

COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMISSION'S PROPOSALS TO THE COUNCIL

fixing the Community's scheme of generalized tariff preferences
for the period 1981 to 1985 and opening the scheme
applicable in 1982

(presented by the Commission to the Council)

Editor's note: Only the Explanatory memorandum is included. The proposed legislation was published in *Official Journal C 273/81*, 26.10.1981

Introduction

At its meeting on 16 December 1980, the Council of Ministers approved the continuation of the Community's scheme of Generalised Preferences in favour of developing countries for a further 10-year-period with effect from 1 January 1981. As during its first decade of operation the scheme was to be reviewed annually and where necessary revised. However, while maintaining a large measure of continuity with the past in such key elements as product coverage, tariff treatment and list of beneficiary countries, important changes were introduced into the EC's scheme for industrial products in order to make it more valid and relevant for the 1980's. More specifically these changes on the one hand were aimed at ensuring on the basis of the experience which the Community had already built up, a better balance in the distribution of preferential benefits than had obtained during the 1970's and thus making more effective the processes of industrialisation among developing countries particularly the poorer and Least Developed Countries and were also designed to look after the competitive position of the EC's own industries in the years to come. Finally in both the industrial and the agricultural sectors the Commission considers that the Community should continue to liberalise trade while nevertheless ensuring that the interests of those of its trade partners with whom it maintains privileged relations, are respected.

The Commission believes that the proposals which it is now putting forward to the Council for the EC's 1982 GSP Scheme are fully in accordance with the Council's Guidelines.

Industrial Products

The structure of the new GSP Scheme for industrial manufactured and semi-manufactured products has been designed to meet two desiderata

- differentiation in the allocation of the preferential advantages offered in order to relate them much more closely to the real needs of the beneficiary countries; and
- simplification of administration with consequent easier comprehension.

The technique used to achieve this has been that where limits to duty-free entry have to be imposed the former extensive system of global controls of all suppliers whether at the quota or at the ceiling level has been replaced by controls at the level of individual suppliers, in particular those identified as already competitive. Moreover the former complex hierarchy of product sensitivity has given way to no more than two categories - controlled and Non-Sensitive products.

While not excluding the possibility that the economic situation in a given sector can change quite rapidly, the Commission believes that the exercise carried out jointly with Member States last autumn to establish the new list of Sensitive products was so thorough and intensive that its results can be regarded as still by and large valid, i.e. that those sectors which were then identified as currently under stress will continue to be so in the short-to-medium term.

Moreover the new administrative system having only been operated for just over 6 months, it would be quite premature to draw any wide-ranging conclusions about its working. In these circumstances it seems to the Commission both reasonable and prudent to maintain the present list of Sensitive products almost entirely unaltered.

As far as the value of the individual country quotas and ceilings are concerned, no particular problem having as yet arisen with individual suppliers or products, the Commission proposes as a general rule an across-the-board increase of 10% where these are expressed in terms of ECUs. The Commission recognises, however, that within the EC's comprehensive product coverage, a number of sectors remain in such difficulties that either only a lower rate of increase (5%) can be countenanced or because of the truly critical situation no increase whatsoever, e.g. ECSC products, shoes, certain chemical products etc.

The Commission has carefully reviewed - product by product - the special regimes which currently apply to Romania and China. It believes that since the new system of individual country quotas plus ceilings on sensitive products allows preferential limits on competitive suppliers to be precisely controlled, it should be possible within this framework to extending preferential benefit for a number of products of interest to Romania and China without fundamentally disturbing the balance and composition of this list. The Commission is also proposing that in List B - products regarded as Non-Sensitive - the number of products from which Roumania and China have hitherto been excluded from benefit - should be reduced. (The exclusions would thereby be reduced from 83 products to 31 in the case of Roumania and from 24 to 10 products in the case of China).

Furthermore the Commission considers that the autonomous nature of the concessions which might be granted can constitute - in certain cases - a useful instrument in a wider context for the improvement of the Community's trade relations with a certain number of countries. The Commission considers that the concessions opened under the GSP should allow the improvement of bilateral relations with developing countries.

Textile Products

A radically revised textile scheme, which introduced for the first time for eligible beneficiary countries the concept of guaranteed shares on products covered by the Multifibre Agreement, was brought into operation by the Community in 1980. The Community now has more than a year and a half of experience in applying this concept and has reason to believe that by and large it is succeeding in meeting the objectives set for it. However, as a basic principle in this scheme is the link with the MFA and the complementary bilateral agreements concluded under its umbrella, the Commission believes that it is necessary to await at least the outcome of the renegotiation of the MFA in 1981 before contemplating any modification of the arrangements for preferential imports. Accordingly the Commission is proposing that the provisions regarding MFA products should be renewed unaltered in 1982. It should be noted that the GSP textile arrangements unlike nearly all other items in the EC's Scheme are not expressed in value terms.

This proposal does not, however, exclude the possibility of adding new supplier countries to the list of eligible beneficiary countries should any of these conclude with the EC the necessary bilateral agreement or give similar undertakings.

The Commission is also proposing that the current GSP arrangements for Non-MFA products be extended for a further year unaltered. However, as far as jute products are concerned the Commission is again proposing the inclusion of China among the beneficiaries. China is at present a very small supplier of jute products to the EC, although it is endowed with a significant production capacity; it has already taken on its side to conclude with the EC an agreement of the type in force with India and Bangladesh to cover the possibility of its exports causing disruption on the EC market.

Agricultural products

The Commission has engaged in an in-depth review of the existing arrangements for GSP imports of products in CCT Chapters 1 - 24 both as regards products already previously included in the GSP and the preferential margins offered on them and the possibilities of bringing in additional products.

The Commission considers nevertheless that the Community should take into account not merely its Common Agricultural Policy but equally its policy in regard to preferential countries. In effect to maintain the quality of the existing preferential trade relations requires taking into account the difficulties which the preferential countries might experience in their access to the Community market. The future enlargement of the Community makes it necessary to act prudently in regard to certain products. Nevertheless having taken into account all these factors the Commission believes that some improvements for certain products could be accepted in this sector without too many difficulties.

In looking for items on which action might be taken, the Commission believes that priority should be given to products which would be of interest to those poorer countries which have so far made comparatively little use of the EC's GSP. Such an approach is, of course, complementary to the objectives which underlay the remodelling of the EC's GSP in the industrial sector. Moreover as the European Parliament urged in its Opinion on the Commission's proposals for the EC's 1981 GSP Scheme, measures of this kind are one of the most effective means of helping countries at the level of economic development, which often have few manufactured industrial products to offer on the world market.

Accordingly with all these considerations in mind, the Commission is proposing

- improvements in preferential margins on 45 products already included in the EC's GSP, 6 of which would henceforth become duty-free. Among products of particular importance in trade terms included in these proposals are: certain spices, e.g. pepper, neither crushed nor ground and cinnamon - other; castor oil; unrefined palm oil intended for technical or industrial use; other sauces; cigars and cigarillos.
- the inclusion of 9 new products:
certain unrooted cuttings,
slips, trees and shrubs and certain other parts of trees, shrubs, etc.;
pineapple juice; spirituous beverage of the types Pisco and Sangani.

- for Least Developed Countries only the inclusions of 5 new products duty-free and the removal of the application to them of the remaining preferential limits on the quota for Virginia-type tobacco, the ceiling on other tobacco and the two quotas on canned pineapples;
- the extension to the People's Republic of China of the GSP offer available to all other beneficiaries.

Management and Administration of the GSP

The Commission is putting forward again the proposals about the administration of the GSP which it sent to the Council last year and which placed more emphasis within an appropriate management framework on its Community aspects. These involved redefining the distinction between day-to-day administrative decisions and important economic and political decisions affecting the structure of the scheme - in particular as regards the procedure for reintroduction of duties at the ceiling level and the annual adjustments to be carried out within the guidelines defined for the 1981-85 period. It was not possible to bring this exchange of views to a definitive conclusion before the deadline for the Council to approve the 1981 GSP Scheme. The Commission has therefore formally incorporated them in the draft regulations it is proposing for 1982.

Minimum Labour Standards

The Commission sent to the Council a working document setting out how it saw the observance of minimum international labour standards could be tied in with eligibility to benefit from the EC's generalised preferences. The Commission considers that this issue has not so far been fully examined by Member States and that its proposals are to be regarded as still lying on the table.

Rules of Origin

The rules of origin applicable in 1981 should be renewed without change in 1982, save for any technical adaptations necessitated by the introduction of new products into the EC's Scheme. It is expected, however, that the Community will continue to collaborate closely with its partners among the donor countries in the important ongoing work of seeking to simplify and harmonise the rules of origin.

Supplementary Measures

In renewing its GSP Scheme for a further 10 years the EC has laid special emphasis on creating conditions which will enable poorer and Least Developed Countries to make more use of the opportunities offered. However, achieving such a better balance in the pattern of utilisation depends not only in improving the formal terms of access but in inspiring potential users of the GSP with the confidence that their exports can obtain preferential treatment for which a sound knowledge of the GSP is a prerequisite.

The Commission will therefore continue its programme of information seminars on the GSP, with the aim in particular of trying to make direct contact in these seminars with businessmen and others involved in the day-to-day problems of exporting to the EC. As a complement to these efforts a new edition will be published of the Practical Guide to the Use of the Community's GSP.

First evaluation

<u>PRODUCTS SUBJECT TO TARIFF QUOTAS</u>	<u>Quotas/ceilings</u>	<u>Utilization</u>	<u>%</u>
ECSC products	45,177	22,306	49.4
Footwear	33,881	33,154	97.9
Textiles (1)	931,818(2) (=101,050 metric tons)	641,092 (= 69,068 m. t.)	68.8 (a)
Other industrial products	239,321 (131,801 + 107,420 (4) for item 44.15)	232,088 (= 129,007 + 103,081)	97.0 *
Agricultural products (3)	415,000(2)(4) (= 173,350 m.t.)	366,715(4) (= 139,676 m. t.)	88.4 (b)
<u>sub-totals</u>	1,665,197 (168.9% /1979)	1,295,355 (149.6% /1979)	77.8 %
<u>PRODUCTS SUBJECT TO CEILINGS UNDER SURVEILLANCE</u>			
ECSC products	24,238	19,424	80.1
Petroleum products	508,122(4)(2) (= 2,678,500 m.t.)	2,312,693(4) (= 13,727,209 m.t.)	455 (c)
Textiles (5)	398,905(2) (= 13,640 m.t.)	361,279 (= 12,319 m. t.)	90.6 (d)
Other industrial products	543,537	637,792	117.3
Products subject to preferential tariff ceilings (Reg. 2788/79)	362,568	229,928	63.4
Tobacco other than Virginia type	7,100 (2) (= 2,500 m.t.)	9,741 (= 3,430 m.t.)	137.2
<u>sub-totals</u>	1,844,470 (102.7% /1979)	3,570,857 (170.6% /1979)	193.6 %
<u>PRODUCTS SUBJECT TO NORMAL CEILINGS OR NO CEILINGS AT ALL</u>			
Textiles	2,894(2) (= 310 m.t.) (4)	2,125 (= 227.631 m.t.) (4)	73.4
Jute and coir products	104,400 (120,000 m.t.) (4)	83,920 (96,576 m.t.) (4)	80.4
Other industrial products	4,276,180 (4)	2,021,780 (4)	47.3
<u>sub-totals</u>	4,383,474 (117.9% /1979)	2,107,825 (115.2% /1979)	48.1 %
<u>TOTAL</u>	<u>7,893,141 (118.7% /1979)</u>	<u>6,974,037 (145.6% /1979)</u>	<u>88.4 %</u>
Other agricultural products	1,206,859 (4)	1,150,000 (4)	95.3 %
<u>TOTAL OPENED</u>	<u>9,100,000 (116.7% /1979)</u>	<u>TOTAL UTILIZATION</u>	<u>8,124,037 (139.4% /1979)</u>

(1) MFA and non MFA textiles allocated among Member States
(Ann. A and C - Reg. 2894/79)

(2) These quotas and ceilings are expressed in metric tons

(3) Tariff quotas for cocoa butter, soluble coffee, pineapples in slices
and other than in slices, tobacco of the Virginia type

(4) Estimate

(5) MFA and non MFA textiles not allocated among Member States
(Ann. B and D - Reg. 2894/79)

* utilization of item 44.15 : 99.4 %
(a) utilization in quantity : 68.4 %
(b) " " " : 80.6 %
(c) " " " : 512.5 %
(d) " " " : 90.3 %