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REPORT

drawn up on behalf of the Committee on Development and
Cooperation

on the proposals from the Commission of the European
Communities to the Council (COM(87) 227 final -
C 2-105/87)

fixing the Community's generalized tariff preferences
scheme for 1988

Rapporteur: Mr J. ULBURGHS

WG(VS1)/7343E

PE 115.261/fin.
Or. Fr.

By letter of 29 July 1987, the President of the Council of the European Communities requested the European Parliament, pursuant to the EEC Treaty, to deliver an opinion on the proposal from the Commission of the European Communities to the Council fixing the Community's generalized tariff preferences scheme (GSP) for 1988 (COM(87) 227 final - C 2-105/87).

By letter of 1 October 1987, the Council requested application of the urgent procedure pursuant to Rule 75 of the Rules of Procedure.

On 14 September 1987, the President of the European Parliament referred this proposal to the Committee on Development and Cooperation as the committee responsible and to the Committee on Agriculture, Fisheries and Food, the Committee on Economic and Monetary Affairs and Industrial Policy, the Committee on External Economic Relations and the Committee on Budgets for their opinions.

At its meeting of 26 February 1987, the Committee on Development and Cooperation appointed Mr Ulburghs rapporteur.

The committee considered the Commission's proposal and the draft report at its meetings of 25 June, 22 and 23 September and 13 October 1987.

At the last meeting the committee decided unanimously to recommend to Parliament that it approve the Commission's proposal and adopted the draft legislative resolution as a whole unopposed with 1 abstention.

The following took part in the vote: Mr McGOWAN, chairman; Mrs CASSANMAGNAGO CERRETTI and Mrs DALY, vice-chairmen; Mr ULBURGHES, rapporteur; Mr ANDREWS, Mr BERSANI, Mrs BUCHAN, Mrs CINCIARI RODANO, Mr CODERCH PLANAS, Mr COHEN, Mr DUETOFT (deputizing for Mr Clinton), Mrs EWING, Mrs FOCKE, Mrs GARCIA ARIAS, Mr PATTERSON (deputizing for Mr Simpson), Mr PEARCE, Mr PONS GRAU (deputizing for Mr Rubert de Ventos), Mr SMITH (deputizing for Mr Balfe), Mr TELKAMPER, Mr TRIVELLI, Mr VERGEER and Mr VERGES.

The opinions of the Committee on Agriculture, Fisheries and Food, the Committee on Economic and Monetary Affairs and Industrial Policy, the Committee on External Economic Relations and the Committee on Budgets are attached.

The report was tabled on 13 October 1987.

The deadline for tabling amendments to this report is indicated in the draft agenda for the current part-session.

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The Committee on Development and Cooperation hereby submits to the European Parliament the following draft legislative resolution together with explanatory statement:

A

DRAFT LEGISLATIVE RESOLUTION

closing the procedure for consultation of the European Parliament on the proposals from the Commission of the European Communities to the Council fixing the Community's generalized tariff preferences scheme for 1988

The European Parliament,

- having regard to the proposals from the Commission to the Council,
 - having been consulted by the Council pursuant to Article 113 of the EEC Treaty (Doc. C 2-105/87),
 - having regard to, and approving, the legal basis proposed,
 - having regard to the report of the Committee on Development and Cooperation and the opinions of the Committee on Agriculture, Fisheries and Food, the Committee on Economic and Monetary Affairs and Industrial Policy, the Committee on External Economic Relations and the Committee on Budgets (Doc. A 2-170/87),
 - having regard to the result of the vote on the Commission's proposals,
 - having regard to its previous resolutions¹,
1. Reaffirms its support for the original general objectives of the GSP to increase developing countries' earnings from exports of manufactured products, to encourage their industrialization and, in general, to speed up their economic growth rate, and underlines the important role that the system ought to play in the Community's development policy, particularly with a view to improving the economic situation of the least-developed countries;
 2. Considers it essential that the GSP should be adopted in accordance with Article 113 of the EEC Treaty, which provides for voting by a qualified majority; welcomes the ruling given by the Court of Justice on the subject in 1987;

¹OJ Nos. C 291, 10.11.1980, p. 77; 346, 31.12.1980, p. 19; 327, 14.12.1981, p. 107; 292, 8.11.1982, p. 105; 342, 19.12.1983, p. 168; 337, 17.12.1984, p. 419; 343, 31.12.1985, p. 119; 322, 14.12.1986, p. 464

3. Accepts that the obligation to introduce the Harmonized Commodity Description and Coding System on 1 January 1988, through the Community-wide application of the Integrated Customs Tariff (TARIC) constitutes, as far as the adoption of the Community's GSP scheme for 1988 is concerned, exceptional circumstances such as to justify minor adjustments to the scheme for 1988;
4. Is not convinced that the least-developed countries can take full advantage of the system in its present form and points out that additional special measures are required to enable the least-developed countries to derive greater benefit from the system;
5. Reiterates its belief that the generalized preferences can be of benefit to the least-developed countries only if they apply above all to both processed and unprocessed agricultural products, and calls once again on the Commission to include new agricultural products in the list of preferences, including those covered by the common agricultural policy;
6. Notes that the Commission is pursuing the policy of differentiation by product and supplier country; stresses once again that this policy is acceptable only on condition that it improves access to the Community market for poorer countries and does not make the system as a whole less liberal, as pointed out by the European Parliament during the North-South debate in February 1987;
7. Notes that the Commission also proposes to extend the policy of differentiation to the textile sector and stresses that this may disrupt existing trade flows, as a number of developing countries have already pointed out;
8. Calls for the European Community to examine, in conjunction with the newly industrialized countries, the extent to which the latter are willing and able to grant preferential treatment to the poorest developing countries;
9. Stresses the need for measures to establish a more balanced distribution of the advantages of the GSP system in the agricultural sector in favour of the countries of Latin America, and especially small producers, given that these countries have hitherto derived less benefit from the system;
10. Approves the package of measures proposed which seek to strengthen the Community nature of the system, notably by abolishing barriers between Member States, to bring it more closely into line with developments in trade patterns and to improve the transparency of day-to-day management;
11. Stresses the need to ensure as far as possible that the economic advantages of the GSP system directly benefit the countries concerned and their economic operators, particularly local producers;

12. Draws attention once again to the need for intensive information and training programmes to enable the beneficiary countries, particularly the least developed among them and their economic and development agents, to derive the greatest possible benefit from the possibilities offered by the system, taking due account of the difficulties connected with the entry into force of the new Community integrated tariff;
13. Calls once again on the Commission to assess carefully, besides the overall benefits to the Community as a whole, the likely implications of the GSP concessions for Community industry, particularly the most sensitive sectors, and to ensure that the social partners are better informed and systematically consulted so that provisions may be made for the reorganization needed in sensitive industrial sectors to ensure that the burden is more equally shared between all the economic and social sectors of the Community;
14. Reiterates its view that the countries benefiting from the generalized tariff preferences scheme must comply with the international minimum standards for working conditions laid down in the conventions of the International Labour Organization and asks that the social partners be involved in the regular monitoring of this situation; considers it important that the Commission should constantly look for ways and means of enabling the social partners in all the States covered by the GSP, whether Community Member States or third countries, to be involved in devising the system;
15. Considers that, in future, the Community's GSP should be modified to deal more effectively with the following problems:
 - (a) development of the national economies which is more market-oriented and geared to internal needs;
 - (b) economic decentralization to take account of internal regional needs;
 - (c) increased regional cooperation between developing countries;
 - (d) restoration and conservation of ecological balances and of the natural environment;
 - (e) development of social rights;
 - (f) indebtedness of the poorest countries;
16. Calls on the Commission, with a view to the renewal of the system for the next decade, to take account of these guidelines and the wishes expressed by the developing countries within UNCTAD VII and the GATT negotiations;
17. Instructs its President to forward to the Commission and Council, as Parliament's opinion, the Commission's proposals as voted by Parliament and the corresponding legislative resolution.

B. EXPLANATORY STATEMENT

In this short explanatory statement the rapporteur does not intend to dwell on the operation and organization of the generalized system of preferences (GSP), since this has already been dealt with adequately in previous reports by the European Parliament. On the other hand he would like to look briefly at the overall policy of which the GSP is a part.

The generalized system of preferences is based on the assumption that international trade and the free movement of goods is a priori a good thing for the developing countries. Young industries can find markets here in Europe and thereby provide the necessary influx of currency for further development. In this regard the GSP is one concession made by the Community to give shape and substance to the UNCTAD slogan from the first and second development decade - 'not aid but trade'.

But as the rapporteur for the Committee on Development and Cooperation the author feels that there is good reason to bring up a number of fundamental questions on the value of the whole system for development. For example, one of the top priorities for development cooperation is that aid must help the most needy. Whether this is the case with the GSP is very doubtful. It is only too clear, for instance, that the 'newly industrialized countries' have been and still are the main beneficiaries of the GSP. For this reason the Commission has for several years made a distinction in its policy according to product and country in the hope that those countries which enjoy the highest level of development will have more limited benefits than those countries which are in the early stages of industrialization. On the other hand the GSP could foster international planning and division of labour as preferred by the large concerns and multinational enterprises. There is moreover a real danger that the large export companies are the ones that are best informed about, and the best able to exploit, the GSP benefits.

It is for this reason that your rapporteur wishes to emphasize that the Community's system of generalized tariff preferences should be more finely tailored to future conditions, taking greater account of social, ecological, regional and development priorities. Why can the Community not insist that greater account is taken of the minimum standards laid down by the International Labour Organization? The intention is surely not to reward inhuman practices such as child labour, low wages or extra long working hours from Community funds particularly in the context of development cooperation? Of course the Community cannot use the GSP to put a stop to the many abusive practices, but it certainly does not have to encourage them. The same remark can be made about the practices of some companies which establish themselves in developing countries in order to avoid being hampered by strict environmental criteria or supervision. Should the Community provide commercial benefits which support this encroachment of the natural environment and ecological balance in developing countries? There would also be a danger that, under the cloak of development cooperation, a stimulus would be given to an extrovert economy which took no account of the real needs of the local population. It would also lead to 'social dumping'.

Your rapporteur, therefore, considers it important that both sides of industry, in the developing countries as well, should be involved in the GSP policy. However, these objections may make us forget that the GSP scheme is only one of the instruments of the Community's development and trade policy and therefore cannot on its own solve all the development problems. Your rapporteur is putting forward these fundamental objections but not with the intention of dismantling the GSP system and giving greater scope to protectionism at the Community borders. Trade and industrialization are important steps for genuine development but they must be part of a global strategy in which the needs of the local population are the main concern. At the same time your rapporteur hopes that the GSP can be made more sensitive to these social, ecological and development priorities in the future.

OPINION

OF THE COMMITTEE ON AGRICULTURE, FISHERIES AND FOOD

Letter from the chairman of the Committee on Agriculture, Fisheries and Food to Mr Michael McGOWAN, chairman of the Committee on Development and Cooperation

Brussels, 22 September 1987

Subject: Proposal from the Commission to the Council fixing the Community's Generalised Tariff Preferences Scheme for 1988 (COM(87) 227 final)

Dear Mr Chairman,

The Committee on Agriculture, Fisheries and Food considered the Commission's proposals at its meeting of 21/22 September 1987.

The Committee notes that the proposals represent a continuation of the guidelines for 1980-1990, which were re-affirmed at the review which took place at the half-way mark of the period, and which have been applied in 1986 and 1987. There has been a degree of exclusion of countries/products which are competitive with EEC products, and a re-distribution of advantage to the least developed countries.

The Committee welcomes the introduction of the new integrated tariff code system (TARIC).

The Committee notes that, as far as agricultural and fish products are concerned, the proposals for 1988 include the limitation of concessions to sweet potatoes for human consumption only (i.e. not for animal consumption) and that reductions in duty are proposed for avocados, almonds and certain other nuts, as well as for grapefruit juices and cigars. It welcomes the inclusion of pineapple juices in the GSP, which the Committee has requested since 1984.

The Committee believes that radical departures from the guidelines established and implemented so far would be premature, particularly as agricultural products are included in the new GATT Round.

The Committee therefore approves the proposals.

Yours sincerely,

Juan Luis COLINO SALAMANCA
Chairman

1 The following took part in the vote: Mr Colino Salamanca, Chairman; Mr Deveze, Vice-Chairman; Mr Boutos (deputizing for Mr Musso), Mr Buchou, Mr Caamano Bernal (deputizing for Mr Wettig), Mrs Castle, Mr Cervera Cardona, Mr Christensen, Mrs Crawley, Mr Dalsass, Mr Graefe zu Baringdorf, Mr Guarraci, Mr Howell, Mr Jackson Ch., Mrs Jepsen, Mr Madeira, Mr Medina Ortega (deputizing for Mr Woltjer), Mr Mertens (deputizing for Mr Tolman), Mr Morris, Mr Mouchel, Mr Navarro Velasco, Mr Nielsen B., Mr Pisoni F., Mrs Rothe, Mr Sierra Bardaji, Mr Simmonds, Mr Stavrou, Mr Stevenson. (deputizing for Mr Fich), Mr Thareau and Mr Vazquez Fouz.

OPINION

of the Committee on Economic and Monetary Affairs and Industrial Policy

Draftsman : Mr B. BEUMER

On 24 September 1987 the Committee on Economic and Monetary Affairs and Industrial Policy appointed Mr B. BEUMER draftsman.

At its meeting of 24-25 September 1987 the committee considered the draft opinion and unanimously adopted the conclusions contained in it.

The following took part in the vote: Mr BEUMER, chairman and draftsman; Mr ALAVANOS (deputizing for Mr Bonaccini), Mr AMARAL (deputizing for Mr Gasoliba I Bøhm), Mr BAILLOT, Mr BESSE, Mr BUENO VICENTE, Mr CASSIDY (deputizing for Mr P. Beazley), Mr de VRIES, Mr DELOROZOY, Mr DEVEZE, Mr FOURCANS, Mr FRANZ, Mr HERMAN, Mr PATTERSON, Mr PIMENTA (deputizing for Mrs Nielsen), Mr PINTASILGO (deputizing for Mr Cabrera Bazau), Mrs VAN HEMELDONCK and Mr WAGNER.

CONCLUSIONS

1. As these proposals concern an annual occurrence and as the committee has had the opportunity to give its opinion on the previous years' proposals, it is able, as far as its views on the principles of the generalized preferences scheme are concerned, simply to refer to the views set out in its previous opinions¹.
2. One welcome development is the Court of Justice's judgment in Case 45/86 handed down on 26 March 1987, settling the dispute over the legal basis for legal acts concerning the tariff preferences system in favour of Article 113. This represents both a further material contribution to the realisation of a common commercial policy - a prerequisite for the exploitation of the advantages of a major internal Community market - and an impetus to the decision-making process in that field since proposals can now be passed by a qualified majority in the Council.
3. The committee notes that, following the introduction on 1 January 1988 of the 'Harmonised system for the description and classification of goods', which is to form the basis for the Community's new integrated customs tariff (TARIC), the Commission has avoided proposing major innovations in the regulations for industrial and for agricultural and fishery products. The overhaul of the GSP for textile products seems reasonable since the structure of trade flows and the economic conditions for certain textile-producing countries have changed significantly since the introduction of the present scheme. The guidelines now correspond to the policy which has been followed since 1986 in the industry sector (accentuated differentiation based on relevant objective criteria).
4. The committee is able to support the Commission's proposal that more of the administration of the GSP scheme should be transferred to the Community in 1988 to make it more flexible and transparent with a view to contributing to the completion of the internal market by 1992.
5. It is essential that the administration of the GSP scheme should be based on careful appraisal of the level of competitiveness in the industrial sector concerned both in third countries and in the Community. For this reason the Commission is again requested this year to provide further information (possibly in the form of an overall report) on the GSP scheme's financial impact on the individual industries of the Community's Member States. One example is the car industry for which the Commission has proposed for 1988 an adjustment of the preferential limits for certain types of car. An explanation of the reason for this adjustment would be a help in assessing the proposals.

¹See particularly the opinion on the 1987 GSP scheme, PE 108.697/fin.

OPINION

OF THE COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

Letter from the chairman of the Committee on External Economic Relations to Mr McGOWAN, chairman of the Committee on Development and Cooperation

Brussels, 24 September 1987

Subject: Proposal for a Council regulation applying generalized Community tariff preferences for 1988 (COM(87) 227 final)

Dear Mr McGowan,

At its meeting of 23 and 24 September 1987, the Committee on External Economic Relations considered the Commission's proposals on the application of generalized Community tariff preferences for 1988.

These proposals fall within the five year period 1986-1990, adopted in principle in 1985 complete with detailed rules of application for 1988.

We note that the Commission is subject to new constraints imposed by the adoption on 1 January 1988 of the Harmonized System for the Description and Classification of Goods (TARIC) to which the Community and its major trading partners are pledged.

The Commission is endeavouring to differentiate more sharply when it comes to the application of preferences to sensitive industrial products, which has led this year to the first country/product exclusions of highly competitive suppliers in favour of less competitive suppliers.

The major modifications for 1988 concern textiles. The scheme adopted within the ambit of the MFA is to be substantially altered to take account of current trade flows.

Generally speaking, the distinguishing features of the 1988 system is that it lays down for all sectors new reference bases which are more in line with Community and extra-Community reality, and that it seeks to introduce an administrative procedure which is simpler, more coherent, and more logical. A good example of this is the amalgamation of Lists A and B under the Rules of Origin into a single list of exceptions.

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However, it could be argued that this new approach tends to make both the GSP and its application too rigid, and that some degree of flexibility should be introduced over the next few years in the light of experience.

My committee has come out unanimously in favour of the Commission's proposals for 1988 and has instructed me to advise you accordingly in the form of a letter.

Yours sincerely,

(sgd) Jacques MALLET

The following were present at the time of the vote :

Mr SEELER (acting chairman), Mr PONS GRAU and Mr TOUSSAINT (vice-chairmen)

Mr VAN AERSSSEN, Mr BIRD, Mr CASSIDY, Mr COSTANZO, Mr GRIMALDOS GRIMALDOS, Mr HINDLEY, Mr HITZIGRAPH, Mr LEMMER, Mr MOORHOUSE (deputizing for Mr ESCUDER CROFT), Mr MOTCHANE, Dame Shelagh ROBERTS, Mr ROSSETTI, Mr TOPMANN, Mr TRIDENTE, Mr ZAHORKA, Mr ZARGES

OPINION

(Rule 120 of the Rules of Procedure)

of the Committee on Budgets

Draftsman: Mr J.-C. PASTY

At its meeting of 23 September 1987, the Committee on Budgets appointed Mr PASTY draftsman of the opinion.

The committee considered the draft opinion at its meetings of 1 and 12 October 1987 and at the last meeting adopted the conclusions unanimously.

The following took part in the vote: Mr COT, chairman; Mr PASTY, 1st vice-chairman; Sir James SCOTT-HOPKINS, 2nd vice-chairman; Mrs BARBARELLA, Mr BARDONG, Mr CAAMANO, Mr CHRISTODOULOU, Mr COLOM I NAVAL, James ELLES, Mr EYRAUD (deputizing for Mrs Fullet), Mr FILINIS (deputizing for Mr Chambeiron), Mr HACKEL, Mr LANGES, Mr MIRANDA DA SILVA, Mr NORMANTON, Mr PRICE, Mrs SCRIVENER, Mrs THEATO (deputizing for Mr Abelin) and Mr von der VRING.

INTRODUCTION

1. The Community's acquisition of an international legal personality is the outcome of a long process, executed in stages, which has resulted in the development of a very diffuse and complex network of international relations.
2. Without going into detail, the present situation is very confused, with a large number of different agreements and other forms of international cooperation whose content, nature and period of validity differ greatly in terms of the objectives sought and the methods used.
3. However, where budgetary costs are concerned, a general distinction may be made between agreements involving direct expenditure under the Community budget (e.g. development aid) and agreements which result in a reduction of Community funds, as they facilitate access for certain products to the Community market, and/or lead indirectly to higher spending, as is the case in the agricultural sector.
4. A further distinction must be made between agreements which provide for mutual benefits for both partners by promoting international trade (e.g. the agreements between developed nations within the framework of GATT, or the fisheries agreements) and agreements designed to benefit the less developed countries by facilitating access for their products to the Community market with no reciprocity requirement.
5. The system of generalized tariff preferences, established within the framework of UNCTAD (a United Nations body), belongs to the second category of agreements which are intended to establish a balance in trade. The developed countries (i.e. including the Community) are committed to applying preferential schemes for imports of products from the developing countries which are exempt from customs duties or subject to considerably reduced customs duties.
6. Alongside this agreement, which applies to a list of products (industrial, textile, agricultural and steel products) and a list of countries drawn up by UNCTAD, the Community has concluded several other bilateral agreements with a large number of countries on various products which are also subject to a reduced rate of duty or may be imported duty free (e.g. beef and veal imports).
7. On the question of the repercussions of all these types of agreement, the Commission has confined itself so far to providing a general assessment of customs revenue or forecasts of its reduction as a result of international tariff concessions, or to giving a blow-by-blow account during the year of specific agreements and their financial repercussions. The loss of revenue to the Community budget as a result of the proposal under consideration is estimated at considerably more than 800 m ECU.

8. The Committee on Budgets has always stressed the need for comprehensive and accurate information on the costs to the Community budget arising from the Community's external relations. This need is now urgent in view of the exhaustion of own resources and the debate on the future financing of the Community budget, which is partly financed with revenue from customs levies.
9. Since these own resources are significantly affected by the tariff concessions granted under the various international agreements concluded by the Community, it is essential for the budgetary authority to be fully informed of current repercussions on the budget and future trends.

CONCLUSIONS

10. With an eye to budgetary transparency and without wishing to prejudge the long-term economic effects of trade agreements concluded by the Community on development aid and the expansion of international trade, the Committee on Budgets believes that the tariff concessions granted by the Community by virtue of its international commitments have direct repercussions on the Community budget's own resources and therefore calls on the Commission to submit to Parliament, by 31 December 1987, a comprehensive report on :
 - (a) the total loss of revenue resulting in the last five years from the application of all the Community's international agreements providing for tariff concessions;
 - (b) the proportion of the decline in customs revenue that may be attributed to the fluctuation of the dollar;
 - (c) overall forecasts of the future decline in customs revenue;
 - (d) a summary of indirect expenditure borne by the EAGGF - Guarantee Section as a result of the tariff concessions.