

COMMISSION OF THE EUROPEAN COMMUNITIES

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Proposal for a

COUNCIL REGULATION (EEC)

applying generalized tariff preferences for 1991 in respect of certain industrial products originating in developing countries

Proposal for a

COUNCIL REGULATION (EEC)

applying generalized tariff preferences for 1991 to textile products originating in developing countries

Proposal for a

COUNCIL REGULATION (EEC)

applying generalized tariff preferences for 1991 in respect of certain agricultural products originating in developing countries

Proposal for a

COUNCIL REGULATION (EEC)

reducing for 1991 the levies on certain agricultural products originating in developing countries

Draft

DECISION

OF THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES OF THE EUROPEAN COAL AND STEEL COMMUNITY, MEETING WITHIN THE COUNCIL

applying for 1991 the generalized tariff preferences for certain steel products originating in developing countries

Only the Explanatory Memorandum has been reproduced. The final texts are published in Official Journal L370, 31.12.1990:

- Decision 90/672/ECSC (Steel Products)
- Regulation EEC 3831/90 (Industrial Products)
- Regulation EEC 3832/90 (Textiles)
- Regulation EEC 3833/90 (Agriculture Products).

EXPLANATORY MEMORANDUM

The purpose of these proposals from the Commission to the Council - three proposals for EEC Regulations and one proposal for an ECSC Decision - is to establish the legislative basis for the Community's scheme of generalized preferences for 1991.

1. The Commission's general objectives

In July 1990 the Commission sent the Council a communication relating to the guidelines which it intended to follow in implementing the Community's GSP schemes during the 1990s.

This communication states, in particular, that specific procedures for implementing the new guidelines will be proposed by the Commission during 1991 in the light of the outcome of the Uruguay Round, with a view to actual implementation in 1992.

Accordingly, the Commission considers that, since the scheme in question is transitional, there should be no changes in 1991 other than those required by external circumstances.

In presenting these proposals, therefore, the Commission's intention was:

- (a) to maintain substantially unchanged the economic part of the various schemes implemented in 1990;
- (b) to include those adjustments which necessarily arise from the application of the differentiation criteria (begun in 1990);¹

¹See Annex 1.

- (c) to include those adjustments arising from the fact that Czechoslovakia and Bulgaria have been admitted to the preference system, from the admission of Romania to all the benefits of the system and from German unification.

2. The extension of the preference system to Bulgaria and Czechoslovakia

The economic situation in Czechoslovakia and Bulgaria has deteriorated increasingly rapidly in recent years, so that export earnings have slumped, per capita national income has declined sharply and firms have swiftly become uncompetitive. These factors have had a serious effect on development in the two countries concerned.

In order to remedy this situation and to meet this challenge, the ministers of the Group of 24, meeting in Brussels on 13 December 1989, extended to both countries the plan of action for coordinated aid to Poland and Hungary, one of the purposes of which is to help the countries concerned modernize their economic fabric, in particular by increasing their exports.

Better access to the Community market for Czechoslovakian and Bulgarian products can be expected to increase the export earnings of the two countries and speed up their industrialization: this, in turn, will help to further the economic restructuring upon which they have embarked.

To achieve these objectives, therefore, the Commission considers that the benefits of the generalized preferences system should be extended by including the above-mentioned countries in the industrial, textile and agricultural schemes, as already done for Poland and Hungary.

The practical implications of this extension of the 1991 scheme are set out in Annex II.

3. Inclusion of Romania in the full preference system

The particular treatment accorded to Romania in recent years excluded from the scheme a large number of industrial products and provided only limited coverage for MFA textile products. The decision to extend to Romania the action plan for coordinated aid to Poland and Hungary, taken on 16 February 1990 and then suspended and made subject to the signing of the trade and cooperation agreement, means that the above-mentioned industrial products can be integrated into the scheme for Romania and greater scope provided for its textile products, so it enjoys the same treatment as other Eastern European countries.

Nevertheless, this proposal is provisional and remains subject to the signing of the above-mentioned agreement. Should this not take place, the proposal concerning Romania should automatically be considered null and void. The practical implications of this reintegration into the scheme are set out in Annex II.

4. The effect of German unification

German unification will lead to increased consumption. Moreover, the developing countries have hitherto enjoyed access to the market of the GDR, and this must be safeguarded. The Commission is therefore proposing a 5% flat-rate increase in the quotas, zero-duty fixed amounts and ceilings for the industrial and textile schemes. However, given the structure of the GDR's external agricultural trade, the Commission is not considering extending this flat-rate increase to cover agricultural products.

5. Other proposed changes

The Commission also proposes extending the preference system to Namibia, which has recently become independent, and to Mongolia, which has asked to be included in the system and is a member of the Group of 77. The inclusion of these two countries has no impact on the economic aspect of the schemes.

Moreover, the proposed schemes include renewing the special arrangements adopted in 1990 to assist Colombia, Bolivia and Peru in the "drug war".

Finally, the adoption of the Harmonized System with effect from 1988 means that data for 1988 rather than for 1987 must be used in calculating the reference indexes for non-sensitive products subject to monitoring.

6. Arrangements applicable to South Korea

The arrangements that would normally be applicable to South Korea in 1991 appear in each of the GSP schemes. However, the Commission proposes maintaining the suspension of preferences for South Korea as long as this country continues to discriminate against the Community in the field of industrial property. It was this discrimination which led the Community to adopt Regulation (EEC) No 3912 of 18 December 1987 and Decision No 88/80/ECSC of 8 February 1988.

ANNEX I

Differentiation1. Industrial sector

<u>Order number</u>	<u>CNC</u>	<u>Description</u>	<u>Country excluded</u>
10.0240	2921 19 30	Isopropylamine	Romania
10.0245	2921 43 90	Toluidines	South Korea
10.0950	8211	Knives	South Korea
10.1045	8516 50 00	Microwave ovens	South Korea
10.1325	9507	Fishing rods and other fishing line tackle *	South Korea

* This product is transferred into the non-sensitive categorie

2. Textile sector (AMF products)

<u>Order number</u>	<u>CNC</u>	<u>Description</u>	<u>Country excluded</u>
40.0100	10	Gloves, knitted or crocheted	China
40.0400	40	Woven curtains, other than knitted or crocheted	China
40.0430	43	Yarn of man-made filament put up for retail sale	Brazil
40.0550	55	Synthetic staple fibres	Mexico
40.1090	109	Tarpaulins, sails, awnings and sunblinds	South Korea

Inclusions (products and countries) into the
list of sensitive industrial products

FDFA = Fixed duty-free amount

C = Ceiling

Order Number	CNC	Description	Country concerned	FDFA	C	New product in 1991
10.0060	28271000	Ammonium chloride	Czechoslov.	X		
10.0112	29026000	Ethylbenzene	Czechoslov.	X		X
10.0140	29053100	Ethylene glycol	Bulgaria	X		
10.0162	29141100	Acetone			X	X
10.0210	29181400	Citric acid	Czechoslov.	X		
10.0282	29261000	Acrylonitrile			X	X
10.0400	31021010	Urea	Bulgaria Romania Czechoslov.	X X X		
10.0402	31023010;90	Ammonium nitrate	Romania	X		X
10.0407	31024010;90	Mixtures of ammonium nitrate	Romania	X		X
10.0420	3105	Mineral or chemical fertilizers	Romania	X		
10.0580	42031000	Articles of apparel, of leather	Czechoslov.	X		
10.0590	42032910	Protective gloves	Czechoslov.	X		
10.0610	4411	Fibreboard of wood	Romania Czechoslov.	X X		
10.0660	6401 6402	Waterproof footwear with uppers of rubber	Czechoslov.	X		
10.0670	6403	Footwear with uppers of leather	Romania Czechoslov.	X X		

Order Number	CNC	Description	Country concerned	FDFA	C	New product In 1991
10.0680	6404 64059010	Footwear with outer soles of rubber	Czechoslov.	X		
10.0710	6908	Glazed ceramic flags	Czechoslov.	X		
10.0720	6911	Tableware of porcelain	Romania Czechoslov.	X X		
10.0752	7004	Drawn glass	Romania Czechoslov.	X X		X X
10.0755	7005	Float glass	Czechoslov.	X		
10.0770	7013	Glassware	Romania Czechoslov.	X X		
10.0792	70191051	Rovings	Czechoslov.	X		X
10.0860	73041010	Tubes and pipes of iron or steel	Romania Czechoslov.	X X		
10.0902	73181581	Other screws and bolts	Czechoslov.	X		X
10.1090	85391090	Electric filament lamps	Czechoslov.	X		
10.1112	870120	Road tractors for semi-trailers	Czechoslov.	X		
10.1113	870190	Other tractors	Czechoslov.	X		X
10.1217	9401	Seats and parts thereof	Romania	X		X
10.1227	9403	Other furniture and parts thereof	Romania	X		X
TOTAL =====				35 ==	2 =	12 ==

Impact of the inclusion of Bulgaria and Czechoslovakia
and the adjustment of the offer for Rumania
in the GSP textile scheme for 1991
(estimation including the global increase of 5 %)

1. Bulgaria and Czechoslovakia

	<u>MFA products</u>	<u>non-MFA products</u>	<u>Quotas</u>
. Bulgaria	2.290 tonnes	5.930 tonnes	11 MFA
Quotas for the MFA categories : 1, 2, 4, 5, 6, 7, 8, 14, 15, 73, 76.			
non - MFA : no one			
. Czechoslovakia	2.290 tonnes	5.930 tonnes	35 MFA 2 non MFA
Quotas for the MFA categories : 1, 2, 3, 4, 5, 6, 7, 8, 9, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 24, 26, 31, 32, 36, 37, 39, 61, 66, 67, 69, 73, 76, 90, 91, 110.			
non-MFA : 117, 118.			

2. Rumania

- . MFA offer 1991 : 5.930 tonnes (1989 : 3.025 t reduced in 1990 to 2.290 t *).
- . Suppression of 11 quotas : MFA categories : 9, 18, 21, 22, 23, 27, 28, 29, 31, 32, 39 **

* Reduction due to the decrease of the basis of the offer for the group I from 0,2 % to 0,1 %.

**Tariff quotas without corresponding quantitative quotas.

ANNEX II c)

MODIFICATIONS OF THE LISTS OF PRODUCTS FALLING WITHIN
CHAPTERS 1 TO 24 OF THE CCT BENEFITING FROM THE
GENERALIZED PREFERENCES

a) Products subject to customs duties

0707 00 11	Cucumbers, fresh or chilled, from 1st November to 15 May	11%
0707 00 19	Cucumbers, fresh or chilled from 16 May to 31 October	14%
0711. 40 00	Cucumbers and gherkins, provi- sionally preserved	10%
0810 30 10	Black currants, fresh	7%
0810 30 30	Red currants, fresh	7%
2007 99 10	Plum purée and plum paste, in immediate packings of a net content exceeding 100 kg for industrial processing	21% + AD S/Z
2007 99 31	Jams, jellies, marmalades, purée or pastes of cherries, with a sugar content exceeding 30 % by weight	21%+ AD S/Z

b) Levy products

0207 10 59	Ducks, plucked and drawn, without heads	} 1.000 t. (instead 3.000 t.)
ex2007 23 19	and feet and without hearts, livers and gizzards, known as "63% ducks", or otherwise presented, fresh, chilled or frozen	
ex207 39 55	Cuts of ducks, boneless, fresh, chilled	} 50% of the levy within a fixed amount of 2 000 t.
ex207 43 15	or frozen	
ex207 39 73	Breasts and cuts thereof of ducks bone-in,	
ex207 43 53	fresh, chilled or frozen	
ex0207 39 77	Legs and cuts thereof, of ducks with bone-in,	}
ex0207 43 68	fresh, chilled or frozen	

0203 29 13	Loins and cuts thereof, of domestic swine	} 5.000 t
ex0203 29 55	frozen	} (instead 4.000 t.
0210 11 11	meat of domestic swine, salted or in brine :	}
0210 12 11	- hams and cuts thereof	}
0210 19 40	- bellies (streaky) and cuts thereof	} 3.000 t.
0210 19 51	- loins and cuts thereof	} (instead 2.000 t.
	- others, boneless	}

FINANCIAL STATEMENT

It should be noted that the financial effect of generalised tariff preferences accorded to developing countries is difficult to quantify exactly, as much as a result of the flexible nature of the concessions as to

- the complexity of the concessions and the differentiation between countries, notably because of the existence of quotas and differing tariff ceilings which are applicable either to certain products or beneficiary countries.
- the production structure in some developing countries does not always satisfy the rules of origin criteria;
- only partial utilisation of the advantages offered due either to a lack of information or only limited economic benefit if the normal duty is already low.

As result of these elements there is a net disproportion between the global offer opened on 1 January and those imports which actually enter by 31 December of the same year at a preferential rate.

On the basis of a global offer worth 24,5 billion ECU in 1990 and an increase of the offer (integration of new beneficiaries - Czechoslovakia and Bulgaria -, improvement of the regime granted to Rumania, unification of Germany, special drug regime) estimated at 3,3 billion ECU (+ 11,9 %) the global GSP offer for 1991 is valued to 27,8 billion ECU.

Taking into account, that, the weighted average Common Customs Tariff duty rate applicable to the concerned products is situated between 5,5 % and 6 % and that the average utilization rate is of some 70 %, there will be an estimated loss of between 1,04 and 1,17 billion ECU in customs duties not levied due to the application of the Community's GSP scheme in 1991.

COMPETITIVENESS AND EMPLOYMENT IMPACT STATEMENT

- I. What is the main reason for introducing the measure ?
The decennial revision which shall determine the new schemes of preferences until the year 2000 is not finished. Thus it is advisable to prolong the 90-scheme to 91.
- II. Features of the business in question. In particular :
- a) are there many SME's ?
not possible to calculate
- b) are they concentrated in regions which are
- I. eligible for regional aid in Member States
 or
- II. eligible for ERDF ?
Not possible to identify. The regulations concerning the preferences are applied in the Community as a whole and not specially in certain regions.
- III. What obligations does this measure impose directly on business ?
No direct obligations. No additional costs will be involved.
- IV. What indirect obligations are national, regional or local authorities likely to impose on businesses ?
Only the national customs administrations are involved in managing the Community's GSP scheme.
- V. Are there any special provisions in respect of SME's ? Please specify :
No. Nevertheless, the import-export firms and such enterprises using imported components in their own production might see their activities stimulated by these proposals.
- VI. What is the likely effect :
- a) on the competitiveness of enterprises ?
Difficult to identify because of the large field of covered sectors and activities. The fact of granting preferences may increase competition but can certainly also encourage the creation of new import-firms and joint-ventures with foreign partners.
- b) on employment ?
For the same reasons, not possible to identify.
- VII. Have the relevant representative organisations been consulted ?
- As the GSP scheme is a long-established EC policy - since 1 July 1971 - the normal sectoral consultations by DGs III and VI in preparation of these proposals, have been organised. In addition, it is the use to consult the Social and Economic Committee when the proposals have been adopted, even when there is no obligation therefore.