Trade Negotiations Committee

JUSTIFICATION OF EXCEPTIONS LISTS

Report by the Executive Secretary

A. INTRODUCTION

1. The purpose of this report is to assist the work of the group which will conduct the justification exercise by analyzing certain elements in the lists which have been submitted.

2. This analysis is related to the information given in the lists and to statements which have been made with regard to them. It does not take account of any problems that may arise from the differences of view as between the delegations concerned on how the linear cut should apply in certain types of case (e.g. where the rate in the tariff is higher than the rate effectively applied on the base date, or where the rate bound in the relevant GATT schedule is higher than the rate in the tariff or the rate effectively applied), although the basis adopted by the delegations concerned in these respects clearly, in some cases, has implications for the content of the exceptions lists.

3. The following countries have indicated that at this stage their offer of the linear cut is without exceptions:

   Austria
   Denmark
   Norway
   Sweden
   Switzerland

The following participants have submitted lists of exceptions:

   European Economic Community
   Finland
   Japan
   United Kingdom
   United States

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1 The European Coal and Steel Community has indicated that it is not submitting a list of exceptions in respect of the products within its competence.
4. Annex I contains notes on each of the five lists which have been submitted. The remainder of the main body of the report discusses the lists from a more general point of view.

B. ADEQUACY OF THE INFORMATION SUBMITTED

5. The following is the position on the information given:

   (i) **Tariff headings.** Given in all lists.

   (ii) **Descriptions.** Precise descriptions are given in all the lists except those of Finland and Japan.

   (iii) **Rates of duty.** Given in all lists except those of Finland and Japan. (The United States list gives both the "statutory" rate and the rate effectively applied on the base date.)

   (iv) **GATT bindings.** All lists, except those of Finland and the EEC, indicate where the duty is bound in the GATT.

   (v) **Import statistics.** The United Kingdom and the United States lists give import statistics for the precise products which it proposed to except, while Japan has provided import statistics for the four figure tariff headings involved. There are no import statistics in the Finnish or EEC lists.

   (vi) **Partial offers.** All the lists indicate where partial offers can be made.

   (vii) **Justifications.** The United Kingdom list gives a detailed justification for the inclusion of each product related to the particular circumstances of the trade in that product. The United States and Japanese lists set out only certain general considerations, the latter indicating which of them is relevant in each case. The Finnish list contains no justifications.

6. It is understood that several of the delegations concerned will be submitting further material at a later stage.

C. COMMODITY COVERAGE

7. The notes in Annex I describe the commodity structure of each of the lists separately.
The purpose of this section of the paper is to describe the commodity structure of the lists taken as a group. Before dealing with this point, however, it may be worth drawing attention to a certain difference which there appears to be in the structure of the individual lists. Whereas two lists (that of the EEC, and to a lesser extent, that of Japan) appear to be spread fairly widely through the tariff, two others (that of the United Kingdom and the United States) are concentrated on relatively few product groupings. For example, whereas in the EEC and Japanese lists respectively exceptions are found in fifty-one and forty-three of the seventy-five "industrial" chapters of the Brussels Nomenclature, the corresponding number for the United Kingdom is twenty. The Finnish list appears to fall half way between these two extremes; exceptions are found in thirty-one of the Brussels Nomenclature chapters. In the case of the United States, of the approximately 300 TSUS headings (on a three-digit basis) regarded by the United States as "industrial", sixty-two are included in the "economic" and "mandatory" exceptions (the addition of the "technical" exceptions would add another thirty-six and the "exclusions" a further one). To take another illustration of the same point, cotton textiles and associated man-made fibre goods account for some 60 per cent\(^1\), and the same group together with plastic materials accounts for 92 per cent of the total coverage (on the basis of imports under the most-favoured-nation tariff in 1962) of the United Kingdom list. By contrast no one commodity grouping accounts for more than 14 per cent of the Japanese list.

Annex II describes the, as it were, collective structure of the lists taken as a group. It shows the "incidence" of exceptions in the main commodity groups, with particular reference to cases where the same products are found on several lists and to cases where offers of the linear cut or partial offers are conditional on action by other participants (see section D below). This description may be helpful to the group in connexion with the justification process itself, but it may also have implications for the later processes of confrontation and justification and the procedures to be followed in those processes, more especially by giving indications of those cases where a sector approach may prove more fruitful than a country approach.

While clearly it would be premature to attempt to draw firm conclusions on this latter point at this stage, it would appear that a sector approach might be more appropriate in the following sectors:

- Chemicals
- Paper and paper-making materials
- Cotton textiles
- Wool textiles
- Iron and steel
- Automobiles

\(^1\)It should be emphasized that wherever in this paper figures of trade coverage are quoted, the purpose is only to give a very rough, and it is recognized in some cases inevitably fallible, indication of which are in trade terms the more "important" items in the lists.
In the following sectors, the case for a sector approach is less clear, but may still be worth considering:

Coal
Ceramics and glass
Non-ferrous metals
Jute fabrics

C. PARTIAL AND CONDITIONAL OFFERS

11. The various lists differ considerably from one another in the relation between "total" and "partial" exceptions. "Partial offers" play a relatively small part in the United States list, and are made on only one group of products (though it is the group with the largest trade coverage) in the United Kingdom list. Finland similarly has indicated an ability to make partial offers on only a small part of its list. At the other extreme, the Community have indicated that they can make partial offers on most of the products. The Japanese list lies somewhere between these two extremes.

12. Only the United States delegation has indicated just what offer it can make in this type of case.

13. Reference has been made in section C above to the cases where a participant has indicated, either in its exceptions list or when tabling it, that its ability to make a particular offer (including in some cases - e.g. iron and steel and automobiles in the case of the United Kingdom - an offer of the full linear cut), or to make any offer at all, is conditional on particular action in the sector concerned by other participants or on common action by all. The main cases are:

(i) Chemicals

The United Kingdom offer is conditional on their receiving reciprocity in the sector, especially in relation to the American selling price system of valuation used in the United States; and the EEC offer on certain chapters is conditional on the withdrawal of the ASP system.

(ii) Cotton textiles

The United Kingdom has stated that their offer is conditional on reciprocity within the sector and the offer of the EEC is subject to the continuation of the Long-Term Arrangement on Cotton Textiles.

(iii) Wool textiles

The United Kingdom has stated that it will require reciprocity within the sector.
(iv) **Iron and steel**

The United Kingdom has stated that it will require reciprocity within the sector.

(v) **Automobiles**

The United Kingdom has stated that it will require reciprocity within the sector.

E. **JUSTIFICATIONS**

14. As is explained in paragraph 7 above, detailed justifications product-by-product have been submitted so far only by the United Kingdom. It is understood that other delegations, including those which have listed certain types of justification applying to groups of commodities, will be submitting further material on this point in the near future. In the circumstances it would not seem useful to comment on, or attempt to analyse, the justifications submitted.
ANNEX I

Notes on Individual Country Lists

1. EUROPEAN ECONOMIC COMMUNITY

(a) Coverage of the list

The European Economic Community's exceptions list relates to the products included in the two lists circulated by the Community in connexion with their base date notification.

(b) Information submitted

The list gives for each item:

(i) the Brussels Nomenclature heading with an indication of ex items, together with a detailed description of the product;

(ii) the rate of duty in the common external tariff of the Community;

(iii) an indication as to whether it is proposed to except the product totally or partially from the negotiations.

The Community will be submitting additional material.

(c) Structure of the list

The Community proposes to exclude 413 items\(^1\) from the linear reduction. These are to be found in forty-eight of the seventy-five "industrial" chapters of the Brussels Nomenclature. The main sectors into which they fall are:

Chemicals:

<table>
<thead>
<tr>
<th>Category</th>
<th>Items</th>
<th>Total Exceptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inorganic chemicals</td>
<td>34</td>
<td>12, 7</td>
</tr>
<tr>
<td>Organic chemicals</td>
<td>23</td>
<td>None</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>1</td>
<td>None</td>
</tr>
<tr>
<td>Fertilizers</td>
<td>5</td>
<td>None</td>
</tr>
<tr>
<td>Plastic materials</td>
<td>18</td>
<td>4</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>10</td>
<td>4</td>
</tr>
</tbody>
</table>

\(^1\)Not including the conditional exceptions referred to in (d) below. The calculations are in terms of tariff lines.


<table>
<thead>
<tr>
<th>Material</th>
<th>Items</th>
<th>Total Exceptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rubber</td>
<td>3</td>
<td>none</td>
</tr>
<tr>
<td>Leather</td>
<td>2</td>
<td>none</td>
</tr>
<tr>
<td>Wood</td>
<td>7</td>
<td>none</td>
</tr>
<tr>
<td>Pulp for paper</td>
<td>5</td>
<td>none</td>
</tr>
<tr>
<td>Paper and printed matter</td>
<td>32</td>
<td>3</td>
</tr>
<tr>
<td><strong>Textiles</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Silk fabrics</td>
<td>3</td>
<td>none</td>
</tr>
<tr>
<td>Man-made fibre yarn and fibres</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Jute fabrics</td>
<td>1</td>
<td>none</td>
</tr>
<tr>
<td>Carpets</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>14</td>
<td>1</td>
</tr>
<tr>
<td><strong>Ceramics</strong></td>
<td>14</td>
<td>1</td>
</tr>
<tr>
<td>Glass and costume jewelry</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td><strong>Iron and steel (non-ECSC items)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ferro alloys</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Bars sheet etc. (non-alloyed)</td>
<td>23</td>
<td>3</td>
</tr>
<tr>
<td>(alloyed)</td>
<td>23</td>
<td>1</td>
</tr>
<tr>
<td>Other (including tubes)</td>
<td>13</td>
<td>none</td>
</tr>
<tr>
<td><strong>Metals:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Copper</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>Aluminium</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td>Lead</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Zinc</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>30</td>
<td>24</td>
</tr>
<tr>
<td>and one non-consolidations of a zero duty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hand tools</td>
<td>6</td>
<td>2</td>
</tr>
</tbody>
</table>

1In addition the EEC has presented a list of "conditional" exceptions - see (d) below.
Non-electric machinery 30 items of which 15 are total exceptions
   (including: certain internal combustion engines, pumps, air conditioning machinery, excavating machines, cranes, sewing machines, machine tools, electronic calculating machines, nuclear reactors)

Electric machines 16 3
   (including: radio receivers, transistors, insulated wire and cable, insulators)

Motor vehicles 7 7
   (tractors, buses and commercial vehicles)

Bicycles 1 1

Light aircraft 2 2

Precision instruments 11 5

Toys 3 none

The sectors listed above account for 392 items or 95 per cent of the exceptions.

(d) Conditional offers
The EEC list includes a list of "conditional" exceptions consisting of thirty-one items and covering fabrics of flax and ramie; yarn and fabrics of cotton and discontinuous artificial fibres; and certain fancy fabrics and made-up goods. It is stated that tariffs on these products will be subject to the normal reduction if the Long-Term Arrangement on cotton textiles is reviewed or if measures designed to fulfil the same objectives as those of the Arrangement are adopted by the CONTRACTING PARTIES; otherwise, the items would be exceptions.

In addition, the representative of the EEC on the Trade Negotiations Committee has explained that the offers made by the Community on certain parts of the chemicals sector is conditional on the withdrawal of the United States "American Selling Price" system of valuation.

(e) Partial offers
The Community have indicated that partial offers can be made on 288 of the 413 items in the exceptions list (leaving aside conditional offers). As has already been noted, in a large number of sectors partial offers are contemplated on all, or almost all, items on the list. Total exceptions appear frequently, however, in the following sectors: inorganic chemicals, ferro-alloys, zinc, certain minor non-ferrous metals, vehicles, light aeroplanes. Half the items in the non-electric machinery sector are total exceptions.
2. FINLAND

Coverage of the list

Finland appears to have drawn up its list on the basis of Brussels Nomenclature chapters 25 to 99, with the exception of items ex 35.01, ex 35.03, 35.05 and ex 38.12 (see TN.64/AGR/3, page 7).

Information submitted

The list

(i) gives the Brussels Nomenclature headings which Finland proposes to exclude in whole or in part from the linear cut. Where ex items are involved no indication is given of the precise part of the heading to be excluded;

(ii) gives an indication as to whether the item is wholly, or partially, excluded.

It is understood that the Finnish Government will submit additional information at a later stage.

Structure of the list

In all, 152 headings in the Brussels Nomenclature are affected but in over seventy cases the exception relates to only part of the item falling under the relevant BN heading. The headings fall into thirty-one of the seventy-four BN industrial chapters.

Of the 152 headings affected, 117 fall into the following three sectors:

Textiles
Iron and steel
Machinery

Other sectors affected include:

Petroleum other than crude
Chemicals
Rubber
Leather

Footwear
Ceramics and glass
Locomotives and motor vehicles for the transport of persons or goods

Partial offers

The list indicates that partial offers can be made on twelve items or ex items. (In terms of trade coverage these appear to account for some 5 per cent of the total list.)
3. JAPAN

Japan's list of exceptions is divided in two parts, (i) pages 1 to 6, the notes, and (ii) pages 1 to 11, the list proper.

(a) Coverage of the list

The document indicates that Japan regards as agricultural products, and therefore not covered by the list, the items in BN chapters 1 to 24, together with a number of items falling outside these chapters which are listed on pages 4 to 6 of the notes. It is also indicated that items "which fall under the provisions of Articles 20 and 21 of the General Agreement and under the State-trading system", are regarded as outside the present negotiation and that details of the items concerned will be notified later (page 6 of the notes). The Japanese position on certain petroleum oils will be notified later (page 6 of the notes).

Japan has also indicated that the list of exceptions includes "those items the major part of which is imported from countries other than contracting parties to GATT, or contracting parties with which Japan has no GATT relations" (page 3 of the notes). These items are not identified.

(b) Information submitted

The following information is given for each product listed:

(i) the four figure tariff item number in terms of the Japanese tariff schedule, with an indication of ex items (but without a detailed description of ex items);

(ii) an indication as to whether the item is bound in GATT;

(iii) the value of imports in 1963 in $1,000.

(c) Structure of the list

In all, Japan proposes to exclude 126 tariff headings or parts of headings from the linear reduction. They are fairly widely dispersed, occurring in forty-three of the seventy-five industrial chapters of the tariff. The following are the sectors involved:

Mineral products: Copper
Metallic ores: Nickel
Coal, lignite and coke: Aluminium
Petroleum oils other than crude and petroleum gases: Magnesium
Inorganic chemicals: Lead
Organic chemicals: Zinc
Medicaments: Other base metals
Razors and blades
(d) Partial offers

The Japanese list indicates partially excepted items. Eighty-seven tariff headings or parts of headings, or 69 per cent of all items, are partially excepted. The document does not indicate what offer can be made. Where a part of an item on the list is excluded completely and the remainder of that item is partially excluded, these two elements are not separated out.

Groups of items which are in the main to be totally excluded from the negotiations include minerals, metallic ores, coal and coke, leather, cork and basketwork, footwear, steam boilers and power units, printing machinery, typewriters and calculating machines.

(e) Nature of the justification

Four general justifications are given on pages 2 and 3 of the notes, and the list indicates which of these applies in each case.
4. UNITED KINGDOM

The United Kingdom exceptions are listed in Annex A to their document; further details of the tariff headings excepted in the case of cotton textiles and associated man-made fibre goods and jute goods are to be found in Annexes B and D.

(a) Coverage of the list

The document explains that, in drawing up the list of exceptions, the United Kingdom has worked on the basis of BN chapters 25-99. Annex E to the United Kingdom document sets out however, a number of products included in these chapters which the United Kingdom regards as agricultural, and which therefore are excluded from the industrial offer; it also sets out a number of products in the first twenty-four chapters which in its view should be considered industrial. It is explained that the United Kingdom would wish to put one of this latter group of items on its exceptions list.

(b) Information submitted

The information includes, for each of the products listed:

(i) the tariff number together with a full description;

(ii) the present most-favoured-nation rates (Annex (B));

(iii) where the rates are bound in the GATT and at what levels (Note 1 to Annex (A));

(iv) statistics for imports in 1961 and 1962 in total and from sources subject to the most-favoured-nation tariff, i.e. sources other than the Commonwealth preference area, EFTA and Finland (Annex (C)).

(c) Structure of list

The following table summarizes the United Kingdom list and shows the value of most-favoured-nation imports in 1962 where these exceed £1m. It will be seen that the list is highly concentrated on a few products. Cotton textiles and associated man-made fibre goods alone account for more than 60 per cent of the trade coverage; and the five products for which statistics are given account for nearly 98 per cent (it should perhaps be noted however that there is at present a virtual prohibition on imports of coal).
<table>
<thead>
<tr>
<th>Tariff No.</th>
<th>Description</th>
<th>M.F.N. duty (per cent ad valorem)</th>
<th>Value of m.f.n. imports in 1962 where in excess of £1 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>27.01, 02 and 04</td>
<td>Coal, lignite, coke</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>ex 28.04(A)</td>
<td>Silicon</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>34.02(A) and (B)</td>
<td>Alcohol ethers</td>
<td>0 and 10</td>
<td>1.0</td>
</tr>
<tr>
<td>39.01(A), (E) (1) (b) E(2), 39.02(E)2, 39.03(A)2(c) and (F)</td>
<td>Plastics materials</td>
<td>mostly 10</td>
<td>23.4</td>
</tr>
<tr>
<td>46.03(A)</td>
<td>Baskets of osier, willow, cane or wicker</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>ex Chapters 50-63</td>
<td>Cotton textiles and associated man-made fibre goods</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Jute yarns, fabrics, sacks and bags</td>
<td>45.7</td>
<td></td>
</tr>
<tr>
<td>ex 74.01, (B)2, 02, 03, 04, 05, ex 77.04(B)</td>
<td>Beryllium</td>
<td>mostly 10</td>
<td></td>
</tr>
<tr>
<td>78.01(A) (1)</td>
<td>Unwrought lead</td>
<td>7/6d per ton</td>
<td>1.4</td>
</tr>
<tr>
<td>79.01(A) (2)</td>
<td>Unwrought zinc</td>
<td>£1.10/- per ton</td>
<td>3.0</td>
</tr>
<tr>
<td>81.03(A) and (B)</td>
<td>Tantalum</td>
<td>mostly 0</td>
<td></td>
</tr>
<tr>
<td>ex 81.04(G) (2)</td>
<td>Niobium, zirconium, hafnium and titanium, wrought and unwrought (other than waste and scrap) and articles thereof</td>
<td>10</td>
<td></td>
</tr>
</tbody>
</table>

(d) Conditional offers

The United Kingdom memorandum explains that in the case of certain industries such as wool textiles, cars, iron and steel and chemicals, reciprocity would be required in the sector concerned; and in the case of chemicals this consideration would apply particularly to the American Selling Price system of valuation operated by the United States.
The United Kingdom has also explained that, where Commonwealth countries enjoy contractual preferences, the United Kingdom offer is conditional on the assent of the governments concerned.

(e) Partial offers

The United Kingdom has indicated that it may offer tariff cuts of less than 50 per cent during the negotiations on man-made fibre goods included in the exceptions list and the man-made fibre good element in compound duties.

(f) Nature of the justifications

The United Kingdom has submitted a justification relating to each of the products in its list and related to the particular circumstances of the industry and trade concerned. While some elements (for example the fact that the industry concerned is found in an area of high unemployment; the necessity to maintain the industry because of its importance in general technological development; the fact that competing foreign industries enjoy higher tariff protection) are found in more than one justification, the basic justification for each product tends to be different and no categorization would seem to be very useful.
5. UNITED STATES

The United States list of exceptions is divided into three groups:

(i) "Economic exceptions" (Pages 3 to 15)

(ii) "Mandatory exceptions" (Pages 16 to 30)

(iii) "Technical exceptions" (Pages 31 to 85)

The main type of case involved under (iii) that where a duty has been temporarily reduced or suspended, but where the legal authority to reduce the duty by 50 per cent applies only to the "statutory" rate of duty. (It may be noted that, under the procedure followed by certain other delegations (e.g. Sweden and the European Economic Community) this type of case would not have been notified as an exception).

In addition there is a list (pages 87 to 89) of the products excluded from the negotiations on the grounds that the aggregate of imports into the United States from non-participating countries exceeds the aggregate from participating countries.

Finally, the United States notification explains that a 50 per cent reduction on the bound rate is offered on three products (brandy; dextrine and soluble or chemically treated starches; and automobile trucks) "on condition that the EEC grant a satisfactory concession with respect to poultry".

(a) Coverage of the list

Pages 105 to 112 list by TSUS item the products which the United States considers as falling in the agricultural sector; and pages 113 to 115 list the items believed to fall in the Brussels Nomenclature, Chapters 1 to 24 which are not included in the first list, and items which are believed to fall outside these Chapters which are included in the first list.

(b) Information submitted

The information includes, for each TSUS item listed;

(i) the statutory rate of duty and the effective rate as of 4 May 1964;

(ii) where the rates are bound in the GATT schedules (these are asterisked);

(iii) the ad valorem equivalent of specific rates (pages 116 to 120);

(iv) the value of imports in total and from the three leading suppliers in 1961.1

1 This information is not yet available for the "exclusions", but will be supplied shortly.
(c) **Structure of the list**

As is explained in paragraph 8 of the main body of the report, the United States list is one of those which is more concentrated on particular sectors. The following lists set out all the commodity groupings where exceptions are found. The items with the highest trade coverage are underlined and the value of imports in 1961 is given in brackets (\$ million).

<table>
<thead>
<tr>
<th>Economic Exceptions</th>
<th>Mandatory Exceptions</th>
<th>Technical Exceptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TSUS item</strong></td>
<td><strong>TSUS item</strong></td>
<td><strong>TSUS item</strong></td>
</tr>
<tr>
<td>112 Fish in airtight containers</td>
<td>110 Fish, fresh (other)(18)</td>
<td>200 Wood (21)</td>
</tr>
<tr>
<td>240 Plywood (41)</td>
<td>186 Hatters' fur</td>
<td>203 Cork</td>
</tr>
<tr>
<td>245 Hardboard</td>
<td>320 Cotton fabrics for typewriter ribbon</td>
<td>220 Cork</td>
</tr>
<tr>
<td>307 Wool, wool yarns, wool fabrics (163)</td>
<td>346 Pile fabrics</td>
<td>305 Flax lace and silk</td>
</tr>
<tr>
<td>473 Zinc oxide pigments</td>
<td>360 Carpets (28)</td>
<td>417 Aluminium oxide (11)</td>
</tr>
<tr>
<td>532 Ceramic tiles</td>
<td>426 Potassium barbiturate</td>
<td>425 Other chemicals</td>
</tr>
<tr>
<td>533 Crockery (13)</td>
<td>429)-Hydrocarbon oil products (49)</td>
<td>490 Other chemicals</td>
</tr>
<tr>
<td>546 Glassware (11)</td>
<td>532 Ceramic tiles</td>
<td>543 Glass</td>
</tr>
<tr>
<td>624 Lead products</td>
<td>542)-Glass (27)</td>
<td>605)-Metals</td>
</tr>
<tr>
<td>629 Titanium</td>
<td>544)-Metal manufactu- res and machines</td>
<td>652-Other chemicals</td>
</tr>
<tr>
<td>687 TV tubes</td>
<td>602)-Lead and zinc (137)</td>
<td>687-Metal manufactu- res and machines</td>
</tr>
<tr>
<td>700 Leather footwear (53)</td>
<td>603)-Metal manufactu- res and machines</td>
<td>703 Plastic hard- ware</td>
</tr>
<tr>
<td>703 Headwear, fur felt</td>
<td>650 Cutlery and scissors</td>
<td>706 Plastic luggage, etc.</td>
</tr>
<tr>
<td></td>
<td>711 Thermometers</td>
<td>734 Lawn and table- tennis balls</td>
</tr>
</tbody>
</table>
1. Economic Exceptions (total: 357)

TSUS item
704) Gloves
705)
712 Electrical measuring instruments (some)
745 Button blanks
751 Umbrellas

2. Mandatory Exceptions (Total: 326)

TSUS item
734 Baseball gloves

3. Technical Exceptions (Total: 68)

TSUS item
737 Toy musical instruments

Statistics are not yet available on the "exclusions". Crude petroleum, however, clearly accounts for by far the largest part of the trade coverage of the items concerned.

(d) Partial offers

These are indicated on pages 102 and 103. There are offers of substantial tariff reductions over a large part of the field covered by the exceptions in leather footwear. Slight reductions are offered on a small part of the crockery field. In the case of wool textiles the United States has offered to apply the 50 per cent cut to the ad valorem element of the mixed duty (but not to the specific element) on a large number of tariff headings; these tend, however, to be those in which there is very little trade, and the partial offer does not extend to the headings where the main trade is found. No tariff reductions are offered on other items in the "economic" or "mandatory" exceptions.

Pages 90 to 101 of the document indicate the rate which can be offered (mostly half the "legal" rate) in the case of the technical exceptions.

(e) Nature of the justifications

It is understood that detailed justification by products will be submitted at a later stage. At this stage the United States has merely indicated that the economic exceptions are justified either on grounds of national security or because increased imports following the reduction in duty would cause serious injury to domestic industry. (This last concept is slightly expanded on page 104 of the document).
ANNEX II

Commodity Analysis of Exceptions Lists

1. The following grouping of commodities is based, with some modifications, on the "industrial" sections of the Brussels Nomenclature.

Mineral products

2. Coal, lignite and coke are on both the United Kingdom and the Japanese exceptions lists.

3. Petroleum other than crude is on the Japanese and Finnish lists. And a number of other items in the sector are found on one list. Crude petroleum is in the United States "exclusions". Iron pyrites, sulphur and metallic ores are on the Japanese list. And salt is on the European Economic Community list.

Chemicals

4. This sector clearly presents a major general problem. A number of products throughout the sector are on the Japanese list, and a wide range of organic and inorganic chemicals, pharmaceuticals and fertilizers is on the EEC list. The United Kingdom have explained that their offer is conditional on their receiving reciprocity in the sector, especially in relation to the ASP system of valuation used in the United States (which applies primarily to coal tar products); and the EEC similarly have explained that their offer on certain chapters is conditional on the withdrawal of the ASP system.

Rubber manufactures

5. A few rubber manufactures are on the EEC and Finnish list, but there does not appear to be any general problem on these products.

Leather, leather manufactures and furskins

6. Leather is on the Japanese, and some types of leather on the EEC, Finnish, and the United States "technical", list. Leather manufactures used for industrial purposes are on the Japanese list, and certain types of leather travel goods are on the EEC list. Furskins are on the Japanese list.

Wood, cork, straw and basketware

7. A few products appear in some of the lists, but broadly this sector appears to raise no general problem.

1 Including plastics materials.
8. Paper and paper pulp are on the EEC and Japanese lists. Bearing in mind especially the importance of these products in the exports of certain participants there clearly is a major problem in this sector.

Textiles

9. Here again there is clearly a major problem, primarily in regard to cotton and wool textiles.

10. The EEC and the United Kingdom have indicated that they can make partial offers only on cotton textiles and man-made fibres. A fairly large number of items in the sector are on the Finnish list. The United Kingdom has explained that it will require reciprocity within the sector, and the EEC offer is subject to the continuation of the Long-Term Arrangement on Cotton Textiles.

11. Wool textiles are on the United States, Japanese and Finnish lists, and the United Kingdom has stated that it will require reciprocity within the sector.

12. Jute fabrics are found on the EEC, Japanese and United Kingdom exceptions lists.

Footwear, headgear and certain miscellaneous manufactures

13. A large part of footwear is on the United States, EEC and Japanese lists, and some part on the Finnish list.

14. Artificial flowers are also on the EEC and Japanese lists, and umbrellas are on the EEC list.

Ceramics and glass

15. A wide range of ceramics and glassware is on the EEC and United States lists.

Precious and imitation stones

16. A few products in this sector are on the EEC and Japanese lists.

Non-ferrous metals

17. Tin apart, the major, and many minor, metals and metal manufactures are found in some or all of the exceptions lists. It may be, therefore, that the problems in this sector are general in nature.
Iron and steel

18. While only parts of the sector are on any of the exceptions lists, it is clear, *inter alia*, from statements which have been made by delegations about the need to achieve reciprocity within the sector, that a major general problem arises here.

Tools and machinery

19. A wide range of tools and machinery are on the Japanese, Finnish and EEC lists. The issues involved seem, however, to be particular ones arising on the exceptions lists concerned rather than problems of a general nature.

Vehicles

20. There clearly is a general problem here. Automobiles appear on the Japanese exceptions list; certain types (essentially tractors, large passenger-carrying vehicles, commercial vehicles and parts of the foregoing) on the exceptions lists of the EEC; and motor vehicles are on the Finnish list. The United Kingdom has explained that its offer to apply the linear cut to its automobile tariff is conditional on reciprocal action by other participants.

Precision instruments, clocks and watches, etc.

21. Certain instruments are found on the Japanese and EEC lists, but the questions involved seem particular to the participants concerned, rather than general in nature.

22. Watch movements are on the United States exceptions list. The other lists do not contain products in the watch or clock sector.

Other manufactures

23. A few products are in the EEC, Finnish, United States and Japanese lists, but no general problems seem to arise here.