



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 05.11.1997
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97/0299 (CNS)

Proposal for a

COUNCIL REGULATION (EC)

applying Article 6
of Council Regulations (EC) Nos 3281/94 and 1256/96
on multiannual generalised tariff preferences schemes in respect of certain industrial
and agricultural products originating in developing countries, excluding the most
advanced beneficiary countries from entitlement to generalised tariff preferences

(presented by the Commission)

Explanatory Memorandum

The proposal for withdrawing Hong Kong, Singapore and South Korea from the list of countries benefiting from generalised tariff preferences is based on Article 6 of Council Regulations (EC) Nos 3281/94 and 1256/96, under which the most advanced countries can be excluded as from 1 January 1998 on the basis of objective, clearly defined criteria.

Under the proposal, beneficiary countries are to be excluded from the GSP if they have a per capita income exceeding 8 210 United States dollars,¹ provided that their development index is greater than -1, in accordance with the formula and figures in Part 2 of Annex II to the above-mentioned Regulations (EC) Nos 3281/94 and 1256/96. Hong Kong, Singapore and South Korea meet these criteria.

This course of action is based on two main principles: on the one hand an objective, non-discriminatory approach and on the other an overall approach which embraces the implications of all the other measures taken or due to be taken under the GSP at 1 January 1998.

As regards the objectiveness of the approach, a per capita income threshold set at the lowest level for an EU Member State seemed to be the indicator which was the least controversial, the most objective and the most representative of the current state of affairs in the beneficiary countries. Nevertheless, since the objectives of the GSP include diversification of the beneficiary countries' exports, it was advisable to ensure that beneficiary countries which had not sufficiently developed their exports of manufactures, despite having substantial income from their exports of raw materials could continue to be encouraged by the GSP to seek more diversified industrial development.

As for the overall approach, the moderate effects of the solution adopted suggest that the principle of neutrality of the GSP offer will be respected in that the exclusion of the three countries concerned can be offset by the specific concessions for the least developed countries (LLDCs) provided for in the Council conclusions of 2 June

¹ World Bank figures for 1995

1997, which should enter into force on 1 January 1998. The withdrawal of the three countries will result in a relative increase in the preferential margin for non-excluded countries, though the beneficial effects will inevitably take some time to be felt. As part of this same overall approach, account must also be taken of the entry into force on 1 January 1998 of the new systems of incentives (social and environmental clauses), the positive effects of which must go beyond the offer level reflecting the principle of neutrality.

However, the above benefits, particularly the long-term increase in preferences on offer to the least developed countries, must not be counteracted by any undesirable effects which exclusion may have on the advantages accruing to other countries under the regional cumulation mechanism. Provision must therefore be made for maintaining these advantages where they represent a long-held right by allowing excluded countries to continue supplying their regional group members with semi-finished products or working materials.

That is the purpose of this proposal, on which the Council is requested to give its opinion in time for the traders concerned to be informed far enough in advance of entry into force.

Proposal for a
Council Regulation (EC) No /97
of ... 1997
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advanced beneficiary countries from entitlement to generalised tariff preferences

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 3281/94 of 19 December 1994 applying a four-year scheme of generalised tariff preferences (1995 to 1998) in respect of certain industrial products originating in developing countries,² and in particular Article 6 thereof,

Having regard to Council Regulation (EC) No 1256/96 of 20 June 1996 applying multiannual schemes of generalised tariff preferences from 1 July 1996 to 30 June 1999 in respect of certain agricultural products originating in developing countries,³ and in particular Article 6 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,⁴

Having regard to the opinion of the Economic and Social Committee,⁵

Whereas it is laid down in Article 6 of the above-mentioned Regulations that the most advanced beneficiary countries shall be excluded from entitlement under those Regulations from 1 January 1988 on the basis of objective, clearly defined criteria;

Whereas the reference threshold for excluding the most advanced countries should be a per capita income equal to the lowest in an EU Member State, adjusted by reference to the development index listed in Part 2 of Annex II to Council Regulations (EC) Nos

² OJ No L 348, 31.12.1994, p. 1.

³ OJ No L 160, 29.6.1996, p. 1.

⁴ OJ No C , , p.

⁵ OJ No C , , p.

3281/94 and 1256/96 in order to allow for the fact that some countries need to develop their exports of manufactures;

Whereas this approach is objective and clear in that it includes the indicator which is the least controversial and the most representative of the current state of affairs in the beneficiary countries, while at the same making it possible to maintain one of the objectives of the GSP, namely diversification of the beneficiary countries' exports;

Whereas excluding some countries from the general system of preferences must not have the effect of depriving other members of the same regional grouping of the possibility, established in the past under the regional cumulation mechanism, of using products originating in the excluded countries in their own manufacture; whereas terminating this facility would run counter to the objective of the Article 6 provision of the Regulations referred to above, namely to redistribute the benefits of the system to less developed countries,

HAS ADOPTED THIS REGULATION:

Article 1

The criteria referred to in Article 6 of Council Regulations (EC) Nos 3281/94 and 1256/96 are as follows:

- a per capita gross national product exceeding 8 210 United States dollars for 1995 in accordance with the most recent World Bank figures;
- a development index, calculated in accordance with the formula and figures given in Part 2 of Annex II to Council Regulations (EC) Nos 3281/94 and 1256/96, greater than -1.

These criteria shall be applicable cumulatively.

Article 2

The withdrawal of one country or territory from the list of countries and territories benefiting from generalised preferences by virtue of the criteria set out in Article 1 shall not affect the possibility of using products originating in that country under the regional cumulation mechanism applicable to all regional groupings referred in Article 72(3) of Commission Regulation (EC) No 2454/93, as amended by Commission Regulations (EC) Nos 3254/94 and 12/97, provided that the country has been a member of the regional grouping since the multiannual system of preferences applicable to the product concerned entered into force and is not considered to be the country of origin of the final product within the meaning of Article 72(a) of the abovementioned Regulation (EC) No 2454/93.

Article 3

Under the criteria listed in Article 1, the following territory and countries shall be withdrawn from the list of countries and territories benefiting from the generalised preferences set out in Annex III to Council Regulations (EC) Nos 3281/94 and 1256/96:

Hong Kong
Singapore
South Korea.

Article 4

This Regulation shall enter into force on 1 January 1998.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Council,
The President*

Financial statement

Title

Draft Proposal for a Regulation applying Article 5 of Council Regulations (EC) Nos 3281/94 and 1256/96 on multiannual generalised tariff preferences schemes in respect of certain industrial and agricultural products originating in developing countries, excluding the most advanced beneficiary countries from entitlement to generalised tariff preferences

Legal basis

Article 113 of the Treaty.

Purpose

To exclude the most advanced countries from the GSP on the basis of objective, clearly defined criteria.

Estimated customs revenue

Taking the preferences on offer, calculated on the basis of total imports of products eligible to benefit from the GSP and originating in Hong Kong, South Korea and Singapore in 1995, and the average for each of these countries under the scheme (for all products taken as a whole), the total increase in customs receipts resulting from the exclusion of these countries from the GSP may be estimated at ECU 40.3 million.

('000 ECU)

	1995 imports of products eligible for GSP in 1997	Estimated customs receipts lost in 1997	Average rate of use of GSP in 1995	Estimate of customs receipts again to be received (based on duty applicable in 1997)
South Korea	1 100 380	40 095	62.40%	25 019
Singapore	1 204 852	42 488	27.80%	11 812
Hong Kong	837 157	30 434	11.40%	3 469
Total	3 142 389	113 017		40 300

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