

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(84) 378 final

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PROPOSAL FROM THE COMMISSION TO THE COUNCIL

fixing the Community's generalized tariff preferences scheme
for 1985

(submitted to the Council by the Commission)

Only the explanatory memorandum has been reproduced. The detailed proposals were published on OJ C294/84, 5 November 1984.

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Introduction

These Commission proposals to the Council concern the provisions - three EEC Regulations and an ECSC Decision - which will provide the basis for the scheme of generalized tariff preferences for 1985. They follow the guidelines for the five-year period 1981-85 approved by the Council when it took the decision of principle to extend the Community's GSP scheme for a second decade.

As in previous years, the Commission has been concerned, in formulating its proposals, to strike the fairest possible balance between the Community's internal imperatives and the interests of the developing countries, which have been even harder hit by the recession than the industrialized nations.

The Commission is alive to the continuing problems of the Community's economy and the consequent growth of unemployment, but cannot ignore the need for measures of adjustment.

Although clearly the GSP alone cannot be a decisive factor in development, it undoubtedly has a positive role to play and helps generate trade flows which in turn provide a basis for expansion. The Commission therefore believes that the Community should make certain sacrifices to give beneficiaries preferential access to its market, with special facilities for the less-advantaged countries and the products for which they are not yet fully competitive. The staggering proportions attained by the debts of a number of countries - even quite advanced ones - confirm the Commission's view that trade must be encouraged, while maintaining a system of flexible control which can encourage exports from the less economically strong countries without thereby harming the more industrialized ones.

Agricultural and fishery products

In accordance with the undertakings given in the course of discussions on the 1984 scheme, there has been a thorough review of unmanufactured tobacco and preserved pineapple.

As well as aligning quota and ceiling designations for tobacco on CCT descriptions, the Commission considers the following action to be necessary :

- a) within the 61 200 tonne quota, the GSP duty on flue-cured Virginia-type tobacco (24.01 ex A) should be reduced to 5%, with a minimum levy of 15 ECU and a maximum of 30 ECU per 100 kg ;
- b) within the 2 550 tonne ceiling the GSP duty on other unmanufactured tobaccos (24.01 B) should be cut to 14%, with a minimum levy of 28 ECU and a maximum of 33 ECU per 100 kg ;
- c) 2 000 tonnes should be transferred from the underutilized quota for pineapple chunks to the quota for pineapple slices.

The Commission also feels that the five quotas on processed agricultural products (unmanufactured tobacco, canned pineapple slices, canned pineapple chunks, soluble coffee and cocoa butter) should be redistributed in view of the development of trade flows.

While taking into consideration the interests of both the Community and its (ACP and Mediterranean) preferential partners, the Commission feels that it is possible to grant some of the requests put forward by beneficiaries at the consultations which have taken place on the fringe of the UNCTAD Special Committee on Preferences and in the GATT Tropical Products Group. It is therefore proposing the inclusion of four new products : inulin (11.08 B), chicory roots (12.08 A), locust beans (12.08 B) and cheese fondues (21.07 E). The Commission also envisages an improvement of the preferential margin for 58 products already included and is maintaining its earlier proposal to remove the exclusions still applying to China.

In the fisheries sector which is of particular interest to a number of developing countries the Commission is also proposing new reductions on GSP duty rates on 13 products.

Industrial products

The Commission has looked carefully at the pattern of trade in industrial products in the light both of total imports and of GSP take-up by beneficiaries. In its analysis of sensitive sectors it bore in mind the twin imperatives of promoting wide access to the Community market for developing countries, while avoiding damage to the rightful interests of Community industries. It was also concerned to streamline GSP management, and looked again at a number of tariff quotas and "sensitive" classifications to see whether they really needed to be maintained.

As a result of this review it removed 12 products from Annex A and abolished 11 quotas, but transferred to Annex A eight products which were not on the sensitive list in 1984, including five chemicals: chromium oxides and hydroxides (28.21), camphor (29.13 B I b), lactic acid (29.16 A I), furazolidone (29.35 ex Q) and alginic acid (39.06 A), computers (84.53 B), ball bearings (ex 83.62) and video recorders (92.11 B). It is also proposing that quotas be imposed on preferential imports of barium carbonate from China (28.42 A ex VII) and certain types of brooms and brushes from Hong Kong (96.01 B ex III).

The Commission also carried out a thorough review of preferential amounts, as a result of which it is proposing 28 quota increases, fourteen of them of 10% or more. There are also 79 increases to ceilings, 68 of 5% or 10% and 11 of 15% or more.

However, it was decided that no improvements were possible for 66 other limits (42 quotas and 24 ceilings). These mainly concern leather and hides, footwear (except the 64.02 A quota for India, which has been increased by 100 000 ECU, and the 64.02 B quota for Pakistan, increased by 200 000 ECU), glass, ceramics and iron and steel products.

With regard to non-sensitive industrial products listed in Annex B, the Commission's view is that reference bases could be increased across the board by 10%, as they were last year, except for musk xylene (ex 29.03) and static transformers and converters (85.01 B ex II).

Finally, in the light of the trend of imports from China and Romania the Commission feels the Council should again consider removing the exclusions ; the suggestion was made last year but not then approved. The products concerned are aluminium bars and sections (76.02) and aluminium sheets (76.03) from both countries and copper bars and sections (74.03) from Romania.

The situation with regard to ECSC products indicates a renewal of the 1984 offer unchanged.

Textiles

For the 1984 scheme the Commission proposed taking 1981 as the statistical reference year for the purpose of working out adjustments to the specific individual ceilings on MFA textile products. The Council failed to approve in full the increase involved ; one third of the total only was accepted in 1984.

The Commission still stands by the principle underlying its proposals, but given the sensitivity of the textile industry, with the Community virtually the only donor allowing duty-free entry on all products, it considers that a realistic proposal for 1985 would be to allow an increase equivalent to that approved by the Council for 1984.

For non-MFA textiles, on the other hand, the Commission sees no need for a change in the offer, apart from the removal of the distributed ceilings for Brazil (categories 117 and 136), Macao (category 119) and South Korea (categories 119 and 124), which are no longer justified.

Community imports have fallen since 1980, the statistical reference adopted in 1983 with the individualization of ceilings, and despite an upturn have not again reached the level they then attained. Utilization of the ceilings can be regarded as satisfactory on the whole, though in some cases there is still room for improvement.

GSP management and administration

This year as in previous years, a number of GSP management problems have occurred. They have to do either with the procedures for reintroduction of customs duties, retrospective correction of amounts charged against tariff quotas and distributed ceilings, and the returning of amounts to the Community reserve, or with getting the necessary information to the beneficiary countries and Community businessmen.

The Commission continues to feel, as indicated in the proposals it put forward in 1980 and 1981, that agreed Community solutions to these problems could rapidly be found within an appropriate committee. It intends to come back to this idea in connection with the review of the scheme for the years 1986-1990.

As regards the tariff quotas the Commission has, experimentally, adopted the suggestions of the Council's working party on generalized preferences aimed at improving take-up (a) by bringing forward the date by which a Member State returns unutilized quantities to the reserve and (b) by lowering the threshold for return to the reserve. The Commission therefore proposes that the date be brought forward to 1 July 1985, and the percentage of the original volume which can remain at Member States' disposal until the end of the preferential year lowered from 20% to 10%.

Review of the take-up of tariff quotas for the current year shows that, as in previous years, utilization of some quotas remains low, and utilization of the quota shares allocated to Member States remains uneven. Sometimes, duties are reintroduced in some Member States quite early in the year, while considerable amounts remain unused elsewhere. This is due both to the standard distribution formula, and to the Council's having given Member States the facility to limit drawings on the reserve to 40% or more of their initial share. The Commission has consistently maintained that these practices do not conform to the Community character of these tariff quotas.

Last year, with a view to overcoming these difficulties, the Commission put forward proposals for the phasing in of a new distribution key based on real trade flows for the tariff quotas concerned.

Although the Council was unable to accept the Commission's proposal for 1984, it agreed to keep it under consideration, with the aim of securing better take-up of tariff quotas and uniform application of the CCT.

The situation is unchanged since last year, so the Commission is again making the same proposal. Again, the aim is gradually to align the standard key used hitherto with one based on real trade flows.

Origin rules

As of this year, imports originating in Least Developed countries qualify for more favourable treatment than those from other beneficiaries. The Commission is contemplating putting forward proposals in 1985 to relax in 1986 the cumulative origin rules applying to regional groups and to bring closer together the GSP lists A and B with those applicable under the preferential agreements with Mediterranean countries.

Additional measures

The frequent requests for information the Commission receives from interested parties indicate that its work in this field needs to be kept up. It will be continuing with its programme of seminars for beneficiary countries which ask for them, and will seek the participation in particular of manufacturing and business circles.

<u>FIRST EVALUATION</u>	<u>UTILIZATION OF THE EC GSP IN 1983</u>		<u>X 1000 ECU</u>
	Quotas/Ceilings	Utilization	%
<u>Products subject to individual or global tariff quotas</u>			
ECSC-products (It Qs)	52,426 (*)	18,866	35.9
Footwear (It Qs)	25,338	17,965	70.9
Textiles (1)	567,838(2)(4) 88,444 m.t)	389,199(4)	68.5(a)
Other industrial products (It Qs)	467,333(297,948+169,385(4) FOR ITEM 44.15)	365(224,982+140,444(4) FOR ITEM 44.15)	78.2
Agricultural products (3)	444,353(2)(4)(=176,760 m.t.)	332,164(4)(=132,132 m.t.)	74.8(b)
Sub-total	1,557,288 (102.6 %/1982)	1,123,620(106.4 %/1982)	72.2
<u>Products subject to individual or global ceilings (under surveillance)</u>			
ECSC-products	16,163	0	0.0
Petroleum products	2,644,356(2)(4)(=11,700,000 m.t.) (4)	2,613,381(4)(=12,555,261 m.t.)	98.8(c)
Footwear	8,476	12,480	147.2
Textiles (5)	369,285(2)(4)(=22,980 m.t. + 1 639 m.t. (**) = 24,619 m.t.) (4)	475,928(4) (=31,524 m.T.)	128.9(d)
Other industrial products (Annex A of Reg. 3377/82)	476,198(4)	428,326	89.9
Tobacco other than Virginia type	6,056(2)(4)(=2,250 m.t.)	12,905(4) (=4,795 m.t.)	213.1
Sub-total	3,520,534 (105.7 %/1982)	3,543,020 (99.9%/1982)	100.6
<u>Products subject to individual reference bases (annex B - reg. 3377/82) or to individual (Annex A - reg. 3377/82, Annex B - reg. 3378/82, annexes A and B of decision 82/862/ECSC) ceilings not under surveillance or no ceilings at all</u>			
Textiles	53,750(=3,305 m.t.) (4)	56,132(=3,448 m.t.) (4)	
Jute and coir products	120,062(=135,000 m.t.) (4)	114,636(=128.899 m.t.) (4)	95.5
Other industrial products	9,341,720 (4)	3,376,626(4)	36.2
Sub-total	9,515,532 (111.9 %/1982)	3,547,394(103.8 %/1982)	29.1
TOTAL	14,593,354	8,214,034	49.6
Other agricultural products	2,000,000 (4)	1,358,825(4)	67.9
TOTAL OPENED	16,708,029(110.3 %/1982)	TOTAL UTILIZATION 8,647,832 (91 %/1982)	51.8

* The offer relating to Yugoslavia has been revised and reduced, this country being no longer a beneficiary for these products from 1 April 1983.

xx Estimate offer for LDC's

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| (1) MFA and not-MFA textiles allocated among Member States (Annexes A and B - Reg. 3378/82) | (a) Utilization in quantity: 68.5 % |
| (2) These quotas and ceilings are expressed in metric tonnes | (b) " " : 74.7 % |
| (3) Tariff quotas for cocoa butter, soluble coffee, pineapples in slices and other than in slices, tobacco of the Virginia type | (c) " " : 107.3 % |
| | (d) " " : 137.2 % |
- (4) Estimate
(5) MFA and not-MFA textiles not allocated among Member States (Annexes A and B - Reg. 3378/82)