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## Report

drawn up on behalf of the Committee on Development and Cooperation

on the proposals and communications from the Commission of the European Communities to the Council (Doc. 201/74) concerning the grant of generalized tariff preferences for 1975 on semi-manufactured products falling within Chapters 1–24 of the Common Customs Tariff and manufactured and semi-manufactured products falling within Chapters 25–99 of the Common Customs Tariff originating in developing countries

Rapporteur: Mr Gabriel KASPEREIT

PE 38.031/fin.

By letter of 9 July 1974 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 43 of the EEC Treaty, to deliver an opinion on the proposals and communications from the Commission of the European Communities to the Council concerning the grant of generalized tariff preferences for 1975 on semi-manufactured produces falling within Chapters 1-24 of the Common Customs Tariff and manufactured and semi-manufactured products falling within Chapters 25-99 of the Common Customs Tariff originating in developing countries.

At the plenary sitting of the European Parliament on 12 July 1974 the President referred these proposals and communications to the Committee on Development and Cooperation as the committee responsible and the Committee on Agriculture and the Committee on External Economic Relations for their opinions.

The Committee on Development and Cooperation appointed Mr Kaspereit rapporteur on 12 September 1974. It considered these proposals and communications at its meetings of 12 September and 1 October 1974.

At its meeting of 1 October 1974 the committee unanimously adopted the motion for a resolution and the explanatory statement.

The following were present: Mr Sandri, acting chairman; Mr Kaspereit, rapporteur; Mr Aigner, Mr Bersani, Mr Broeksz, Mr Deschamps, Miss Flesch, Mr Härzschel, Mr Laudrin, Mr de la Malène (deputizing for Mr Nolan), Lord Reay, Mr Schuijt and Mr Seefeld.

The opinions of the Committee on Agriculture and the Committee on External Economic Relations are attached.

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The Committee on Development and Cooperation hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposals and communications from the Commission of the European Communities to the Council concerning the grant of the generalized tariff preferences for 1975 to exports of semi-manufactured products falling within Chapters 1 to 24 of the Common Customs Tariff and manufactured and semi-manufactured products falling within Chapters 25 to 99 of the Common Customs Tariff originating in developing countries

The European Parliament,

- having regard to the proposals and communications from the Commission of the European Communities to the Council<sup>1</sup>,
  - having been consulted by the Council (Doc. 201/74),
  - recalling its resolutions of 6 October 1970<sup>2</sup>, 9 June 1971<sup>3</sup>, 13 December 1973<sup>4</sup>, and 12 July 1974<sup>5</sup>,
  - having regard to the report of the Committee on Development and Cooperation and the opinions of the Committee on External Economic Relations and the Committee on Agriculture (Doc. 285/74),
1. Notes with satisfaction that the policy of generalized preferences is increasingly becoming an inherent part of development cooperation by the European Community;
  2. Considers that, if the future of this policy is to be guaranteed, it must not entail the risk that the balance of payments situation in Member States may be seriously affected;
  3. Recalls that its success also depends on the costs being shared in an equitable manner, that is to say, all industrial countries or those with a sizeable per capita income must participate;

<sup>1</sup> OJ No. C 110, 21 September 1974, p.2

<sup>2</sup> OJ No. C 129, 26 October 1970

<sup>3</sup> OJ No. C 66, 1 July 1971

<sup>4</sup> OJ No. C 2, 9 January 1974

<sup>5</sup> OJ No. C 93, 7 August 1974

4. Strongly endorses the Commission's proposals for the introduction of a reserve share for Community tariff quotas and urges the Commission to improve the system by increasing as soon as possible the percentages of Member States' normal and reserves shares;
5. Welcomes the improvements proposed for 1975, particularly:
  - the increase in preferential margins for processed agricultural products and in the number of products covered by the system,
  - the reduction in the number of products subject to tariff quotas,
  - the measures proposed to afford the least-advanced countries better protection;
6. Considers it essential to review the criteria for deciding which countries should benefit from the system and declares that the only countries that may benefit immediately from generalized preferences are those which are still indisputably developing countries;
7. Points out, moreover, that any policy on generalized preferences must take account of the Community's commitments towards Associated countries and the safeguarding of their interests;
8. Again regrets the lack of the numerical and statistical data that are absolutely essential for an informed assessment of the impact of the system on trade between the Community and developing countries;
9. Stresses that the lack of such data prevents it from ascertaining the effect on the Community's own resources of the proposed amendments to the common external tariff and prevents developing countries from benefiting to the full from the concessions granted to them;
10. Recommends the Commission of the European Communities to intensify its efforts to provide a better understanding of the preferential benefits granted, and approves the Commission's proposals, subject to the above comments;
11. Instructs its President to forward this resolution and the report of the committee to the Council and Commission of the European Communities and, for information, to the Secretary-General of UNCTAD.

EXPLANATORY STATEMENTI. Introduction

1. On 1 July 1971 the European Community introduced a scheme of generalized preferences for the benefit of developing countries. It was thus the first of a number of industrialized countries to introduce such a system and this fact undoubtedly redounds considerably to its credit.

This system was instituted in application of a resolution unanimously adopted at the second United Nations Conference on Trade and Development (UNCTAD) in New Delhi in 1968.

It is a system of autonomous, non-negotiated concessions which in essence conform to the criteria laid down in the UNCTAD resolution, that is to say, they are:

- non-reciprocal because they are granted without any return concessions;
- generalized insofar as they cover in principle all manufactured and semi-manufactured products,
- non-discriminatory in respect of developing countries, all of which may benefit from them.

2. The Community has excluded basic products from its offer and has instituted separate arrangements for industrial products and processed agricultural products. The tariff exemption is granted for the former subject to the limit of an overall ceiling calculated for each product and not as a fixed amount. Below this ceiling, cut-offs limit the percentage of exports from each country benefiting from the preferences. As regards processed agricultural products, concessions of a more limited nature have been granted, in view of the need to protect Community products and not to affect unfairly competing exports from States associated with the Community.

3. The system of generalized preferences has the following features:

- preferences last for ten years; this was agreed in the OECD, but no one expects them to be abolished at the end of that period;
- they apply to the majority of developing countries (with a few exceptions for political or competition reasons), and in particular to the 'Group of 77' (which at present totals 96);

- they allow preferential entry - full exemption from duty in some cases - of a limited number of products listed in Chapters 1 to 24 (agricultural products and processed agricultural products) of the Brussels Tariff, and all industrial products listed in chapters 25 to 99 (except for 'sensitive' products). Textiles, footwear and petroleum products are generally excluded from these benefits or receive almost no advantage from them;
  - the rather strict rules concerning origin prevent industrialized countries from using developing countries as repositories for their products, and thus reserve the benefits of tariff preferences exclusively to products actually manufactured in developing countries;
  - provision is made for safeguard measures in case of disturbance of the market; in the case of the EEC and Japan, these take the form of a pre-arranged ceiling.
4. The Community offer for 1974 has been improved particularly by reason of:
- the adoption, as from 1 January 1974, by the three new Member States of the system instituted by the Six;
  - the commitment made by the Paris Summit Conference to improve the generalized preferences offered by the Community and the conclusions reached in this connection by the Nine within the working party on development cooperation;
  - the joint declaration of intent, adopted at the time of the signature of the Treaty of Accession, on the development of trade relations with Ceylon, India, Malaysia, Pakistan and Singapore, countries for which the United Kingdom wished to obtain considerable improvements in Community preferences in respect of those products which concern it most directly.

The improvement for 1974 extended the possible scope for duty-free imports to a sum estimated at some 2,500 million u.a., representing a growth rate of 40%. An equally substantial increase was granted in respect of processed agricultural products.

5. On the eve of the entry into force of the 1975 system, your committee considers that the new system should be developed with reference to the following considerations:

- the original idea in granting generalized preferences to developing countries was to improve the competitive position of their industrial products. It soon became apparent that tariff advantages were not enough in themselves to encourage the industrialization of developing countries;

- the developing countries may be divided into three categories:

(a) countries which have quite a strong competitive position (provisions were made to 'freeze' that part of the market of these countries for certain sensitive products),

(b) countries which have reached a certain degree of industrialization (it seems that these countries still do not benefit enough from the system of generalized preferences because of a lack of information and a limited knowledge of marketing instruments),

(c) non-industrialized countries which export very little (these countries must be authorized to export more processed agricultural products);

- the erosion of preferences by the liberalization of world trade creates a danger that developing countries will be placed in an unfavourable position vis-à-vis their industrialized competitors;
- the lack of statistics and information on the use of the system of generalized preferences poses serious problems for developing countries on the one hand and for the Community itself on the other;
- if the future of the policy of generalized preferences is to be guaranteed, it must not entail the risk that the balance-of-payments situation in Member States may be seriously affected;
- in establishing its system of generalized preferences, the Community must take into account its obligations to the Associated countries.

Since 1 January 1974, Great Britain, Denmark and Ireland have been applying the same system as the Community of the Six, so that any improvement introduced by the Community has become of even greater importance for the developing countries. The Community itself is also very well aware that the generalized preferences have grown into an essential part of its development policy. The Commission therefore felt that, in spite of the present not very favourable economic situation, it is absolutely necessary for the Community to maintain and improve its system of preferences as far as it is able.



As the Commission itself states in the last paragraph of paragraph 4 of Document 201/74: the continuation and improvement of the Community's preference scheme constitute one of the fundamental aspects of its overall development cooperation policy with regard to the third world as a whole, in line with the approach adopted by the first Conference of Heads of State and of Government and by the resolutions adopted by the Council of Ministers for Development Cooperation (30 April 1974).

6. In contrast to previous years, the Commission has submitted its proposals for 1975 in good time, so that not only the European Parliament but also the national customs authorities will have an opportunity to consider the proposed amendments. In the following account your committee will deal in particular with the improvements, adjustments, etc. which characterize the scheme for 1975. For more details regarding the principles of the Community preference system, see the proposals and communications from the Commission of the European Communities to the Council (Doc. 201/74 of 18 July 1974), and the reports by Mr DEWULF (12 December 1973, Doc. 272/73) on the scheme for 1974, and by Mr NIELSEN on improvements made in the sector of processed agricultural products in the course of 1974 (Doc. 172/74).

## II. Substance of the proposals

### (a) Products falling within Chapters 1 - 24 of the CCT

7. The European Commission proposes the following improvements:

- the present preferential margins of 20% should be raised to 40% for a certain number of products (except in some instances of sensitive products where the widening of the preference should be limited to 10% or the present rate of duty in the GSP should be retained);
- the present 40% preference margins should be raised to 50%;
- GSP duties below 5% should be abolished (including the GSP duty on tea extracts and preparations with a basis of those extracts (CCT 21.02 B) which stands at 6%);
- for unmanufactured 'Virginia flue-cured' tobacco the tariff quota value of 30 million units of account for 1974 should be converted into a tariff quota of 22,000 tons for 1975;
- from 1 January next, tariff preferences are to be extended to a number of products to which they previously did not apply (natural honey, fresh and cut orchids, preserved anchovies and tapioca obtained from potato starch);
- a number of other products are to be included in the preferences scheme (this includes pepper and various sorts of oil) when the association agreement with the ACP countries comes into force. These products are also of great importance to a number of countries at present negotiating with the Community and the Commission wishes to avoid a situation whereby these countries would be at a disadvantage should these concessions come into effect from 1 January next;
- for canned pineapples other than sliced the tariff quota is to be increased by 10,000 tons, and a tariff quota of 28,000 tons is to be opened for canned pineapple slices at a GSP duty of 15%. This improvement is only to come into effect on implementation of the organization of the canned fruit market, which is intended to provide support for the production of pineapples in overseas territories.

8. Calculated on the value of imports in 1971, the total improvement will be 156 million u.a., of which no less than 128 million u.a. applies to products conditionally accepted. This means, then, that, from 1 January next, processed agricultural products to the value of a further 28 million u.a. can be imported at preferential rates.

Improvements introduced in the course of 1974 have been included in the proposals for 1975, with the exception of certain products to which 'erga omnes' suspensions are already applicable. The percentages for which preferences are given have not been changed, except for one product.

India has submitted a list for a number of typical and specific products of the Indian sub-continent. The Commission, which adduces technical problems

and difficulties of a fundamental nature to excuse the fact that nothing has been done in this area, states that it hopes to find a satisfactory solution outside the framework of the generalized preferences.

(b) Other products in the CCT

9. Six draft regulations and a draft decision are presented on improvements relating to:

(1) raising the level of the ceilings

The calculations for this relate to the basic amount, using the figures for the reference year, viz. 1971. The calculation of the additional amount is based on the figures for 1972. Altogether the increase is about 15% in the ceilings and tariff quotas available for 1975. This means possible preferential imports under the scheme of about 2,300 million units of account for 1975. For other details, see Doc. 201/74.

(2) reduction of the number of products subject to tariff quotas

The list of these industrial products (other than textiles) comprised 51 products in 1974 and will be reduced to 7 in 1975 if the Commission's proposals are accepted.

(3) introduction of a reserve in the GSP tariff quotas

The Council has already given its approval to the introduction of a Community reserve on the understanding that this principle would be implemented gradually. Although the Council approved this principle already on 6 December 1973, in view of technical difficulties in the existing administration no Community reserves are being introduced in 1974. The Commission now proposes that a reserve of at least 10% of the quota amount should be set up and that Member States drawing rights or obligations should be fixed at, successively, 10% and 5% of their original quota. The Commission intends to propose a gradual increase in these percentages according as experience shows this to be appropriate. For certain products for which preferences were not opened until 1974, it proposes that reserves should not be introduced in 1975. The products in question are certain processed agricultural products for which no precise, complete and sufficiently representative data are available as yet.

(4) raising of the individual maximum shares

For the 44 products to which tariff quotas still apply, but which it is proposed in 1975 to transfer to the category of products under special observation, the Commission proposes to raise the individual maximum shares to 50% (except for one product). For the other products, with one exception, it is proposed to maintain the percentages at the 1974 level.

(5) jute and coir products

The preferential margins for these products are to be increased from 40 to 60% in 1975 as part of the agreement with India and Bangladesh.

10. The rules of origin are to be amended. For the Member States of the Central American Common Market, those of the Andean Pact and the Association of South-East Asian Nations, the Commission proposes that, in order to promote their regional integration, the system of cumulative origin should be introduced, on the condition that adequate administrative cooperation with the Community is established. In fact, the texts which have been referred to the European Parliament do not yet contain any proposals to this effect.

The list of beneficiary countries remains unchanged, but some improvements are to be introduced for certain products from dependent territories and Romania. For the dependent territories it is proposed to include footwear in the preferential treatment. In view of the difficult situation facing the footwear industry, both in the Community and in Hong Kong, the Commission has proposed a refinement in the calculation of these tariff quotas, details of which can be found in Doc. 201/74. It may merely be noted here that in order to reduce the pressure on these particularly sensitive sectors in the Community, the calculation for the present beneficiaries is restricted to the basic amount and the system of tariff quotas is retained. The Commission will also endeavour, by means of bilateral contacts with the other countries granting preferences in this sphere, to arrive at a reasonable method of sharing the costs and the responsibilities.

11. In 1974, Romania received preferences for textile products, footwear and ECSC products. For the other products for which the Council had granted preferences to Romania for 1974, the Commission has made no proposals. Following a thorough examination of the situation, the Commission proposes that these potential exceptions for Romania should not be maintained in 1975. On the other hand it proposes that the generalized preferences scheme for 1975 should be extended for Romania to two products which were subject to a tariff quota in 1974, namely radio and television receivers and furniture.

12. As a result of experience gained since 1971, the Commission has devised a new system to ensure that the benefits of the preferences granted go to those countries which have most need of them. It proposes that for the 44 products subject to tariff quotas in 1974 and which in 1975 will be subject to the systems of ceilings under special observation, the individual maximum shares should be reduced to 15% subject to certain conditions. For further details of these conditions see the Commission's proposals.

In conclusion, it may be pointed out that for cocoa butter and soluble coffee the existing situation will be maintained. As regards textiles, the

Commission wishes to await the results of the negotiations at present in progress on the Multifibres Agreement before taking a decision. If these negotiations are not concluded before 1975, a transitional solution will be considered in which the present system for textiles will be extended with a uniform and fixed increase of 5% in the ceilings and tariff quotas.

13. The proposals made by the Commission are contained in six draft regulations and a draft decision:

- a draft regulation for manufactured industrial products subject to tariff quotas other than textile products;
- a draft regulation for all other industrial products, excluding textile products, whether or not subject to the special observation system;
- a draft regulation for cocoa butter and soluble coffee;
- a draft regulation for preserved pineapples;
- a draft regulation for Virginia flue-cured tobacco;
- a draft regulation for other processed agricultural products;
- a draft decision for ECSC products.

The arrangements relating to the origin of products will be determined in accordance with the procedure laid down in Article 14 of Regulation 802/68. Proposals for this are therefore not yet being made. Individual ceilings and the amounts of the individual maximum shares for products subject to draft regulation No. 2 and draft decision No. 1 are not specified either. A list containing the relevant information will be sent later to the customs authorities of the Member States. A draft regulation on jute and coir products will also be submitted later.

14. The Commission is to take various measures in order to improve its knowledge of the effects for the various economic sectors in the Community of the generalized preferences scheme, and to provide the developing countries with a better insight into the form of distribution in the system. It hopes in this way to gain the support and collaboration of the private sector in the Community which, as the Commission itself notes (see page 23), has on the whole taken a rather guarded stance on the issue of generalized preferences. Detailed information on the generalized preferences scheme in the developing countries may also stimulate private investment there. Finally, greater information could also lead to better use being made of the generalized preferences available.

The Commission proposes the following:

- collection and processing of statistical data;
- on the basis of the proposals made in this connection last year, with the cooperation of the Member States a system is to be brought into operation shortly for the collection of statistics on the import of goods subject to the generalized preferences scheme. The idea is to acquire at an early

date the most accurate evaluation possible of the effects of the preferences on economic activity in the Community and determine their impact on the trade flows between the Community and the developing countries as a whole and individually. It will then be possible, the Commission says, to reply to the requests frequently made by the European Parliament for information about the impact of the generalized preference system on the Community's own resources.

- the creation of a documentation, study and advisory agency on generalized preferences.

Since the departments of the European Commission receive a great many requests every day for information which they are not in a position to satisfy because of their complex technical, commercial or economic nature, consideration is being given to the possibility of entrusting a private non-profit making agency with these problems. The role of this agency would be to provide documentation, information, research results and advice on any problem related to generalized preferences. The Commission is considering this possibility at the moment and, where necessary, will submit proposals to the Council.

- Assistance to the developing countries to improve the use made of the preferences. The Commission is to continue with its information operations and seminars to enable the beneficiary countries to draw the maximum benefit from the preferences granted. Priority will be given to the countries most seriously affected by the present economic crisis and to the least advanced countries. The Commission is also to provide facilities for the UNCTAD-UNDP programme under which a seminar is to be held in Brussels in 1975 for about 30 people. The Commission is also considering the possibility of meeting the costs of publishing a UNCTAD-UNDP pamphlet on the Community's generalized preferences scheme.

### III. Assessment of the proposals

15. Your Committee is pleased that the proposals for 1975 again represent an improvement on the present system and not least because the improvements are ones which the European Parliament has asked for many times<sup>1</sup>. They also give effect to the instructions on improvement of the system issued by the Conference of Heads of State and of Government held in October 1972.

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<sup>1</sup>See resolution adopted by the European Parliament on 13 December 1973 on the proposals for the generalized preferences in 1974.

OJ C 2, 9 January 1974.

Your committee notes with great satisfaction that many of the hopes cherished by the European Parliament have been fulfilled. This applies in particular to the introduction of a Community reserve and the considerable reduction of the list of products for which tariff quotas still apply. The increase of about 15% in the ceilings which limit imports into the Community, since the additional amount will be calculated on the basis of the 1972 figure instead of the 1971 figure, also fully accords with the European Parliament's wishes. Your committee regrets, however, that 1972 has been chosen. It hopes that the only reason for this is that more recent figures are not available. If this is the case, the committee finds it a matter for regret. Such a time lag in producing the statistical information which is so necessary for the generalized preferences system is a serious shortcoming, which makes it very difficult to arrive at a real assessment of the merits of the scheme.

Finally, your committee points out that, in view of the present level of inflation, the increase for 1975, i.e. 5% as against 1974, should be calculated, not on the cif import value from countries which do not come under the preference system. Attention is drawn to the comments it has already made on this subject<sup>1</sup>.

16. The lack of adequate statistical information also means that it is still not yet possible to calculate the repercussions of the proposed changes in the Community external tariff on the own resources revenue of the Community. The fact that the list of beneficiary countries remains unchanged also raises some questions in view of the substantially changed economic situation of certain beneficiary countries. These points will be discussed below.

It would be wrong to say that the Commission did not act fully in the spirit of the final communiqué of the Conference of Heads of State or Government. This finds expression in the proposals for the inclusion of palm oil, palm kernel oil, coconuts and pepper in the preferences system for the coming year. In fact, these proposals are only to come into effect when the new Association Agreement comes into force. It is true that most other industrialized countries have already included these products in full or in part in their schemes and it may be supposed that the reduction in the preference margin for the associated states should be compensated by the overall balance that is to be ensured by the guarantee mechanism proposed by the Commission for exports revenue from the Associated states. These products are, moreover, mainly exported by the countries concerned in the Community declaration of intent relating to the extension of trade relations with Sri Lanka, India, Malaysia, Pakistan and Singapore. The present economic crisis affects these countries particularly and it therefore seems logical, having regard to this fact and in the spirit of the declaration of intent, for the Community to try to soften its impact as much as possible.

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<sup>1</sup> Report by Mr DEWULF, Doc. 272/73, para. 2

Duty of 8% is still levied for a product such as unground pepper, to take only one example. If one follows the Commission's reasoning it can be admitted that there is still a preference advantage for the Associated states, which also have the advantage of lower transport costs. Nevertheless, only the experience gained in 1975 will confirm or contradict this theory, and the committee feels obliged to point once more to the importance of continuing the association policy, without which a large number of very poor countries would be in a hopeless situation, while it would appear that the Community was not faithful to the policy which it had introduced.

17. The improved distribution of the benefits of the preferences system to be achieved by the reduction in the individual maximum shares to 15% for 44 products subject to tariff quotas in 1974 and for which special ceilings are to apply in 1975 is welcomed by your committee. This arrangement, the complicated technical details of which are indicated briefly on page 20 of Document 201/74, will ensure that a number of the less advanced beneficiary countries will be able to benefit from the system. One of the conditions is that the gross national product per head of population, based on the most recent World Bank figures, should not exceed 275 dollars. Experience has shown that it is always the most advanced countries such as Yugoslavia, Korea, etc., which derive proportionately most benefit from the preferences system. The efforts by the Commission to achieve a fairer allocation of preferential advantages are in themselves very praiseworthy and useful. The Community is practically alone in having included protection for the less developed countries in its system. Your reporter wonders whether it might not be desirable, for instance in the special Preferences Committee of UNCTAD, for the Community, together with other countries granting preferences, to try to make this system more widespread. It is also felt that the criteria ought to be applied with a certain degree of flexibility. The World Bank figures for example, however good they are, can only give approximate values for the gross national product, having regard to the situation in the developing countries.

18. Your committee notes with satisfaction that in future the Commission will no longer express the tariff quota for unmanufactured 'Virginia flue-cured' tobacco (which is now still 30 million units of account) in value but in volume. This is certainly an improvement. On the other hand the customs duties of the main customer for this product, the UK, are to be brought 20% nearer to those of the CCT with effect from 1 January next (60% instead of 40% on 1.1.1974). This impairs the competitive position of, for example, India and Sri Lanka in relation to their main competitor the United States. During the negotiations, moreover, the United States obtained concessions from the Community in this area on the strength of Article XXIV of GATT (which provides for compensation for members of GATT in certain situations, such as has arisen for example as a result of the enlargement of the Community).



The Community agreed to lower the maximum levy on certain tobacco from 70 to 45 units of account per 100 kilogrammes at the price level of 311 units of account per 100 kilogrammes. The price is now 306 units of account. It is not very encouraging to find that a highly developed and important industrial country, instead of doing its duty and granting preferences, is competing with two of the countries most affected by the present economic crisis on the most important sales market represented by the Community.

19. The introduction of a reserve in the tariff quotas is a measure which the European Parliament has already called for many times. The lack of a Community reserve is completely contrary to the principle of the customs union. Tariff quotas in themselves naturally represent an infringement of this principle and, if it is considered necessary to establish quotas, the aim must be to restrict to a minimum the detrimental effect of these on the free movement of goods and on equal conditions of competition for everyone. It is also clear that if there is no Community reserve, one country will use up its quota (while there is still a demand for the product in question), whereas another country will not have imported its allotted quantity at all. Failure to use up part of the quotas is naturally to the detriment of the developing countries. The Council accepted quite some time ago the principle of the creation of a Community reserve. What the Commission now proposes, namely a reserve of at least 10% of the quota amount, with Member States' drawing rights and obligations fixed at, successively, 10% and 5% of their original shares is only a modest beginning. Your committee is pleased to note that the Commission points out that these percentages should generally be 20, 15 and 7.5% respectively. Your committee is further of the opinion that the proposed arrangements call for a considerable degree of collaboration between the Commission and the national administrations of the Member States. It hopes the proposed arrangements will operate smoothly and that the administrative work involved will not weigh too heavily on the sound management of the quotas. The statistics of the Member States must also be fully harmonized in order to have accurate figures available in good time. Has this point yet been reached in the three new Member States?

20. Regarding the rules of origin, the Commission is considering applying a system of culminative origin to certain regional groupings. Your committee has already commented on this in the report by Mr DEWULF (Doc. 272/73 of 12.12.1973, paragraph 28):

'Exports from developing countries could be promoted by allowing cumulative application of the rules of origin. In other words, a product consisting of raw materials and processing originating or performed in more than one developing country could be qualified as a product originating in one developing country by adding up the respective percentages. (This is based on the assumption that the product in question did not possess a sufficient percentage of 'own input' from the exporting developing country

to qualify as a product originating in that country under the rules currently in force). Your committee urges the Commission to do its utmost to improve the rules on this point and also to establish a uniform ruling concerning origin in cooperation with the other donor countries. Until this is done, developing countries which express an interest will have to receive technical aid from the Community in this field'.

21. Your committee can thus only support the Commission in its endeavours to enable the developing countries to derive more benefit from the preferences scheme by this type of system. However, it has not yet received the new rules to be laid down under the procedure of Article 14 of Regulation 802/68, and while awaiting them is unable to give a final verdict on the new arrangements.

The list of beneficiary countries has not been changed either as regards numbers or classification. Your committee is not so sure that this is a good thing. At the end of paragraph 2 in section II, the Commission itself notes that 'despite the present economic situation, it is essential for the Community to maintain and even improve its preference scheme insofar as it is compatible with the development of the international situation, its own difficulties, and its contractual obligations'. Your committee fully agrees with this but would like to point out that it would seem reasonable for the Community to have drawn certain conclusions from the developments in the international situation. Attention is drawn again to comments it has made previously (paragraph 23 of the above-mentioned report by Mr DEWULF). It still wonders why a country such as Romania has been included in the list of beneficiary countries. It also considers that certain countries, for example, Kuwait, or the United Arab Emirates, have such a high gross national product that their place in the list of developing countries and territories which enjoy generalized tariff preferences can only be justified by the fact that these countries do not export any product for which tariff preferences are granted.

22. Your committee sincerely hopes that, as the Commission itself proposed, by the beginning of 1975 detailed statistics can be drawn up for each country on imports of goods which come under the generalized scheme. It is ridiculous that a system which is generally held to be so excellent should be based on a general impression which cannot be verified by country or by sector; for this means that neither the impact of the preferences on the economic activities in the Community, nor any favourable effect on the flow of trade between the EEC and the beneficiary countries can be determined. It is certain that the latter are not benefiting to the full from this policy because there is a lack of information. The present situation is all the more intolerable because this shortcoming makes it impossible to calculate the actual cost of the system to the Community's own resources, on which as we know, the European Parliament is supposed to maintain a check.

23. For that reason, we approve in principle of the creation of a documentation, study and advisory agency on generalized preferences. Then it describes what assistance has been and is to be given to beneficiary countries to improve the use they make of the preferences granted. But we do not wish to comment on this point until the final proposals of the Commission are known. We shall merely observe that the need for information which the Commission has found in industry, among importers and consumers in the Member States, only goes to show, in its opinion, that such a need probably exists to an even greater extent in the developing countries, which do not have at their disposal administrations which are experienced enough to fully apply such a technically complicated system. Your committee would be glad to learn how many of the countries theoretically eligible for preferences actually benefit from the system. The Commission provided the committee with some information about this on 12 September last. This shows that in 1972 the value of imports of products for which there were preferential maxima (ceilings) was only 319 million u.a.. Altogether 780 million u.a. were available. Of these 319 million u.a., it turned out that 165 million u.a. were for goods from Yugoslavia, Brazil, Hong Kong and Singapore. It is therefore to be expected that the measures now proposed for a 15% maximum share per country will not be without effect.

When your committee then tries to imagine the circumstances of the importers and administrations of the beneficiary countries, which not only have to deal with the Community system, with its individual maximum shares, certificates of origin, but also with the systems of Australia, Japan, Norway, Canada, Austria, Sweden, New Zealand, Switzerland, etc., etc., it can only hope that the Commission will submit proposals as soon as possible within the framework of UNCTAD in order to achieve some simplification in this area.

24. Your committee notes with satisfaction that, from 1 July 1974, Canada has also introduced a system of generalized preferences. There now only remains the United States, where at the moment the Trade Reform Bill of 1973 - in which the system of preferences is to be included - is passing through the various stages in the legislative procedure. When these are completed, it is to be hoped that one of the most important industrial countries of the world will, after years of delay, be finally at the point of accepting its responsibility towards the developing countries.

In conclusion, your committee is of the opinion that the Commission's proposals represent a reasonably successful attempt to maintain the prominent position which the Community holds in the field of generalized preferences throughout the world. As already stated, your committee is not convinced that the system is incapable of further improvement, and this applies

particularly to its implementation and the list of beneficiary countries. On the other hand, both the introduction of a Community reserve and the reduction practically to zero of the number of products for which tariff quotas still apply, represent a real improvement in the system. Your committee therefore wishes to urge the Commission to continue along the path which it has taken, and in particular to get the system of Community reserves working properly within as short a time as possible. If the Council of Ministers adopts the proposals of the EEC Commission, the Community will then have achieved something within its development policy that can make a major contribution to improving the trading position of the developing countries.

Yet this will not be sufficient. A more coherent policy will be needed in many areas. In particular the financial and economic implications of the generalized preference system must be examined. It will not only be necessary to know what the system costs (including its cost to own resources), but an effort must be made, through greater coherence and an improved overall policy, to coordinate Community policy on generalized preferences with Community policy in other spheres. For example, the question ought to be considered whether the consequences of the generalized preferences system do not weigh too heavily on certain categories of the population (see also paragraph 42 of the Dewulf Report, Doc. 272/73).

In conclusion, there must also be coordination with the other sectors to which Community development policy applies. Your committee is thinking especially of the Association policy and the common Mediterranean policy. Finally, it points out that generalized preferences alone are not sufficient. Without a successful industrialization policy for the developing countries, preferences will have little point. Your committee therefore recommends the Commission to devote a separate section in its proposals for 1976 to the coordination of the generalized preferences policy with the other sectors of Community policy.

OPINION OF THE COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

Draftsman : Mr F. D'ANGELOSANTE

The Committee on External Economic Relations appointed Mr F. D'Angelosant draftsman of the opinion on 17 September 1974.

It considered the draft opinion at its meeting of 2 October 1974 and adopted it unanimously with one abstention.

The following were present: Mr de la Malène, chairman; Mr Boano, vice-chairman; Mr D'Angelosante, draftsman; Mr Kaspereit, Mr Vetrone, Sir Arthur Dodds-Parker and Lord St. Oswald.

## I. Introduction

1. The United Nations Conference on Trade and Development held at New Delhi in 1968 unanimously adopted a resolution providing for the setting up of a mutually acceptable generalized system for finished or semi-finished products originating in developing countries. This decision marked the recognition by the industrialized countries that it was necessary, and in the common interest, to encourage the Third World to play a commensurate role in world trade.

2. On 1 July 1971 the European Economic Community became the first among the industrialized countries to put into effect a preferential tariff system in favour of the developing countries. Subsequently other countries, including Japan, Norway and the United Kingdom, also applied a preferential system.

3. Up to the present, only the United States has postponed the application of a generalized preference system, giving as justification its financial difficulties. However, it is clear that in the recent past its negative attitude to this problem has been in line with its dispute with the EEC. This attitude, however understandable, has been a major obstacle to the implementation of the New Delhi decision, for the system cannot work unless all the industrialized and developing countries take part.

4. Generalized preferences constitute one of the aspects of the common commercial policy and are regulated in accordance with the provisions of the Treaty of Rome. The aim of the European Communities is to facilitate exports from developing countries, while at the same time taking account of the interests of Community economies, so as to avoid disruptions arising from competition by imports from developing countries.

5. There have always been reasons for doubting the full effectiveness of the GSP, either because it was not general enough or because foreign trade makes such a small contribution to the national income of developing countries or at least of the poorest among them. (This is made clear by the information provided by the Commission on the limited use of the system by the beneficiary countries). In the present international economic situation other factors have come into play, in particular the widening gap between developing countries themselves and also the important changes forecast in the Communities' policy, too, towards those countries (reduction of the EDF).

### The Commission's proposals

6. The European Parliament has been consulted on a proposal from the Commission to the Council concerning the adjustment for 1975 of the generalized preferences in favour of developing countries. The 1975 scheme incorporates improvements and amendments.

7. The improvements in the 1975 scheme by comparison with the previous scheme concern the following points:

(a) for agricultural products: improvements in the margins of preference, varying according to the type of product, and incorporation in the preference scheme of some goods not produced in Europe;

(b) various semi-finished and manufactured industrial products other than textiles: an improvement in the general ceiling level resulting from recalculation on a new basis, and also a reduction in the number of industrial products other than textiles subject to tariff quotas.

8. Provision has also been made for the introduction of a 'reserve' into the administration of the Community tariff quotas; tariff union cannot work satisfactorily without such a reserve.

9. Other improvements include a new system of rules of origin, and in this respect the Commission proposes to the Council that it approve the setting up of an EFTA-type system in favour of regional groupings, without prejudice to the establishment of adequate administrative cooperation with the Community.

10. Complementary measures have been added to the proposal for a regulation under discussion. These concern initiatives aimed at disseminating information on the generalized preferences, and for this purpose the Commission intends to introduce a system for collecting statistics on preferential imports, with the cooperation of the Member States.

11. For the same purpose it is proposed to study the possibility of setting up an agency for documentation, research and advice on generalized preferences.

12. Finally, assistance to the beneficiaries in making better use of the preferences is being organized.

### CONCLUSIONS

13. Firstly, the improvements proposed by the Commission to the European Community for the 1975 scheme of generalized preferences are of undoubted political importance in view of the fact that the new concessions have been granted despite the economic difficulties at present facing the Member States of the Community.

14. The economic consequences of the application of the generalized preference system are perfectly supportable by the economies of the Community. In fact, the take-up of the generalized preferences by the beneficiary countries involves a minimal percentage (about 2%) of imports of such products originating in countries outside the EEC.

15. It is regrettable that the Commission has still not been able to meet, except to a very limited extent, the European Parliament's requests for information on the value of the losses of customs revenue resulting from the application of the generalized preferences. It is to be hoped, however, that the system of statistics proposed by the Commission will be put into operation as soon as possible.

16. Attention is drawn to the fact that in many cases developing countries have been prevented from drawing full benefit from the generalized preferences by overcomplicated bureaucratic procedures. The European Parliament has already given its opinion on this<sup>1</sup>. However, it should be noted that the proposal from the Commission to the Council does not seem to contain any substantial changes aimed at simplifying these bureaucratic formalities.

17. Mention should be made of the delicate problem of the quota for Virginia flue-cured tobacco, included in the list of products admitted to preferences last year. This year the Commission proposes to change from the ad valorem system of calculating the quota (30 million u.a.) to a tonnage limit (22,000 metric tons). It would seem possible to overcome objections based on the fact that preferences are granted only to processed agricultural products or industrial products, whereas raw tobacco is known to be a basic product. It should be noted that some other products of the same kind are admitted to the system, just as some of the countries granting preferences have included basic products in their lists. The need to meet the requirements of the producer countries, which are among the poorest in the Third World, should also be borne in mind. Greater attention should be paid to the point raised by some Members of Parliament concerning the allocation of the quota among Member States; they feel that it is wrong to allocate the quota predominantly, if not exclusively, to one country.

18. The problem of deadlines is of considerable importance since the proposal for a regulation under discussion must be in force by 1 January 1975. We welcome the fact that the Commission has submitted the 1975 scheme for the European Parliament's consideration in good time.

19. While the system of generalized preferences should be accepted, due account should be given to the interests of Associated countries. The European Community has developed an Association policy and an overall Mediterranean policy, which should not be hindered by provisions arising from the application of generalized tariff preferences.

<sup>1</sup> Opinion by Mr E. A. Klepsch (Page 2, para. 6), PE 37.100/fin.  
Dewulf Report (Page 6, para. 11), doc. 272/73.



20. We welcome the fact that the proposal from the Commission of the European Communities provides for the setting up of a Community reserve. We are of the opinion that the lack of such a reserve is not in keeping with the concept of customs union, as well as preventing full utilization of the tariff quotas.

21. We urge the Commission of the European Communities to continue their efforts to improve the benefits offered by the Communities by extending the application of the generalized preference system to other imports from developing countries which do not as yet enjoy Community preferences, while respecting the interests of the associated and candidate states as well as those of Community industries.

22. We would urge the Commission of the European Communities to ascertain the extent of the benefits accruing to the large multinational concerns from the system of generalized preferences.

OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman : Mr Michele CIFARELLI

The Committee on Agriculture appointed Mr Michele Cifarelli draftsman for an opinion on 17 September 1974.

It considered the draft opinion at its meeting of 3 and 4 October 1974 and adopted it by 9 votes with 1 abstention.

The following were present: Mr Houdet, chairman; Mr Vetrone and Mr Laban, vice-chairmen; Mr Cifarelli, draftsman; Mr Baas, Mr Berthoin (deputizing for Mr Bourdellès), Mr Cipolla, Mr De Keersmaeker, Mr Ligios and Mrs Orth.

The Committee on Agriculture was asked to draw up an opinion for the Committee on Development and Cooperation, the committee responsible, on the proposals and Communications from the Commission of the European Communities to the Council concerning the grant of generalized tariff preferences for 1975 on semi-manufactured products falling within Chapters 1-24 of the CCT and manufactured and semi-manufactured products falling within Chapters 25-99 originating in developing countries (Doc. 201/74).

1. It should, first, be noted that the Community introduced the system of generalized tariff preferences on 1 July 1971, since when it has been extended annually.

The European Parliament, which on several occasions has expressed its approval of the system as promoting the development of trade with developing countries, was first consulted by the Council only on the practical proposals for 1974<sup>1</sup>.

In fact the obligation to consult the European Parliament has been acknowledged with respect to the proposal concerning the preferential arrangements for certain products falling within Chapters 1-24 of the Common Customs Tariff, since it refers to processed products and its legal basis is Article 43 of the EEC Treaty.

It should also be recalled that in December 1973 the European Parliament was consulted on the proposal for a regulation opening, allocating and providing for the administration of a Community tariff quota for unmanufactured tobacco of the type 'flue-cured Virginia' originating in developing countries<sup>2</sup>.

Finally, Parliament was consulted on the proposal for a regulation to extend the list of products falling within Chapters 1-24 of the Common Customs Tariff in respect of which the scheme of generalized preferences in favour of developing countries is applicable under Regulation (EEC) No. 3506/73 of the Council of 18 December 1973 and delivered its opinion<sup>3</sup> at the sitting of 12 July 1974.

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<sup>1</sup> See the DEWULF Report (Doc. 272/73 of 12 December 1973) and the annexed opinion from the Committee on Agriculture submitted by Lord St. OSWALD.

<sup>2</sup> See the de KONING Report (Doc. 318/73 of 16 January 1974) and the annexed opinion from the Committee on Agriculture submitted by Miss LULLING.

<sup>3</sup> See the report by Mr Knud NIELSEN (Doc. 172/74 of 8 July 1974) and the annexed opinion from the Committee on Agriculture submitted by Mr John HILL.

2. The document under consideration contains, in addition to an introductory note, a total of seven proposals for regulations, some of which are based on Article 113 of the EEC Treaty (commercial policy) and others on Article 113 and Article 43 of the EEC Treaty (agricultural policy).

In order to remain within its terms of reference, the Committee on Agriculture felt it should concentrate its attention specifically on those proposals which are based on Article 43 of the EEC Treaty. These are:

- proposal for a regulation establishing in respect of certain products falling within Chapters 1-24 of the Common Customs Tariff a scheme of generalized preferences in favour of developing countries;
- proposal for a regulation opening, allocating and providing for the administration of a tariff quota for cocoa butter and a tariff quota for soluble coffee originating in developing countries;
- proposal for a regulation opening, allocating and providing for the administration of a Community tariff quota for preserved pineapples, other than in slices, half-slices or spirals, originating in developing countries;
- proposal for a regulation opening, allocating and providing for the administration of a Community tariff quota for unmanufactured tobacco of the type 'flue-cured Virginia' originating in developing countries.

I. Proposal for a regulation on products falling within Chapters 1-24 of the Common Customs Tariff

3. As noted above, the Committee on Agriculture has issued two opinions on this subject<sup>1</sup> and is aware that the problem affects the interest not only of producer and consumer countries but also of Community farmers as suppliers of basic products. The Committee on Agriculture also realizes that while the granting of a preferential scheme would result in a negligible disadvantage to Community producers of similar or competitive products (in view of the nature of the products to which the duty reduction or exemption is to be applied and of the guarantees provided by the safety clause of Article 2), its particular importance would lie in promoting and increasing exports from developing countries.

On this last point, however, two observations were made in the previous opinions :

(a) the list of countries benefiting includes some which 'could be considered to be more in a position to grant aid than as requiring special assistance for development'<sup>2</sup>;

<sup>1</sup> (a) Lord St. OSWALD's opinion annexed to Doc. 272/73  
(b) Mr LIOGIER's opinion annexed to Doc. 172/74

<sup>2</sup> See Doc. 272/73 - paragraph 17 (a), p.35

(b) the principal beneficiaries of the scheme of concessions introduced are the most prosperous of the developing countries.

The Committee on Agriculture concluded from this that if the less developed countries are to be assisted in a practical way, they must be provided with technical information and assistance necessary to enable them to take advantage of the system of generalized preferences<sup>1</sup>.

4. These problems, which are briefly noted here, are discussed in the Communication which constitutes the first part of the Commission's document. On the first problem, stemming from well-known subtle political considerations, the document has nothing new to say, and on page 18 the Commission states that 'the list of beneficiary countries for 1975 will stay unchanged as regards both numbers and classification'. However, as regards the second problem - which to some extent is a consequence of the first - the Commission envisages in its Communication improvements in the text of the proposed regulations and gives notice of further measures and initiatives to be taken in the future. Thus, on pages 6-8 in the chapter 'Fair sharing of preferential advantages among the beneficiary countries', and on pages 19-21 under the heading 'Readjustments', the Commission explains the problems that have been encountered and the proposed arrangements for the system of maximum amounts for individual countries.

In addition, in the chapter on 'Supplementary measures' (pages 23-26) the Commission describes the action it intends to take in the field of information, in the belief that this will on the one hand stimulate private investment from donor countries in developing countries and, on the other, through better awareness in the beneficiary countries, lead to improved use of the advantages offered by the system.

Reference should finally be made to page 26, where the Commission recognizes the need for 'increased financial and technical aid from the developed countries' as necessary complementary measures, without which the preferences granted will not achieve their aim, that is the economic progress of countries experiencing the greatest difficulties.

5. The proposal itself envisages :

(a) raising the preferential margins from 20% to 40% and from 40% to 50% for the majority of the products to which the existing system applies;

(b) the inclusion of additional products, notably honey, flowers, mackerel, anchovies and certain varieties of tapioca. The inclusion of palm oil and palm-kernel oil and pepper is to become effective only concomitantly with the entry into force of the new association agreement, still being negotiated with

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<sup>1</sup> See Doc. 272/73 - paragraph 24, p.36

African, Caribbean and Pacific Ocean countries which are also interested in exporting these products.

The new arrangements, including those applying to flue-cured Virginia tobacco and pineapples (which will be discussed below, as they are the subject of two separate proposals) should represent an increase of 156 million u.a. relative to the value of exports covered by the existing scheme.

6. Recognizing that developing countries are facing difficulties due to increased raw-material and energy costs (this consideration does not, of course, apply to countries which are producers of one or the other), the Commission explains the reasons which induced it to extend the advantages of preference arrangements to processed agricultural products. The Commission refers also to the European Parliament's opinion (Resolution adopted in December 1973 on the basis of the report from the Committee on Development and Cooperation by Mr DEWULF, Doc. 272/73) which, in paragraph 6, calls for the improvement and extension of the preference system to processed agricultural products<sup>1</sup>.

In a subsequent report from the Committee on Development and Cooperation<sup>2</sup> on the proposal to extend the list of products falling within Chapters 1-24 of the CCT, the need to improve the system of preferences for these products is mentioned again in the two initial paragraphs of the resolution.

7. The Committee on Agriculture, which has in the past issued favourable opinions to this effect, recognizes that, in the circumstances, there are no comments to be made on the proposals under consideration. Nevertheless, bearing in mind the specific problems of the sector with which it is concerned, and unable to evaluate in advance the effect that imports of these products might have on Community outputs, the committee must assume a reserved attitude, in the fear that the arrangements proposed might indirectly contribute to weakening the position of Community farmers as suppliers of primary products. This is particularly relevant in connection with further pressures that the Community agricultural sector will suffer through raised production costs and the consequent attempts that farmers will be bound to make to intensify production (wherever possible) in order to counteract the fall in their incomes.

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<sup>1</sup> Paragraph 39 of Mr DEWULF's report draws attention to the omission from the preference scheme of products which it is now proposed to include: honey, edible products of animal origin, plants and floricultural products.

<sup>2</sup> See the report by Mr Knud NIELSEN, Doc. 172/74 of 8 July 1974.

II. Proposal for a regulation on the quota for cocoa butter and soluble coffee

8. No change is proposed in the current arrangements for these two products. These consist in the opening of a Community tariff quota of 21,600 tons at a rate of duty of 8% for cocoa butter, and of 18,750 tons at a rate of duty of 9% for soluble coffee.

In this case the tariff reduction is restricted within a quota because of the need to safeguard the interests of associated countries which also export the same products to the Community.

9. On the method of administration there is a comment to be made which applies equally to the two proposals on flue-cured Virginia tobacco and pineapples. This concerns the fact that the entire quota is shared out among three Member States, whereas normally the Community quota amounts are only partly (approximately to the extent of 90%) distributed among the Member States, while the remainder becomes a Community reserve to which those Member States which have exhausted their originally allocated quota can have recourse.

The Commission deals with this problem in a general way on pages 14 to 16 of its Communication and underlines that, according to what was agreed by the Council (at its meeting of 6 November 1973), the Community reserve would be introduced as from 1975 with gradual increase of the reserve share, in order to give the Member States a 'running-in period' after which it would be possible to establish data on imports in the preceding period as a basis for determining the distribution of the initial shares and the reserve.

However, for the products under consideration - for which quotas were opened for the first time in 1974 by reference to specific circumstances, some of which were of a temporary nature - the Commission does not yet propose to establish a Community reserve for 1975.

III. Proposal for a regulation on the quota for preserved pineapples

10. This proposal is for the opening of a quota of 28,000 tons at a duty rate of 15% for preserved pineapples in slices, half-slices or spirals and of 30,000 tons at a duty rate of 12% for preserved pineapples other than in slices, half-slices or spirals.

In both cases it is proposed to collect a levy on the sugar content where the latter exceeds 17% by weight.

On page 12 of its Communication the Commission points out that, compared with the arrangements for 1974, the proposal represents a new departure in regard of the pineapple quota and involves an increase of 10,000 tons in the quota for pineapples other than in slices. The document also states that

'following what has been agreed, this improvement remains conditional upon the entry into force of the Regulation on the organization of the canned fruit market which is at the moment under discussion within the Council and which provides for support being given to the production of pineapples in overseas territories<sup>1</sup>. Should this organization of the market not come into force by January 1, 1975, the Regulation on canned pineapples other than sliced should be extended for 1975 on the same conditions as in 1974'.

#### IV. Proposal for a regulation on the quota for flue-cured Virginia tobacco

11. The European Parliament was consulted last year on the proposal to open this quota for 1974, and both in the report by Mr de KONING<sup>2</sup>, submitted on behalf of the Committee on External Economic Relations, the committee responsible, and in the opinion of the Committee on Agriculture submitted by Miss LULLING (and annexed to the above-mentioned report), expressed itself in favour of the proposed solution in view of the exceptional nature of the situation which it was intended to meet.

To solve the problem of exports of this type of tobacco from South-East Asian countries (India, Pakistan and Sri-Lanka) to the United Kingdom (the traditional buyer) the Commission had proposed to grant these countries the advantages of generalized tariff preferences within the limits of the quota, as a provisional measure restricted to 1974.

The Committee on Agriculture had expressed reservations on this proposal, being opposed to a derogation from the accepted principle that 'for reasons connected with the Community's policies in the fields of agriculture and association, further tariff concessions on primary produce should not be given'<sup>3</sup>. Tariff preferences in fact apply to industrial manufactured and semi-manufactured products and to processed agricultural products.

In the opinion referred to, the Committee on Agriculture, without wishing to ignore the interests of the producer countries, called on the Commission to find other ways of ensuring future outlets for this product originating in developing countries, and also to assess the possible effects of the application of the proposed measures on Community output, so that they can be taken into account within the framework of the organization of the market, by reference to the amount of the premium refunds and the application of Article 13 of

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<sup>1</sup> This refers to assistance to Community manufacturers who undertake to pay a minimum price determined by the Council for fresh pineapples grown in the Community (Martinique).

The Committee on Agriculture had pronounced in favour of this proposal in the report by Mr LIOGIER (Doc. 358/73 of 13 February 1974).

<sup>2</sup> See Doc. 318/73

<sup>3</sup> See Commission's Communication to the Council on the implementation of the declaration of intent concerning the commercial relations with certain Asian countries (COM(73) 1801 final - para. 12, second sentence).



Regulation 727/70 (measures to prevent excessive quantities of given varieties of tobacco grown in the Community having to be taken up by intervention agencies).

In issuing its opinion last year, the Committee on Agriculture was working on the assumption that the proposed system in principle presented no risk of disturbing the market for 1974, in view of the fact that Community output of similar tobacco (Virginia Bright) had in the past not exceeded 8,000 to 10,000 tons per annum.

12. It will be noted, however, that further concessions in the tobacco sector were recently made by the Community to GATT under the provisions of Article XIV, paragraph 6 (concessions following the enlargement of the Community).

Note should also be taken of the Commission's statement on page 10 of the Communication under examination that 'the Community decided in the context of the negotiations with the ACP countries to offer them duty-free entry'.

It is essential, therefore, to assess whether these tariff reductions, acting together, might not affect future price levels on the Community market.

It would thus seem advisable for the Commission to provide information on this, and give a preliminary explanation of its reasons for wishing to extend into 1975 the system which the Council approved in 1974 'for a transitional period of one year'<sup>1</sup>. While the Committee on Agriculture recognizes the seriousness of the matter for the producer countries (India, Pakistan and Sri-Lanka), it feels that the Commission should also indicate in which direction it proposes to search for final solutions to this problem.

#### V. Concluding remarks

13. In the light of what has been said above, the following conclusions may be drawn from a first examination of the proposals considered.

As in the past, the Committee on Agriculture is in principle in favour of granting generalized preferences for 1975 to benefit developing countries.

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<sup>1</sup> See Regulation (EEC) No. 166/74: second recital (OJ No. L 20, 24 January 1974).

The Committee on Agriculture is not, however, in a position to adduce a more fully developed argument in support of its favourable opinion, because it has not received data on the effects of the application of the system in previous years. Such general information as is available to it causes it, on the contrary, to fear that in the long run the system under consideration will not bring the expected benefits to the most disadvantaged countries. Moreover, the committee fully appreciates that, as the Commission itself points out, if support is to be given to these countries, other practical ways must be sought of promoting their economic development<sup>1</sup>.

15. As regards further concessions on processed and unprocessed agricultural products, the Committee on Agriculture is of the opinion that these are justified to the extent that they constitute an effective aid to the countries concerned and do not restrict the market for directly or indirectly competitive Community products. This consideration is particularly relevant to products such as tobacco, which are grown in Community regions experiencing economic and social difficulties.

Concerning the extension of the system for tobacco, the Committee on Agriculture also wishes to repeat its reservations, expressed in last year's opinion, as to the inclusion of primary products in the list of generalized preferences.

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<sup>1</sup> A recent study by the UN shows that among countries benefiting from generalized preferences, 15 countries in Africa, 8 in Asia and the Middle East and 1 in Latin America have a per capita annual income of less than \$200.