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REPORT

of the Committee on Development and Cooperation

on the communication from the Commission to the Council
concerning the Generalized system of preferences:
guidelines for the 1990s
(COM(90) 0329 final - C3-0239/90)

Rapporteur: Mr Ejner H. CHRISTIANSEN

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A Series: Reports - B Series: Motions for Resolutions, Oral Questions - C Series: Documents received from other Institutions (e.g. Consultations)



= Consultation procedure requiring a single reading



= Cooperation procedure (second reading) which requires the votes of a majority of the current Members of Parliament for rejection or amendment



= Cooperation procedure (first reading)



= Parliamentary assent which requires the votes of a majority of the current Members of Parliament

By letter of 10 August 1990 the Council consulted the European Parliament on the communication from the Commission to the Council on the Generalized system of preferences: Guidelines for the 1990s.

At the sitting of 10 September 1990 the President of the European Parliament announced that he had referred this communication to the Committee on Development and Cooperation as the committee responsible and to the Committee on Budgets, the Committee on External Economic Relations, Committee on Economic and Monetary Affairs and Industrial Policy and the Committee on Agriculture, Fisheries and Rural Development for their opinions.

At its meeting of 21 June 1990 the Committee on Development and Cooperation appointed Mr Christiansen rapporteur.

At its meeting of 6 November 1990 the committee considered the Commission communication and the draft report.

At its meeting of 28 November 1990 the committee adopted the motion for a resolution by 15 votes to 1, with 1 abstention.

The following took part in the vote: Aulas, vice-chairman and acting chairman; Christiansen, rapporteur; Andrews, Balfe (for McGowan), Cassidy (for Jackson), Daly, de Donnea (for Nordmann), Galland, Lagakos, Napoletano, Perschau, Pons Grau, van Putten, Rossetti, Sandbaek (for Ewing) and Schmidbauer.

The opinion of the Committee on Budgets is attached.

The opinions of the Committee on External Economic Relations and the Committee on Economic and Monetary Affairs and Industrial Policy will be published separately.

The report was tabled on 29 November 1990.

The deadline for tabling amendments will appear on the draft agenda for the part-session at which the report is to be considered.

A
MOTION FOR A RESOLUTION

on the Commission communication to the Council concerning the Generalized system of preferences - Guidelines for the 1990s

The European Parliament,

- A. having regard to the communication from the Commission to the Council (COM (90) 0329 final),
 - B. having been consulted by the Council (C3-0239/90),
 - C. having regard to the report of the Committee on Development and Cooperation and the opinions of the Committee (A3-0335/90)
 - C. recalling its previous resolutions on the generalized system of preferences system and, in particular, those of 17 October 1980¹, 15 December 1980² and 25 October 1985³,
 - D. having regard to the report of the Committee on Development and Cooperation and the opinions of the Committee on Budgets, the Committee on External Economic Relations and the Committee on Economic and Monetary Affairs and Industrial Policy (A3-0335/90),
1. Supports the renewal of the Community's generalized system of preferences by means of a new scheme to follow on directly from its second period of application;
 2. Reaffirms its support for a Community system of generalized tariff preferences as a commercial policy instrument for the benefit of the developing countries, particularly the least developed among them;
 3. Agrees with the Commission that a substantially improved system has still an important role to play in the context of Community development policy;
 4. Criticizes the fact that the analysis of the last 10 years of GSP once again does not contain sufficient detail to give a clear impression of the real significance of GSP for the developing countries; stresses, however that the analysis highlights some major weaknesses in the current system to which the European Parliament has repeatedly drawn attention over the years:
 - (a) poor take-up of the facilities offered under the GSP,
 - (b) 70 percent of its facilities are used by ten countries,
 - (c) the system has not benefited the least developed countries;
 5. Calls for the consideration of all possible ways of minimizing the problems associated with procedures in the application of the GSP, with particular regard to the least developed countries;

¹ OJ No. C 291, 10.11.1980, p. 77

² OJ No. C 346, 31.12.1980, p. 19

³ OJ No. C 343, 31.12.1985, p. 119

6. Calls on the Eastern European States which benefit from the GSP to open up their markets to exports from developing countries, and, in particular, from the least developed countries;
7. Criticizes the fact that no evaluation study has been made of the effects of the system with regard to the economic and social situation within the Community; demands in particular that an in-depth prospective evaluation be made concerning the effects of the Single European Market on both the EEC and the GSP beneficiaries, as any newly defined system will have to apply in the context of its entry into force;
8. Expresses its belief that the completion of the European Single Market should lead to greater opportunities for developing countries' exports to the EEC and that the Community should under no circumstances use it as an argument to make the system less liberal;
9. Reiterates its demand that both in the developing countries and within the Community the two sides of industry should be involved in implementing and monitoring the system and regrets that the Commission does not support this demand in its communication;
10. Reiterates its demand that the countries benefiting from the system must comply with the international minimum standards for working conditions and the organization of workers laid down in the Conventions of the International Labour Organization and regrets that the Commission does not support this demand in its communication;
11. Supports the demand of the International Confederation of Free Trade Unions for inclusion in the GSP of a clause guaranteeing workers' fundamental rights;
12. Welcomes the fact that the Commission endorses the view expressed by the European Parliament that the Community should secure a commitment from the most developed of the beneficiary countries to open up their markets and to grant preferences to poorer developing countries;
13. Reiterates its view that the list of GSP beneficiaries should not include any country with a GNP higher than any of the EC Member States;
14. Welcomes the fact that, according to the data provided by the Commission, the policy of differentiation actually helps to improve access for poorer countries; reiterates its view that differentiation is acceptable only on condition that it does not make the system as a whole less liberal;
15. Reiterates its belief that the generalized system of preferences can be of benefit in particular to the least developed countries only if it applies to both processed and unprocessed agricultural products;
16. Reiterates its demand that new agricultural products be included in the list of preferences, including products covered by the common agricultural policy, with priority being given to products from the least developed countries, and regrets that the Commission does not support this demand in its communication;

17. Draws attention once again to the need for measures to establish a more balanced distribution of the advantages of the system in favour of the countries of Latin America and regrets that the Commission does not address this point in its communication; insists, however, that such measures be extended also to the poorer developing countries in Asia;
18. Accepts, as a way of making the system simpler and more transparent, the proposal put forward by the Commission for three possible treatments for each product/country pair in respect of all products subject to customs duties on condition that it does not make the system as a whole more restrictive;
19. Welcomes, as a way of making the system more stable, the proposal that it should, in principle, be guaranteed for a period of application of at least three years;
20. Expresses its deep concern at the Commission's acknowledgement that the GSP has not had any beneficial effect at all on industrialization in the least developed countries; agrees that they should continue to benefit from more favourable arrangements and demands that these arrangements be reinforced;
21. Welcomes in that connection the proposed revision of rules of origin to be implemented from 1991;
22. Accepts the proposal put forward by the Commission that there should be more harmonization of donor country policies, on condition once again that it does not make the Community's system as a whole more restrictive;
23. Recognizes that there is a link - although not a conditional one - between improvement of the Community's GSP and increased participation of beneficiary countries in GATT rules, as well as the possible willingness of the most developed of the beneficiary countries to open up their markets to poorer developing countries;
24. Acknowledges the practical difficulty for the Community in defining in detail its specific GSP offer according to the new scheme before knowing the outcome of the Uruguay Round;
25. Calls under these circumstances for a detailed proposal for a renewed GSP to be presented as soon as the current GATT negotiations are completed, and for Parliament to give its assent thereto;
26. Insists on the fact that any concrete proposal will have to cover in an appropriate way the demands expressed therein, in particular as regards the different points which have been totally overlooked in the Commission's communication;
27. Instructs its President to forward this resolution to the Council and Commission.

B
EXPLANATORY STATEMENT

The Committee on Development and Cooperation has been reviewing the Generalized System of Preferences of the European Community each year over this past decade whenever the Commission put forward its proposals for each successive year.

Ten years ago the Committee on Development and Cooperation delivered its opinion on the guidelines for the European Community's scheme of generalized preferences for the post-1980 period⁴. It also gave its opinion for the five-year scheme 1981 to 1985⁵ and for the period 1986-1990⁶.

By the end of the first decade of implementation of the system - from 1971 to 1980 - the Committee on Development and Cooperation warmly welcomed the renewal of the Community's generalized system of preferences. The committee supported the establishment of the EEC system for a new ten-year period.

It is time now for the European Community to prepare and adopt the guidelines for the coming decade and for the Committee on Development and Cooperation to examine the proposals of the Commission against the background of the various recommendations and findings it made over the years.

1. The economic background to the revision of the European Community's scheme: the assessment by the Commission

The Commission includes in its Communication a study with a view to providing, according to the Commission, the necessary macro-economic background to the coming revision of the Community's scheme. It is worth recalling the main findings of this study.

The exports of the beneficiaries of the EEC Generalized System of Preferences (GSP) to the European Community accounted for 83 billion ECU in 1988 which represented some 70 % of all imports by the European Community from developing countries.

But it has to be emphasized that if some 70 % of all EEC imports from eligible countries qualify in principle for GSP treatment, around 30 % of dutiable imports from eligible countries actually benefit from GSP treatment. In 1988 therefore the actual reduction of customs duties amounted to 1000 mecus (on 16.000 mecus of imports which benefited from GSP treatment). This figure represents the real magnitude of the financial impact of the EEC scheme on the developing countries.

⁴ OJ No. C 291, 10.11.80, p. 77

⁵ OJ No. C 346, 31.12.80, p. 19

⁶ OJ No. C 343, 31.12.85, p. 119

The study indicates that around 13 to 14 % of EEC imports from the GSP countries - i.e. eligible countries which qualify in principle for GSP treatment - are not covered by the system. In other words they are excluded from the Community's System.

Exports from the GSP beneficiaries (fuels excluded) to the European Community have grown well above the developing countries' average throughout the past decade. Exports of industrial products have expanded more vigorously than total GSP countries' exports to the European Community.

As far as the main beneficiaries of the scheme are concerned, the study shows that in 1988 the top ten beneficiary countries shared 69,5 % of the GSP benefits. This percentage has remained stable over the decade. In 1981 it amounted to 69,1 %, in 1985 it represented 67,5 %.

The study made by the Commission addresses the important question of the effects of the differentiation policy which has been implemented by the European Community since 1985.

The figures indicate that the proportion of dutiable imports for the high income countries which actually received GSP treatment fell from 37,6 % in 1985 to 21,8 % in 1988. According to the Commission the sharp fall in the benefit ratio - i.e. the part of dutiable imports which actually received preferential treatment - for the high income countries and to a lesser extent for the upper-middle income countries can be attributed to the policy of differentiation implemented after 1985.

As far as the least developed countries are concerned, the proportion of imports covered by the GSP system in 1988 amounted to 95 %. The percentage of dutiable imports which in fact received preferential treatment in 1988 only amounted to 61,4 %.

2. The main demands formulated by the Committee on Development and Cooperation and the European Parliament during the past decade

In the light of the principal economic data presented by the Commission and taking into consideration the content of the whole communication, it appears necessary to repeat the main demands made by the Committee on Development and Cooperation and the European Parliament in recent years.

a) Economic and social assessment of the system :

The European Parliament called for an assessment by country, region and production sector of the advantages that the developing countries have derived from the system. Parliament emphasized the need to ensure that the economic advantages of the system directly benefit the countries concerned and their economic operators. It furthermore called for an assessment of the implications of GSP concessions for the European Community and its different sectors and regions concerned.

Taking account of these demands, it can be said that the analysis made by the Commission is too broad to give a clear view of the real significance of the Community's GSP for the different developing countries. No assessment has been made of the economic and social impact of the scheme on the European Community, its different sectors and regions.

b) Role of management and labour

The European Parliament and its Committee on Development and Cooperation have asked on several occasions that employers and workers within the European Community should be consulted and better informed, and that management and labour in the developing countries should be involved in implementing and monitoring the system.

The Commission has not made any comment or proposal to that effect.

c) Working conditions in the GSP beneficiary countries

The European Parliament has insisted that the GSP countries should comply with the international minimum standards for working conditions laid down in the Conventions of the International Labour Organization.

This item is totally overlooked by the Commission.

d) Role and position of the newly industrialized countries

The European Parliament suggested that the European Community should encourage the newly industrialized countries to grant commercial preferences to poorer developing countries.

The Commission indicates in this connection that the European Community should take account of the growing capacity of all beneficiaries to make their own contribution to liberalizing trade for developing countries. It furthermore states that the Community intends to obtain a commitment from the most developed of the beneficiary countries to open up their markets to imports from developing countries in the same way as it grants them improved access to the Community market.

The Commission does not make any comment with regard to the demand by Parliament that the list of GSP beneficiaries should not include countries with a GNP higher than any of the EEC member states.

e) Impact of the policy of differentiation

Parliament and the Committee on Development and Cooperation have clearly indicated that this policy is only acceptable on condition that it improves access to the Community for the poorer countries and that it does not make the system as a whole less liberal.

The first part of the demand is covered in the Communication of the Commission, as indicated above. However no specific assessment is made concerning the second request by Parliament.

f) Inclusion of new agricultural products

Parliament has repeatedly asked that new agricultural products should be included in the list of preferences - including those covered by the Common Agricultural Policy - in view of the fact that the poorest countries can very often only be helped by preferences in the agricultural sector.

The Commission has not made any new proposal in this respect either.

g) Latin American countries

Parliament has stressed the need to establish a more balanced distribution of advantages in favour of Latin American countries. The economic analysis provided by the Commission - as discussed earlier - indicates that there was only one Latin American country - Brazil - among the first ten beneficiary countries in 1988. Here again the Commission does not put forward any proposals to remedy this imbalance.

3. The guidelines put forward by the EEC Commission

The Commission indicates clearly that according to its findings and conclusions the Community's Generalized System of Preferences is a commercial policy instrument which remains imperative and should be substantially improved.

To improve the stability of the scheme the Commission proposes that the system should in principle be guaranteed for a period of at least three years.

To make it simpler and more transparent the Commission proposes 3 possible treatments for each product/country pair :

- a) Duty-free entry without quantitative restriction for the majority of products. This would be unchanged compared with the current system.
- b) Reduction in custom duties without quantitative restrictions for products which are recognized as being sensitive.

This would represent a major change compared with the current system for industrial products. Under the present system, sensitive industrial products are allowed to be imported duty-free up to a certain quantitative level which is granted either for one or more specific countries or for all potential GSP beneficiaries.

The proposal made by the Commission would, in the industrial sector, abolish the current system of ceilings and zero-duty fixed amounts and all the uncertainties related to the re-establishment of custom duties once the quantitative level has been reached.

- c) Exclusion pure and simple of product/country pairs which cannot be fitted into either of the above categories because the product is extremely sensitive - this would be unchanged compared with the current system and policy of differentiation - or because it would not be possible to reduce the duty sufficiently to provide an acceptable margin of preference. This would be a consequence of a new system of reduction in custom duties as opposed to the current system of duty-free entry up to a certain amount.

According to the Commission the least developed countries should continue to benefit from more favourable arrangements. To this end a revision of the rules of origin should be implemented as from 1991.

The Commission emphasizes the fact that the Generalized System of Preferences is no longer an alternative to GATT instruments and disciplines. More and more GSP beneficiaries have the ability to make their contribution to liberalizing trade and to assuming more obligations within the GATT.

According to the Commission active participation by the developing countries in the GATT negotiations and their acceptance of increased multilateral disciplines should affect the degree of additional liberalization to be offered under the Community GSP to all beneficiary countries.

The Commission indicates that such an approach introduces a link - although not a conditional one - between the improvement of the Community's GSP and increased participation by the beneficiary countries in GATT rules, including the granting of practical concessions on their part in favour of other developing countries.

As a consequence of this new approach, the Commission believes that it will not be possible to present a detailed proposal for a renewed GSP before the Uruguay Round of negotiations is concluded.

OPINION

of the Committee on Budgets

Letter from the Chairman of the committee to Mr Saby, chairman of the
Committee on Development and Cooperation

Luxembourg, 28 November 1990

Subject: Commission communication concerning the Generalized system of
preferences: guidelines for the 1990s (COM(90) 329 - C3-239/90)

Dear Mr Saby,

At its meeting of 27 November 1990 the Committee on Budgets considered the
above communication.

The committee noted that this communication concerns the Community's
guidelines for the Generalized system of preferences for the 1990s; however,
its implementation also depends upon the conclusion of the Uruguay Round
negotiations.

The Committee on Budgets takes note of the guidelines and asks the Commission
to notify it of the financial impact of implementation of the Generalized
system of preferences, by means of a multiannual estimate of the potential
shortfall on the revenue side of the budget.

Yours sincerely,

Thomas von der VRING

The following were present for the vote: von der Vring, chairman; Arias-
Canete, Böge, Desama, Holzfuß, Hory, Kellett-Bowman, Lo Giudice, Marques-
Mendes, Napolitano, Onur (for Colom i Naval) and Pasty