ASSESSING MARKET ACCESS PREFERENCES FOR MEDITERRANEAN COUNTRIES ON THE EU MARKET FOR INDUSTRIAL GOODS

Stefano Inama and Lorenza Jachia

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Abstract

The value of market access opportunities granted within the context of a preferential trading arrangement is a function of the preference margin; the presence of NTM's and other barriers to exports; and rules of origin requirements. Applying these criteria to the case of the Mediterranean Countries' exports of industrial products to the European Union's market, the paper shows that Mediterranean countries enjoy a substantial preference margin. Furthermore, they are not currently subject to any quantitative measures and have been relatively untouched by anti-dumping actions. On the other hand, rules of origin requirements are very complex, and may have contributed to the low level of utilization of the agreements by some of the countries of the region. The authors discuss the policy options Mediterranean Countries have at their disposal - at the bilateral, regional and multilateral level - in order to ensure that rules of origin are adapted to the level of development of their industrial base and are an instrument for the expansion of South-South trade.

1. Introduction

The value of a preferential trading arrangement in terms of market access depends critically on the following dimensions:

- the preference margin to which partner countries are entitled;
- the presence of NTM's and of any mechanisms provided for within the agreements to reduce their effect on partner countries;
- the extent to which rules of origin require local processing of goods and services.

Our analysis is a first attempt to assess the Euro-Mediterranean Agreements on the basis of these parameters as they pertain to manufactured products, with specific reference to textile and clothing products.

The paper is organized as follows. Section 2 presents a statistical estimate of the margin of preference granted to the Mediterranean Countries within the Euro-Mediterranean Agreements for industrial goods. The third section focuses more specifically on textiles and clothing products and briefly presents various dimensions of the EU trade regime focussing in particular on tariffs, quantitative restrictions and surveillance as well as anti-dumping actions. In the next section we turn to the issues of rules of origin under the Euro-Mediterranean agreements and the current evolution of EU regulation in this field, and we evaluate it critically on the basis of the interests of the Mediterranean countries.

We conclude by presenting a detailed roadmap that Mediterranean countries can pursue at the regional and multilateral level to ensure that rules of origin better reflect their industrial capacity and that the market access preferences provided for under the Euro-Mediterranean Agreements can be fully exploited.

2. Quantifying the Tariff Preferences from the Euro-Mediterranean Agreements for Industrial Goods Originating from Mediterranean Countries

During the seventies, the European Community signed a series of bilateral cooperation agreements - similar in wording and in substance - with a number of Southern Mediterranean countries, namely Algeria, Morocco, Syria, Jordan, Lebanon, Egypt and Tunisia. In particular, the trade concessions granted by the European Union in the context of the Agreements can be summarized as follows:

- Customs duties on industrial products were phased out one year after the signature of the Agreements;
- All quantitative restrictions were abolished at the same time except for agricultural products and some textiles and clothing products;
- Selected agricultural products were subject to tariff concessions according to a positive list.

In exchange for these concessions, little was required of the Mediterranean countries, other than granting the European Union MFN country status. Southern Mediterranean contracting parties were even entitled to introduce new customs duties and/or taxes having an equivalent effect to customs duties or quantitative restrictions where such measures are necessitated by development of local industries or development issues in general. Quantitative restrictions, however, could be applied by Mediterranean contracting parties only towards the whole of the European Union and not against single member states.

The substance of the Euro-Mediterranean Cooperation Agreements has been preserved until the mid-nineties, with no major changes, with the notable exception of a major revision of the agricultural preferences granted to the Southern Mediterranean Countries, carried out in order to preserve the Mediterranean countries' respective margins of preference after the European Community's enlargement to the south in 1987.

In November 1995, the Ministerial Conference of Barcelona marked the official launching of a new policy of partnership with the Southern Mediterranean countries[1]. This partnership may be summarized as developing along three main streams:

- Negotiations of bilateral free trade area agreements of reciprocal nature between the EU and the Southern Mediterranean countries providing for full liberalization of trade in industrial goods, progressive liberalization of trade

[1] Communication from the Commission to the Council and the European Parliament, "Strengthening the Mediterranean Policy of the European Policy of the European Union: Establishing a Euro-Mediterranean Partnership" Com (94) 427 Final of 19/10/1994 and Communication from the Commission to the Council and the European Parliament, "Strengthening the Mediterranean Policy of the European Union: Proposals for implementing a Euro-Mediterranean Partnership", Commission of the European Communities, COM (95) 72 final.

in agricultural goods and additionally covering aspects beyond trade in goods[2];

The creation of a Euro-Mediterranean network comprising all the countries bordering the Mediterranean Sea by the year 2010;

Substantial financial assistance to support the necessary adjustments.

Eight Association Agreements have been in the making since 1995: two have entered into force (Palestinian Authority, July 1997 and Tunisia, March 1998); two have been signed but are awaiting ratification (Morocco, February 1996 and Jordan, November 1997) and four (Algeria, Egypt, Lebanon and Syria) are still being negotiated.

As far as industrial products are concerned, as we have stressed above, Mediterranean countries have enjoyed duty and quota free treatment on their industrial exports to the EU since the late 70s. Thus, on industrial products the EU cannot offer much more than what is already provided under the old agreements. On the other hand, the Mediterranean countries will have to progressively liberalize their own imports of industrial products from the European Union, but this aspect is beyond the scope of the present paper.

Table 1 attempts to quantify the market access preferences granted to the Mediterranean countries as regards industrial products, and their evolution following the implementation of the Uruguay Round Agreements[3].

As it can be seen from the table, the preference margin that Mediterranean countries enjoy is of 4.3 percent on average as regards industrial products. The erosion of the preference margin resulting from the implementation of the commitments undertaken by the European Union within the Uruguay Round was especially significant for certain products like furniture, watches, consumer electronics, metal products and machinery as well as energy and mineral products. Also, for some products of particular export interest for the region such as clothing and footwear the preference margin fell by 11.0 and 10.3 percent, respectively. Nevertheless, on average, the margin of preference enjoyed by Mediterranean countries remains significant.

As for other countries that are in the process of implementing the Uruguay Round Agreements, the evolution in the EU MFN tariffs that the table presents results from two interacting trends: on the one hand, the tariffication of non-tariff barriers, and in particular tariff-rate quotas, and on the other hand the reduction in bound rates. Whereas the first trend may bring about an increase in bound and applied rates - to compensate the contemporaneous reduction in non-tariff barriers - the latter obviously brings about a net reduction. For countries that enjoy preferential market access the net impact of these two trends is mixed, and can only be judged on a case by case basis, also with reference to the actual non-tariff measures that have been phased out - both as regards preferential imports and as regards MFN imports.

In the next section we will discuss in more detail the evolution of the market access conditions regarding textiles and clothing, which as was mentioned earlier, were the only industrial products for which a few of the Mediterranean countries were still experiencing some restrictions in market access.

3. Market Access for Textile Products Originating from Mediterranean Countries

We will start by presenting the MFN tariffs - and the resulting preference margins for Mediterranean countries - that the European Union currently applies to textiles and clothing products (T&C) (see Table 2).

It is interesting to note from Table 2 that MFN tariffs - and thus the preference margins for Mediterranean countries - vary not only depending on the state of processing but also depending on which material is used in the production process. In particular, among fabrics, wool fabrics are the most highly protected, followed by artificial and synthetic fabrics. Among yarns, it is synthetic and artificial yarns that are the most protected. Cotton occupies a mid-range position, followed by other natural fibersfibers. However, it is also interesting to observe that tariffs on clothing are instead mostly independent of the material used in the production process, and this is why this detail does not appear in the table.

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[2] For more details on the Euro-Mediterranean Agreements see: Handbook for Exporters from Mediterraean Countries and Territories to the European Union markets Part A, UNCTAD/ITCD/TSB/Misc.3, and UNCTAD/ITCD/TSB/Misc. 7, Geneva 1997.

[3] Clearly, since the Mediterranean Countries are enjoying duty-free market access, the most obvious quantification of the preference margin (PM) would be 100 percent. However, by adopting the alternative methodology whereby the preference margin is defined as: PM = [(MFN rate - preferential rate)/ (1+MFN rate)], we can better track how the PM changes based on changes in MFN rates.

Table 2 also allows us to make a few comments regarding the evolution of the margin of preference for T&C products. Among the products of export interest for the region, the products for which the margin of preference has fallen most are artificial fibers and yarn as well as synthetic yarn and - importantly - cotton yarn (-14 percent). The preference margin on articles of clothing has instead evolved much less, falling by 6.1 percent over the period under consideration.

These observations reinforce the common knowledge intuition that - to make the best use of preferences - exporting countries need to engage in the production of highly processed or finished goods, on which the Mediterranean countries enjoy a margin of preference of 12.3 percent in the European Union markets. However, in the case of T&C products, it is certainly important to look at the provisions regarding quotas and other quantitative instruments before drawing a final conclusion as to the preferences that the Mediterranean countries enjoy.

Let us then introduce the general framework of the "common rules for imports of textile products" of the European Communities and then look at the specific provisions regarding the Mediterranean Countries[4].

Traditionally, imports of textile products into the EC have been subject to the Multi-Fiber Arrangement. The basic tenets of the new system which was subsequently introduced are contained in Regulation 3030/93[5] - designed to cover the transitional period from 1993 to 1995 pending the entry into force of the new WTO discipline - and Regulation 3289/94[6], which implemented the commitments made under the Uruguay Round Agreement on textiles and clothing.

[4] For more details on the import regime of textiles and clothing products of the European Union see: Stefano Inama and Edwin Vermulst, *Customs and Trade Laws of the European Community*, Kluwer Law International, London, 1999.

[5] O.J. L 275 (1993). The countries covered by this Regulation are listed in Annex II (as last amended by Regulation 856/98, O.J. L 122 [1998]), as follows: Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Brazil, China, Egypt, Estonia, Former Yugoslav Republic of Macedonia, Georgia, Hong Kong, India, Indonesia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Macao, Malaysia, Moldova, Mongolia, Pakistan, Peru, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Tajikistan, Thailand, Turkmenistan, Ukraine, United Arab Emirates, Uzbekistan and Vietnam. Thus, among the countries of the MENA region, only Egypt is subject to this system.

[6] O.J. L 349 (1994).

By the terms of these regulations, a new system has been set up to administer the treatment of imports of textile products. Textile products have been classified into eight groups[7] subdivided into 161 categories, as set out in Annex I to the Regulation 3030/93, as last amended by Regulation 856/98. The categories are formed by putting together various Combined Nomenclature (CN) subheadings at the eight-digit level. For example, category 1 of Group IA includes the following CN subheadings:

Within this framework, the Commission has allocated a quantitative quota for products included in the various categories to each of the countries with which it has entered into an Agreement (Annex V to Regulation 3030/93, as last amended by Regulation 856/98, provides the details of the quotas allocated to each country for specific categories). An excerpt is given in Table 3.

The allocation of quotas to specific countries for selected categories is accompanied by a complex system of administration, which as far as quotas are concerned is carried out through the establishment of a double-checking system. When quantitative limits on imports of certain categories of textile products are applied, the competent authorities of the member States may issue import permits only after receiving a confirmation from the Commission that there are still quantities available for that specific category of products originating in a specific country (Regulation 3030/93, Article 12, paragraph 1). None of the countries of the MENA region is currently subject to this system.

According to Article 13, paragraph 1 of the 3030/93 Regulation, when a system of surveillance is introduced on certain categories of products which are not subject to quantitative limits, the procedures and formalities concerning single and double-checking are also applied. Under the double-checking system, the competent authorities of the exporting countries - for Egypt the cotton textile consolidation fund - shall issue an export license in respect of all textile products subject to surveillance procedures. At the time of importation, the authorities of the member states shall issue an import authorization following the presentation by the importer of the corresponding export license. Thus, in case of surveillance, the issuing of an import license does not require the prior authorization of the Commission, as in the case of quantitative limits. In the case of textile products

[7] Group I A and B, Group II A and B, Group III A and B, Group IV and Group V: O.J. L45 (1998).

coming from supplier countries listed in Table B of Annex III of the Regulation, a system of single prior surveillance is applied. In this latter case, the simple presentation of a surveillance document, issued at the request of the importer by the competent authorities of the member states, will be sufficient for these products to be released for free circulation. Tables C and D of Annex III of the Regulation contain the lists of products subject to *a posteriori* statistical surveillance. For these products, the authorities of the member states shall notify the Commission of the total quantities imported during each month, in order to break down imports in accordance with the relevant statistical procedures (Article 27).

Egypt is the only country in the MENA region which is currently subject to surveillance under the double checking system, for the following products: cotton yarn; woven fabrics of cotton; shirts, T-shirts, polo, jumpers and pullovers and bed linen. The aim of this system is mainly to monitor the flows of the textile exports of Egypt to the community. Moreover, while not officially reported in the official journal of the European Communities, reference quantities have been established by the EC Commission and notified made to the Textile Monitoring Body as required by the Uruguay Round Agreement on textile and clothing. It appears that in the past Egypt has been unable to utilize fully the reference quantity allocated. Should it in the future be otherwise or should Egyptian exports in the Community or in one member state cause disturbance, consultations would be held with the Government of Egypt prior to any quantitative measure by the Commission[8].

Another dimension that should be taken into account when evaluating market access for Mediterranean countries on the European Union market, are anti-dumping actions. Again, Egypt has been the only country among those of the Mediterranean to become subject to anti-dumping actions by the Community. In particular, the Commission has imposed a definitive anti-dumping duty on imports of certain unbleached cotton fabrics originating in Egypt, definitively collecting the provisional duty imposed. This was the third consecutive action of the Commission involving Egyptian exports of cotton fabrics: the first one ended undecided "after the EU Council of Ministers voted against the proposed definitive anti-dumping measures"[9]. The second action was closed in April 1997 again with the imposition of definitive anti-dumping duties.

As it is discussed in detail in the recent UNCTAD publication quoted above, both the Cooperation Agreements signed in the seventies and the more recent generation of Association Agreements refer to the WTO rules as regards anti-dumping measures; however provisions are made for a conciliation procedure in the framework of the Cooperation (Association) Committee before any action is taken. In actual practice, this conciliation provision is barely used, most likely for three main reasons:

- Anti-dumping proceedings require a high level of protection of confidential company data, so that Commission case handlers will be reluctant to discuss them with foreign missions in any detail;
- Anti-dumping proceedings typically involves many countries and disclosure of confidential information to some parties may have distorting effects on other economic operators;
- WTO discipline on anti-dumping imposes very strict time limits for the Commission in handling a proceeding, so that time for consultations may actually be very limited.

The Euro-Mediterranean Agreements also provide that in trying to find a solution acceptable to both parties, "priority must be given to measures that least disturb the functioning of the Agreement"[10]. Antidumping duties normally take the form of *ad valorem* additional customs tariffs, however, occasionally, other forms are used, such as - in particular - agreements between the exporter concerned and the Commission in which the exporter agrees to maintain a certain minimum price level (the so-called undertakings). Normally, undertakings are less onerous for exporters, but the Agreement does not set a legal obligation for the Commission to choose this alternative. The reason for this is that it may often be unpractical to

[8] Morocco and Tunisia have been subject in the past to quantitative limits for outward processing traffic, i.e. re-imports into the Community of products processed within the two countries. This provision has been discontinued as from 1994: Morocco and Tunisia are currently no longer subject to any quantitative limitations for Textiles & Clothing products.

[9] UNCTAD, "Anti-dumping and safeguards in the Euro-Mediterranean Association Agreements", UNCTAD/ITCD/TSB/Misc.10, Geneva, April 1998, page 13.

[10] Article 27 of the Euro-Mediterranean Association Agreement between the European Communities and Tunisia.

monitor undertakings or impossible to calculate a minimum price due to the variety of exported types of products, with a corresponding variety of normal values.

In view of the above, the actual value of the provisions regarding anti-dumping contained in the Euro-Mediterranean Agreements may well be very limited. To the current date, there is little history of anti-dumping duties against Mediterranean countries. However, exports of Mediterranean countries to the EU have been traditionally oriented towards agricultural products, and the Commission has rarely taken anti-dumping action in this field. Should Mediterranean countries become more aggressive in the utilization of the margins of preference they enjoy as regards industrial products, the number of anti-dumping actions could rapidly increase. Mediterranean countries would then be in a position to insist on a more consistent application of the provisions contained in the Agreements.

By way of summarizing our findings in the currentsection , we may conclude that Mediterranean countries enjoy interesting margins of preference in products of key export interest. Furthermore, Mediterranean countries are not currently subject to any quantitative measures and they have been relatively untouched by anti-dumping actions. The reasons behind the lack of dynamism of Mediterranean exports of industrial products towards the European markets is thus, mainly to be attributed to supply-side factors - but the discussion of these aspects is clearly outside the scope of our analysis. In the next section we turn, instead. to the discussion of the rules of origin requirements under the Euro-Mediterranean Agreements which clearly represent another important feature of market access for industrial products.

4. Market Access for Mediterranean Countries and Rules of Origin

The reason why preferential rules of origin are an important dimension of market access can be visualized from Figure 1.

It should be intuitive that as rules of origin become stricter, and thus more difficult to fulfill, trade creation[11] falls. In fact, importers will progressively find that the cost of compliance becomes higher and for more and more products it exceeds the margin of preference, thus reducing the incentive to source from a partner country products that were previously sourced domestically.

Turning now to trade diversion[12], relaxed rules of origin, which are easy to fulfill, reduce the incentive to source from within the region. Suppose for the sake of argument, that under a particular regional agreement, the transformation of fabrics into ready-made garments is origin-conferring. Producers of garments will then be encouraged to continue to source fabrics from outside the region from the most competitive supplier, transform them into ready-made clothing and then export them to partner countries. If, alternatively, production is only allowed to start from imported yarn, but not from imported fabrics, producers of garments will be encouraged to start sourcing fabrics from within the region. However, when rules of origin become very stringent, a second effect starts to kick in, similar to the one discussed above for trade creation: the cost of compliance becomes higher and for more and more products it exceeds the margin of preference thus reducing the incentive to source from a partner country products that were previously sourced from outside the region.

Bearing these considerations in mind, we will now present the rules of origin requirements under the Euro-Mediterranean agreements and the current evolution of the relevant EU regulation, with a view to assess the interests of Mediterranean countries in this domain.

4.1 The Main Features of the EC Protocols on Rules of Origin

Invariably, all EC unilateral or contractual preferential agreements contain a detailed protocol on rules of origin. As a traditional feature of this agreement, the products were considered as originating if they were:

- wholly obtained
- sufficiently worked or processed

In general, ‘wholly obtained’ were considered to be products, which do not contain any imported inputs, such as minerals and fruits. These products were enumerated in a list.

[11] Trade creation is defined as the reduction in the domestic production of goods which are substituted by imports from partner countries.

[12] Trade diversion is defined as the reduction in imports from countries that are not members of the regional agreements and which are substituted by imports from partner countries.

The matter was more complex in the case where imported inputs were utilized in the production of the finished product. In general, inputs had to undergo sufficient processing. A general rule specified what was considered to be sufficiently worked or processed. Non-originating materials are considered to be sufficiently worked or processed when the product obtained is classified in a tariff heading which is different from that in which all the non-originating materials used in its manufacture are classified.[13]

However, for a number of products there were exceptions to the general CTH rule. In fact, the harmonized system was conceived as a customs nomenclature and not for rules of origin purposes. Accordingly, in some instances even minimal working or processing could entail a CTH. Thus, a variety of products were covered by a so-called single list, which indicated the working or processing that should be carried out on the non-originating materials. The list contained a large number of particular products for which specific conditions should be fulfilled, instead of the CTH requirement.

The second important feature of all EC Protocols on Rules of Origin is the so-called cumulation. Normally, rules of origin in the context of autonomous or unilateral contractual preferences are to be complied with within the customs territory of the partner country. However, it was considered that this requirement was not conducive to the trade and industrial policy objectives underlying FTA's or preferential agreements, for a number of reasons. First, stringent requirements to comply with rules of origin at the national level may require a "verticalization" of production which does not match the existing industrial capacity and which is quite often not economically viable in many developing countries. Second, such requirements did not take into account, and might indeed frustrate, the regional trade initiatives taking place among certain of the partner countries. Finally, and as was mentioned above when discussing the trade effects of rules of origin, a requirement to carry out multi-stage operations may even frustrate the very objective of an FTA or preferential agreement.

[13] As last amended by Commission Regulation (EC) 12/97 of 18 December 1996 amending Regulation (EEC) 2454/93 laying down provisions for the implementation of Council Regulation (EEC) 2913/92 establishing the Community Customs Code OJ L9 (1997). At the time of writing, the GSP list rules are under consideration by the Commission's Committee on Rules of Origin: the proposal is to align the content of the GSP rules of origin to the "pan-European" model.

4.2 Cumulation

Three kinds of cumulation have therefore been used, as far as qualitative aspects are concerned, in autonomous or unilateral contractual trade preferences:

1. full cumulation
2. diagonal or partial cumulation

bilateral cumulation or donor country content.

As far as quantitative and geographical aspects are concerned, the concept of cumulation is linked to geographical extension of the cumulation.

The most delicate and complex differences relating to cumulation belong to the distinction between full and partial cumulation. This distinction may have decisive economic effects on the functioning and utilization of trade agreements, especially on the part of the EC partner countries.

Generally speaking, full cumulation of origin allows more scattered and divided labor operations among the beneficiary countries since, in order to fulfil the origin criteria, the distribution of manufacturing may be carried out according to business exigencies within the members of the regional grouping, i.e. working or processing may start in Country A, continue in Country B and finish in Country C, according to a cost/benefit analysis. This perspective seems to match the globalization and interdependence of production, whereby developed countries may be attracted to farming out low-tech or labor-intensive production processes to low-cost countries. Diagonal cumulation does not particularly favor this approach since it requires higher value added or more complicated manufacturing processes. On the other hand, and in view of preference-giving countries, partial cumulation may be able to attract more capital-intensive investments accompanied by improved technical know-how and labor skills.

Deeper economic consideration of the impact of full or partial cumulation suggests that full cumulation allows the massive employment of low-wage, low-skill labor, which some may argue to be a potentially negative factor since these workers often receive less than the average wage and save less than the average worker. Reality suggests, however, in spite of the argument of some countries suggesting a long-term objective of industrial policy through the adoption of restrictive rules of origin, that labor-intensive lighter industries tend to compete

most effectively with similar industry in developed countries. Thus, the argument for full cumulation is strengthened.

Through its different sets of rules of origin, the EC, like the other main trading partners, has traditionally utilized a variety of options in the cumulative rules of origin. Sometimes it has graduated them according to its trade policy objectives.

As regards the Mediterranean Countries, the Cooperation Agreements concluded in the seventies with Algeria, Morocco and Tunisia, granted full cumulation among the three Maghreb countries; while those concluded with other Mediterranean countries such as Egypt, Lebanon and Syria only provided for "bilateral cumulation" with the EC. Similarly, the original Protocol on Rules of Origin contained in the Europe Agreements provided only bilateral cumulation and diagonal cumulation among Poland, Hungary, the Czech Republic and the Slovak Republic.

4.3 The Pan-European Rules of Origin

The unfolding of the EC trade policy and agreements with third countries meant a parallel expansion of rules of origin sets to accompany these initiatives. Invariably, all preferential trade agreements, either contractual or unilateral, contained a detailed protocol on rules of origin. However, the different timing, content, tariff concessions and trade policy objectives of these trade agreements resulted in about 16 overlapping rules of origin systems, which were similar to but not totally compatible among themselves[14].

The differences existing among the various rules of origin protocols created difficulties to customs administrations and industrialists in the importing and exporting countries. Most important the complexity and stringency of the rules were of such nature that the exporters were in some cases foregoing the tariff preference rather than complying with origin requirements. These difficulties first emerged in the framework of the web of bilateral agreements that the EC concluded with the EFTA countries and it reached its climax with the entry into force of the Europe Agreements and the establishment of the EEA. The much overdue need for reform was first acknowledged at the 1993 European Council in Copenhagen when the Council invited the Commission to study the process of harmonization and rationalization of the various rules of origin systems. This new policy was first launched in the context of a Commission communication prepared for the Council of Essen in December 1994 and was originally part of the preparation for accession of the CEEC. The Mediterranean countries were not explicitly part of the initial plan.

The "pan-European" rule of origin does away with the general CTH requirement. All requirements to be fulfilled in order to acquire originating status are now contained in a list attached to the protocol on rules of origin. At a conceptual level, the contents of this list are similar to those utilized under the previous arrangements, in fact the current list contains a mixture of CTH requirements, specific working or processing and *ad valorem* percentages; but additional features and differences are contained in these new protocols.

As regards cumulation, the EC has taken a decisive step in adopting an across-the-board approach towards a general adoption of the diagonal cumulation within the context of the Pan-European rules of origin. Diagonal cumulation is in fact the key policy aspect of the harmonization and simplification policy of the Commission. the diagonal cumulation is not, *per se*, a new concept in the EC since it has traditionally been adopted in the context of the EC GSP since 1985 for the regional cumulation among ASEAN countries. However, besides diagonal cumulation the more liberal form of full cumulation has existed in the *acquis communautaire*, at least as long as, if not before, diagonal cumulation. In its communication, the Commission acknowledged that full cumulation was not adopted because it could create problems for EC industries allowing a greater source of inputs from third countries.

In order to grant the possibility of diagonal cumulation across the board, all differences among the various sets of rules of origin had to be eliminated and all the protocols had to be aligned with the EEA model. Among these differences, the Commission singled out the ones below.

The alternative percentage rules

In the lists of working or processing required to be carried out on non-originating materials so that the product manufactured can obtain originating status, some agreements contained alternative percentage rules which simply specified that the

[14] See on this issue of coexistence, Nomo Komuro "Pan-European Rules of Origin"in *Revue des Affaires Européennes*, 1997.

total value of non-originating materials used should not exceed a certain percentage of the ex-works price of the product. These rules applied to certain products in the EC-EFTA/EEA agreements and in the EFTA-CEEC agreements, but did not appear in the original Protocols on Rules of Origin of the Europe Agreements.

General tolerance

To facilitate trade, a provision for derogation from the working or processing requirements of up to 10 percent was introduced for certain materials into the EEA Agreement and the EC-EFTA agreements. It entered into force on 1 January 1994. However, such a provision was not contained in the original Protocols of the Europe Agreements (Article 6, paragraph 2, of the new Czech Protocol on rules of origin incorporates this feature).

Relaxation of the principle of territoriality

Rules of origin are based on a principle of territoriality, which requires that the conditions for the acquisition of originating status be fulfilled without interruption in one or more of the territories of the contracting parties. As with the introduction of a general tolerance, a provision for limited derogation from the territorial principle of up to 10 per cent was introduced into the EC-EFTA/EEA agreements on 1 January 1994 in order to facilitate trade. This feature is not included, however, in any other EC preferential arrangement, except the EC-Israel Euro-Mediterranean Agreement, neither it has been included in the new protocols to the Central and Eastern European countries (see Article 12 of the Czech Protocol).

Administrative cooperation

Differences between the agreements with regard to the procedures concerning administrative cooperation reflect the extent of partners' trade development and can be seen in the different types of proofs of origin required. For example, EUR.1 movement certificates, and in certain cases invoice declarations, are acceptable evidence of origin under the EEA Agreement, whereas in the EC-CEEC agreements EUR.1 movement certificates or EUR.2 forms were still required under the original protocols.

No-drawback rule

The no-drawback rule refers to a provision included in the EEA Agreements, the bilateral EC-EFTA Agreement and the Stockholm Convention, but not in the Europe Agreements and the old generation of Mediterranean Agreements[15]. This procedure is a common customs procedure whereby imported inputs for further manufacturing and re-export are not charged any customs duty in the country of manufacturing. The no-drawback rule prohibits such customs procedure.

In practice, the consequences of the absence of the no-drawback rule in the Europe Agreements are best described by the example provided by the Commission:

> Alternators destined for the EC market are manufactured in Poland from components originating in Taiwan. Without a no-drawback rule, no customs duty is paid on the components in Poland. Neither is any customs duty paid in the EC, for the alternators are considered to originate in Poland within the meaning of the Europe Agreement. If the alternators had been manufactured in the EC and put onto the EC market, the Taiwanese components would have been subject to 5.6 per cent customs duty. Similarly, Polish manufacturers would have to pay customs duties on components imported from Asia and used in the manufacture of a product destined for the Polish market, whereas an EC manufacturer would avoid paying duties for the same components when the manufactured product was exported to Poland [16].

The absence of a no-drawback rule may thus lead to undesired effects and is also an incentive to import third country materials rather than utilize the inputs originating in the free trade area - which is exactly the situation that the EC wished to avoid.

4.4 The Euro-Mediterranean Agreements and the Progressive Adoption of the Pan-European Rules of Origin

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[15] The no-drawback clause has been included in the new Protocol on Rules of Origin attached to the new Euro-Mediterranean Association Agreements with Israel, Tunisia and Morocco.

[16] Commission Communication SEC (94) 1997 final; see footnote 132.

The recently signed Euro-Mediterranean Association Agreements with Morocco, Tunisia and Israel have also begun to be the subject of the Commission's harmonization effort with mixed results[17]. Thus, the Protocols on Rules of Origin attached to these Agreements are partially modeled according to the new EEA Protocol and are substantially similar to the new Protocol adopted by the CEEC countries. However, at this stage of the harmonization process, the following main differences may be noted:

- the maintenance of the CTH rule as central criterion (Article 7, paragraph 1, of the Tunisian Euro-Med);
- the granting of full cumulation to countries of the Maghreb Union[18] (Algeria, Morocco and Tunisia);
- the non-inclusion of the no-drawback clause in the Tunisia and Morocco Agreements[19];
- the inclusion of the relaxation of the principle of territoriality and the no-drawback clause in the Israel Agreement[20];
- other differences concerning the single list, simplified procedure for the issuance of form EUR.1 and the cumulation administrative procedures.

Surprisingly enough, the full regional cumulation granted to the Maghreb countries remained unchanged in the new Euro-Mediterranean Agreements. In fact, Article 5 in the Protocol on Rules of Origin provides for full cumulation and further clarifies the difference between that form of cumulation and diagonal cumulation:

> Article 5:
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> 1. For the purpose of implementing Article 2(1)(b), working or processing carried out in Tunisia, or when the conditions required by Article 4, paragraphs 3 and 4 are fulfilled in Algeria or in Morocco shall be considered as carried out in the Community, when the products obtained undergo subsequent working or processing in the Community.
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> 2. For the purpose of implementing Article 2(2)(b), working or processing carried out in the Community or when the conditions required by Article 4, paragraphs 3 and 4 are fulfilled in Algeria or in Morocco shall be considered as carried out in Tunisia, when the products obtained undergo subsequent working or processing in Tunisia.

The addition of this article to the Tunisian Agreement means that full cumulation is granted to Algeria, Morocco and Tunisia. Accordingly, not only the originating material may be counted as original materials but also all the working and processing carried out in one of the above-mentioned Member states may be added up, even if they have not acquired origin, to meet the origin criteria set out in the list for the specific product.

Thus, in partial contrast with the declared aim of harmonizing rules of origin in EC trade agreements with third countries, the above-mentioned full cumulation system among the Maghreb countries has been retained in the new Euro-Mediterranean Association Agreements even though the wording is substantially different from that of the former cooperation agreements. At the time of this writing, in spite of the harmonization efforts under the pan-European rules of origin, the full cumulation granted to Algeria, Morocco and Tunisia represents an exception.

Under the new Protocol to the Czech Agreement adopting the pan-European rules of origin, Article 4 spells out the conditions for diagonal cumulation:

> 1. Subject to the provisions of Paragraphs 2 and 3, materials originating in Poland, Hungary, the Slovak Republic, Bulgaria, Romania, Latvia, Lithuania, Estonia, Slovenia, Iceland, Norway or Switzerland within the meaning of the Agreements between the Community and the Czech Republic and these countries shall be

[17] Thus, bearing in mind the above-mentioned differences, the Commission's harmonization process is likely to continue during the negotiations with other Mediterranean countries (Algeria, Egypt, Jordan, Lebanon, and the Syrian Arab Republic), together with the necessary amendments to the already signed Euro-Mediterranean Agreements with Israel, Morocco and Tunisia. This latter consideration holds particularly true when it is remembered that the EC Barcelona Ministerial Conference considered the extension of diagonal cumulation among CEC and Mediterranean countries.

[18] As mentioned above, full cumulation was also granted to Algeria, Morocco and Tunisia under the former Cooperation Agreements.

[19] The non-inclusion of the no-drawback clause will require an additional harmonization effort to bring these agreements into line with the CEEC Protocols.

[20] The relaxation of the principle of territoriality and the no-drawback clause was already contained in the former EC-Israel Agreement.

considered as originating in the Community or in the Czech Republic when incorporated into a product obtained there. It shall not be necessary that such materials have undergone sufficient working or processing.

2. Products which have acquired status by virtue of Paragraph 1 shall only continue to be considered as products originating in the Community or in the Czech Republic when the value of the materials used originating in any one of the other countries referred to in Paragraph 1. If this is not so, the products concerned shall be considered as originating in the country referred to in Paragraph 1, which accounts for the highest value of originating materials used. In the allocation of origin, no account shall be taken of materials originating in the other countries referred to in Paragraph 1 which have undergone sufficient working or processing in the Community or in the Czech Republic.

3. The cumulation provided for in this Article may only be applied where the materials used have acquired the status of originating products by an application of rules of origin identical to the rules of origin in this Protocol. The Community and the Czech Republic shall provide each other, through the European Commission, with details of agreements and their corresponding rules of origin which have been concluded with the other countries referred to in Paragraph 1.

Obviously, this new article expands substantially the geographical coverage of the diagonal cumulation. However, there is no change in the "quality" of cumulation since only diagonal cumulation is provided for. Moreover, and most important for Mediterranean countries is the fact that the new formulation adopted in the Pan-European Rules of Origin makes conditional the application of this principle on the existence of a free trade area among them[21].

In fact, although stated repeatedly in the press and in official statements, the diagonal cumulation finds little place in the operational paragraphs of the Jordan Agreement where it is mentioned only in the "Joint Declaration on Article 29" attached to the Agreement:

Joint Declaration on Article 29

In order to encourage the progressive establishment of a comprehensive Euro-Mediterranean free trade area, in line with the conclusions of the Cannes European Council and those of the Barcelona Conference, the Parties:

-agree to provide the Protocol 3 on the definition of "originating products", for the implementation of diagonal cumulation before the conclusion and entry into force of free trade agreements between Mediterranean countries;

-reaffirm their commitment to the harmonization of rules of origin across the Euro-Mediterranean free trade area. The Association Council shall take, where necessary, measures to revise the Protocol with a view to respecting this objective. [22]

Similarly, other draft agreements do not contain explicit references in the operational paragraphs but the mentioning of the diagonal cumulation applicable in the Euro-Med area is contained only in a joint declaration.

Be this as it may, the requirement to make applicable the diagonal cumulation on the existence of free trade areas is - as some authors have defined it - "harnessing the carriage before the horses". The second requirement is related to the fact that as the Pan-European Rules of Origin will be progressively adopted, it will also be required to apply "identical rules of origin between the Mediterranean countries who have entered into FTA's among themselves.

5. A Roadmap for Mediterranean Countries in the Field of Rules of Origin

In order to ensure that rules of origin better reflect their industrial capacity and that market access preferences provided for under the Euro-Mediterranean Agreements can be fully exploited, Mediterranean countries need to adopt a clear and common strategy.

[21] See A. Tovias *The European Union and Mediterranean Countries" in Regionalism and Multilateralism after the Uruguay Round*, European University Press, Brussels, 1977.

[22] See COM(97) document 554 final of 29/10/1997.

At the multilateral level, Mediterranean countries may consider the following issues in deciding whether to propose that the outcome of negotiations on the harmonization of non-preferential rules of origin be used in the context of preferential trade agreements.

As is well known, the WTO Agreement on Rules of Origin provided for the elaboration of a harmonized set, within the context of the WTO Committee on Rules of Origin (CRO) and the Technical Committee on Rules of Origin (TCRO) established within the World Customs Organization. On the basis of that mandate, the harmonization work program (HWP) was officially launched on 20 July 1995 and was scheduled for completion by 20 July 1998.[23].

The original schedule of the HWP could not be met, and a substantive part of the technical work remained outstanding. A best-endeavors time-frame of November 1999 was then set and this also was not met. At the meeting in November 1999, some delegations stressed the need to establish a new deadline while some others stated that a deadline should be realistic and achievable. The Third Ministerial Conference in Seattle did not provide the CRO with a deadline. As a result, the CRO is working without a definitive time-frame within which it has to complete the remaining work. The CRO has set up a management plan and a schedule of meetings in 2000 to discuss all product sectors and the overall architecture.

As regards the status of the work, substantial progress has been made, but it has been slow. The definitions of "wholly obtained" products and "minimal operations or processes" have been virtually completed, although further refinement is needed. As regards harmonization of rules of origin for specific products and sectors, alternative options have been identified by the TCRO, and it remains for the CRO to take the final decision. Furthermore, the overall architecture of the harmonized rules of origin still requires considerable work to define the relationship between general rules, section/chapter rules/notes, and residual rules[24].

Whatever the final outcome of the negotiations, the body of non-preferential rules of origin will be of a high technical complexity, since it will reflect the interests and the lobbying efforts of the various industrial sectors of all WTO member states. They will require in depth changes in the regulation and administration of national customs, requiring new skills on the part of customs officers. However, as soon as the negotiations are over, these changes are going to be required of all WTO member statesas as matter of course. . In this context, the use of the harmonized non-preferential rules of origin for the purposes of Free Trade Areas Agreements might actually facilitate the administration of customs, since only one set of rules will be applicable. Concretely, exporters would benefit from the greater predictability and homogeneity of the rules of origin requirements.

The adoption of the harmonized set of rules of origin at the bilateral and regional level would also entail a substantial simplification of the requirements currently contained in the Euro-Mediterranean Agreements and their updating to match modern technologies and production chains. For instance, in the most hotly debated chapters on textiles and clothing, current proposals certainly do not require manufacturing from natural fibers (chapter 61) or from yarn (chapter 62). The requirements of the non-preferential rules appear better suited to industrial manufacturing processes, particularly in developing countries, than those embodied in the Euro-Mediterranean Agreements and the Pan-European rules of origin. Obviously, there is a need to carefully assess the possible implications for specific categories of products and the best structure to suit the interests of Mediterranean Countries.

However, it should be noted that the harmonization of preferential rules of origin has been extensively discussed in GATT within the context of Agreements under Article XXIV[25] as well as in UNCTAD in connection to the Generalized System of Preferences[26]. The results of this work have been meager. In particular, the Agreement on Rules of Origin failed to regulate preferential rules of origin. In this

[23] In this process, the WTO Committee on Rules of Origin considers the interpretations and opinions of the Technical Committee with a view to endorsing them; it may, however, request the latter to refine or elaborate its work or to develop new approaches.

[24] A "residual rule"is the applicable rule to a good when all other origin criteria have not produced any origin outcome.

[25] See WTO, Guide to the GATT Law and Practice, WTO, Geneva, 1995, pp. 802-803.

[26] See "Compendium of the Work and Analysis conducted by UNCTAD Working Groups and analysis conducted by UNCTAD Working Groups and Sessional Committes on GSP Rules of origin", UNCTAD/ITD/GSP/31. February 1996.

area, member countries limited themselves to a Common Declaration[27], which contained little more than an agreement to ensure that "the requirements to be fulfilled are clearly defined" and promptly notified to the WTO Secretariat. No provision for further work in this area was contained in the Agreement. It thus appears that it would be difficult to forge a consensus in the next round.

At the regional and bilateral level there are at least four factors that should be taken into account in the negotiation and implementation of the Euro-Mediterranean Agreements.

Firstly, the application of a no drawback clause may create difficulties in attracting much needed FDI from non-EC firms since their inputs would have to pay duties when utilized to manufacture products for exporting to the EC. Secondly, the full cumulation applicable in the Morocco and Tunisian Agreements should, to the extent possible, be maintained and not be substituted by diagonal cumulation. Quite on the contrary, it should be expanded to all remaining UMA countries and potentially to the whole Mediterranean area. This provision could be negotiated as a necessary asymmetry, taking into account the different levels of industrialization between the CEEC and the Mediterranean countries, and thirdly, if the principle of diagonal cumulation is applied in the context of Mediterranean countries as laid out in the new Czech protocols, some flexibility in the provisions should be adopted as far as the conditions of the establishment of an FTA are conceived. In fact, while CEFTA was established in 1992, it may be expected that it will still be some time before a full-fledged web of FTA is created within the Mediterranean region.

At the same time closer integration among Mediterranean Countries should become the cornerstone of trade policy within the region. The literature has repeatedly stressed[28] that the EU might find itself at the center of a web of bilateral FTAs. It would then become a "hub" from which investors benefit from preferential access to the markets of all Mediterranean and Eastern European partners, in addition to the internal EU market. Investors in the "spoke" Mediterranean countries would instead only have preferential market access to the European market.

The considerations introduced above regarding the rules of origin provisions reinforce and add new dimensions to the need for a fully integrated Euro-Mediterranean FTA. In fact, in the absence of trade liberalization efforts at the horizontal level - among the "spoke" countries- utilization of diagonal or full cumulation provisions will be frustrated by tariff protection and by the no-drawback clause. This holds particularly true when one considers that on average Mediterranean countries are still retaining high tariffs even after the Uruguay Round. In this situation, the scope for specialization of production and optimization of resources to increase the combined exports of the region towards the European Union markets becomes limited or nil.

A fourth and key element of this integrated strategy regards the rules of origin that will be utilized in the FTA or FTAs that are being and will be negotiated among the Mediterranean countries. It is clear that if these origin requirements are either similar in substance or more restrictive than those applying within the context of the countries' respective agreements with the EU, the expected trade effects will not materialize. In fact, considering the size of the market of the EU as compared to those of the Mediterranean countries, it is obvious that there would be little economic incentive in developing joint investments to comply with such bilateral or regional rules of origin.

It is essential that Mediterranean countries establish among themselves an FTA with rules of origin requirements that are more liberal than those applied between themselves and the EU. Only then, will producers in the Mediterranean countries have an incentive to trade and redistribute manufacturing activities among themselves in order to utilize more fully the mutual trade preferences and their possibilities for exports to the EU.

If this strategy is pursued, it becomes crucial that the second requirement for the application of the diagonal cumulation as specified in the Czech protocol should not be interpreted as meaning that Mediterranean countries should utilize the same EC rules of origin when establishing an FTA among themselves. This assumption may in fact be, as we have shown, highly detrimental, since the difficulties in meeting rules of origin product-specific requirements that are currently

[27] See "Common Declaration with Regard to Preferential Rules of Origin"(Annex 2 of the WTO Agreement on Rules of Origin).

[28] See R. Baldwin, *Towards an integrated Europe*, CEPR, London 1994, pg. 125.

encountered when exporting to the EU would then be replicated in intra-regional trade.

6. Conclusion

Despite ongoing liberalization at the multilateral level, the preferences that the Mediterranean countries enjoy for industrial products exported to the European Union market, under the terms of the Cooperation Agreements signed in the late seventies, remain significant. The market access provisions of these agreements - as regards industrial products - are currently still in operation regardless of the status of the negotiation or implementation of the more recent Partnership Agreements which are the core of the current Euro-Mediterranean Policy of the European Union.

On the other hand, many of the difficulties encountered by Mediterranean countries in the utilization of these unilateral trade preferences may also arise when these same countries enter into fully or less than fully reciprocal free trade area agreements with the European Union. In particular, rules of origin regulations in the context of these agreements have been frequently criticized by beneficiaries as being unnecessarily restrictive and thus as representing a hindrance to the development of exports to the European Union markets.

Regarding the issue of rules of origin, Mediterranean countries need to adopt a clear and common strategy in order to ensure that rules of origin better reflect their industrial capacity and that market access preferences provided for under the Euro-Mediterranean Agreements can be fully exploited. In this regard, it should first of all be noted that - at the time of writing, on the eve of a possible new round of negotiations - options that are open at the multilateral level to tackle problems with preferential rules of origin are very limited.

On the other hand, Mediterranean countries may tackle the issue at the bilateral and regional level. A possible option is renewing the emphasis on integration at the horizontal level, ensuring that the rules of origin requirements underlying the FTA or FTAs that are being and will be negotiated among the Mediterranean countries, are not as restrictive as the ones contained in the Euro-Mediterranean Agreements.

Within the context of the negotiation and implementation of the Euro-Mediterranean Agreements, it is essential that the full cumulation applicable in the Moroccan and Tunisian Agreements be maintained and - to the extent possible - expanded to all UMA countries and potentially to the whole Mediterranean area. Current cooperation among Mediterranean countries to attain this objective should be strengthened. Finally, it should be recognized that the no-drawback rule is potentially very damaging for the expansion of local and foreign investment in the Mediterranean region: efforts to introduce this clause in the Agreements should be resisted.

Table 1: Preference Erosion on the European Union Market for Industrial Products Originating in Mediterranean Countries as a Result of the Uruguay Round Agreements

Product Description	MFN tariff (%)		Preference Margin (%)		Preference Erosion (%)
	1994	1998	1994	1998	
Energy and mineral products (25-27)	0.5	0.3	0.5	0.3	39.9
Leather, leather products, travel goods (41-43)	3.5	2.5	3.4	2.4	27.9
Textiles (50-60,63)	8.8	7.8	8.1	7.2	10.5
Clothing (61-62)	13.1	12.3	11.6	11.0	5.4
Footwear (64)	12.9	11.5	11.4	10.3	9.7
Chemicals, plastic and rubber products (28-40)	7.1	4.7	6.6	4.5	32.3
Glass and ceramic products (69-70)	6.9	5.2	6.5	4.9	23.4
Consumer electronics (8516-8542)	6.3	3.5	5.9	3.4	42.9
Vehicles (87)	8.4	6.3	7.7	5.9	23.5
Watches and clocks (91)	5.5	2.6	5.2	2.5	51.4
Metal products, machinery etc., nes (72-90)	4.8	2.8	4.6	2.7	40.5
Furniture (9401-9403)	5.1	1.9	4.9	1.9	61.6
Wood, paper, other ind. prod.(44-49,65-68,71,92-93,95-96)	5.5	3.3	5.2	3.2	38.7
TOTAL (25-97)	6.4	4.5	6.0	4.3	28.4

Table 2: Preference Erosion on the European Union Market for Main T&C Products Originating in Mediterranean Countries as a Result of the Uruguay Round Agreements

Product Description	Harmonized System Positions	MFN Tariff (%)		Margin of Preference (%)		Preference Erosion (%)
		1994	1998	1994	1998	
Silk fibres	5002	3.8	1.3	3.7	1.3	64.9
Silk yarn	5004	4.9	4.0	4.7	3.8	17.7
Silk fabrics	5007	5.6	5.6	5.3	5.3	0.0
Wool fibres	5101	0.0	0.0	0.0	0.0	0.0
Wool yarn	5106+5107+5108+5109	4.4	4.2	4.2	4.0	4.4
Wool fabrics	5111+5112	14.9	12.5	13.0	11.1	14.3
Cotton fibres	5201	0.0	0.0	0.0	0.0	0.0
Cotton yarn	5205+5206+ 5207	6.1	5.2	5.7	4.9	14.0
Cotton fabrics	5208+5209	10.0	9.2	9.1	8.4	7.3
Jute fibres	5303	0.0	0.0	0.0	0.0	0.0
Jute yarn	5307	0.0	0.0	0.0	0.0	0.0
Jute fabrics	5310	4.0	4.0	3.8	3.8	0.0
Synthetic fibres	5503+5506	7.7	6.2	7.1	5.8	18.3
Synthetic yarn	5512+5513+ 5514	11.0	9.8	9.9	8.9	9.9
Synthetic fabrics	5515	11.0	9.8	9.9	8.9	9.9
Artificial fibres	5504+5507	8.7	6.8	8.0	6.4	20.4
Artificial yarn	5510	9.0	7.0	8.3	6.5	20.8
Artificial fabrics	5516	11.0	9.8	9.9	8.9	9.9
Knitted or crocheted fabrics	60	11.7	10.3	10.5	9.3	10.8
Shirts, trousers, skirts, suits, ensembles, overcoats, etc. knitted or crocheted	from 6101 to 6106	13.9	13.1	12.2	11.6	5.1
Underwear, knitted or crocheted	6107-6108	13.3	12.4	11.7	11.0	6.0
T-shirts & jerseys, knitted or crocheted	6109-6110	13.5	12.6	11.9	11.2	5.9
Babywear, knitted or crocheted	6111	11.8	11.4	10.6	10.2	3.0
Sportswear, knitted or crocheted	6112	11.9	12.5	11.1	10.6	4.3
Misc. art. of clothing, knitted or croch.	from 6113 to 6117	12.1	11.5	10.8	10.3	4.4
Shirts, trousers, skirts, suits, ensembles, overcoats, etc. not knitted or crocheted	from 6201 to 6206	13.9	13.1	12.2	11.6	5.1
Underwear, not knitted or crocheted	6207 - 6208	13.4	12.4	11.8	11.0	6.6
Babywear, not knitted or crocheted	6209	10.5	10.5	9.5	9.5	0.0

Product Description		MFN Tariff		Margin of Preference		Preference Erosion
Sportswear	6211	14.0	13.2	12.3	11.7	5.0
Misc. art. of clothing	6210+from 6212 to 6217	9.3	9.0	8.5	8.3	3.0
Other made-up textile articles	from 6301 to 6308	11.7	11.1	10.5	10.0	4.6

Table 3: Excerpt of Regulation 3030/93 Defining One Category of Textile Products

Category	Combined Nomenclature	Product description
1	52041100 52041900 52042000 52051100 52051200 52051300 52051400 52051510 52051590 52052100 52052200 52052300 52052400 52052600 52052700 52052800 52053100 52053200 52053300 52053400 52053510 52053590 52054100 52054200 52054300 52054400 52054600 52054700 52054800 52061100 52061200 52061300 52061400 52061510 52061590 52062100 52062200 52062300 52062400 52062510 52062590 52063100 52063200 52063300 52063400 52063510 52063590 52064100 52064200 52064300 52064400 52064510 52064590	Cotton yarn, not put up for retail sale

Table 4: Community Quantitative Limits for Argentina in Group 1A

Third country	Category	Unit	Community quantitative limits 1998	1999	2000
Argentina	**Group IA**				
	1	Tonnes	4,939	5,083	5,230
	2	Tonnes	7,183	7,360	7,541
	2 a)	Tonnes	6,397	6,555	6,716