For the UNTAA Fellows from Chile, Czechoslovakia, Greece, Malaya, Rhodesia - Nyasaland, Turkey and Yugoslavia who attended a training course in the GATT secretariat in the latter half of 1958, a study trip of a fortnight's duration was arranged in December. The officials, accompanied by a member of the secretariat, visited London, Paris, Bonn and Hamburg. The subjects selected for study were, first, the system of temporary admission and drawback, and second, the effect upon international trade of the competition in various industrial uses between natural raw materials and man-made materials.

The first-mentioned subject was already once, in 1956, dealt with on a similar study trip. As the information then collected was at the end of 1958 still valid it was found useful to reproduce it as an annex to this Report. However, the new Import Duties Act 1958 which enters into force in the United Kingdom as from 1 January 1959 introduces certain changes in the system, of which a brief account is included. As regards France, some information in addition to that contained in the Annex is also given.

This Report contains the following information:
- Temporary admission and drawback (United Kingdom)
- Admission temporaire (France)
- The impact on international trade of the competition between natural and man-made raw materials
  (i) Introduction
  (ii) Fibres (United Kingdom)
  (iii) Plastic Materials (France)
  (iv) Rubber (Federal Republic of Germany)

Annex
Temporary admission and drawback in the United Kingdom, France and the Federal Republic of Germany.

United Kingdom

The following information on the system of temporary admission and drawback was given by an official of H.M. Customs and Excise in a lecture to the trainees at King's Beam House.

Spec(59)1
English only.
Temporary importation is allowed in order to mitigate the effects of import duties on the export trade. Generally it is permitted only when it is known at the time of importation that the goods are for re-exportation. The exception to this rule is the case where goods are placed in a bonded warehouse on importation. Thereafter these goods may be re-exported in bond or duty paid for consumption. Different arrangements exist for goods which are liable to revenue duties and goods which are liable to protective duties.

Arrangements for temporary importation

The first three of the following arrangements apply equally to goods which are liable to protective and revenue duties.

(i) Transhipment - This refers to goods which are merely in transit through the United Kingdom.

(ii) Warehousing in a bonded warehouse - When goods are placed in a bonded warehouse on importation certain minor operations such as the blending of spirits and tea, bottling etc. are permitted. A bond is required to cover the duty at stake and a certificate of exportation is required when the goods are re-exported.

(iii) Samples - These are allowed in free of duty under the following circumstances:

(a) for the promotion of the British export trade. Such samples are normally limited to a value of £25. The importer gives a bond covering the ultimate re-export or destruction under official supervision. The regulations covering this procedure are shown in Notice No. 118 by the Commissioner of Customs and Excise. Advertising films are also dealt with under this heading.

(b) other foreign commercial samples fall under the regulations in Notices No. 104 and 105. There are two ways of dealing with these samples. The first is similar to (a) above, and the second is under E.C.S. Carnet. Samples under carnets must accompany the foreign commercial traveller.

The following arrangements cover only goods liable to protective duties:

(iv) Goods for process and repair. Repair is defined as something done to an article to restore it to its original condition. Process is defined as being some process which does not change the form or character of an article. For example yarn to be woven into cloth cannot fall under this procedure. The goods must be identifiable and no substitution is allowed. The working arrangements are quite simple. First, the importer makes entry of the goods describing the process to be undergone and where it will take place. Only certain listed processes are permitted and any process not prescribed must be submitted.
to higher authority for decision. A security in the form of a bond or deposit is made. The goods are physically examined and such steps as are practicable are taken to render them identifiable, e.g. they are sealed or a sample is taken. The trader must keep an account of the goods. When the process has been performed notice must be given to the Customs authorities that the goods are ready for re-export. They are examined, shipped, an official notice of shipment is issued, and the bond or deposit is released. Certain difficulties arise such as in cases where there is waste in textiles which have not been dyed correctly, where parts of machines are too worn for repair and have to be replaced etc. In these cases the useless waste may be exported, destroyed under supervision, or duty paid on a reduced value. The regulations lay down that all the imported material must be re-exported within a period of six months unless an extension is given by the Customs and Excise Authorities.

(v) Section 7 of the Import Duties Act 1958, which comes into operation on 1 January 1959 lays down that the Customs and Excise Department in consultation with the Board of Trade may allow the temporary importation of any goods liable to protective duties if there are special reasons for granting this concession i.e. if the temporary importation is essential to the export trade, and provided that any other provision including drawback is inappropriate. An example of this is given in the following process of semi-manufacturing. It is possible that a fish curer may receive an order from a foreign buyer requiring that the cured fish contain a certain spice. Under the above procedure the foreign purchaser may supply the spice to the United Kingdom curer, who will use the spice in curing the fish which is then exported.

Among other provisions of less commercial importance many be mentioned:

(vi) The temporary importation of motor vehicles, yachts and aeroplanes is covered by Notice 115A. The conditions of entry are in terms of the 1949 Geneva Convention (Touring) and the 1954 New York Convention on the Temporary Importation of Private Vehicles. This is an international arrangement and is not peculiar to the United Kingdom.

(vii) Under the 1956 Geneva Convention is allowed the temporary duty free importation of containers of goods, railway wagons, lift-vans, movable tanks and barrels provided no charge is made and provided they are returnable and are re-exported.
Drawback is defined as being the repayment of all or part of the
duty paid on importation and is contingent upon disposal of the goods
in a statutory manner. (This usually means re-export). The system of
drawback is usually used when the regulations governing temporary importation
are not suitable to the case. Drawback is payable only on certain goods
specified by statute. The normal criterion for the payment of drawback
is that the goods have not been used, and that they are worth at least as
much for home trade as the amount of drawback claimed.

Drawback may be claimed if the goods are:-
exported; shipped as stores; in certain cases placed in a bonded warehouse.
Drawback is applied differently depending on whether the imported goods
are liable to revenue or protective duties.

**Drawback on goods liable to revenue duties**

Those are shown in the United Kingdom tariff and are governed by the
Finance Act. The drawback is usually confined to goods manufactured in
the United Kingdom from duty paid imported raw materials. An example of
this is tobacco leaf. Drawback is allowed when tobacco in a manufactured
condition is exported, shipped as stores or deposited in a bonded warehouse.
The rate of drawback is fixed in the Finance Act. Ideally it should be
exactly what is paid on importation, but an allowance is made to cover
irretrievable losses in manufacture.

**Drawback on goods liable to protective duties**

The legislation governing this is contained in section 9 of the
Import Duties Act 1958. The rates of drawback are shown in Statutory
Instrument No. 1122 of 1958. The regulations are detailed in Notices
218,219 and 220. Under this legislation drawback is payable only on
goods which are specified on a Treasury Order made on the recommendation
of the Board of Trade. The principle involved is that drawback should
be permitted only if it promotes export trade and is in the national
interest, care being taken to protect the interests of United Kingdom
manufacturers of similar goods.

There are two forms of drawback - "Same state" drawback and drawback
on goods manufactured from imported materials.

**Same-state drawback**

This is the case where the imported goods are still identifiable
upon export. Their character or form has not been changed. An example
is piece goods which have been dyed. Another example is where the
imported article has been incorporated in another such as a spark plug in
a motor car.
The rate of duty drawback should be exactly the same as that paid on importation. It is payable when the goods have been exported, removed as ships stores, deposited in a registered shipbuilding yard for use in the building or repair of ships.

Evidence of payment is required and the drawback is payable only to the importer or the person who took delivery from him. (For evidence of payment an extra copy of the invoice is suitably stamped at the time of import.)

Manufactured goods drawback.

This is the case where goods have been manufactured from imported raw materials e.g. linseed oil from raw linseed;

paint or linoleum from linseed oil;

hats from hatter's fur.

Difficulties occur in determining the actual amount of duty paid on the raw material used in manufacture. Therefore there are two ways of calculating the drawback. The first method is simple and is used where the actual content of imported material is known - e.g. the amount of imported linseed oil in paint. A specific rate of duty is applied on the actual amount used, the specific rate being calculated on the average of values of imported material over a representative period. The second method is used when it is difficult to assess the actual amount of imported article in the final manufacture - e.g. the amount of imported linseed oil in linoleum. A national average is calculated taking into account the average loss in manufacture of an efficient manufacturer.

In all cases the drawback is a specific rate despite the fact that an ad valorem duty was paid on importation. This specific rate is calculated on a national average by reference to weight measure or area and is specified in a Treasury Order. The rate is applicable irrespective of the amount of imported material actually used in manufacture.

When the raw materials are imported a certified Materials Certificate is issued. This can be endorsed over to subsequent buyers so that, unlike the case of "same state" drawback, manufactured articles drawback can be claimed by the final person who exports the goods, and this person will be in possession of proof of payment of duty. Every person through whose hands the imported materials pass must keep a record on the basis of a balanced stock account.

When the manufactured goods are ready for export a claim for drawback must be submitted in the prescribed form. The goods must be available for examination before being shipped. The repayment of duty paid is made by the local Collector and is known as "debenture".
The only other case in which drawback can be allowed is that where an importer receives goods from abroad and finds them not to be in accordance with contract.

France

Goods entered under the system of temporary admission ("Admission temporaire en suspension des droits et taxes de douane"), have to be specified in a declaration guaranteeing their re-exportation or, as the case may be, that they will be placed in bonded warehouse. This system is in principle applicable only to a number of products listed in the Customs Regulations in force. For such products no prior authorization is required. Exceptions to these general rules can be made by administrative decision to enable the temporary importation for such purposes as reparations, testing or demonstration of machinery, custom processing (travail frçon), shipbuilding etc. As these operations are of some importance both as measures of commercial policy and of customs technique, the rules applicable (autorisatton de caractère exceptionnel) are briefly summarized here. This information is based on "Notice destinée à renseigner les importateurs au sujet des opérations d'admission temporaire" issued by the French customs administration on 8 September 1958.

1. Such authorizations are, as a rule, delivered only to importers or manufacturers who will themselves use the material entered. It is also possible to confer such rights on a third party if a hire-contract is established. In each case however the address of the premises where the transformation or other operation is to take place has to be clearly indicated. The authorization may be sought either for merchandise which the importer receives from abroad or for goods withdrawn from customs warehouses. Requests for exceptional authorization should in principle relate only to one kind of goods. However, all material necessary for the manufacture of a given product, may be entered on the same request. The authorizations are valid only for periods of six months. The importers are further encouraged to make their requests with a view to cover their needs for a period of this same length.

2. Only operations specified in the importer's request are permitted.

3. The ultimate re-exportation is subject to certain rules depending on whether the product falls under the system of export licences or not. Further, the goods entered for re-exportation should, as a general rule, be destined to countries outside French customs territory (thus not to overseas departments or territories).

4. Requests for authorizations under the scheme should contain, inter alia, the following indications:
(i) if the product to be re-exported contains in addition material of domestic (French) origin, and in what proportions;

(ii) percentage of calculated loss in the production process, recuperable or not, if further usable and how;

(iii) in the event of custom processing (travail à façon) for foreign account of whole or part of the finished product (against payment), this should be specified separately;

(iv) such details of the product to be re-exported which will enable an efficient customs control; e.g., in the case of chemical product, its exact formula; in the case of several stages of transformation, each of them has to be described in detail;

(v) disposition taken as regards the payment, both at the import and at the export of the product. Conditions of importation taken to satisfy the trade regulations in force (import or export restrictions, currency control).

The various cases in which authorizations may be given are grouped either according to the nature of the operation envisaged by the importer or to the product imported. In the latter case the re-exported products also have to be specified.

The first category:

Examples:

- testing of machinery or parts in order to find out if they are technically satisfactory to be imported; trying out new apparatus and machinery;

- demonstration of machinery and apparatus to be re-exported in unchanged form;

- reparations;

- goods to be re-exported after simple processing which does not change their nature or use;

- custom processing (travail à façon) for foreign account of raw materials or semi-finished products. Such work should not give rise to more than one single payments operation in favour of the French manufacturer to cover the cost of labour included by processing;

- machinery, apparatus and parts to be incorporated in the same state into French products intended for export;

- parts etc. to be used for ship-building.
Second Category:

Examples:

Imported products          Exported products

Cellulose acetate in flakes  Cellulose acetate in grain,
sheets, or profiles

Living animals

Containers

Green coffee

Automobile chassis

Fats for soapmaking (incl.tall oil) Soap

Fibres

Textile fabrics

Zinc, manufactured

Re-exported as empty

Roasted coffee (soluble)

Fitted with body made in France

To be re-exported after non-
commercial use in France

Printed, dyed etc. tissues

In galvanized or other
processed state

These lists are not exhaustive but goods not mentioned are of minor
commercial importance.

The Impact on International Trade of the Competition
between Natural and Man-Made Raw Materials

(i) Introduction

The study trip was devoted to an examination of three groups of
man-made materials, i.e. textile fibres, plastic materials and synthetic
rubber. The trainees were introduced to the subject in advance of the trip
in a lecture, with a view to providing a basis for an understanding of the
problem. It was thought useful to summarize first the main points of
this lecture before giving an account of the information collected in the
three countries visited.

The problem was dealt with in a United Nations report
(Document E/2438/29/5/1953) following a request by ECOSOC. The report,
which is a case study of synthetic rubber and rayon, concludes that there
is no uniform pattern of impact of a new synthetic on an established
natural product. Whereas it took a relatively long time for the rayon
industry to reach a stage where it became a significant factor in the world's
total textile supply, the period of growth to economic maturity of the
synthetic rubber industry has been remarkably short. It was brought about
mainly by the special situation created by the wartime scarcity of natural
rubber, which led to the establishment of a large-scale synthetic rubber industry in the United States and Germany through direct government action.

The extent of the impact of the synthetic upon the natural product seems to depend on a number of factors, such as the competitive price situation, or rather the relative movements of the prices; this aspect of course includes the whole problem of cost structure of production, investments, capital cost etc. Further, the question whether the synthetic can become a perfect substitute (which is true of synthetic rubber) or whether (for example rayon textiles) the competitive position is dependent also on consumer's taste, and finally accessibility and price of the raw material for making the synthetic product (petroleum, coal); this factor also has a strategic aspect.

In *International Trade 1955* (GATT, May 1956) the substitution of manufactured for natural raw materials was found to have become increasingly important. This development was further found to be one of the causes of the failure of the exports of primary products from non-industrial areas to keep pace with the expansion of international trade as a whole. The total volume and the composition of trade in natural raw materials between industrial and non-industrial areas was found to have been profoundly affected. The study mentioned shows rough estimates of the consumption in the industrial areas of several major kinds of manufactured raw materials in 1938 and in 1955. The development in the three groups of materials examined in the course of the study trip was as follows:

<table>
<thead>
<tr>
<th>Volumes (1000 million dollars at 1950 prices)</th>
<th>1938</th>
<th>1955</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industrial Input in the World's Industrial Areas</strong> (Western Europe, North America and Japan)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rayon</td>
<td>0.63</td>
<td>(1.28)</td>
</tr>
<tr>
<td>Synthetic Fibres</td>
<td>-</td>
<td>(0.92)</td>
</tr>
<tr>
<td><strong>Total Man-Made Fibres</strong></td>
<td>0.63</td>
<td>(2.20)</td>
</tr>
<tr>
<td>Synthetic Rubber (incl. reclaimed)</td>
<td>-</td>
<td>(0.53)</td>
</tr>
<tr>
<td>Plastic materials</td>
<td>0.02</td>
<td>(1.90)</td>
</tr>
<tr>
<td><strong>Total Above</strong></td>
<td>0.65</td>
<td>(4.63)</td>
</tr>
<tr>
<td><strong>Natural Raw Materials and Fuels</strong></td>
<td>25.40</td>
<td>36.30</td>
</tr>
</tbody>
</table>
The three main man-made materials thus covered about 2½ per cent of total industrial input in the industrial countries before the war, but about 11 per cent in 1955; there are indications that the proportion has gone on increasing since. After analysing the development between 1950 and 1955 on the basis of consumption and trade data, the Report concludes that "...assuming prices reflect approximately the technological equivalence between the natural and the manufactured raw materials, it may be estimated that the import requirements of the industrial areas for natural raw materials from the non-industrial areas would have been roughly 40 per cent larger than the actual imports in 1955, if these substitutes had not existed".

(11) Fibres

Discussions on various aspects of consumption of natural textile fibres and man-made fibres with officials of the Board of Trade, with representatives of Courtaulds Ltd., the International Wool Secretariat and the British Man-Made Fibres Federation enabled certain conclusions to be drawn regarding the competition in the British textile industry between these two broad groups of materials. By all these people, representing various interests, it was emphasized that man-made fibres are no longer regarded as substitutes for the natural products, but rather that the two categories were complementary in use. It was further stressed that at no time after the war had the Government taken any measures to promote the use of man-made fibres at the expense of the natural materials; the alternative uses were left entirely to the decision of each industry.

However, it is obvious that the use of rayon and wholly synthetic fibres, for instance in Western Europe, has expanded rapidly whereas raw cotton consumption in the area has reached a level which has not moved much in recent years. The figure of about 1.5 million tons in 1956 was virtually the same as in 1938 for the whole area; in the United Kingdom raw cotton consumption even fell from about 570,000 tons to 330,000 tons in the period. Rayon production correspondingly increased in Western Europe from 460,000 tons to 940,000 tons, in the United Kingdom alone from 60,000 to 195,000 tons. To this should be added a synthetic fibres production of about 73,000 tons in 1956 (24,000 tons in the United Kingdom alone) which was practically non-existent in 1938. It is therefore undeniable that an increasing part of the cotton and man-made fibres consumption in the area has been taken up by the latter, thus replacing some of the imports that otherwise would have occurred. As most of the raw materials of man-made fibres, mainly dissolving pulp, are produced inside the industrial areas themselves, there has been no possibility to compensate for the loss of raw cotton exports by developing alternative lines of primary exports in less developed countries.

The position of wool however is somewhat different. The consumption of raw wool has risen both in Western Europe and North America since before the war, in the former area from 510,000 tons to 595,000 tons (in 1956).
and in the latter from 138,000 to 193,000 tons. Industrial users in the United Kingdom do not regard man-made fibres as substitutes for wool; the two kinds are clearly complementary.

Independently of these trends in fibre consumption in the industrial areas, it should be pointed out, however, that while the share of raw cotton and wool in world fibres consumption fell, between 1950 and 1956, from 84 per cent to 78 per cent, the man-made fibres increasing correspondingly from 16 to 22 per cent, the former were expanding in terms of actual weight. Thus cotton consumption in the world rose from 6.9 million tons in 1950 to 8.6 million tons in 1957 and that of wool from 1.20 to 1.35 million tons. This development no doubt reflects the expanding textile production in industrially less developed countries, which thus absorbs an increasing proportion of total world consumption of these two fibres.

Attention is drawn to the recent, and increasing, competition within the broad category of man-made fibres itself, that is the cellulose fibres versus the synthetically polymerized fibres. An indication is given by the fact that, whereas in 1957 the world production of natural fibres was lower than in the preceding year, and the output of man-made fibres continued to rise, as it had done in each previous year, except in 1952, for the first time production of the fully synthetic fibres (nylon etc.) expanded more than the traditional chemical fibres (rayon and acetate). The share of the synthetic fibres in total world fibre consumption increased from 2.5 to 3.3 per cent. Their output rose by about one-third, reaching about 400,000 tons, the rate being roughly twice as high as in the preceding year.

The impact of the competition where it is most in evidence, i.e. cotton versus man-made fibres, is of a complex nature. It includes the relative price movements of the two products, the extent and rate of change in consumer taste (of late cotton has again replaced rayon in many apparel uses), and the technical improvement of the synthetic. One important factor in determining the relative competitive price position of the two products has in post-war years been the governmental policy with respect to cotton in some producing countries, which provided for price support, and other measures designed to protect agricultural income against world price fluctuations. It should be noted that changes in consumer tastes are of special importance since they may, according to the case, either reinforce or mitigate the price effect. Thus a shift in consumer preference from cotton to rayon will reinforce the favourable competitive position of rayon achieved through the improvement of the relative price position with regard to cotton, and vice versa. Consumer preferences are of course subject to a variety of factors, such as changes in fashion, climatic conditions of individual countries or the success of advertising campaigns by the associations of producers of competing fibres. An example of the latter is offered by the International Wool Study Group, the secretariat of which the trainees visited. A brief note on the scope and the activities of this body is given below.
International Wool Study Group

The Wool Study Group is the outcome of the Wool Conference, held in London in November, 1946, at which it was resolved that,

having made a survey of the prospective world production of wool, the Conference is agreed on the desirability, in the interests of producers and consumers, of the situation being kept under inter-Governmental review;

the representatives of all the Governments participating in this Conference accordingly agree to recommend to their Governments that an International Wool Study Group should be established.

The Wool Conference was attended by representatives of the Government of Argentina, Australia, Belgium, Canada, China, France, India, Italy, New Zealand, Union of South Africa, United States of America, Uruguay and United Kingdom and of the United Nations Organization and United Kingdom/Dominion Wool Disposals Limited (a Joint Organization set up to dispose of the accumulated war-time surplus of Dominions' wool). The invitations to attend the Conference had been issued by the Government of the United Kingdom after discussions with the Government of the United States of America.

The main objects of the Study Group are defined in its Terms of Reference:

1. The Wool Study Group shall comprise representatives of the countries which are substantially interested in the production or consumption of wool.

2. The Group shall meet at times and places mutually convenient to the members for the purpose of discussing common problems in connexion with the production, consumption and trade in wool.

3. The Group shall be free to make such studies of the world wool position as it sees fit, having regard especially to the desirability of providing continuous accurate information regarding the supply and demand position and its probable development; making use of existing sources so far as practicable.

4. The Group shall take into account, in its investigations regarding the development of the world wool situation, the desirability of measures designed to stimulate the world consumption of wool.

5. It shall be the responsibility of the Group to consider possible solutions to any problems or difficulties which are unlikely to be resolved by the ordinary development of world trade in wool.

6. The Group may formulate and transmit recommendations to the participating Governments.
7. The Group shall arrange for the collation or collection of necessary statistics using for this purpose existing sources so far as practicable and may establish such permanent secretarial assistance as it deems necessary for the proper conduct of its work. Countries being members of the Group shall contribute on a basis to be mutually agreed to the necessary expenses.

8. The Group will continue to function during such periods as in the opinion of the participating Governments it continues to serve the purpose for which it is designed.

9. Arrangements will be made for other interested Governments to be kept informed of the studies made and of the result of the discussions as far as practicable.

10. Plenary Sessions of the Group have all been held in London - the First Session in March/April, 1947, the Second in October, 1948, the Third in November, 1949, the Fourth in October, 1950, the Fifth in November, 1952 and the Sixth in November, 1955. At these Sessions, reports were submitted by Member-Governments relating to the progress of the wool production and consumption in their respective countries. The United Kingdom undertakes the secretarial work of the Group.

There are two Standing Committees of the Group:

- a Technical Committee, appointed at the First Session to examine the wool statistics supplied by producing and consuming countries in an endeavour to get these statistics on as comprehensive and uniform a basis as possible. The Committee meets every three months to prepare a quarterly report on the world wool situation, and consists of representatives of the United Kingdom, United States of America, Australia, Commonwealth Economic Committee, International Wool Secretariat, New Zealand Wool Commission, United Kingdom Wool Textile Delegation, Food and Agriculture Organization and International Wool Textile Organization;

- a Management Committee, set up at the Third Session (1950) to act as a steering Committee between Sessions of the Group. This Committee consists of representatives of the following four exporting and six importing countries:—

- Argentina
- Australia
- New Zealand
- Union of South Africa

- Belgium
- France
- Federal Republic of Germany
- Italy
- United Kingdom
- United States of America
The Committee meets at the request of members and of the Secretariat and advises the Secretariat as to its actions on minor matters arising between sessions and, in the event of more serious problems arising, as to the desirability of convening a session of, or of otherwise consulting, the full Group.

Under the Terms of Reference of the Group, any country with a substantial interest in the production and consumption of, or trade in, wool is eligible for membership of the Group.

(iii) Plastic Materials

The trainees' programme in France included an excursion to the Reichall-Bechacite Company at Bezons outside Paris, a large manufacturer of plastic materials supplied to various industrial users. The uses of plastic materials are too numerous to be listed here the more so since new possibilities are continuously invented, and a manufacturer of a plastic material to be used, for instance in the household or toy industries, does not even always know what the end-use will be. However, in many cases the plastic producing companies work to order, i.e. a manufacturer orders a material with specified characteristics as regards hardness, flexibility, colour etc. An example is the plastic roofs of the new Citroën model DS 19, for which the above firm supplies the raw material which was developed after extensive experiments and testing.

The technology of plastics has developed rapidly over the past few years. Dozens of different types are now produced with a wide range of properties. All materials have at some stage in their manufacture gone through a plastic condition in the course of which they have been shaped, mostly with the aid of both heat and pressure. There are two main classes: Thermosetting, which cannot be further moulded once set after heating, and Thermoplastics, which can be repeatedly softened by heat and re-set. Plastics are chemicals, and each type is built up by a series of processes starting from a primary organic material. Various intermediate chemicals are obtained and are used to form the many different plastic materials, as is evident from the names of some of them now in everyday use: Polyvinylchloride is used, e.g. in making raincoats and polytetrafluorethylene as insulation in electrical components. Among basic raw materials may be mentioned, apart from the principal ones, coal, petroleum and nitrogen, also milk, wood, salt, limestone, sand, fluor spar, and various vegetable matters, e.g. cotton linters, soya beans, ground nuts, maize, oats. Some of the last mentioned necessitate imports from other areas than those mainly producing the plastic materials. The intermediate stages produce various chemicals such as ammonia, charcoal, benzene, nitric acid, acetone, acetylene, acetic acid, silica. These chemicals are then used to produce the various plastics of which the most important are:
**Thermosetting**

- Phenolics, cresytics
- Aminoplastics
- Alkyds
- Polyesters

**Thermoplastics**

- Polyvinylchloride
- Polythene
- Polystyrene
- Cellulose plastics
- Acrylics
- Polyvinyl acetate
- Others (incl. nylon)

**Leading producers of plastic materials were in 1957 (000 tons):**

<table>
<thead>
<tr>
<th>Country</th>
<th>Production (000 tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>1,646</td>
</tr>
<tr>
<td>Federal Republic of Germany</td>
<td>555</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>390</td>
</tr>
<tr>
<td>Japan</td>
<td>290</td>
</tr>
<tr>
<td>France</td>
<td>161</td>
</tr>
<tr>
<td>Italy</td>
<td>132</td>
</tr>
<tr>
<td>USSR</td>
<td>240</td>
</tr>
</tbody>
</table>

The fastest growing plastics are thermoplastics, especially polythene, polystyrene and polyvinylchloride. The main uses of each are the following (broadly in order of importance):

<table>
<thead>
<tr>
<th>Polythene</th>
<th>Polystyrene</th>
<th>Polyvinylchloride</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moulding and bottles</td>
<td>Refrigerator parts and containers</td>
<td>Film and sheet</td>
</tr>
<tr>
<td>Films</td>
<td>Household uses</td>
<td>Electrical equipment</td>
</tr>
<tr>
<td>Cable coverings</td>
<td>Toys and games</td>
<td>Conveyor belting</td>
</tr>
<tr>
<td>Piping</td>
<td>Electrical, Radio etc., parts</td>
<td>Flooring material</td>
</tr>
<tr>
<td>Coatings, fibres</td>
<td>Wall tiles</td>
<td>Gramophone records</td>
</tr>
</tbody>
</table>

Plastic components are also increasingly used in aircraft, boats, cars etc. It would not be possible even to estimate the extent to which the growth of the plastics industry has replaced imports of raw materials from primary producing countries.

Cases where natural materials may have been replaced by plastics include leather, hoofs and horn, and to some extent also jute, although here Kraftpaper may have become even more important. It should on the other hand be noted that the expansion of plastic materials has increased the requirements of certain agricultural materials, imported from non-industrial areas, mainly vegetable oils and oilseeds. In many uses, moreover, the plastics replace such traditional materials as wood, steel and glass, the raw materials of which are mostly found in the industrial areas themselves.
The following is a summary of information received in the course of visits to the Chemische Werke HÜLS, the Phoenix-Werke or resulting from a discussion with rubber traders in the Overseas Club, Hamburg.

Consumption of crude rubber in the Western European area rose from 538,000 metric tons in 1950 to 827,000 tons (by 53 per cent) in 1957. The share of synthetic rubber in this total rose from 20,000 tons (3½ per cent) to 203,000 tons (24 per cent) in the period. The increase in total consumption was much larger in the European Economic Community area (by 91 per cent) than in the other main consuming area, the United Kingdom (by 8 per cent). However, even in the latter case did the use of synthetic rubber advance rapidly, whereas there was an actual decline in the use of natural rubber. While thus in Western Europe about one quarter of total consumption is of synthetic rubber, the proportion is much larger, i.e. about 60 per cent, in North America. The reasons for this dissimilar development are, in addition to investment possibilities, the established connexions with supplying territories overseas.

The first plant producing synthetic rubber was established in Germany in 1934. Although production had been successful earlier, it was not expanded because of the sharp decline in the price of natural rubber in the early nineteen thirties. Before the Second World War relatively small quantities of synthetic rubber were produced in Germany but the industry expanded considerably during that War. Output in 1943 was 116,000 tons compared to 5,000 tons before the War. During the early post-war period only an insignificant quantity of synthetic rubber was produced in Germany. It was not till the year 1955 this production on a large scale began with the establishment of the BUNA HÜLS which is at present capable of producing 50,000 tons yearly. Unlike the United States, the production of synthetic rubber in Germany was entirely started by private enterprise without any assistance from the government.

The production of synthetic rubber has created a raw material which has nearly all the chemical qualities contained in natural rubber and has therefore become a substitute for the latter as a raw material. The two products have thus become competitive and the competition arises mainly from the comparative movements and level of price and supply as well as the superiority of one over the other as a result of their respective chemical components.

As a raw material for industrial purposes each of the two products has its own particular advantages and disadvantages due to their differences in chemical structure. In the tyre industry the synthetic product has proved to be well suited for passenger cars, small trucks, farm implements, motor cycles and bicycles. It is, however, not well suited for heavy trucks and vehicles, nor for airplanes, although in the case of the latter experiments in the use of synthetic are at present being carried out.
It has also been found that the mixing of both the natural and synthetic raw materials has resulted in better quality and longer durability. In the manufacture of tyres the use of one-third synthetic and two-thirds natural rubber has produced products of better quality than if only natural rubber were used in the manufacture. Thus the synthetic product has not only become substitutable for natural rubber, it is also a complementary raw material. At the same time there are certain uses for which the natural product can still maintain its position. This augurs well for natural rubber but this happy position may not be regarded as a permanent one.

The superiority of the natural over the synthetic product lies mainly in the fact that the former has a particular chemical component which is not contained in the latter, and the production of this component synthetically requires a very large investment in elaborate and expensive plants. Up to today, these factors have hampered progress in production. However, in the long run, with further technological and scientific advancement in synthetic production coupled with the instability in the price and supply of natural rubber, there will be an inducement to produce the component mentioned and thus to produce synthetic rubber identical to natural rubber in all respects. When this kind of synthetic natural rubber becomes available the position of natural rubber may become much more difficult than at present. However, the absence of certain chemical components in natural rubber which now makes it inferior to the synthetic product in some uses could be remedied by incorporating in the coagulating process of natural latex the chemicals which are used for the manufacture of synthetic rubber. But this would incur heavy investment and erection of new plants required both for the manufacture of the chemical component, and for the processing, and it is hardly likely that such works will be carried out in the natural-rubber-producing countries. On the other hand, the natural latex can be transferred to the industrialized countries where the processing can be done, but the difficulties and high expenses of transportation and storage do not at least in present conditions make it an economic proposition.

As mentioned earlier, there is a great possibility for further advancement in the production of synthetic rubber which can finally completely replace its natural counterpart. This is however a long term problem, its development depending largely on the future movement in the price and the supply of natural rubber. The history of natural rubber has been characterized by frequent violent fluctuations which accordingly create a situation of instability. The production of the synthetic product, though requiring heavy investment, has shown itself capable of achieving a successive reduction in production costs per unit of output once it has attained its technological maturity. The process does not use natural raw material on a large scale, except a petroleum product which however constitutes only a small portion of total production cost. Therefore, while it is possible to keep the price of the synthetic product within rather narrow limits stable, it is not easy to maintain a stable price level in the case of natural rubber, due to the peculiar features of its production. Moreover, since the year 1948 not only has the price of
Synthetic rubber remained more or less stable, but it has also been at a level lower than that of the natural product. If the price of the natural product continues to fluctuate, and especially if the price margin between the two products increases, not only will there be an incentive to use more synthetic rubber—hence its increase in production—but also to develop a better quality synthetic product.

The relative shares of synthetic and natural rubber in the total world consumption at present is approximately one-third of the former and two-thirds of the latter. Forecasts by economists and industrialists have brought out the fact that world consumption of rubber will increase mainly due to the expansion in the automobile industry. Since the end of World War II both the production of synthetic rubber and natural rubber has increased, but in the consumption of synthetic rubber the rate has been higher. With an increasing demand the share of synthetic rubber will rise even more unless the production of natural rubber can be increased so as to supply the expanding market. Thus, an increasing demand but a lower rate of production of natural rubber will inevitably result in a large increase in the production and the use of synthetic rubber. Efforts should therefore be made to publicise the advantages of the use of natural rubber and research should be carried out to find new uses for the natural product, with a view to increasing its consumption. In the field of quality, not only should there be improvement in the chemical structure of the natural rubber, but also in its grading and packing. The synthetic product as a raw material is developed according to industrial specifications based on technical and chemical characteristics.

To sum up, it can be said that the two products are not only substitutable but also complementary. The competitive value of the natural product can only be maintained by actions in the following fields:

(a) Improvement in its chemical qualities by the introduction of new methods of processing.
(b) Improvement in the quality as regards grading and packing.
(c) Stability of price at a level which will not induce greater production and use, as well as scientific progress, of synthetic rubber.
(d) Stability of supply as well as increased supply which can obtain a greater share in an increasing demand.
(e) Research into its new uses.
(f) Publicity on the advantages of its use.

If no steps are taken to improve the competitive value of natural rubber, it will not be able even to maintain its share in an increased world demand. While the natural product has lost ground in some of its traditional uses, it should still be capable of strengthening its position in the uses where it is superior, and also of finding new uses.
ANNEX

THE SYSTEM OF TEMPORARY ADMISSION OF GOODS FOR PROCESSING
AND DRAWBACK

This note contains a description of the methods used for drawback and temporary admission for processing on the basis of the information put at the disposal of the GATT mission by the customs authorities of the countries concerned. The note describes the systems in force in the United Kingdom, France and the Federal Republic of Germany and for the convenience of readers two tables comparing the systems involved have been attached.

United Kingdom of Great Britain and Northern Ireland

Already in 1932 at the time when the introduction of the general protective tariff brought to an end the previous free-trade era which knew only a few revenue duties, it became clear that in the interest of the industries to be protected there would have to be exceptions to the application of the newly introduced rates. These exceptions lay in the first instance in provisions permitting the duty-free importation of certain products for home consumption. Many raw materials were included in the exempt list of the 1932 tariff. For other products, the possibility of duty-free importation in special circumstances is provided through the licensing system, e.g. machinery etc. not available in Britain. Secondly - and this is of interest for the present study - systems have been created or extended which permit, under certain circumstances, the temporary duty-free admission of, or the refund of duties paid on, foreign products namely -

(1) the drawback system;

(ii) the system permitting the duty-free admission of goods for processing;

(iii) other temporary admission subject to observance of conditions imposed at time of importation;

(iv) warehousing.

The British Government gives all procedures connected with these systems the broadest possible publicity. Drawback schemes (as well as additions to the free list) fall under the so-called negative voting procedure, which means that the statutory order has to be placed before the House after issue and Parliament has the right within forty days to object to such an order. It has been explained that Parliament has not so far rejected any drawback order.
The relative importance of the various systems can be seen from the estimated figures for 1955 for goods dealt with under these systems:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of drawback paid - Revenue duties</td>
<td>£200,000,000</td>
</tr>
<tr>
<td>&quot; &quot; &quot; &quot; Protective duties</td>
<td>£3,000,000</td>
</tr>
<tr>
<td>Duty chargeable on temporary imports for process and re-exportation</td>
<td>£3,000,000</td>
</tr>
</tbody>
</table>

The British approach to this field is that protection should not be removed or undermined without good reason having been shown, but also that British export trade, either in goods or in processing services, should not be hampered by the burden of duty on the goods and raw materials which are necessarily imported because they are not adequately available from domestic production.

**Drawback of Protective Duties**

The authority for payment of drawback is a statutory Drawback Order on goods of a specified class or description, made under the provisions of either:

(i) the Second Schedule to the Import Duties Act, 1932, in respect of goods exported in the same state as that in which they were imported, or

(ii) Section 9 of the Finance Act, 1932, in the case of exportations of goods manufactured in the United Kingdom from imported duty-paid material.

Orders under these provisions are made on the recommendation of the Board of Trade who now perform the functions of the "Import Duties Advisory Committee" mentioned in the Acts. Contrary to the usage in the United States, applications for new drawbacks do not follow a prescribed formal procedure, but the Board of Trade advertises the drawback scheme under consideration and all interested groups are free to make representations concerning the proposal. The general interests of the national economy and of the industries concerned, including those of British producers of competing products, are taken into account. Before approving a new scheme under the Second Schedule to the Import Duties Act, 1932 (same state goods), regard is also given to existing facilities for enabling goods intended for re-exportation to be dealt with (e.g., by warehousing in bond) without payment of duty. The Customs administration is concerned with seeing that the goods and materials are satisfactorily described in the Order; they also advise whether the scheme is workable, and in particular, whether it will be possible to trace the imported material through into the exported goods.
The drawbacks of protective duties fall into two main classes, as shown at (i) and (ii) above, that is to say:—

**Same State Goods** (Second Schedule, I.D.A. 1932)

Drawback of the actual duty paid at importation is allowed only if the goods are re-exported by the importer or by some person who has taken delivery of the goods directly from the importer, and if they are in the same state as when imported and have not been used in the United Kingdom.

**Goods manufactured from imported duty-paid material** (Section 9 Finance Act, 1932)

The drawback order specifies, by reference to weight or quantity of the imported material, the rate of drawback, not exceeding the average amount of duty paid on it; and where this is an ad valorem duty, the rate of drawback is changed from time to time as the general level of import values alter. The drawback rate is applied to the quantity of imported material in the exported goods, either (a) actually contained in each consignment or (b) on an average contents basis for all consignments, as specified in the order. The scheme may also provide for an allowance for wastage in manufacture.

At exportation the exporter must furnish evidence that duty has been paid on the imported goods. The nature of the acceptable evidence depends upon whether the imported goods are in the "same state" or not, but in all cases it will have been the importer's responsibility to ask for official certificates of duty payment at the time he pays the import duty. The arrangements are:—

(i) **"Same state" goods** The amount and basis of duty payment is certified by the Customs on the importer's copy of the invoice he receives from his foreign supplier. If the goods are re-exported by another person, he must obtain a certificate of duty payment, in prescribed form, from the importer, whose books and records are subject to official verification.

(ii) **Manufactured goods** A special form of certificate of duty payment, the "Materials Certificate", is officially provided on request at importation. This Certificate follows the imported material from trader to trader, and can be subdivided by the Customs at the trader's request when the imported material is split up between various customers. When the goods are manufactured the manufacturer must sign a statement ("Manufacturer's Statement") to the effect that the material to which the Certificate relates has been used in the manufacture of those goods.
Although once the product has been released from customs it remains in the importer's custody, it has nevertheless to be stored segregated from other products so that it is available for inspection and check against the book entries.

To receive the drawback the exporter must make his claim in prescribed form, make the goods available for official examination before shipment and give a guarantee (bond) for their due exportation. Usually the detailed examination of the goods takes place at the exporter's premises. The exporter must also prove to the satisfaction of the Customs that

(i) the description, quantities and dutiable content of the goods are correctly declared, and the claim relates to goods included in a Drawback Order;

(ii) duty has been paid as claimed on the goods or material which were imported;

(iii) the goods have been exported;

(iv) in respect of "same state" goods, the goods are in the same state as imported, have not been used in the United Kingdom and are being exported by the importer or by a person who has taken delivery directly from the importer.

Payment of drawbacks is effected by means of a debenture, which incorporates a declaration by the exporter that the specified goods have been exported and not relanded, and an undertaking to refund any amount which is found to have been paid in excess of the drawback legally due. By virtue of this undertaking and the guarantee (bond) previously given, payment immediately after shipment is possible. No drawback amount can be paid after more than two years from the date of exportation.

The effective working of the drawback system is ensured in three ways:

(i) the control which follows the imported products, which is made possible by the fact that the unified Customs and Excise Administration has Officers stationed throughout the interior of the country as well as at the ports;

(ii) the physical control of the exported final product by the local offices, and

(iii) the centralized auditing of the customs documents in the central customs office.
This system clearly excludes in principle the possibility of payment of drawback on any material which is not actually utilized for exportation. The only case in which to a very marginal extent such a payment would be possible is where an average content is fixed by the basic Order. Such average contents are fixed on the basis of a very broad study so that it is in theory possible that the more efficient producers do not use the full quantity of products imported. On the other hand, the less efficient producers are likely to use a greater quantity of the imported material than that on which drawback is granted, so that on the whole drawback paid in no case exceeds the duty collected.

It should be noted that no drawback system is necessary for the purchase tax, since the tax is only levied at the point of sale to retailers, and production for export is therefore not chargeable.

Temporary importation for processing

Under the British system the processing procedure is strictly limited to processes which do not change the "form or character" of the goods involved. This system which is adopted to make possible the selling of the "know how" is therefore extended to such cases as repair, finishing, repainting etc. The most far-reaching process permitted is probably in the field of textiles where the dyeing and printing of materials is permitted. It can therefore in no way replace the drawback system. The difference between the two systems is obvious, namely that under the processing system no duty has to be paid for the imported products, but under the drawback system duty is paid, and is repaid if the goods should later be satisfactorily re-exported. On the other hand, the re-export of the products imported for processing must be guaranteed from the outset and must take place generally within six months of importation. The transfer of the imported product to domestic use, on payment of the duty, is thus in principle excluded.

It should be remembered that although the British Customs do not consider the processing system more difficult to control than the drawback, a closer supervision is provided, and in addition to the segregation of the products concerned, and special bookkeeping, it is a condition that the whole of the imported goods shall be re-exported.

Other temporary admissions

By virtue of the Finance Act, 1951, Section 12, the Customs after consultation with the Board of Trade may grant relief from payment of protective duties on certain imported goods intended for re-exportation (or as materials for production of articles for exportation) if there are special reasons connected with promoting the export trade, and if the process or drawback provisions are inapplicable or inappropriate. Each individual application is decided on its merits, and control is similar to that for process goods.
Besides the temporary admission of touring vehicles and aircraft under international convention, there are arrangements for temporary duty-free admission of samples, advertising material and tourist publicity materials where they cannot be passed duty-free unconditionally.

**France**

**Temporary Admission for Processing**

The French system of temporary admission for processing dates from the beginning of the nineteenth century and replaced the drawback system which in those days was called "outgoing premiums" ("primes de sortie"), and which was levied on only a very few domestic products.

The present Customs Code does not therefore provide for drawback but only for temporary admission. This latter may be granted on agricultural or forestry products only through legislative procedure, whereas for the other products, it may be authorized by inter-ministerial decree.

The products thus coming under either an Act or Decree may be entered direct at the customs upon importation under the régime of temporary importation, no authorization being required.

The Director General of Customs may, further, under a provision of the Customs Code, authorize temporary importation duty-free of articles imported for repairs or trial, packing material imported filled or empty and intended for re-exportation empty or filled, and products intended for processing not provided for under an act or decree.

In practice, authorizations for processing are granted only with the approval of the technical departments responsible for the product to be processed, and more specifically responsible for verifying whether temporary importation might be detrimental to the interests of French producers of similar products.

Before 1939, temporary importation was confined practically to products which did not exist on the French market, but since the last war, it has also been authorized, if the similar domestic product is too expensive to enable the finished article to compete on the international market with similar foreign articles.

In instances when the imported product remains the property of the foreign owner, i.e. when it is to undergo processing, temporary importation may be allowed without the authority of the technical department, if they happen to be raw materials or semi-processed products intended for fairly advanced manufacture.
As a rule, and as in other countries, the customs authorities who are competent to issue temporary exceptional import licences must be satisfied that it is possible to carry out qualitative and quantitative supervision of the products imported.

Compliance with obligations under temporary importation procedure is ensured in France through the customs certificate which is customary in all cases when a dutiable product is temporarily released from the physical control exercised by the customs authorities: it is the bond-note ("acquit-à-caution") which is a formal undertaking by the importer and his guarantor (legal or physical person) to fulfil the legal obligations, and, in particular, in the case of temporary importation, to re-export or warehouse in bond the imported products within a period of six months, after they have been processed under the terms of the act, decree, or administrative decision, as the case may be.

Normally, the identity of imported products must be ensured by application of marks, stamps, seals, and by test of samples or examination of book entries.

Supervision may also be carried out in the course of processing when, in particular, the processing is a complex one. But in practice, there may be substitution of imported products by products from the home market: this is known as the "equivalent" system. This system is tolerated, however, only if identical raw materials or products are involved throughout, therefore, by definition, if they are of equivalent value, such as mineral ores, crude metals, grains, oil-seeds, etc.

To obviate the disadvantages of this system, which might, in particular, lead to a traffic in bond-notes - an arrangement by which the importer delivers the imported product to the home market, and the processor exports a home product - it is stipulated, in certain cases, that temporary admission shall be granted only to the manufacturer who has the necessary machinery to carry out the processing himself, and, further, vouchers shall be supplied to the customs authorities that the products imported entered the factory, and were actually re-shipped from the factory after processing. Moreover, except in the instance of specific provisions to the contrary, the cession or loan of goods placed under the régime of temporary importation is prohibited.

Furthermore, except in the case of special stipulations of acts, decrees or decisions authorizing temporary importation, re-exportation or warehousing of processed articles may be carried out by any customs office.

In exceptional cases, the sale of products on the home market may be authorized, for instance in cases of breach of export contract: in such cases, the duties are levied on the basis of the rates in force on the date of issue of the bond-note, increased by the legal rate of interest on deferred payment, to take account of the de facto credit by which the importer has benefited.
It should be noted that before the introduction of the new system of internal indirect taxation by the Act of 1 July 1955 ("taxe à la valeur ajoutée"), temporary importation could be permitted under special provisions to avoid tax liability in the case of duty-free goods chargeable with the "taxe sur les transactions". The characteristics of this régime were that except in the case of specified processing, re-exportation of goods had to be carried out in their original state.

Although there are not many customs offices in the interior of the country in France, the French system of temporary admission, through its adaptability, may be applied both to industries located near the customs border or ports, and to those at some distance, since the manufacturer importing has free disposal of his goods within his factory, through the bond-note.

Federal Republic of Germany

Temporary admission for processing

The German provisions permit the temporary duty-free admission of imported products for processing in cases where such admission is considered to be in the interests of the home industry as a whole. No temporary admission is permitted anyhow if the identity of the product cannot be ensured throughout the processing procedure.

Such temporary duty-free admission can be permitted on a permanent basis (lists) or for a limited time, which may even be used for the ad hoc permission of a single importation. The difference between the two possibilities has purely internal importance due to the fact that the processing included in the list will be permitted by lower authorities, if satisfied that the manufacturer can fulfil his obligations under the procedure, whilst other cases have to be decided by the higher authorities in the light of the economic considerations involved. The temporary importation for repair, however, is permitted in practically all circumstances.

The request for a temporary admission for processing has to contain all information necessary to arrive at a decision. This includes, in the case of non-listed procedures, the economic argument for the facilities requested. The request must be accompanied in all cases by a description of the processes to be carried out including, inter alia, particulars of the expected waste and weight losses, as well as additions from the home market, so that efficient supervision by the customs officer is possible. The appropriate authorities can under exceptional circumstances permit a part or the whole of the processing to be done by sub-processors.

As already mentioned, the temporary admission for processing is, under the existing laws and regulations, based on the principle of ensuring the identity of the product imported. The product imported has to be stored and processed separately and has to be specially marked throughout the processing
procedure. In some cases the control can be based on samples. Each permission to carry through a processing procedure contains express indication that the substitution of the imported product by a national product is not permissible and is under certain circumstances liable to be penalized. The temporary admission is allowed on the strength of a guarantree. The customs authority may, however, relax this requirement.

Furthermore, the permission to carry through such a processing procedure specifies a time limit for re-exportation, depending on the requirements of each case.

The request for temporary admission for processing has to be presented by the processor himself. But the German system becomes flexible by virtue of the fact that products can be transported under bond from a frontier customs office to an inland warehouse and then split up there and transported again in parts to another warehouse, from where they can be made available to the processor. It has, however, to be understood that each of those single transactions under bond can be carried through only under the strict supervision of the customs authorities.

After processing under bond, the product to be exported has to be presented to the customs office exercising supervision. This office satisfies itself that the conditions under which the temporary importation has been permitted have been fulfilled. The waste and the loss in weight have to be in conformity with the figures contained in the operational statement as verified by the customs authorities. The waste which remains in the home market becomes dutiable according to the tariff rate provided for such waste, but in no case can a higher duty be charged for it than that on the product imported.

Once an imported product has been cleared for processing it cannot be exported without having been processed except in special circumstances. The processed product can be either exported or released for home consumption after payment of duty, in which case the customs duty is fixed on the basis of the quality and quantity of the product at the time of its temporary importation, but if the processor makes a too extended use of the possibility to sell such product on the home market, the supervising authorities are bound to consider the withdrawal or restriction of the processing permission.

It is quite clear that the customs authorities have a right to inspect at any time the premises where the products under bond are stored, also the relevant books of account.

An amendment of the previous legislation has recently been adopted which permits the processing procedure to be extended to cases where the identity of the imported product cannot be ensured. In such cases the finished product must contain a corresponding quantity of the same material whether imported or from the home market. Under the new procedure the exportation can take place in exceptional circumstances before the importation is effected, as for instance where importation has been delayed for a short time.
Finally, attention should be drawn to the fact that, before bringing the above-mentioned change into force, the introduction of the drawback system, as in force in Britain, has been studied in Germany. The representatives of the industry as well as the customs authorities were convinced, however, that this system would be of no advantage for the German economy. The reasons for this unfavourable verdict were mainly that under the present German system the same effect is reached without the necessity to pay duty on the imported product, and that a relaxation of control implied by the drawback system would not be justified. The customs authorities were largely influenced in this matter by their experience made with the system for refund of taxes on mineral oil.
<table>
<thead>
<tr>
<th>Drawback (duty paid)</th>
<th>United Kingdom</th>
<th>France</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>No (but proposal to introduce)</td>
<td>No</td>
<td></td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Temporary admission (duty suspended)</th>
<th>United Kingdom</th>
<th>France</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited to simple processes which do not change &quot;form and character&quot;</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
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<table>
<thead>
<tr>
<th>Legal basis</th>
<th>United Kingdom</th>
<th>France</th>
<th>Germany</th>
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<tbody>
<tr>
<td>1. Import Duties Act 1932 (drawback)</td>
<td>No (but proposal to introduce)</td>
<td>Administrative decisions based on customs law</td>
<td></td>
</tr>
<tr>
<td>2. Orders based on Finance Act 1932 (drawback)</td>
<td>No (but proposal to introduce)</td>
<td>Administrative decisions based on customs law</td>
<td></td>
</tr>
<tr>
<td>3. Customs and Excise Act 1952 ad hoc administrative decisions (drawback and temporary admission)</td>
<td>No (but proposal to introduce)</td>
<td>Administrative decisions based on customs law</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Circumstances in which systems applied</th>
<th>United Kingdom</th>
<th>France</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drawback: if economically advantageous (no similar home product or home product too expensive)</td>
<td>Same as France</td>
<td>Same as France</td>
<td>Same as France</td>
</tr>
<tr>
<td>Processing: only sale of &quot;know-how&quot; and services</td>
<td>Same as France</td>
<td>Same as France</td>
<td>Same as France</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Procedure for consultation with trade</th>
<th>United Kingdom</th>
<th>France</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drawback schemes advertised Informal consultations with interested domestic producers</td>
<td>Consultations with ministerial departments responsible for the products in question (industry or agriculture)</td>
<td>Same as France</td>
<td>Same as France</td>
</tr>
<tr>
<td><strong>United Kingdom</strong></td>
<td><strong>France</strong></td>
<td><strong>Germany</strong></td>
<td></td>
</tr>
<tr>
<td>-------------------</td>
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<td></td>
</tr>
<tr>
<td><strong>How is identity ensured?</strong></td>
<td>Control through material certificate, check of manufacturers' statements and book entries. Segregation of stock and physical check, through prior determinations of quantity of imported product in unit of finished goods</td>
<td>Qualitative and quantitative controls on the basis of information entered into the 'acquit-à-caution' marks and stamps affixed on the imported product, samples of the raw material and the finished products, factory controls, etc.</td>
<td>Physical and bookkeeping control throughout the procedure, marking</td>
</tr>
<tr>
<td><strong>Extent to which substitution is permitted</strong></td>
<td>No</td>
<td>In practice in cases where the products concerned are strictly identical everywhere</td>
<td>Substitution permitted up to quantity imported duty free</td>
</tr>
<tr>
<td><strong>Can the imported goods be used for home consumption?</strong></td>
<td>1. Drawback: does not apply 2. Processing: no</td>
<td>In very exceptional circumstances</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Duty to be paid in case of home consumption</strong></td>
<td></td>
<td>Directly: is normally levied on the basis of the duty the imported product would have had to pay on the date of temporary admission plus legal interest for the late payment and When cleared from warehouse: dutiable when goods are taken out of warehouse</td>
<td>Levied on the basis of the duty the imported product would have had to pay on the date of temporary admission</td>
</tr>
<tr>
<td>Duty to be paid on waste</td>
<td>United Kingdom</td>
<td>France</td>
<td>Germany</td>
</tr>
<tr>
<td>--------------------------</td>
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</tr>
<tr>
<td>1. Drawback rate makes an allowance for waste</td>
<td>Waste which cannot be re-used or which is valueless: duty-free Waste which can be re-used: (a) if the rate can be determined with accuracy - rate of waste (b) if not - rate of imported product not to exceed a given maximum</td>
<td>Duty as applicable to waste but should not exceed that payable on imported products</td>
<td></td>
</tr>
<tr>
<td>2. Processing: as applicable on waste</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Security</th>
<th>United Kingdom</th>
<th>France</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Drawback: Yes</td>
<td>Personal undertaking to re-export or to place in a warehouse guaranteed by an &quot;acquit-guarantee&quot; or in cases where no guarantee is available by the deposit of duty</td>
<td></td>
<td>Customs administration may require guarantee</td>
</tr>
<tr>
<td>2. Processing: Yes</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Use for purchase tax (in case of duty-free imports)</th>
<th>United Kingdom</th>
<th>France</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>No (existing tax system makes it unnecessary)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Formal publication</th>
<th>United Kingdom</th>
<th>France</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, except the few administrative decisions made known to the interested industries</td>
<td>Yes, except of exceptional cases when authorization is granted to interested manufacturers</td>
<td>No, but information available at any customs house</td>
<td></td>
</tr>
</tbody>
</table>