575	178	802	20180
	in percent of total EEC imports from Thailand in GSP tariff items	40.7	21.5	17.5	48.2	31.8	103.5	78.5	34.4
Sensitive textiles	in 1000 US-\$	5086	1337	--	308	1624	65	3073	11493
	in percent of total EEC imports from Thailand in GSP tariff items	15.5	18.6	--	4.1	15.4	17.8	34.3	13.1
Semi-sensitive textiles	in 1000 US-\$	1167	75	--	--	208	2	22	1476
	in percent of total EEC imports from Thailand in GSP tariff items	50.0	24.4	--	--	45.4	28.6	31.0	22.1
Non-sensitive textiles	in 1000 US-\$	2212	288	96	4996	373	10	32	8006
	in percent of total EEC imports from Thailand in GSP tariff items	97.9	57.5	24.1	70.6	94.0	--	78.0	75.0
Sensitive agricultures (tobacco type Virginia, cocoa butter, canned ananas)	in 1000 US-\$	18107	71	--	1406	2354	323	2433	24693
	in percent of total EEC imports from Thailand in GSP tariff items	79.3	2.8	--	6.9	12.3	89.5	78.8	36.0
Semi-sensitive agricultures (raw tobacco)	in 1000 US-\$	--	--	--	--	--	--	--	--
	in percent of total EEC imports from Thailand in GSP tariff items	--	--	--	--	--	--	--	--
Non-sensitive agricultures	in 1000 US-\$	12166	10891	3076	4354	4444	7	1090	36022
	in percent of total EEC imports from Thailand in GSP tariff items	87.0	79.6	15.8	71.4	60.5	50.0	87.1	58.2
Total agricultures, semi-manufactures and manufactures <sup>b</sup>	in 1000 US-\$	64228	17467	6538	19810	22234	601	11625	142507
	in percent of total EEC imports from Thailand in GSP tariff items	51.3	45.6	12.8	35.8	32.8	63.1	60.9	39.6

<sup>a</sup> The data have been converted from European Units of Account (EUA) into US-\$ by the rate 1US\$ = 0.837 EUA

<sup>b</sup> Discrepancies between the sum of the individual categories and the total figure are due to rounding.

Table 15<sup>22</sup>: Utilization Degree of GSP Ceilings versus Dutiable EEC Imports from ASEAN 1978,  
by GSP Categories

Category	GSP Ceilings in Percent if total EEC Imports from the Beneficiaries in GSP Tariff Items	Underutilization (-) resp. Overutilization (+) of GSP Ceilings <sup>a</sup>		Dutiable Imports from ASEAN <sup>b</sup>	ASEAN-LDC Uti- lization- Ratio <sup>c</sup>
		in Mill. US-\$ <sup>d</sup>	in percent of the ceilings (absolu- te terms)		
Sensitive industrial pro- ducts (except textiles)	18.2	- 59.4	18.1	383.5	1.02
Semi-sensitive industrial products (except textiles)	31.2	- 77.7	8.3	87.0	2.01
Sensitive textiles	— <sup>e</sup>	— <sup>e</sup>	— <sup>e</sup>	311.5	1.23
Semi-sensitive textiles	45.2	+ 23.2	10.0	8.3	0.80
Sensitive agricultures (to- bacco type Virginia, cocoa butter, canned ananas)	40.9	- 134.0	38.2	67.7	1.70
Semi-sensitive agricultu- res (raw tobacco)	11.9	+ 10.9	162.7	8.0	1.77

<sup>a</sup> GSP-receiving imports from all beneficiaries minus the ceiling.

<sup>b</sup> Total imports from ASEAN in GSP tariff items minus actual preferential imports from ASEAN (GSP imports).

<sup>c</sup> Defined as the ratio between the percentage share of preferential EEC imports from ASEAN (in GSP tariff items) and the corresponding percentage share for all GSP-beneficiaries.

<sup>d</sup> Data converted from EUA into US-\$.

<sup>e</sup> Ceilings for sensitive textiles are only recorded in terms of quantities. Since the share of GSP imports in total EEC imports from GSP-beneficiaries in sensitive textiles amounted to 7.1 percent only, the ceiling has been probably fully exhausted.

Table 16\*:

Deviations between GSP-Ceilings, Actual GSP Trade, and the Total Export Capacity of GSP Beneficiaries in Products Being Relevant for ASEAN<sup>a</sup>, in 1978

Product	CCT-Number	ASEAN Country Affected by the Butoir	Total Ceiling	Butoir	ASEAN Country Non-Dutiable Exports (GSP Trade)	ASEAN Country Dutiable Exports	Non-Dutiable Exports of all Beneficiaries (GSP-Trade)	Dutiable Exports of all Beneficiaries
Protective Gloves	4203 BI	Thailand	17.369	2.605	5.089	2.935	23.618	22.519
Basketwork, Wickerwork	4603	Philippines	15.205	3.041	6.962	3.411	16.009	9.152
Woven Fabrics of Regenerated Textiles Fibres	5607 B	Thailand	230 tons	115 tons	693 tons	937 tons	2268 tons	4766 tons
Nets and Netting Made of Twin, Cordage and Rope	5905	Philippines	5 tons	2.5 tons	40 tons	20 tons	239 tons	90 tons
Knitted Gloves	6002	Philippines	35 tons	17.5 tons	112 tons	81 tons	606 tons	4892 tons
d°	d°	Malaysia	d°	d°	91 tons	91 tons	d°	d°
d°	d°	Thailand	d°	d°	83 tons	51 tons	d°	d°
Umbrellas	6601	Singapore	9.027	1.354	2.401	0.709	8.739	7.428
Articles of Precious Metal	7112 A	Thailand	5.484	2.742	5.151	2.240	13.783	12.190
Electrical Capacitors, Fixed or Variable	8518	Singapore	9.131	1.826	3.382	2.097	23.618	22.519

<sup>a</sup> Those products were denominated as being relevant for ASEAN, where ASEAN countries were the major suppliers among the GSP-beneficiaries on the EEC market in 1978 and where their exports were partly faced with MFN tariffs because they exceeded the a priori maximum amount limit for a single beneficiary (butoir). All products recorded above were classified by the EEC-authorities as "quasi- or semi-sensitive" goods.

Source: See table 9\*

Table 17: Percentage Share of Imports with Exhausted Ceilings in West German GSP Imports<sup>a</sup> from ASEAN 1977 - 1979

	Reason of Reimposition of MFN Tariffs on GSP Imports from ASEAN														
	Exhausted "Butoirs" (Maximum Amount) for a Single ASEAN-country			Exhausted Ceilings for all Beneficiaries combined						Total Exhausted GSP-Ceilings					
	Sensitive Products (Subject to Inter-EEC Allocation Quota) <sup>b</sup>			Semi-Sensitive Products (No Inter-EEC Allocation Quota)			Sensitive Products (Subject to Inter-EEC Allocation Quota) <sup>b</sup>			Semi-Sensitive Products (No Inter-EEC Allocation Quota)					
	1977	1978	1979	1977	1978	1979	1977	1978	1979	1977	1978	1979	1977	1978	1979
Indonesia	--	--	--	--	--	--	--	2.8	15.3	29.5	14.4	4.6	29.5	17.2	19.9
Malaysia	--	--	--	9.9	--	--	4.4	1.8	2.2	2.4	7.6	11.1	16.7	9.4	13.3
Philippines	12.6	--	--	24.5	17.6	8.5	0.3	0.6	7.5	1.5	6.4	3.0	38.9	24.6	19.0
Singapore	--	--	--	26.3	7.9	12.2	0.1	0.1	1.1	5.6	8.3	0.5	32.0	16.3	13.8
Thailand	--	--	--	12.0	41.0	29.4	0.1	3.5	7.1	40.4	21.0	31.4	52.5	65.5	67.9
ASEAN	2.1	--	--	21.4	13.8	10.9	0.6	1.2	4.0	10.0	10.4	7.9	34.1	25.4	22.8
All GSP-beneficiaries	--	--	--	--	--	--	2.7	4.8	3.0	7.4	6.5	4.5	10.1	11.3	7.5

<sup>a</sup> Excluding agricultures and textiles

<sup>b</sup> Called tariff-quota which are as follows for all sensitive products: Benelux 10.5 percent of the community ceiling, Danmark 5 percent, France 19 percent, West Germany 27.5 percent, Ireland 1 percent, Italy 15 percent, UK 22 percent.

Source: Calculated from data provided by the West German Ministry of Economics.

Table 18<sup>a</sup>: EEC Ceiling Allocation Rule for "Sensitive" GSP Goods Versus the Actual Patterns of Imports<sup>a</sup> from ASEAN 1978

EEC Member State	Original Allocation Rule (in percent)	Adjusted Allocation Rule <sup>b</sup>	Actual Pattern of EEC Imports in Sensitive Items from ASEAN 1978	
			Total	GSP-Receiving Trade
West Germany	27.5	33.00	36.5	47.3
France	19.0	15.24	13.3	7.7
Italy	15.0	12.04	11.2	1.8
Benelux	10.5	8.44	12.9	5.7
United Kingdom	22.0	26.40	21.5	25.4
Ireland	1.0	0.84	0.8	0.7
Denmark	<u>5.0</u>	<u>4.04</u>	<u>3.8</u>	<u>11.4</u>
Total	100.0	100.0	100.0	100.0

<sup>a</sup> Total EEC imports of sensitive agricultures, textiles and other semi-manufactures and manufactures from ASEAN, except tariff item 44.15 (plywood) where -due to traditionally strong export flows from Singapore and Malaysia to the UK -the UK received a quota of 84.5 percent instead of the normal 22.0 percent.

<sup>b</sup> 80 percent of the community ceiling are allocated according to the original allocation rule, whereas the remaining 20 percent (community reserve) are allocated according to the actual trade pattern. In this respect, however, the EEC has imposed another restriction insofar as EEC member states could claim an additional quota only up to a limit of 40 percent of the original quota. For the case of 1978 it is assumed that the two members with the highest discrepancy between original quota and actual import pattern (West Germany and the UK) drew each 40 percent of their original quota on the community reserve and that the (negligible) rest of 0.2 percentage points has been equally divided among the other five EEC-states resp. groupings (Benelux). It is implicitly assumed that the member states did not reallocate their original quota among each other in 1978.

Table 19: GSP Induced Fiscal Gains<sup>a</sup> for ASEAN-Countries ("Aid Effect") in Mill. US-\$ by GSP-Categories 1978

Category	Indonesia		Malaysia		Philippines		Singapore		Thailand		ASEAN
	Actual gain	Highest potential gain <sup>b</sup>	Actual gain	Highest potential gain	Actual gain	Highest potential gain	Actual gain	Highest potential gain	Actual gain	Highest potential gain	Actual gain
Sensitive industrial products (except textiles)	0.5	8.2	2.3	12.9	1.3	8.8	3.8	13.2	0.4	4.3	8.3
Semi-sensitive industrial products (except textiles)	0.3	7.0	1.8	11.0	1.5	8.8	4.1	8.3	3.3	9.4	11.0
Non-sensitive industrial products (except textiles)	0.7	9.6	2.4	6.8	2.0	7.7	5.1	16.9	1.6	5.9	11.8
Sensitive textiles	0	-	1.4	-	0.9	-	0.4	-	1.7	-	4.4
Semi-sensitive textiles	0	-	0.3	-	0.3	-	0	-	0.2	-	0.8
Non-sensitive textiles	0	-	0	-	0.1	0.2	-	-	1.1	1.1	1.2
Sensitive agricultures (tobacco type Virginia, cocoa butter, canned ananas)	0	-	1.5	-	1.6	5.2	0	-	3.0	6.3	6.1
Semi-sensitive agricultures (raw tobacco)	0.8	-	-	-	0	-	-	-	-	-	0.8
Non-sensitive agricultures	5.3	21.3	15.6	15.6	5.9	27.0	0.6	3.2	2.4	6.7	29.8
Total	7.6	46.1	25.3	46.3	13.6	57.7	14.0	41.6	13.7	33.7	74.2

<sup>a</sup> Actual GSP trade of an ASEAN-country multiplied by the average tariff preference margin of each GSP-category.

<sup>b</sup> Hypothetical GSP trade of an ASEAN-country assuming a full utilization of the maximum-amount provision (butoir) multiplied by the average tariff preference margin of each GSP-category.

Table 20<sup>a</sup> : Non-Application of Community Treatment<sup>a</sup> vis-à-vis ASEAN Suppliers in Manufactures, 1976 - 1979.

Start of the Protective Measure (Month/Year)	ASEAN-Country Affected	EEC-Country Applying the Protective Measure	Product Concerned	Latest Data of Expiration
4/1978	Philippines	Belgium/Netherlands/Luxembourg (Benelux)	Women's, girl's and infant's outer garments	End 1978
5/1978		Ireland	Nightdresses	dto.
5/1978		Ireland	Shirts	dto.
5/1978		Ireland	Shirts and shirt blouses	dto.
2/1979		Ireland	Shirts	End 1979
3/1979		Ireland	Brassières	dto.
4/1979		UK	Trousers	End September 1979
5/1979		Ireland	Dresses	dto.
8/1979		France	Gloves	dto.
8/1979		Benelux	Trousers	End 1979
10/1979	UK	Gloves	dto.	
7/1977	Malaysia	France	Textile fabrics	End 1977
11/1977		Benelux	Men's Shirts	dto.
7/1978		Ireland	Outer garments	End 1978
10/1978		France	Textile fabrics	End 1979
10/1978	Singapore	Ireland	Trousers	End 1978
10/1979		Benelux	Yarns	End 1979
8/1976	Thailand	UK	Textile fabrics	End 1976
10/1976		France	Textile fabrics (synthetic fibres)	dto.
5/1977		France	Fabrics made from cotton or synthetic fibres	End 1977
3/1978		France	dto	End 1978
6/1978		France	Outer garments for women, girls and infants	dto.
6/1978		France	Trousers	dto.
7/1978		Ireland	Shirts	dto.
11/1978		Benelux	Textile fabrics	dto.
2/1979		France	Textile fabrics	End September 1979
5/1979		Ireland	Shirts	dto.
5/1979		France	Tiles	dto.
7/1979		UK	Textile fabrics	dto.
8/1979		UK	Shirts	dto.
10/1979		France	Tiles	End 1979
10/1979		France	Textile fabrics	End 1979

<sup>a</sup> Non-application of Community treatment according to Art. 115.1 EEC-treaty means that a product originating in a third country may not be imported by the EEC-country claiming for the regulation via other EEC countries where this product is in free circulation. The prohibition of so-called indirect imports is a supplement to individual import licencing of EEC members.

Table 21\*: Deviations in Per Capita Import Quota in Textiles vis-à-vis ASEAN Countries in 1977 (Indices: Highest Country Quota = 100)

ASEAN Country Affected	Product	EEC Importing Country	EEC Country Per Capita Import Quota
Malaysia	Fabrics	UK	100
		France	37
Malaysia	Outer garment	France	100
		Benelux	88
Thailand	Under garment	France	100
		UK	92
Singapore	Under garment	West Germany	100
		France	38
		UK	23
Thailand	Outer garment	Denmark	100
		UK	60
		West Germany	50
		Ireland	14
Singapore	Outer garment	UK	100
		Ireland	40
Thailand	Fabrics	Denmark	100
		Italy	29
		West Germany	26
		Benelux	23
		Ireland	10
		UK	7
		France	4

Source: See table 20\*