

COMMISSION OF THE EUROPEAN COMMUNITIES

SEC(91)1109 final

Brussels, 9 July 1991

Proposal for a

COUNCIL REGULATION (EEC)

amending Council Regulation (EEC) No 3833/90 in respect of the system of generalized tariff preferences applied to certain products originating in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama

(presented by the Commission)

EXPLANATORY MEMORANDUM

This proposal to the Council is consistent with the mandate given by the Community Ministers at the close of the San José VII ministerial meeting held in Managua in March, in which the Commission was called upon to:

"assess as quickly as possible the effect the arrangements granted to the Andean countries could have on Central American exports to the Community market and, on the basis of this assessment, rapidly propose transitional trade or any other measures to avoid unfavourable consequences for trade between the two regions, thereby reflecting the Community's resolve to maintain its declared support for the peace and development processes in Central America. The Ministers of the Community will examine the European Commission's proposals in a constructive spirit and in the light of the note of urgency sounded by the Central American Ministers."

Although less severely afflicted by drugs than some Andean countries, Central America is giving considerable cause for concern and should be aided in its preventive efforts and its struggle against the spread of the problem.

The Community has for many years maintained a unique relationship with Central America.

A high-quality political dialogue has grown out of the regular ministerial meetings since 1984, an experiment in a new form of international cooperation, in which political aims are closely linked to economic undertakings.

Despite the progress of recent years towards peace and democracy in the region, the economic and political situation on the Isthmus remains fragile in the extreme. The Commission, aware that consolidation of the regional economy is a prerequisite for the consolidation of democracy and social harmony, thinks it vital that the Community give practical support to Central America.

The Commission therefore considers it essential to back efforts to diversify the region's exports and improve access for its products to the Community market by a practical measure enabling the achievement of the level of economic activity the continuation of the peace and democratization process requires.

Only in the Central American ALA developing countries are three factors combined: a fragile peace process occurring against a disturbing economic and social background throughout the region, a considerable political and cooperation commitment by the Community and a serious risk that the drugs problem will spread. Furthermore, Central America includes two of the poorest Latin American countries, Honduras and Nicaragua.

An assessment carried out under the mandate by independent experts emphasizes the importance of extending the advantages of Regulation 3835/90 to Central American exports of coffee and the region's other main products of diversification. They are mainly: fish, shellfish, molluscs, honey, cut flowers, ornamental plants, vegetables and roots, tropical fruits, spices, fish preparations, vegetable preparations and tobacco.

With coffee, these agricultural products account for over 90% of those covered by Regulation 3835/90. It is therefore proposed that this Regulation be extended to cover only those agricultural products exported to the Community by Central America and Panama which are included in Regulation (EEC) No 3835/90. There will be no extension to cover textile or industrial products, since these are of no relevance in Central America.

The Central American countries and Panama should be offered stable outlets for products which account for the greater part of their production and exports.

This proposal is intended to extend to agricultural products of concern to the Central American countries and Panama the treatment granted under the GSP to four Andean countries by Council Regulation (EEC) No 3835/90.

PROPOSAL FOR A COUNCIL REGULATION (EEC) No
of ...

amending Council Regulation (EEC) No 3833/90 in respect of the system of generalized tariff preferences applied to certain products originating in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 113 thereof,

Having regard to the proposal from the Commission,

Having regard to the Opinion of the European Parliament,

Having regard to the Opinion of the Economic and Social Committee,

Whereas Council Regulation (EEC) No 3835/90 of 20 December 1990 extends the application of tariff preferences to Bolivia, Colombia, Ecuador and Peru in order to assist these countries halt the growth in the production of and trade in cocaine, which is threatening their social integrity and so damaging their economies that their development is at risk;

Whereas it has been established that the countries of the Central American Isthmus are being increasingly used as a staging post on the route of illegal drugs from the Andean region to North America;

Whereas the illegal cultivation of poppies and cannabis and the production of drugs and other psychotropic substances in the Central American countries is expanding alarmingly;

Whereas the growing trade in and cultivation of drugs threatens the economic and social stability of the countries of the Isthmus;

Whereas Article 4(1) of the Cooperation Agreement of 12 November 1985 between the European Economic Community, of the one part, and the countries parties to the General Treaty on Central American Economic Integration (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) and Panama, of the other part, of which the overall purpose is to help resolve the problems of the Central American Isthmus, which have, in particular, been worsened by the effects of the current economic recession, provides that the Contracting Parties shall undertake to promote by means of appropriate measures the harmonious development, diversification and qualitative improvement of their trade, with a view to maximizing such trade;

Whereas the countries of the Central American Isthmus are today engaged in the consolidation and of peace and democracy, which calls for the mobilization of all their economic resources and backing from the international community;

Whereas the Community has been constant in its support for peace and development in the Central American Isthmus;

Whereas the Central American Presidents at Puntarenas on 15 December 1990 appealed to the Community to extend to their countries the tariff preferences granted to Bolivia, Colombia, Ecuador and Peru;

Whereas this appeal was backed by the Governments of Colombia and Ecuador in the San Andrés Declaration of 15 January 1991;

Whereas the ministerial meeting between the Community and the Central American countries, Panama and the cooperating countries (Colombia, Mexico and Venezuela) held in Managua on 18 and 19 March 1991 dealt constructively with this matter at the urgent request of the Central American Ministers;

Whereas the Community considers it necessary to continue to support peace and democratization in Central America and Panama in the present period of consolidation and therefore, in order to increase these countries' export earnings and their growth, to grant them exceptional, temporary assistance by extending to their agricultural exports generalized tariff preferences similar to those granted to Bolivia, Colombia, Ecuador and Peru; whereas these concessions should be granted to the Central American countries for the same period, without prejudice to the annual nature of the Community's system of generalized tariff preferences,

HAS ADOPTED THIS REGULATION:

Article 1

Subject to the provisions of Article 2(2) of this Regulation, Common Customs Tariff duties shall be totally suspended until 31 December 1991 for products originating in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama listed in the Annex to this Regulation. Article 1(4) and Articles 7 to 12 of Regulation (EEC) No 3833/90 shall, without prejudice to the levying of any supplementary duties that may apply, apply to those countries and to the products listed in the Annex to this Regulation.

Article 2

1. Regulation (EEC) No 3833/90 shall continue to apply to products originating in countries mentioned in Article 1 and not listed in the Annex to this Regulation, but in Annex II to Regulation (EEC) No 3833/90.

2. Regulation 3833/90 shall continue to apply to products from Chapter 3 of the Common Customs Tariff originating in Panama.

Article 3

This Regulation shall enter into force on the fifth day following that of its publication in the Official Journal of the European Communities.

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

Done at Brussels ...

Annex

List of products covered by Article 1

(a)(b)

Order No	CN code	Description
(1)	(2)	(3)
	0106 00	Other live animals
	CHAPTER 3	FISH AND CRUSTACEANS, MOLLUSCS AND OTHER AQUATIC INVERTEBRATES
	0409 00 00	Natural honey
	CHAPTER 5	PRODUCTS OF ANIMAL ORIGIN, NOT ELSEWHERE SPECIFIED OR INCLUDED
	CHAPTER 6	LIVE TREES AND OTHER PLANTS, BULBS, ROOTS AND THE LIKE; CUT FLOWERS AND ORNAMENTAL FOLIAGE
	0708	Leguminous vegetables, shelled or unshelled, fresh or chilled
	0709 60 99	Other vegetables, fresh or chilled: other
	0709 90 90	Other
	0710 all codes except 0710 80 10	Vegetables (uncooked or cooked by steaming or boiling in water), frozen
	0803 00 90	Bananas, including plantains, dried

(a) Notwithstanding the rules for the interpretation of the combined nomenclature, the wording for the description of the goods shall be considered as having no more than an indicative value, the preferential scheme being determined, within the context of this Annex, by the coverage of the CN codes. Where ex CN codes are indicated, the preferential scheme is to be determined by application of the CN code and the corresponding description taken together.

(b) Where agricultural products which under standard procedure enjoy exemption from, or the temporary suspension of, all CCT duties are listed only pro memoria.

(1)	(2)	(3)
	0804 30 00	Pineapples
	0804 50 00	Guavas, mangoes and mangosteens
	1602 50 90	Other prepared or preserved meat, meat offal or blood: of bovine animals
	1604	Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs
	CHAPTER 18	COCOA AND COCOA PREPARATIONS
	CHAPTER 20	PREPARATIONS OF VEGETABLES, FRUIT, NUTS OR OTHER PARTS OF PLANTS
ex	CHAPTER 21	MISCELLANEOUS EDIBLE PREPARATIONS, EXCLUDING SUGAR SYRUPS FALLING WITHIN SUB-HEADINGS 2106 90 30, 2106 90 51, 2106 90 55 AND 2106 90 59
ex	CHAPTER 22	BEVERAGES, SPIRITS AND VINEGAR, EXCLUDING PRODUCTS FALLING WITHIN SUBHEADINGS 2204 10 11 TO 2204 30 10, 2206 00 10, 2208 40 90, 2208 90 11 AND 2208 90 19
	CHAPTER 24	TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES
	0805 30 90	Citrus fruit, fresh or dried:
	0805 40 00	Limes
		Grapefruit
	0807 10 10	Melons (including watermelons) and papaws (papayas), fresh
	0807 10 90	Watermelons
	0807 20 00	Other
		Papaws (papayas)
	0809 40 90	Sloes, fresh
ex	0809 20 10	Sour cherries (prunus cerasus), fresh
ex	0809 20 90	
	0810 90 80	Other fruit, fresh
	0811	Fruit and nuts, uncooked or cooked by steaming or boiling in water, frozen, whether or not containing added sugar or other sweetening matter
ex	CHAPTER 9	COFFEE, TEA, MATE AND SPICES, EXCLUDING PRODUCTS FALLING WITHIN CN CODES 0905 00 00 AND 0907 00 00

(1)	(2)	(3)
ex CHAPTER 12	MISCELLANEOUS GRAINS, SEEDS AND FRUIT; INDUSTRIAL AND MEDICINAL PLANTS; STRAW AND FODDER; EXCLUDING SUGAR BEET AND SUGAR CANE FALLING WITHIN SUBHEADINGS 1212 91 AND 1212 92	
	CHAPTER 13	GUMS, RESINS AND OTHER VEGETABLE SAPS AND EXTRACTS
	CHAPTER 14	VEGETABLE PLAITING MATERIALS; VEGETABLE PRODUCTS NOT ELSEWHERE SPECIFIED OR INCLUDED
	1504 except code 1504 30 11	Fats and oils and their fractions, of fish or marine mammals, whether or not refined but not chemically modified
	1519	Industrial monocarboxylic fatty acids; acid oils from refining; industrial fatty alcohols
	1520	Glycerol (glycerine), whether or not pure; glycerol waters and glycerol lyes

... financial statement

In 1991 the overall loss of customs revenue as a result of the granting of preferences to the group of developing countries which benefited from them last year has been estimated at between ECU 1.04 billion and ECU 1.17 billion.

The broader preferential treatment envisaged for the countries of the Central American common market (Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador) will have a further effect mainly in the agriculture sector.¹

According to Eurostat figures for dutiable imports of these products in 1989 (discounting temporary imports, inward processing traffic and the like), the loss of customs revenue is put at ECU 31.5 million over twelve months, including ECU 22.4 million attributable to green coffee which alone accounts for about 50% of total Community imports from Central America.

These amounts will require adjustment pro rata temporis according to the date of entry into force this year of the preferential measures planned.

¹ By granting a total suspension of duty instead of a reduction and substantially extending the list of products covered. In the industrial and textile sectors, however, which are usually ? duty free, these countries are subject to no preferential or quantitative limits: they have never been subject to tariff quotas or zero-duty amounts, they have never been the object of measures to reimpose duties or of any MFA quota.