

European Communities

EUROPEAN PARLIAMENT

Working Documents

1973-1974

12 December 1973

DOCUMENT 272/73

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 (Docs. 171/73 and 243/73) concerning regulations for the application, for the year 1974, in favour of developing countries, of generalized preferences

Rapporteur : Mr M. DEWULF

PE 35.040/fin.

By letter of 24 September 1973 the President of the Council of the European Communities consulted the European Parliament, pursuant to Article 43 of the Treaty establishing the EEC, on a proposal, concerning the application in 1974 of generalized tariff preferences in favour of developing countries for certain products falling within Chapters 1 to 24 inclusive of the Common Customs Tariff (Doc. 171/73).

At its sitting of 4 October 1973 the European Parliament referred this proposal to the Committee on Development and Cooperation, as the committee responsible, and to the Committee on Agriculture and the Committee on External Economic Relations for their opinions.

On 8 October 1973 the Committee on Development and Cooperation appointed Mr DEWULF rapporteur for the totality of problems concerning the application in 1974 of generalized tariff preferences.

By letter of 20 November 1973 the President of the Council consulted the European Parliament on proposals and communications from the Commission to the Council concerning the application in 1974 of generalized tariff preferences in respect of exports of finished and semi-finished products from developing countries, and on the implementation of the declaration of intent concerning commercial relations with certain Asian countries (Doc. 243/73).

On 6 December the President of the European Parliament referred these proposals and communications to the Committee on Development and Cooperation, as the committee responsible, and to the Committee on Agriculture and the Committee on External Economic Relations for their opinions.

The Committee on Development and Cooperation considered the above-mentioned subjects at its meetings of 23 November and 4 December 1973. At the latter meeting it approved the motion for a resolution and explanatory statement unanimously, with three abstentions.

The following were present : Mr Achenbach, chairman; Mr Dewulf, first vice-chairman and rapporteur; Mr Laudrin, third vice-chairman; Sir Arthur Dodds-Parker, Mr Harmegnies, Mr Härzschel, Mr Kaspereit, Lord Reay, Mr Rivierez, Mr Romualdi, Mr Spénale, Lord St. Oswald and Mr Walkhoff.

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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 from the Commission of the European Communities to the Council concerning regulations for the application, for the year 1974, in favour of developing countries, of generalized tariff preferences.

The European Parliament,

- having regard to the proposals from the Commission to the Council¹
 - having been consulted by the Council
Doc. 171/73 and Doc. 243/73
 - recalling its resolutions of 6 October 1970² and 9 June 1971,³
 - in view of the work of the UNCTAD special committee on preferences,
 - having regard to the report by the Committee on Development and Cooperation and the opinions of the Committees on External Economic Relations and Agriculture (Doc. 272/73),
1. Points out that Protocol No. 23 to the Treaty of Accession requires the new Member States to apply the Community system of generalized tariff preferences from 1 January 1974;
 2. Recalls that guidelines for improving the system of generalized preferences were given at the Conference of Heads of State or Government in October 1972;
 3. Regrets that there are no estimates on the basis of which to assess whether the new system of the nine Member States promises to constitute a genuine improvement, as far as developing countries are concerned, by comparison with the system of the Community of Six, of the United Kingdom, Denmark and Ireland, applied in 1973;

¹ OJ No. C100 of 22 November 1973, p 33, COM(73) 1800 fin, and COM(73)1801 fin.

² OJ No. C 129 of 26 October 1970

³ OJ No. C 66 of 1 July 1971

4. Requests the Commission to give it the relevant figures as soon as possible, with a view also to ascertaining the effect of the proposed changes in the Community external tariff on revenue from the Community's own resources;
5. Notes that the British system in respect of processed agricultural products is more liberal than the Community system currently in force, that Ireland grants no preferences in this field and that Denmark occupies a position somewhere in between;
6. Draws attention to the importance of exports of processed agricultural products particularly for the least developed of the developing countries, and requests the Commission and the Council to investigate possible ways of extending additional advantages to this group of countries within the system of generalized preferences;
7. Notes with satisfaction that the proposals for 1974 constitute a genuine improvement by comparison with the system currently applied by the Six, not only as regards the list of products, the increase in the margin of preference, the reduction in the list of products subject to Community tariff quotas, and the establishment of a reserve of these latter products, but also as regards the list of countries benefiting under the generalized tariff preferences;
8. Fully endorses the Commission's point of view that a Community reserve is needed, since the lack of such a reserve is incompatible with the concept of customs union and moreover results in insufficient utilization of the tariff quotas;
9. Feels that all countries associated with the Community should benefit from the system of generalized preferences if this system brings with it advantages for these countries which they do not already enjoy as a result of their association with the Community;
10. Urges the Commission to continue its efforts to improve the Community's offer by including other products which are important for the exports of developing countries and in respect of which the Community does not at the moment grant any preferences, and also by raising the margin of preference granted in respect of the other products, at the same time, however, giving thought in its deliberations to the interests of the AASM and Mauritius, which are amongst the least developed of the developing countries;

11. Notes that a large number of countries that are eligible for preferential treatment do not in actual fact benefit from it;
12. Therefore requests the Commission to draw up as soon as possible and in agreement with the other donor countries a uniform ruling on the question of origin, and until this is done to give technical aid in this field to developing countries interested in receiving it;
13. Is of the opinion that the European Community should state clearly during the forthcoming multilateral GATT negotiations its determination to achieve the abovementioned improvement in consultation and in cooperation with the other industrialized countries and the developing countries;
14. Draws attention once again to the fact that the Community formulated its offer on the assumption that all major industrialized countries belonging to the OECD grant similar preferences and for that purpose make similar sacrifices;
15. Expresses in this connection its dissatisfaction at the fact that a number of major industrial countries are still apparently unable to accept their responsibilities in this respect towards the developing countries, to the detriment not only of the developing countries but also of those industrialized countries which do grant preferences;
16. Deplores the fact that the European Parliament and the Associated African States were only consulted at such a late stage;
17. Would appreciate it if the Commission would investigate to what extent major multinational enterprises benefit from the system of generalized preferences;
18. Approves the Commission's proposals subject to the above considerations.
19. Instructs its President to forward this resolution to the Council and Commission of the European Communities and, for their information, to the Secretary-General of the UNCTAD and the Secretary-General of the OECD.

EXPLANATORY STATEMENTI. INTRODUCTION

1. Even before the industrialized countries had agreed at the second UNCTAD conference held in New Delhi to grant non-reciprocal and non-discriminatory preferences in respect of manufactured and semi-manufactured products from developing countries, the European Parliament had already contemplated instituting such a system. Later, during the debates on Mr Westerterp's reports¹, the European Parliament took the opportunity on several occasions to urge the Community to introduce a system of generalized preferences, convinced as it was that an important contribution could thus be made towards developing world trade and improving conditions for the inhabitants of developing countries.

2. The European Community introduced its system of generalized preferences on 1 July 1971 and went on to improve the system every year. As a result of poor coordination of the activities of the Council of the European Communities and the European Parliament, the latter was unable at the end of 1972 to deliver an opinion on the system of generalized preferences scheduled to enter into force on 1 January 1973. The European Parliament is now being consulted on a proposal from the Commission to the Council concerning the application, for the year 1974, in favour of developing countries, of generalized tariff preferences in respect of certain products falling within Chapters 1 to 24 of the Common Customs Tariff (CCT) - (Doc. 171/73).

This consultation, which is based on Article 43 of the EEC Treaty, is compulsory.

More detailed proposals are expected concerning five other processed agricultural products in respect of which generalized tariff preferences are to be granted as from 1 January 1974. On these proposals, too, the Council must consult the European Parliament pursuant to Article 43 of the Treaty of Rome.

The same does not apply to the Commission's proposals to the Council concerning generalized tariff preferences for 1974 in respect of manufactured or semi-manufactured goods.²

¹ Doc. 116 of 30 September 1970 and Doc. 71/71 of 9 June 1972.

² Doc. COM(73) 1800 fin.

Your committee consequently appreciates the fact that the Council has chosen to consult the European Parliament in this matter.

The European Parliament was also consulted on the implementation of the declaration of intent concerning commercial relations with certain Asian countries (Doc. COM(73) 1801 fin), at least where it involved measures to be taken in the field of generalized preferences.

The document in question contains communications and information on the policy which the Commission proposes that the Council should follow in this connection. These recommendations include tariff preferences for processed agricultural goods and for industrial products. The intention appears to be that a number of these measures will enter into force on 1 January 1974. Document 1801 does in fact contain a summary of the proposals, which makes it possible to perform a sound enough assessment at this stage, but it does not contain the text of the actual draft regulations. As far as processed agricultural goods are concerned, consultation of Parliament is of course compulsory. Even though these proposals have not yet been submitted to Parliament in the mandatory legal form, your committee will nonetheless consider and pronounce upon them in order to facilitate the entry into force of the system on 1 January 1974.

II. SUBSTANCE OF THE PROPOSALS

(a) Products falling under Chapters 1 to 24 of the CCT

(insofar as proposals concerning them have been made in Doc. 171)

3. As far as the regulation itself is concerned, the Commission's proposal does not differ from the regulation already in force concerning preferences granted in respect of certain products of Chapters 1 to 24 of the CCT.¹

As in the past, the concept of 'origin of products' will be determined in accordance with the procedure laid down in Article 4 of Regulation No. 802/68. If the preferential importation of the products in question places or is likely to place at a disadvantage Community producers of products similar to or in direct competition with them, the CCT duties may be reintroduced as in the past on the product in question in respect of the countries which have caused the disadvantage. This may be done even if the actual or potential disadvantages are confined to a single region of the Community.

4. In such a case, the Commission may decide, by means of a regulation, to reintroduce the CCT duties for a specified period. In the event of a request to this effect from a Member State, the Commission must decide within a period not exceeding ten working days whether it intends to take action in the

¹ OJ No. L 296 of 30 December 1972, p. 91

matter or not. The Member States shall be informed of this decision. If a Member State does not accept the Commission's decision it can, within a period of not more than ten working days after it has been informed thereof, refer to the Council the measure taken by the Commission. Appeal to the Council shall not suspend the measure. The Council, acting by a qualified majority, shall decide to amend or rescind the measure in question. The safeguard clauses adopted within the framework of the common agricultural policy and the common commercial policy shall remain in force.

5. Member States shall inform the Commission every six months of imports effected under this regulation, which will come into force on 1 January 1974.

The difference between the regulation currently in force and the new one will be found in Annex A which comprises 70 instead of 50 products, and in Annex B in which Romania has been added to the countries which will benefit from the preferences in question.

The margin of preference has been increased in respect of a number of products already covered by the system. Preferential import duties on non-cultivated mushrooms, for instance, have been reduced from 13 to 10%, duties on certain varieties of fruit from 16 to 12%, duties on stearic acid from 6 to 4%, duties on goose or duck liver from 14 to 12%, etc. The margin of preference for processed agricultural products subject to a single duty has undergone a general increase from 20% to 40%, except in the case of certain sensitive products where the margin has been increased from 10% to 20%; in the case of products subject to a two-tier duty (fixed component and variable component), the reduction of the fixed component has been increased to 50% wherever this reduction was previously less.

Preferential import duties remain unchanged on certain products such as degreas, glutenbread for diabetics, capers, etc.

6. The most important difference is the introduction of a number of new items to which no preferential system applied in the past. They include pineapples (in various forms), mineral water and beer, margarine and tobacco products, tea in packings of a capacity of 3 kilograms, in which, according to the Commission's explanatory memorandum,¹ 'countries enjoying preferential treatment have expressed particular interest.' The proposed improvements, calculated on the basis of import figures for 1971 for the products in question in the Community of Six, relate to a volume of trade amounting to 160 million (non-devalued) US dollars.

¹ page, 3, para. 4

(b) Other products of the Common Customs Tariff

(insofar as the proposals made in Doc. COM(73) 1800 fin. concern them)

7. The following is involved:

1. a proposal for a regulation opening, allocating and providing for the administration of Community tariff quotas for certain products originating in developing countries;
2. a proposal for a regulation opening preferential tariffs for certain products originating in developing countries;
3. a proposal for a regulation opening, allocating and providing for the administration of Community tariff quotas for certain textile products originating in developing countries;
4. a proposal for a regulation opening preferential tariffs for certain textile products originating in developing countries;
5. a proposal for a regulation opening, allocating and providing for the administration of Community tariff quotas for certain textile products and footwear originating in developing countries;
6. a proposal for a regulation opening preferential tariffs for certain textile products and footwear originating in developing countries;
7. a draft decision of the Representatives of the Governments of the Member States of the European Coal and Steel Community, meeting in Council, opening, allocating and providing for the administration of tariff quotas for certain iron and steel products originating in developing countries;
8. a draft decision of the Representatives of the Governments of the Member States of the European Coal and Steel Community, meeting in Council, opening preferential tariffs for certain iron and steel products originating in developing countries.

The proposals made correspond to the arrangements applicable for 1973, which were published in OJ No. L 296 of 30 December 1972.

8. The improvements on the old system involve the following:

- (a) an increase in the levels of ceilings,
- (b) a reduction in the list of products subject to Community tariff quotas,
- (c) the application of a system to ensure more efficient utilization of the preferential treatment granted.

re (a):

Import ceilings had hitherto been fixed on the basis of imports into the Community in 1968. The new basis is the year 1971 (a different basis is used for textiles).

re (b):

The list of products subject to Community tariff quotas comprised in 1973 60 industrial products (once again with the exception of textiles). For 1974 this list has been reduced to 52 products.

re (c):

The Commission proposes once again that a Community reserve be instituted. It will continue to provide Customs authorities and transactors in developing countries with improved information, for instance by holding seminars in these countries. The Commission also proposes that information be published periodically on the utilization of Community tariff quotas and the imports effected under the system of preferences.

9. To make it possible to assess the value of the proposed improvements, the Commission included the following data in its explanatory memorandum to the proposals:

- the raising of ceiling levels will make it possible to effect preferential imports up to a value of 2,000 million units of account (industrial products other than textiles) and imports of textile products up to a value of 500 million units of account.

This last figure corresponds to a preferential import figure of 80,000 metric tons.

This represents a total increase of approximately 40%. This figure is calculated on the basis of the figures which would have resulted from the application in 1973 by the Nine of the system applied by the Six during that year.

10. The other changes relate to a number of matters which, while undoubtedly important, will not be dealt with by your committee, as it does not believe it to be part of its task to draw attention to every technical change. It wishes moreover to confine itself to what it believes to be the main issues for the developing countries, viz:

- the inclusion of Community reserves in the new scheme for products to which tariff quotas apply;
- the allocation of Community tariff quotas among Member States;
- the calculation of ceilings;
- the list of countries eligible for generalized tariff preferences (GTB);
- the rules regarding origin.

11. At the end of 1972 the Commission made a formal proposal that Community reserves should be included in the scheme for 1973. Since the Council did not take up these proposals, it now repeats its proposals on this point. In section IV of the explanatory memorandum to Doc. 1800, the urgent reasons are set out that have prompted the Commission to take this step. Your committee will revert to this matter when it comes to assess these proposals. It is proposed in the first place that a first instalment of 80% of each Community tariff quota be allocated among the Member States, the remainder being regarded as the Community reserve. The above scheme does not however cover all products.

Such a scheme is not proposed, for instance, for textile products subject to a tariff quota, since the general scheme will only be in force for six months for these products on account of the expiry of the International Textile Agreement on 31 December 1973. There would be no point in setting up a Community reserve for such a short period.

12. In connection with the application of Protocol No. 23 to the Act of Accession which provides that, as from 1 January 1974, each new Member State shall apply the same schemes for generalized preferences as the old Member States has been changed. As in the past, this scheme has been based on general economic criteria such as the average of the percentages of foreign trade, of the GNP and of the population of the Member States. The calculations have been made on the basis of the figures for 1971. Furthermore, Denmark's request to receive more than it normally would under these criteria has been acceded to. The following allocation has thus been made:

	<u>new:</u>		<u>old:</u>		
- Germany	=	27.5%	- Germany	=	37.5%
- Benelux	=	10.5%	- Benelux	=	15.1%
- France	=	19.0%	- France	=	27.1%

- Italy	=	15.0%	- Italy	=	20.3%
- Denmark	=	5.0%			
- Ireland	=	1.0%			
- United Kingdom	=	22.0%			

So as to make allowance for the special situation in which Denmark and Italy find themselves in the textile sector, the following allocation has been proposed for textile products subject to a tariff quota:

	<u>new:</u>		<u>old:</u>
- Germany	=	27%	- Germany = 37.5%
- Benelux	=	10%	- Benelux = 15.1%
- France	=	19%	- France = 27.1%
- Italy	=	14%	- Italy = 20.3%
- Denmark	=	7%	
- Ireland	=	1%	
- United Kingdom	=	22%	

13. The ceilings are calculated in accordance with the customary criteria. This means, then, that the basis used is the value of c.i.f. imports for the products concerned from the countries falling within the system and that to this is added a supplementary amount of 5% of the value of imports from other third countries. As already mentioned, 1971 has been taken as the base year instead of 1968.

However, in order to make allowance for certain special situations, exceptions have been provided for. In a number of cases the rule has been departed from that every beneficiary country may take for its account up to 50% of preferential imports of a specific product. In such cases the so-called buffer level has been lowered and is consequently less than 50%.

In response to a special application by the United Kingdom, a temporary exception has been made for eight products so that the country concerned is allowed to import more than 50% of them from one country.

14. Practically no change has been made to the list of countries eligible for generalized preferences. The principle change is the inclusion of Roumania in the list of independent countries. For the rest this subject naturally gives rise to various observations, which will duly be made below by your committee.

The rules on origin that have now been laid down in Regulation No. 802/68 will in principle be prolonged. The Commission states on page 13 of Doc. COM (73) 1800 that it is continuing with its enquiries into the matter, in particular as regards the widening of the term 'originating products' to include certain regional groupings whose administrative infrastructure is

sufficiently developed to allow of an acceptable level of supervision. 'Suitable proposals' will be submitted to the Council later on. Seeing that serious problems will arise in 1974 in respect of a number of products originating in a number of Asian countries and marketed by Singapore, the Commission will possibly present an ad hoc regulation in order to resolve these problems.

(c) Products of the common customs tariff, for which proposals are made in Doc. COM (73) 1801 fin.

15. Your committee will devote attention to the communications made in the above-mentioned documents by the Commission to the Council only insofar as they concern measures in the field of generalized preferences due to enter into force on 1 January 1974. The following issues are concerned:

- reduction of the common customs tariff for shrimps from 10% to 8% in respect of shrimps under heading Ex 03.03 A IV and Ex 16.05 B. Exports from India, Pakistan and Malaysia to the United Kingdom are mainly concerned here.
- reduction of the duty on desiccated coconut (tariff heading Ex 08.01 E) from 2½% to 0%. Imports from Sri Lanka (77%) and the Philippines (20%) to the Community are mainly concerned here.
- reduction of the common customs tariff duty from 2½% to 0% for shelled cashew nuts.
This is a product imported by India from Tanzania, processed locally and then exported to the Community. The Community imports more than 50% of this product from India.
- a 30 million u.a. tariff quota without buffer level for unmanufactured tobacco (flue-cured) of which an 80% share will be allotted to the United Kingdom.
- increase in the amounts of the quotas for certain fabrics and hand-processed products from 2 to 4 million u.a. (fabrics) and from 5 to 10 million u.a. (for handicrafts).

General observations:

These are proposals which the Commission will put forward, independently of the documents mentioned in A and B, with a view to their coming into force on 1 January 1974.

As mentioned, a number of other problems connected with trade relations between the Community and a number of Asian developing countries are brought up for discussion in Doc. COM (73) 1801 fin. Since your committee is being consulted on the entire document, it reserves the right to revert to these matters in a different context. It points out in conclusion that Doc. 1801 contains much factual information but no formal draft regulations in the requisite legal form.

III. ASSESSMENT OF THE PROPOSALS

A. General

16. It is for your committee a fundamental question in what measure the new proposals put forward by the Commission for the generalized tariff preference scheme in 1974 - which will of course apply to the Community of the Nine - can represent an improvement for the developing countries. In order to determine this, it is necessary to have at hand an estimate of the financial advantage that the developing countries can be expected to enjoy as a result of the proposals now being made. Your committee would further have to possess the figures showing the advantage which the developing countries derive from the present situation, i.e. calculated on the basis of the preference scheme of the Six and the systems of the three new Member States.

17. Seeing that these figures are not available, no proper answer can be given to this crucial question. Your committee has therefore to base itself upon incomplete information, particularly the following: Britain's preference scheme is much more liberal than that of the Community, where processed agricultural products are concerned. This fact emerges not only when the British scheme is compared with the current Community preference scheme, but it also seems to hold good when the British system is compared with the new proposals put forward by the Commission for the enlarged Community. Ireland does not at present grant any preferences at all for these products, while Denmark occupies an intermediate position. Where those countries are concerned, then, the new scheme clearly presents advantages.

If the Commission's proposals are adopted without change by the Council, the Community will in 1974 grant preference for imports valued at some 200 million u.a. (based on data for the Six for 1971) instead of 43 million u.a. under the present Community preference scheme for processed agricultural products. The Community imports such products to a value of some 900 million u.a. from industrialized countries.

All in all, this represents a loss of some 12 million u.a. to the Community's own resources.

18. As regards industrial products, the Commission provides the following information: the raising of the ceilings will make possible preferential imports of industrial products, (not including textile products) to a value of some 2,000 million u.a. For textile products, preferential imports of almost 500 million u.a. will be possible. The increase corresponds to a 40% rise in relation to the total volume that would have been attained if in 1973 the Nine had applied the scheme that was applicable by the Six in that year.

Although a comparison based on these data does not allow a true assessment to be made (there is after all no point in working on the assumption that in 1973 the scheme applied by the Six was also applied by the Nine, since this simply was not so), it is clear that the improvement in the textile sector is a real one, since the United Kingdom applies no preferences in the case of most textile products and the Commonwealth countries enjoy tariff preferences in the United Kingdom only up to 15% of the non-preferential duty on textiles.

19. The Commission is making proposals aimed at a better utilization of the tariff quotas, the principal proposal in this respect concerns the institution of Community reserves. Seeing that, according to press reports, the Council does not, however, intend to adopt this excellent suggestion by the Commission, there is no point for the time being in considering this factor when evaluating the proposals for 1974.

The basic figures for preferential imports are derived from a fixed basic amount corresponding to imports during the 1971 reference year (instead of 1968 at present). Where the Community of the Six is concerned, this undoubtedly represents an improvement, but it is not certain whether this is also the case where the enlarged Community is concerned. Britain, for instance, introduced its scheme on 1 January 1972, which means that the advantages enjoyed by the developing countries from that moment under the British preference scheme did not serve as the basis of calculation for the basic amount, which after all was based on the 1971 figures. On the other hand it was still possible in 1971 for the Commonwealth countries to export their products to Britain under the Commonwealth arrangement so that, where this group of developing countries is concerned, 1971 is not a bad base year.

20. The basic amount is increased each year by 5% of the value of c.i.f. imports from countries outside the scope of the preference scheme (supplementary amount). This looks better than it is in fact, since it should be borne in mind that this 5% is calculated on the basis of the value of the said imports, which of course, given the current rate of inflation, will increase by 10% to 15% annually even if the volume of trade remains the same. It would therefore be better to take the volume of imports as the basis of calculation instead of their value. In this way the developing countries, which already suffer so much from the insidious progress of inflation, would be protected from its effects in this small sector at least.

21. In Doc. COM (73) 1800/fin., in the footnote on the first page of Annex A of the Regulation concerning products in respect of which the common customs tariff duties are completely suspended, the Commission states that the new Member States shall, in the framework of the generalized preference scheme for 1974 directly and fully apply to those products exemption from or total

temporary suspension of the common customs tariff. In this way, then, and as it were unnoticed, an advantage accrues to the developing countries whose value, however, is difficult to express in figures. At all events, it represents in the final analysis - at any rate for this sector - an accelerated application of the adjustment of the customs tariffs of the new Member States to that of the Community laid down in Protocol 23 to the Act of Accession.

22. It is difficult to make an estimate of the advantages of the new scheme. Even under normal conditions this would not be easy; now that the three new Member States also have to apply the new scheme it is more difficult still. Furthermore, any comparison with the present situation is made impossible by the fact that the three new Member States will, on 1 January 1974, be adjusting their respective customs tariffs by 40% to the common customs tariff. If it is then borne in mind that recent figures on trade with developing countries are in general extremely difficult to come by, it will be quite clear that when your committee states that it is impossible to give a proper value judgement on the new proposals, this does not necessarily imply any criticism of the Commission and its services.

23. Roumania has been added to the list of beneficiary countries. That country will not, however, receive the same advantages as other developing countries. Nevertheless, according to the Commission's estimates it will, after Yugoslavia, Hongkong, Iran and India, derive the most benefit from the preferential scheme.¹ To get a more complete answer to the question which countries benefit most from the scheme, it will be necessary to wait for the answer given to Lord Reay's Written Question No. 406/73 on the application of Article 4 of Regulation (EEC) No. 2761/72.

In this connection the question naturally arises why Roumania and why not a country like Bulgaria should be eligible for inclusion in the generalized tariff preference scheme when, in your committee's opinion, the latter country is certainly not in a more favourable position than Roumania as regards stage of development and should therefore be judged on the same grounds.

It would be oversimplifying the matter to answer that Bulgaria has not yet received preferences because it has never applied for them. The difficult and lengthy discussions held in the Council concerning the inclusion of Roumania in the list show that the question is rather more complicated.

¹ On the basis of the Commission's restrictive proposals and calculated on the basis of 1971 import figures.

24. A number of Members of the European Parliament have put questions on this subject.¹ From the Commission's answer to the question by Mr Vredeling, your committee quotes the following excerpt;

- '4. The criteria considered relate chiefly to the level of development and the economic structure of the country in question, mainly in the light of similar criteria characterizing the economies of other countries eligible for benefits under the Community system of generalized preferences.
5. Other countries may well refer to the decision taken in Roumania's favour, but of course each application will have to be considered on its own merits and particular features.
6. and 8. The fact that in applying the Community system of generalized preferences, the preferential ceilings open to all the beneficiary countries will be increased by the volume of Roumanian trade with the EEC, and the existence of this system of maximum amounts per beneficiary country, should already serve to limit any possible disadvantages to the initial beneficiary countries due to the granting of generalized preferences to Roumania; furthermore the inclusion of Roumania among the beneficiary countries on 1 January 1974 will coincide with the first stage of improvement of the Community system of generalized preferences following the decisions of the Paris Summit Conference, particularly as regards the level of the ceilings and the list of processed farm products subject to preferences; in these circumstances a diminution of the advantages obtained by the initial beneficiary countries appears out of the question.
7. The Commission does not think that the exclusion of certain sensitive products from the preferences granted to Roumania can be taken as a precedent for the application of exceptions to the whole present group of beneficiary countries. On the contrary, a certain caution towards a country particularly competitive in certain industries makes it easier to maintain or even increase the advantages granted to the other beneficiary countries; the 'adequate arrangements' required by the Council decision are designed with a particular view to Roumania.'

¹ Written Questions No. 126/73 by Mr Vredeling and No. 252/73 by Mr Van der Hek and Oral Question No. 134 by Mr Van der Hek and others (Bulletin of the European Parliament No. 40/73 of 27 November 1973).

25. Obviously the more advanced developing countries benefit more from the Community system of generalized preferences than the poorer ones, all the more so since the provision that 50% of the ceiling fixed for each product may be exported by a single developing country is missing in the system for agricultural products. The usual safeguard clauses lack the 'automatic' character of the 50% ruling. This is why your rapporteur is not particularly in favour of adding relatively advanced developing countries to the existing list of beneficiary countries.

An exception should, however, be made in the case of countries associated with the Community. If only for political reasons, these countries are entitled to treatment at least as favourable as that granted to other developing countries. The treaties of association with these countries do not state in every case and for all products that industrial products, for instance, can be imported duty free into the Community. Moreover, because of the Treaty of Accession, these associated countries do not enjoy directly the same advantages on the markets of the three new Member States as they do on the markets of the Six. Consequently, your committee feels that associated countries should be considered as potential beneficiaries under the system of generalized preferences, if this yields advantages for these countries which they do not already have as a result of their association with the Community.

26. The current energy crisis raises the question of why a number of oil producing states which refuse to supply a large number of Member States with sufficient petroleum products are still kept on the list of beneficiary countries. The reason is very simple: the countries in question export virtually no products subject to the system of preferences to the Community. To remove these countries from the list would therefore only be politically and psychologically detrimental to the Community, while at the same time having no effect whatever on the countries concerned.

One may also wonder to what extent major multinational undertakings benefit under the system of generalized preferences. Your committee requests the Commission to investigate this matter.

27. The rules on the origin of goods remain for the time being unchanged, as already mentioned in paragraph 14. The following should be noted in this connection:

The number of developing countries which can genuinely benefit from the systems of generalized preferences currently applied by industrialized countries is very small for two reasons. The first reason is of an organizational nature. It will be readily understood that certain countries which do not benefit under the preferential system attempt to export their products to the Community via countries which do.

To prevent this distortion of trade and to ensure that the preferential treatment does not benefit countries for which it is not intended, rules have been drawn up governing the origin of goods which entail setting up a rather complicated system of administration. The administrative machinery of certain developing countries is not sufficiently advanced to ensure that the requirements imposed in this field by the industrialized countries are met. The result is that a number of these countries do not in fact make use of the preferential system. According to information from Commission agencies not even half of the 140 countries and territories entitled to preferential treatment actually benefit from it.¹

28. This is not characteristic of the Community system alone. Even Australia, which introduced a system of generalized preferences as early as 1966, reported at the 28th Session of the contracting parties to GATT that not all countries were in fact yet able to benefit from its offer.²

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.

¹ This represents a marked improvement compared with the situation obtaining at the beginning of 1972 when, according to a reply given to Written Question No. 7/72 by Mr BOANO (OJ No. C 62) 35 countries had fulfilled the conditions imposed in Article 29 of the regulation governing the origin of goods.

² GATT, Basic Instruments and Selected Documents, Nineteenth Supplement, Geneva, March 1973, page 38.

29. The Community's offer includes a clause to the effect that the Community is making this offer on the assumption that all major industrialized countries belonging to the OECD will join in the granting of preferential treatment and will make equal efforts in this direction. Your committee notes with alarm that although a large number of countries¹ grant preferential treatment, the biggest industrialized country in the world, the United States, and Canada, still seem unable to make any progress in this field. This means for one thing that the industries of those industrialized countries which grant preferential treatment must bear the burden of the system, a burden which would otherwise be shared by Canadian and American industry. Moreover, the export opportunities of developing countries are considerably curtailed by the exclusion of these two important markets. The committee demands that the United States and Canada no longer shirk their moral obligations in this field.

30. Attention should also be drawn to the fact that some major countries such as the Soviet Union do not have any system of generalized preferences. Although these countries do not belong to GATT and for other reasons do not wish to grant preferential treatment, the negative consequences for developing countries are nonetheless undeniable. Obviously Russian trade cannot be governed by changes in customs tariffs but your committee does not see why this country should not be invited, for instance by UNCTAD, to state publicly just what it does in the commercial field for developing countries.

¹ EEC Member States	1 July 1971	New Zealand	1 January 1972
Japan	1 August 1971	Sweden	1 January 1972
Norway	1 October 1971	United Kingdom	1 January 1972
Denmark	1 January 1972	Czechoslovakia	28 February 1972
Finland	1 January 1972	Switzerland	1 March 1972
Ireland	1 January 1972	Austria	1 April 1972

31. Pursuant to Protocol I to the Yaoundé Convention, the Associated African States and Madagascar have to be consulted on the Community preference scheme. The same holds good for the Arusha countries. Your committee would like to know if this consultation has already taken place and what the results of it were. Quite irrespective of this, it believes that, to make sure that the Associated States in Africa are consulted, this should be expressed more clearly in the texts to indicate what value the Community attaches to it. The inclusion of an appropriate recital would be one way of doing this.

32. The European Parliament was consulted at such a late point in time that it could not possibly devote sufficient attention to the matter. At the moment of writing, the letter in which the Council seeks the European Parliament's opinion, has not yet been received (except in respect of Document COM (73) 1215 fin). Furthermore, the important document COM (73) 1800 fin. is still not available in all languages. Finally, there is a possibility that further proposals may be following for which consultation is obligatory. Your committee appreciates the difficult circumstances under which the services of the Commission have to perform their work. It would, however, point out that the European Parliament cannot deliver an opinion before it possesses in all languages of the Community the documents on which it is consulted.

33. Your committee draws attention furthermore to the Council's note to the European Parliament of 16 October 1973 in which it was stated that the European Parliament should in principle be consulted within one week after receipt of the relevant proposal from the Commission.

In the same note the Council states that, except in emergencies, it will not consider proposals from the Commission before it is acquainted with the European Parliament's opinion. According to press reports, the Council has already decided its position on the majority of the proposals on which Parliament is now being consulted. Although this is, perhaps understandable, seeing that the customs services of the Community have to receive directives in good time before these proposals enter into force on 1 January 1974, it is at variance with the Council's promises to Parliament. True, exceptions are possible in emergencies, but in such cases the Council should contact Parliament on the matter in question. This has not been done.

B. Industrial products (Doc. COM(73) 1800 fin.)

34. The Commission formally proposes, as it did for the application of generalized preferences for 1973, the institution of a Community reserve. Just as it did on an earlier occasion,¹ your committee wishes to state most

¹ See doc. 71/71 of 9 June 1971, p.7

emphatically that it is absolutely convinced that the Commission's observations on the matter (see p.11 & 12 of doc. COM(73) 1800 fin.) are sound. The lack of a Community reserve runs counter to one of the most important basic principles of the common market. It is unacceptable that importers in one country should have less opportunity of importing goods under the preferential scheme (because the quota for their country has already been exhausted) than those in other countries. It is quite conceivable that such an importer could successfully lodge a complaint with the European Court of Justice. Furthermore, the absence of a Community reserve has the disadvantage that, in certain cases, the developing countries cannot make full use of the tariff quotas allotted to them because importation into the one Member State proves impossible in the framework of a preferential tariff quota (because the quota is exhausted), while exportation to another Member State - whose quota has not yet been entirely used up - is not possible because of the lack of demand.

The utilization of tariff quotas for industrial, textile and ECSC products in 1972 was on average, only 39, 45 and 17% respectively. But it is of course not certain that this was due entirely to the absence of a Community reserve.

35. According to press reports, the Council does not intend to make more than a timid start in 1974 with the introduction of a Community reserve. The Commission observes that the absence of such a reserve is in conflict with the Customs Union and that it places in jeopardy uniformity of tariffs and the principle of equal access by importers of the various Member States to the quotas opened. Moreover, a reserve does exist for most of the tariff quotas that fall outside the generalized tariff preference scheme. It is your committee's view that the Commission's arguments are so very logical and apropos that even the Council should realize they are sound.

36. The proposals concerning the allocation of the Community tariff quotas among the Member States are made by the Commission on the understanding that the methods to be used in administering the scheme include a Community reserve. Your committee wonders what the consequences of this will be if the Council does not in fact prove inclined to make a real start with instituting Community reserves. Otherwise your committee has the impression that, in the allocation of the tariff quotas among the Member States, adequate account has been taken of the present trade flows and it can therefore state its agreement with the divergent proposals for certain products such as textiles.

In respect of cotton, textiles and similar products, the Community's offer is limited to countries that have signed the Long-term Agreement on International Trade in Cotton Textiles (or have entered into similar commitments). At the moment, no special conditions are applicable to wool and man-made fibres. The Commission proposes that such products should

be subject to the same conditions as cotton, textiles and similar products in view of developments in trade, which is based on the ever-increasing use of mixtures and substitute products for the various fabrics. Your committee can do no otherwise than conclude that this in fact means a less favourable arrangement for these products. Although the list of industrial products (other than textile products) to which customs quotas apply will be cut back in 1974 from 60 to 52 products, your committee does not have the impression that this involves a large volume of trade. It therefore urges the Commission to press on further with the course it has taken.

C. Agricultural Products

37. Even though it is not exactly known what, in financial terms, the significance of the preferences to be granted for 1974 will be, a comparison of the present proposal with the system applicable until 1 January 1974 prompts a number of questions. In itself, an extension to 70 items is naturally to be welcomed, but your rapporteur wonders what purpose is served by not including certain items in the new proposal. The Associated African States of course have a right to see their interests and the privileges they have acquired respected. At the time the scheme came into effect, the Community also promised to ensure that this was done.

Your committee cannot, however, escape the impression that in some cases the interests of, for example, Community industries are being protected. Heading 17.01 (beet sugar and cane sugar, solid) is, for instance, conspicuous by its absence. True, other products have been included for the first time, but the proposed reduction, though relatively important, still seems too small in absolute terms.

38. Your committee welcomes the fact that important products such as margarine, beer and tobacco products have been included in the system for the first time. The Community still affords its industries an extremely high measure of protection, however. Even under the preference arrangements, the import duty on beer will be 19% instead of 24%, and that on margarine 20% (normally 25%), while the duty on cigarettes is lowered from 90% to 72% and that on pipe-tobacco from 117% to 94%.

Although opinions vary in your committee on the purpose to be served by encouraging the consumption of cigarettes and tobacco by reducing tariffs and revenue taxes, it generally feels that people will be better able to put up with the harmful effects of smoking to the advantage of developing countries than to that of certain state monopolies. Nor would it seem that a little competition would harm the sugar and margarine industries in the Community or the large exporters among the Community breweries. It will also remain a mystery why certain duties have been fixed at a certain level.

Although a reduction in the preferential duty on frog's legs from 7% to 5% and the abolition of preferential duty on bed feathers and down (at present 1.5%) are to be welcomed, your rapporteur fails to understand why the duty on mucilages and thickeners extracted from locust beans or locust bean seeds must remain at 1%.

39. From some chapters of the Common Customs Tariff not a single product has been included in the list of products for which preferences are proposed. For example, there are no products from Chapter 1 (Live animals), Chapter 4 (Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included), Chapter 6 (Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage), Chapter 10 (Cereals). In the case of other chapters only one product is included (for example, edible, non-cultivated mushrooms from Chapter 7, thus disregarding the other 56 headings in this chapter).

Your committee assumes that this whole question can be seen in isolation from whether or not the beneficiary countries have shown particular interest in tariff preferences for these products. It is of course aware that the recognized principle is '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,'¹ but notes that the Commission, in the same sentence, is prepared to propose exceptions to this rule. Its policy is therefore apparently to allow for the inclusion - welcomed by your committee - of more primary produce in the generalized preference system.

40. A large number of developing countries - among them the very poorest and least-privileged - produce practically no semi-finished or finished products. These countries are primarily interested in the preferential export of their processed agricultural products. The European Parliament has therefore repeatedly pressed for an increase in the number of processed agricultural products for which preferences are granted.

Your committee also feels in this connection that the Commission should seriously look into how the least-developed of the developing countries can be granted additional advantages under the generalized preference scheme. This would naturally produce clear cases of discrimination, which need not, however, be an overwhelming problem: the Community is not, after all, doing otherwise in respect of a country like Roumania. The Commission's view is that Roumania 'should be granted preferential treatment with a reasonable and balanced economic content, its level of development being taken into account.'²

¹ Doc. COM(73) 1801 final, para. 12, 3rd sentence.

² Doc. COM(73) 1800 final, Section VI, 3rd paragraph.

Logically, there is no reason why the same should not be done for countries with a much lower level of development. This would be acting in the spirit of UNCTAD III, in that a special list of very poor developing countries would be drawn up.

D. Products covered by Doc. COM(73) 1801

41. The Commission points out that its proposals represent the minimum that can be done to meet the terms of the Declaration of Intent on commercial relations with Sri Lanka, India, Malaysia, Pakistan, Bangladesh and Singapore. Your committee therefore expects the Council to approve all the proposals on this subject.

It is proposed that the Community Customs Tariff on shrimps and prawns should be reduced from 10% to 8%. This is not a great deal, especially when it is remembered that the Community has reduced this duty to 7.5% in the case of Norway - a developed country which does not wish to join the EEC.

Your committee would finally refer to the considerable importance attached to the proposed reduction in the duty on unmanufactured tobacco. If this proposal is not accepted, the duties on tobacco imported into the United Kingdom after 1 January 1974 will be increased by about 10.3%. India in particular, but also Pakistan and Sri Lanka, would suffer as a result. The greatest beneficiaries would be the tobacco exporters of the United States and Canada, two large industrialized countries which have still not introduced a generalized preference scheme.

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42. Your committee does not intend to withhold its approval of these proposals, even though the lack of figures and estimates has made it more or less impossible to appraise their merits. It is well aware, however, that Protocol 23 contains strict provisions on the application of the Community Preference System by the new Member States as from 1 January 1974.

Your committee would in conclusion like to point out that as the Commission states at the end of its explanatory memorandum (page 16 of Doc. COM(73) 1800 final), measures in the field of generalized preferences will be worth while only if supplemented by other measures in the development field. This includes diversification of economies, which will also involve a certain amount of international division of labour. Your committee suggests that for this purpose the potential of the new Social Fund be increased, so that undertakings and sections of the population suffering disadvantages as a result of the Community's development policy receive the necessary support to adapt to the new situation. As is known, this possibility already exists when disadvantages have arisen as a result of the Community's commercial policy.

OPINION

of the Committee on Agriculture

Draftsman for an opinion : Lord St. Oswald

At its meeting of 5 November 1973 the Committee on Agriculture appointed Lord St. Oswald draftsman for an opinion.

The draft opinion was discussed by the Committee at its meeting of 23 November and adopted unanimously the same day.

The following were present: Mr Houdet, Chairman of the Committee; Mr Vetrone, Vice-Chairman; Mr Laban, Vice-Chairman; Lord St. Oswald, draftsman; Mr Hunault, Mr Héger, Mr de Koning, Mr Ligios, Miss Lulling, Mr Scott-Hopkins and Mr Vals.

Subject of the Proposal.

1. Following the recommendations of Resolution 21 (II) of the 1968 Conference of UNCTAD held in New Dehli, the European Community established a system of generalised preferences which came into application on 1 July 1971. As a result, a reduction was made on duties and fixed components of charges on certain processed agricultural products (of Chapters 1 to 24 of the CCT) from the developing countries.

2. The purpose of the present Commission proposals is:
 - to provide the legal basis for the continuation into 1974 of preferences covering certain processed agricultural goods;
 - to take into account requests from the developing countries that preferences be extended to include additional agricultural products¹;
 - to increase the margin of preference from 20% to 40% (or from 10% to 20% in the case of certain sensitive products) and the reduction of the fixed component in two-tier duties to 50%;
 - to admit one more beneficiary, Roumania, to the list given in Council Regulation (EEC) No. 2767/72 of 19 December 1972;
 - and to take into account the interests of those developing countries benefitting from the preferential systems of the three new member countries (these will be merged into a common system of the Nine from 1974).

3. At present, the range of the Community preferential system is relatively modest, covering a volume of imports of 40 million units of account. Moreover, while Community imports of processed agricultural products from third countries have progressed steadily, the main beneficiaries have been the Western industrialised countries more able to subsidise exports of their products.

4. To improve this situation, and to take into account the interests of developing countries benefitting from the present preferential systems of the three new members of the Community - and one is referring here to the Asian members of the Commonwealth in particular - the present proposals have been drawn up extending the list of products to which

¹ Certain forms of pasta, China wood oils, certain other oils (coco) for technical uses, fish meal, tea in packets of a capacity of three kg. or less, certain cereals, certain vegetables, cigarettes, cigars, smoking tobacco and chewing tobacco.

generalised preferences will apply from 150 to 200 items, or a volume of imports of 260 million units of account.

It should be noted that three members of the Community (United Kingdom, Denmark and Italy) have asked for an extension of the items on the list. The Commission is preparing a supplementary proposal covering a volume of imports of 40 million units of account.

The Proposed preferences and existing agricultural and processing interests.

5. From 1974, as the EEC generalised preferences are increased and extended and the national preferences systems of the three new members of the Community merged into a uniform Community system, difficulties could be created for three different groups of producers of agricultural and processed agricultural products:

- those in the European Community;
- those benefitting from preferences accorded by the Yaoundé and Arusha Conventions;
- and those benefitting from the existing preference systems of the three new members.

The question of greatest concern to the Committee on Agriculture, of course, is to establish whether the proposed generalised preferences will have any deleterious results on agricultural interests in the Community, and in particular to see:

- whether in the political compromises bringing about the merger of the different preferential systems, agricultural interests in the Six have not suffered due to the Three defending those who benefit from their present preferential systems;
- and whether agricultural interests in the Three may suffer in any way from their integration within the Community preferential system.

The Proposed preferences and the European Producer.

6. It is not a simple matter to predict the impact of increased and extended preferential tariffs upon the European producer; in some cases his products compete not only with those of the developing countries but also with those of other states, and in particular the Western industrial nations¹.

7. To simplify an examination of the situation, after putting aside these items on the list covered by Generalised Tariff Preferences which do not compete in any way with those of the Community producer, those items remaining can be divided into two groups:

¹ And one might add there are cases in which other products may be substituted according to the state of price levels.

- (a) those items in which the developing countries are the principal competitors of Community producers;
- (b) those items in which significant competition comes from other third countries, and in particular the Western industrialised countries.

8. An examination of group (a) reveals four items in which members of the Community have a special interest:

- pistachios (08.05-70) of which Italy is the principal supplier from within the EEC for the Community;
- tea in packets of less than 3 kg. (09.02.10) of which the United Kingdom is an important supplier for the Community;
- tapioca and sago (19.04.00) of which Denmark is the main Community supplier for its partners;
- essences or concentrates of coffee (21.02-10) of which the Netherlands is the main supplier within the EEC for its partners.

A more extensive list of products (with details of Intra-Community trade and imports from developing countries) is given in Annex 1A¹.

9. In group (b) the following products have a special interest for particular members of the Community:

- game (02.04-30) of which the United Kingdom exports considerable quantities to its partners²;
- prawns (03.03-41) of which the United Kingdom also exports considerable quantities to the 'Six';

- crude alycerol and glycerol lyes, in which the United Kingdom has a considerable interest;
- prepared fruit in packagings of less than 4.5 kg, of which Italy is the most important supplier within the Community;
- fruit juices (20.07-36) of which the Netherlands and Italy supply important amounts to the Community;³
- fish meal (23.01-30) of which the Netherlands and Denmark supply important amounts to their partners⁴;

¹The figures are for 1971, the last year for which complete statistics are available.

²Imports from the developing countries come mainly from Argentina

³Imports from the developing countries come mainly from Israel, Greece, Morocco and Yugoslavia. The USA is the main exporter amongst the Western industrialised nations.

⁴The principal suppliers amongst the developing nations were: Morocco, Angola, British Honduras, Peru and Chile. Norway also supplied important amounts.

A complete list of the products within this group is given in Annex 1 B (together with details on Intra-Community trade imports from the developing countries and from the Western industrialised states).

10. In considering the significance of a possible increase in the Community imports of these products from developing countries, it should be clearly kept in mind that the great majority of these items are processed from products imported from third countries, and therefore do not concern European agriculture.¹
Moreover, in the larger group (b) the net result of preferences should be a substitution of EEC imports from the Western industrialised nations to the developing nations rather than an increase in competition for Community producers.
11. The safeguard measures which are proposed and which already exist are sufficient to protect the interests of Community producers. Article 2 of the proposed Regulation provides, when Community producers or a single region of the Community are likely to suffer serious disadvantages, that the CCT can be reintroduced in whole or in part in respect of the products and the countries or territories causing the disadvantage. Additional safeguard provisions exist in respect of the common agricultural policy under Article 113 of the Treaty, as well as by Article 18 of the General Agreement on Tariffs and Trade (GATT).

The proposed generalised preferences and the Associated Countries

12. An extension of generalised preferences present the signatories of the Yaoundé and Arusha Agreements with the possibility that the trade advantages gained from Associate status will be undermined by an increase in Community exports from those developing countries which produce similar processed agricultural produce as themselves. It was for this reason that on 24 March 1972 the 18 African Associated States declared their opposition to an extension of the generalised preference system by the EEC.
13. It can be added that Association Agreements are not merely a matter of tariff agreements, a point made clear by the eighth Parliamentary Conference of the EEC-AASM Association when it declared that 'the raison d'être of the association and its mechanisms for cooperation must be sought in the future in a totality of reciprocal engagements going beyond the sole domain of financial aid and preferential tariffs in order to create a vast community of interests.'²

¹This is the case with margarine, for while the Commission proposes to reduce the tariff on margarine from developing countries from 25% to 20%, the untransformed vegetable oils enter free. In 1971, trade in margarine between the Nine amounted to 23,919 000 kg. and 41,000 kg. were imported from the developing countries.

²Report on the results of the 8th annual meeting of the parliamentary conference of the EEC-AASM Association (PE 29.326 fin.) p.5

14. On the subject of these apprehensions, it can be said that generalized preferences, being of a temporary nature, can be withdrawn (within those limits defined by the likely political reactions of the members of UNCTAD) at a future point to remedy unfavourable situations created for the Associated states.

The Commonwealth and Community preferences

15. From 1974 the national preference systems of the three new members of the Community will be merged into the uniform system of the Nine. This will have a negative effect on developing nations, who are members of the Commonwealth, who will then be faced with an increase in tariff levels in the United Kingdom and with competition from other developing countries. This negative effect may be mitigated, however, by the proposed increased generalised preferences in the larger Community market¹. The interests of larger Commonwealth countries are in general taken care of by the inclusion in generalised preferences of prawns and shrimps, tea in packings of not more than 3 kg., coconut oil for industrial uses, and prepared or preserved pinapples.

The Least Developed Nations

16. A particular problem exists in respect of the least developed nations (those whose GNP per capita is \$85 p.a. or less). Of these nations, eleven are not, or will not be, covered by present or future association agreements. Of these nations, seven are in Asia (Afghanistan, Bhutan, Laos, Maldiv Islands, Nepal, Sikkim and Yeman) and three are in Africa (Ethiopia, Guinea and Sudan).

Certain of these countries face a deterioration in their trading position as the Commonwealth preferential system is replaced by that of the Community. All face the possibility that the advantages offered by the Community may be largely theoretical. Of those states eligible to benefit

¹This applies especially in the case of sensitive products, subject to the quota system, and textile products (which are excluded from present British preference schemes). While a number of products for which special provisions have been made in respect to India, Malaysia and Singapore do not come within the field of processed agricultural products the whole package proposed by the Commission should be taken into account when making a judgement.

from generalised preferences, only the most developed have at their disposal the administrative infrastructure to provide the required certificate of origin according to the conditions laid down in Article 9 (1) a of Regulation (EEC) No. 802/68 of 27 June 1968.

The list of Developing Countries

17. The list of developing countries benefitting under the Generalised Tariff preferences (given in Annex B of the Commission proposals) reveals two groups of countries whose special characteristics call for particular comment.

(a) The oil rich states of the Middle East - Kuwait, Bahrain, Libya, Qatar, Saudi Arabia and certain members of the Union of Arab Esmirates - could be considered to be more in a position to grant aid than as requiring special assistance for development.

(b) Between the European Community and the state-trading countries of Eastern Europe included on the list of developing countries - Roumania and Yugoslavia¹ a delicate commercial balance exists, often maintained by barter arrangements produced in very hard bargaining, which could be disrupted by a Unilateral grant of preferences on the part of the Community.

18. Moreover, discrimination exists as between the countries of Eastern Europe; Roumania and Yugoslavia have been accorded generalized preferences but Bulgaria, Hungary and Poland, which export important quantities of processed agricultural goods to the Community, have not. Bulgaria has recently, if indirectly, made clear its wish to benefit from the system of generalised preferences.

While it is clear that the list of developing countries cannot be altered in its main outlines, being political in character and largely reflecting the decisions of UNCTAD, Roumania has been added to the "Group of 77" in the Commission proposals. The same could be done for other countries within Eastern Europe, and for Turkey, (also interested in benefitting from generalised preferences).

Observations and Conclusions of the Committee on Agriculture

19. The Committee on Agriculture feels that it can give a favourable opinion

¹Yugoslavia is not considered as a state trading country by the Commission, but this is a question open to debate.

²This Council has stated, in a reply to question No. 19/73 tabled by Mr Cousté (OJ no. C 68/73; p.10 of 21 August 1973), that as from 1 January 1974 Turkey will benefit from a treatment not less favourable than that accorded to countries benefitting from generalised preferences

to the proposed regulation the purpose of which is to apply, and extend, for the year 1974 generalised tariff preferences in favour of the developing countries in respect of certain products falling within Chapters 1 to 24 of the Common Customs Tariff.

20. It would however like to point to the anomalies in the list of developing countries benefitting from the generalised preferences and the discrimination that results within the same region. It requests that when consideration is given to other countries of Eastern Europe the role of generalised preferences in future commercial agreements with such state trading countries should be taken into account.
21. On the question of the oil rich Middle East states, the Committee on Agriculture realises that the place of any particular group of countries on the list of developing nations is one of great political consequence. Nevertheless, the Committee on Agriculture wonders whether the Community would be justified in unilaterally granting preferences to states which at this moment are using their principal resource as a political weapon against a member state of the Community.
22. Bearing in mind the changed political and economic position in 1973, the Committee on Agriculture requests the Commission of the European Communities to undertake a fundamental review of the criteria determining the status of 'developing country'.
23. The Committee on Agriculture is also concerned that the efforts made by the Community to improve its commercial relations with different regions and categories of states are in danger of creating a piecemeal and haphazard approach to the problem of development. It urges that Community policy towards particular areas, and especially the Mediterranean, be harmonised within the broader development policy.
24. The Committee on Agriculture would finally request that the necessary information and technical assistance be made available to enable the least developed nations to take advantage of the generalised preference system.

Annex 1A

CCT heading No.	Description	Rate of duty proposed	Rate of Duty existing	Intra EEC Trade ¹ (1,000 kg.)	Developing Third Countries to EEC (1,000 kg.)
08.05-70	Nuts other than those falling within heading No. 08.01, fresh or dried, shelled or not:			1971	1971
	D. Pistachios	Free	N	203 ²	515
09.02-10	Tea:				
	A. In immediate packings of a net capacity not exceeding 3 kg	Free	N	927 ³	1,138
12.07-30	Plants and parts (including seeds and fruit) of trees, bushes, shrubs or other plants, being goods of a kind used primarily in perfumery, in pharmacy, or for insecticidal, fungicidal or similar purposes, fresh or dried, whole, cut, crushed, ground or powdered:				
	B. Liquorice roots	Free	Free	258	6,258
12.08	Locust beans, fresh or dried, whether or not kibbled or ground, but not further prepared; fruit kernels and other vegetable products of a kind used primarily for human food, not falling within any other heading:				
- 31	B. Locust bean seeds:				
	I. Not decorticated, crushed or ground ...	Free	N	248	1,057
- 30	C. Apricot, peach and plum stones, and kernels thereof	Free	N	268	2,087
19.04.00	Tapioca and sago, excluding tapioca and sago substitutes obtained from potato or other starches	7% + vc	7% + vc	1,928 ⁴	1,236
19.06.00	Communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products.....	3.5% +vc	4% + vc	183	150

¹Including UK, Denmark and Ireland²Italy is the principal Community supplier with 202,000 kg in 1971³U.K. is a principal supplier to the "six" 527,000 kg in 1971⁴Denmark is a major exporter to the "Six" - 617,000 on 1971.

("N" indicates that a new preference is being proposed)

Annex 1A (Cont.)

19.07+20	Bread and baker's wares not containing added sugar, honey, eggs, fats, cheese or fruit B. Matzos	3 % + vc with a max of 20 % + adf	3% + vc with max of 20 % + adf	259	151
20.05.49	Jams, fruits, jellies, marmalades, fruit purées and fruit pastes being cooked preparations, whether or not containing added sugar ex. III. Other: - of fruit ¹ falling within heading Nó. 08.01, excluding pineapples	18%	24%	3,896	542
20.06.15	Fruits prepared otherwise or preserved, whether or not containing added sugar or spirit [‡] A Nuts (including ground nuts), roasted in immediate packings of a net capacity II. Of 1 kg or less	14%	14%	7,662	57
21.02-10	Extracts, essences or concentrates, of coffee, tea or maté; preparations with a basis of those extracts, essences or concentrates: ex A. Essences or concentrates of coffee	11%	14%	12,042 ²	1,239
23.02.30	Bran, sharps and other residues derived from the sifting, milling or working of cereals or of leguminous vegetables B. Of leguminous vegetables	6%	6%	2,238 ³	220 ⁴

¹Dates, bananas, pineapples, mangos, mangosteen, avocados, guaves, coconut, Brazil nut, Cashew nut, fresh or dried, with or without shells.

²Netherlands is the major importer: 7,487,000 kg in 1971

³France and Netherlands are the major producers in the Community

⁴Brazil

Annex 1B

CCP heading No.	Description	Tariff rate proposed	Tariff rate existing	Intra-EEC ¹ Trade (1,000 kg)	Developing Third Countries exports to EEC (1,000 kg)	Western Industrialised countries (1,000 kg.)
				1971	1971	1971
02.04.30	Other meat and edible meat offals, fresh chilled or frozen: B. Of game	Free	3%	4,981 ²	10,481 ³	5,482 ⁴
03.03-41	Crustaceans and molluscs, whether in shell or not, fresh (live or dead), chilled, frozen, salted, in brine or dried; Crustaceans, in shell, simply boiled in water: A. IV. Prawns (Fandalae), preserved (excepting grey shrimps)	10%	N	308 ⁵	86	1,037
08.13-00	Peel of melons and citrus fruit, fresh frozen, dried or provisionally preserved in brine, in sulphur water or in other preservative solutions ...	Free	Free	3,997	2,194	4,727

¹ Includes figure for U.K., Denmark and Ireland.

² U.K. is a major supplier to the 'Six' - 3,384,000 kg in 1971

³ Argentina is the major supplier with 10,386,000 kg in 1971

⁴ Austria is a major supplier; Eastern European countries and Russia also supply significant amounts - 5,299,000 in 1971

⁵ U.K. is a major supplier to the 'Six' - 161,000 kg in 1971

Annex 1B continued

09.09-18	Seeds of anise, badian, fennel, coriander, cumin, caraway and juniper: A. Neither crushed nor ground: III. Seeds of fennel, coriander, cumin, caraway and juniper: (b) Other 2. Other	Free	N	1,146	408	1,018
12.03 -	Seeds, fruit and spores, of a kind used for sowing: C. Grass and other herbage seeds: ¹					
-48	III. Other	2.5%	N	2,594	553	2,974
13.03-14	Vegetable saps and extracts; pectic substances, pectinates and pectates; agar-agar and other mucilages and thickeners, derived from vegetable products: A. Vegetable saps and extracts: IV. Of liquorice	Free	Free	1,872	176	1,713
15.11.10	Glycerol and glycerol lyes: A. Crude Alycerol and glycerol lyes	Free	Free	3,516 ²	7,629	1,058
16.02-51	Other prepared or preserved meat or meat offal: B. Other: III. Other: (b) Other: ex. 1. Containing bovine meat or offal: - prepared or preserved bovine tongue	18%	21%	10,112	6,329	3,013

¹Clover had been included in the English text of the Commission's proposal by error and should be disregarded.

²U.K. supplied 1 199,000 kg to the 'Six' in 1971.

Annex 1B continued

20.06-55	Fruit prepared otherwise or preserved B. Other II. Not containing added spirit (a) Containing added sugar, in immediate packings of a net capacity of more than 1 kg: 5. Pineapples: (aa) With a sugar content exceeding 17% by weight .. (bb) Other	12% + L 12%	N N	109	3,345	5,214
20.06-99	(c) not containing added sugar, in immediate packings of net capacity: ex 2. Of less than 4.5 kg. - Fruit falling within heading No. 08.01, excluding pineapples. - Pineapples	14% 12%	18% N	10,156 ¹	4,716	13,793
20.07-	Fruit juices (including grape must) and vegetable juices, whether or not containing added sugar, but unfermented and not containing spirit: B. Of a specific gravity of 1.33 or less at 15° C: II. Other:					
-36	(a) Of a value exceeding 30 u.a. per 100 kg net weight. 2.2 (b) Of a value of 30 u.a. or less per 100 kg net weight 2 ²	12%	12%	7,502	16,217	17,050 ³

¹Italy is the principal Community supplier with 6,086,000 kg in 1971²Grapefruit juice³U.S.A. is the major supplier amongst the developed nations

Annex 1B continued

20.07 - -70	ex. 6. Other fruit and vegetable juices, excluding apricot and peach juice: (aa) Containing added sugar (bb) Other	13% 13%	17% 18%	15,087 ¹	2,991 ²	7,272 ³
21.06.39	Natural yeasts (active or inactive); prepared baking powders; B. Inactive natural yeasts: II. Other	5%	6%	10,675	449	1,323
21.07-10	Food preparations not elsewhere specified or included: A. Cereals in grain or ear form, pre- cooked or otherwise prepared.....	6.5%	10% + VC	1,045	854	2,837

¹ The Netherlands (6,750,000 kg) and Italy (4,592,000 kg) are the major suppliers

² Yugoslavia is a major supplier - 2,859,000 kg. in 1971

³ Austria is a major supplier, - 2,636,000 kg in 1971.

ANNEX 2

List of developing countries and territories
benefiting under the Generalized Tariff Preferences
per capita gross domestic product¹ in dollars for 1970

(INDEPENDENT COUNTRIES ONLY)

All developing countries 220
(EEC 2,260)

Afghanistan	60 ²	Brazil	402	Cuba	n.a.
Algeria	190 ⁴	Burma	78 ³	Cyprus	835
Argentina	1,053	Burundi	57 ⁴	Dahomey	75 ²
Bahamas	n.a. ⁵	Cameroun	188 ⁴	Dominican Republic	364
Bahrain	n.a.	Central African Republic	105 ²	Ecuador	269 ⁴
Bangladesh	n.a.	Chad	67 ²	Egypt, Arab Republic of	210
Barbados	638	Chile	755	El Salvador	291
Bhutan	61 ²	Colombia	409	Equatorial Guinea	76 ⁴
Bolivia	206	Congo, People's Republic of	251 ⁴	Ethiopia	65 ⁴
Botswana	110 ³	Costa Rica	544	Fiji	442

¹It should be emphasized that it is per capita production of goods and services that is being measured here and not the standards of living of the inhabitants of each country. Moreover, these figures represent estimates and the quality of the estimates varies considerably. Their utility is further reduced by divergences between the conversion rates adopted and the hypothetical "equilibrium" rates converting national currencies into a single comparable currency (dollars). No significance should be attached to small differences in GDP per capita between individual countries.

²Figures for 1963

³Figures for 1968

⁴Figures for 1969

⁵n.a. = not available

Gabon	670	Mauritius	233	Togo	135
Gambia	123 ⁴	Mexico	682	Tonga	n.a.
Ghana	292	Morocco	216	Trinidad and Tobago	798 ³
Guatemala	367	Nauru	n.a.	Tunisia	245
Guinea, Republic of	80	Nepal	85	Turkey	344
Guyana	352	Nicaragua	431	Uganda	131
Haiti	92 ³	Niger	97 ⁴	Union of Arab Emirates	n.a.
Honduras	271	Nigeria, Fed. Republic of	97 ⁴	Upper Volta	68 ³
India	91 ⁴	Oman	n.a.	Uruguay	816
Indonesia	97	Pakistan	128 ⁴ +	Venezuela	999
Iran	384	Panama	731	Western Samoa	n.a.
Iraq	343 ⁴	Paraguay	249	Yemen	53
Ivory Coast	342	Peru	400	Yugoslavia	n.a.
Jamaica	721	Philippines	257	Zaire, Democratic Republic of	99
Jordan	259	Qatar	n.a.	Zambia	387
Kenya	144 ₂	Romania	n.a.		
Khmer Republic	124	Rwanda	57		
Korea, Republic of (Sth Korea)	265	Saudi Arabia	487 ³		
Kuwait	4,189 ⁴	Senegal	202 ⁴		
Laos	65 ²	Sierra Leone	166 ⁴		
Lebanon	533	Singapore	447		
Lesotho	92 ⁴	Somalia	65 ⁴		
Liberia	336 ⁴	South Vietnam	189 ⁴		
Libya	1,920	Southern Yemen	143		
Malagasy Republic	133	Sri Lanka	174		
Malawi	72 ⁴	Sudan	110 ⁴		
Malaysia	347 ⁴	Swaziland	208 ⁵		
Maldives Islands	n.a.	Syria	269		
Mali	99	Tanzania	100		
Mauritania	171 (3)	Thailand	190		

² Figures for 1963

³ Figures for 1968

⁴ Figures for 1969

+ including Bangladesh

OPINION

of the Committee on External Economic Relations

Draftsman for an opinion: Lord Mansfield

The Committee on External Economic Relations appointed Lord MANSFIELD draftsman on 28 September 1973.

The draft opinion was considered by the committee at its meeting of 29 November 1973.

The following were present: Mr de la Malène, Chairman, Mr Boano, Vice-Chairman, Sir Tufton Beamish, Mr Cousté, Mr Ligios, Lord Lothian, Mr Sandri, Mr Thiry.

The Committee on External Economic Relations notes that:

1. The Regulations governing the generalized preferences expire at the end of 1973 and the present proposal is to provide the legal basis for the granting of preferences for 1974 covering certain processed agricultural goods of Chapters 1 to 24 of the Common Customs Tariff (CCT).
2. The proposal provides for an increase in the margin of preference granted in respect of products listed in the Regulation currently in force and for an extension of the number of products covered. This extension relates to a volume of trade amounting in 1971 to some \$ 160 million worth of imports into the Community of the Six.
3. The Commission gives the need to consult the European Parliament under Article 43 as their reason for presenting their proposals to the Council at this time, without waiting for the final drafting of other proposals relating to generalized preferences for manufactured or semi-manufactured goods.
4. While the Committee accepts that it is desirable to take steps to improve the Community's generalized preferences scheme as the opportunities occur, in the present instance it is difficult to judge the overall effects on trade of the proposal for certain processed agricultural products without knowing the Commission's proposals for manufactured and semi-manufactured products.
5. The proposed Regulation applies to all countries on the Community's list for generalized preferences. This means that some relatively advanced countries, as well as those which are normally thought of as 'developing', will benefit.
6. In accordance with its frequently expressed opinion, endorsed by the Commission, Turkey should be added to Annex B of Document 171/73.
7. The Committee on External Economic Relations would have welcomed a rather fuller explanatory memorandum from the Commission, giving estimates, for the main commodities, of the quantities and values likely to be involved and the proportion these represent of the exports of the developing countries concerned, of the imports of such commodities into the Community and, where appropriate, of the domestic production of the Community. Without such information it is difficult to assess the probable effects of this proposal on the external trade of the Community.
8. Although any possible harmful effects of the proposal cannot be judged on the basis of the present information, it should be noted that Articles 2 and 3 of the proposed Regulation provide for the reintroduction of the Common

Customs Tariff duties when products benefiting under the proposed Regulation are imported 'in such quantities or at such prices that Community producers of products similar to or in direct competition with them suffer or are likely to suffer serious disadvantage'. Duties may also be reintroduced in the case of actual or potential serious disadvantage in a single region of the Community. Such action can be taken speedily. The Commission must decide within ten working days on an application by a Member State. Any measure taken by the Commission may be referred to the Council by a Member State, but this does not suspend the measure. The Council must meet immediately and may, by a qualified majority, amend or rescind the measure.

9. In the opinion of the Committee on External Economic Relations the proposed Regulation represents a useful step in the liberalizing of trade, which should benefit the developing countries. They consider that the safeguards for Community producers are adequate, and they therefore approve the proposal.