

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(83) 441 final

Brussels, 13th July 1983

PROPOSAL FROM THE COMMISSION TO THE COUNCIL
FIXING THE COMMUNITY'S GENERALIZED TARIFF PREFERENCES
SCHEME FOR 1984

(presented from the Commission to the Council)

Only the explanatory memorandum has been reproduced. The detailed proposal was published in OJ C263/83, 3 October 1983.

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Introduction

These proposals from the Commission to the Council refer to the regulatory provisions (three EEC regulations and an ECSC decision) required to establish the scheme of generalized tariff preferences for 1984. They follow the guidelines for the five-year period 1981-85 approved by the Council when it decided in principle to extend the Community's scheme of generalized tariff preferences for a second decade.

The Commission's task in drawing up these arrangements has been made even more difficult than before by the need to strike a fair balance between the various factors involved.

There has been no improvement in the Community's general economic situation: a number of industries and sectors of the economy are still in the grip of recession, and lack of demand or fall-off in competitiveness means that much capacity is still heavily under-utilized. As a result, unemployment has reached record levels and this has inevitably caused social tensions.

However, in the matter of the Community's relations with the developing world, for which the GSP remains a major instrument of development cooperation, these internal considerations have to be seen in a more general context. Whatever the problems and concerns of the Community and other industrialized countries over the past year, the situation in almost all developing countries has been even more worrying.

It has been rendered yet more difficult by a further deterioration in the terms of trade and the introduction of constraints designed to ensure the continued servicing of international debt, which has now reached alarming proportions. The interdependence of countries at different levels of development is demonstrated by the unmistakable effect on the economies of the industrialized countries of the dramatic reduction in the import capacity of developing countries, which are no longer able to buy the machinery and capital goods they require for their future development. It is true that the GSP cannot be crucial to world economy recovery but the Commission feels duty bound to keep the Community market open to the developing world by taking calculated risks.

Agricultural products

When it adopted the GSP scheme for 1983, the Council followed the Commission's proposals, which had been enthusiastically endorsed by Parliament. These were designed to improve substantially the measures in favour of the Least Developed Countries by granting them access to the Community market on the same terms as those enjoyed by the ACP countries for all dutiable products in Chapters 1 to 24 of the CCT not subject to levies or similar charges. The Council felt unable, however, to accept these proposals wholesale and removed certain products. The Commission considers that it must reiterate all the terms of the proposals.

The Commission has also examined carefully the effect of the existing preferential margins and has concluded that the GSP rates of 54 products on the agricultural list could be improved.

This includes duty-free entry for ten products (including dried bananas (08.01 ex B), bilberries and fresh papaws (08.08 C, 08.08 E), cinnamon ground or otherwise prepared (09.06 A, B) and banana flour (11.04 B ex I)), on which the present GSP duty is 2 %, a rate which cannot be regarded as providing significant protection.

The Commission also considers that the time is now right to harmonize the various GSP rates applying to different types of juices, preserved fruit or mixtures of fruit and jams. Although the rates show considerable variation, the impact of imports of these products is probably very similar. The Commission is therefore proposing that a uniform duty of 6 % should be introduced for some 23 products falling within headings 20.03, 20.04, 20.05, 20.06 and 20.07, most of which have tropical fruits as their main ingredient. This will involve a considerable reduction in duty in some cases but the effects will be limited because imports from the countries concerned are negligible. Using the same argument, the Commission is proposing that duties on products falling within heading 03.03 (crustaceans and molluscs) should in so far as possible be unified at 4 %.

It also seems fair to align the GSP duties on a number of other processed agricultural products with the duties applicable to those products when imported from EFTA countries. Products affected are crispbread (19.07 A), gingerbread and the like (19.08 A), roasted coffee substitutes and extracts of chicory (21.02 C and D) and pre-cooked cereals (21.07 A I, II and III).

It should be noted that the Commission's proposals do not affect the variable component of any levies (or, in the case of sugar and flour, additional duties).

The Commission also considers that it would be desirable to remove the few exclusions which still apply to certain agricultural products from China and to allow that country to benefit from the GSP offer in that field on the same basis as other eligible countries.

Industrial products

The Commission has examined the situation in the sensitive sectors of Community industry in order to offer the developing countries the greatest possible opportunities while at the same time protecting vital Community interests.

It has paid particular attention to the sensitive products in Annex A, both from the point of view of trade in general and from that of GSP utilization. As a result, it has deleted four products from Annex A (sensitive products): broom handles (44.25 ex B), parts and furniture for sewing machines (84.41 A III), wires, cables and stranded wire for electrical purposes (85.23 B) and motor vehicles (87.02 A I ex b), so reducing the number to 125. It also considers it useful to maintain 4 other products on this list, but subject to the more flexible regime of ceilings. These are liquefied ammonia (28.16), heparin (39.06) and certain sewing machines (84.41 A I b).

In the case of three other sensitive products, however, it appeared necessary to fix individual quotas so as to be able to exercise better control over preferential imports from certain sources and spread the load more evenly. This has been done for sodium carbonate (28.42 A II), gelatine (35.03 ex B) and tableware and domestic porcelain or china (69.11).

Careful attention has also been paid to the preferential amounts, which the Commission proposes to increase by between 5 % and 15 % for 32 quotas and 94 ceilings. In the case of the ceilings, there are 46 increases of 10 % and five of up to 15 % while in the case of the quotas there are 23 increases of 5 % and one of 15 %.

The very difficult economic situation in the corresponding Community industries makes it impossible to contemplate increasing other preferential amounts. This is particularly true of chemicals and fertilizers, footwear and leather products, glass and ceramics and clocks and watches. Obviously, in the case of steel products too the preferential offer has had to remain unchanged.

Turning to industrial products in Annex B (non-sensitive), the Commission considers a 10 % increase in the reference bases to be reasonable.

Because of the trend of imports from China and Romania, the Commission considers it only fair to lift some of the exclusions applying to those countries. It therefore proposes that the GSP should be extended to exports from either country of copper bars and sections (74.03), aluminium bars and sections (76.02) and aluminium sheet (76.03) and to exports from China of zinc sheet (79.03 A). (1)

With regard to ECSC products the situation remains unchanged, except for the abolition of quotas applying to Yugoslavia, as this country has, since 1 April 1983, been covered by special arrangements under the Agreement on products in question.

(1) Romania already enjoys preferential treatment.

Textile products

When the structure of the present GSP scheme was established four years ago, the section concerned with textile products covered by the Multifibre Arrangement (MFA) was based on exports by the beneficiary countries in 1977. Since then trade flows have changed, sometimes dramatically. This means that in a number of cases ceilings are no longer adequate because they were based on export flows which are now out of date. The beneficiary countries have repeatedly stressed the need to use a more representative statistical year and, in the case of some of the more sensitive product categories in Groups II and III, the maintenance of the preferential volume at the level of the unallocated minimum offer for countries which have meanwhile become competitive means that treatment must be differentiated. This is not justified for those beneficiary countries which were already suppliers in 1977, whose preferential imports have therefore been administered under allocated ceilings since 1980.

At the beginning of the year, the Commission started to consider the situation since the "new" scheme was applied in 1980, with particular reference to the last complete statistical year available. It concluded that further study was required to reassess the parameters determining how much should be granted in the offer in the light of the overall level of development of the beneficiary countries and their competitiveness in the textile sector. It considers that this work will require very thorough preparation, which will normally take place in the context of the overall review of the scheme.

It does, however, consider that the time has come to reflect in the GSP offer the trends in textile trade flows from GSP beneficiaries by increasing proportionally the individual ceilings (this adjustment does not, however, apply to dominant countries or state-trading countries). This means an increase in ceilings by 10% of the difference between the 1983 ceilings and the results of the calculation based on actual exports in 1981. This increase will be raised to 25% in cases where the ceiling of the country concerned represents less than 5% of the overall offer for that category. In the case of countries whose exports to the Community are static or have fallen, the 1983 offer will be maintained. Both the volume and method of administering the minimum offer, which were reassessed in 1983, remain unchanged. In addition, where the calculation

involves a change from the level of the minimum offer to that of a specific ceiling, the specific ceiling normally uses the method of administration laid down for the category in accordance with its sensitivity.

The list of beneficiary countries is the same as in 1983, although the Commission reserves the right to propose additions during the discussions on its proposals if those countries which have made unofficial approaches officially request to be covered by the preferences in respect of those products.

Categories 10 and 11 and 24 and 25 have been merged to bring the GSP scheme into line with simplifications adopted in the MFA context.

In the case of other textile products, the Commission proposes to retain the provisions in force in 1983 with some minor adjustments for non-MFA textiles which, from this year onwards, are also governed by individual ceilings.

Administration of the GSP and allocation of Community tariff quotas

Problems arising in connection with the administration of the GSP have often been discussed with the Member States both within the Council's Generalized Preferences Group and in Commission working parties. So far, the Commission's proposals on the establishment of an improved administrative framework to consider these problems and take decisions by joint agreement have not borne fruit.

As in 1983, the Commission's concern to speed up the adoption of the GSP scheme for 1984 has led it to refrain from proposing the creation of a Generalized Preferences Committee. Nevertheless, it stands by the ideas which it advocated in its proposals for 1981 and 1982 and so reserves the right to put them forward again, no later than the end of the GSP's current five-year period of application.

Respect for the Community nature of GSP quotas and tariff ceilings remains another of the Commission's constant concerns. This is a further reason for providing an effective response to the Council's insistence, in its Resolution of March 1975 on the future development of the GSP, that administration of the preferential scheme should be improved to ensure that it was better utilized.

Although the situation regarding tariff ceilings not allocated among the Member States is satisfactory, the same cannot be said of quotas and tariff ceilings which are allocated. Various statistics on utilization show that very often the uniform application of the Common Customs Tariff is called into question by the very different rates at which the shares allocated to the various Member States are exhausted. It therefore commonly happens that CCT duties are applied to a product in one, two or three Member States (after their initial shares and the quantities drawn on the reserves have been used up) while in the other Member States quantities remain unused at the end of the year. This is mainly the consequence of the use of the flat-rate allocation key which has hitherto determined each Member State's share. The key is based on general economic factors (external trade, GNP and population) rather than on actual imports of the products in question. While the introduction of a reserve share in the GSP tariff quotas represents an improvement over the previous situation, it has not succeeded in resolving the problems arising from the fact that the unity of the CCT is broken because the smooth operation of this mechanism is severely hindered by the use made by the Member States of the facility - introduced by the Council against the Commission's advice - to limit the cumulative total of their successive drawings to a certain percentage of their initial share.

The Commission is proposing a number of amendments to the arrangements for allocating industrial tariff quotas so as to meet the twin aims of guaranteeing uniform application of the CCT and improving utilization of the tariff quotas. The amendments take account for each product concerned of actual imports by the various Member States from GSP countries in 1981 and 1982 (the average covers only these two years in order to include imports by Greece, which only joined the Community in 1981 ; it would be possible to base the average on three years for 1985). However, to encourage beneficiary countries to diversify their exports and to allow the Member States to move gradually into line with the method used for the allocation of Community tariff quotas, the new criteria for allocation will be introduced in three stages, leading

to a complete abandonment of the present flat-rate key by the beginning of the next five-year period for application of the GSP (1986-1990).

For 1984 the allocation key used for each product will reduce by one third the difference between the flat-rate key and the key derived from actual trade flows.

Minimum labour standards

In its proposals on preferences for each of the last three years, the Commission has advocated making eligibility for participation in the Community's GSP scheme dependent on observance of certain international minimum labour standards. While Parliament and the Economic and Social Committee have shown great interest in this idea, the Council has not accepted it.

Rules of origin

The Commission intends to present before the end of the year proposals for a more flexible approach to the question of origin in the treatment of imports from the least developed countries. It is also considering whether the concept of cumulative origin can be extended for regional groupings and whether the GSP's lists A and B can be aligned with those provided for under preferential agreements with the Mediterranean countries.

Further measures

Both governments in developing countries and exporters and others active in trade continue to make a large number of requests for information. This confirms that, while the basic principles of the GSP scheme are now beginning to be understood, efforts must continue to ensure that updated information on the annual changes in the details of the rules is distributed to all concerned. That is why the Commission is convinced of the need to continue its annual programme of information seminars for businessmen involved in a day-to-day basis in producing goods for the Community market. The Practical Guide to the use of the European Community's Scheme of Generalized Tariff Preferences has also proved its usefulness and a revised edition will be published in 1984.

<u>First evaluation</u>	<u>UTILIZATION OF THE EC GSP IN 1982</u> <u>Quotas/Ceilings</u>	<u>Utilization</u>	<u>1 000 ECU</u> <u>%</u>
<u>PRODUCTS SUBJECT TO INDIVIDUAL OR GLOBAL TARIFF QUOTAS</u>			
ECSC products (IT Qs)	63,629	32,228	50.6
Footwear (IT Qs)	21,813	20,267	92.9
Textiles (1)	638,832(2)(100,308 m.t. / 98,747 m.t. + 1,561 m.t. (xx)(4))	412,053 (= 65,091 m.t.)	64.5 (a)
Other industrial products (IT Qs)	389,307 (223,310 + 165,997(4) for item 44.15)	313,965 (165,306 + 148,659(4) for item 44.15)	80.6
Agricultural products (3)	403,906 (4)(2)(= 176,760 m.t.)	277,505(4)(= 141,621 m.t.)	68.7 (b)
<u>sub-total</u>	1,517,487 (85.7 %/1981)	1,056,018 (89.6 %/1981)	69.6
<u>PRODUCTS SUBJECT TO INDIVIDUAL OR GLOBAL CEILINGS (UNDER SURVEILLANCE)</u>			
ECSC products	16,163	15,995	99
Petroleum products	2,685,083(4)(2)(= 11,643,775 m.t.)(4)	2,609,031(4)(=11,563,070m.t.)	97.2 (c)
Footwear	8,476	11,684	137.8
Textiles(5)	206,000(4)(2)(= 13,664 m.t.)	474,341(4)(=31,865 m.t.)	233.3 (d)
Other industrial products (in Annex A - Reg. 3601/81)	403,879(4)	416,738	103.2
Tobacco other Virginia type	10,024(2)(= 2,550 m.t.)	17,878 (= 4,548 m.t.)	178.4
<u>sub-total</u>	3,329,625 (99.3 %/1981)	3,545,671 (80.4 %/1981)	106.5
<u>PRODUCTS SUBJECT TO INDIVIDUAL REFERENCE BASES (ANNEX B - REG. 3601/81) TO INDIVIDUAL (ANNEX A - REG. 3601/81), ANNEXES A AND B OF DECISION 81/1011/ECSC) OR GLOBAL (ANNEXE D - REG. 3602./81) CEILINGS NOT UNDER SURVEILLANCE OR NO CEILINGS AT ALL</u>			
Textiles	5,089 (= 313 m.t.)(4)	10,210 (= 628 m.t.)(4)	200.6
Jute and coir products	113,490 (135,000 m.t.)(4)	87,532 (= 104,122 m.t.)(4)	77.1
Other industrial products	8,385,000 (4)	3,417,917 (4)	40.8
<u>sub-total</u>	8,503,579 (128.3 %/1981)	3,515,659 (163.9 %/1981)	41.3
<u>TOTAL</u>	13,350,691	8,117,348	60.8
Other agricultural products	1,800,000 (4)	1,385,723 (4)	77
<u>TOTAL OPENED</u>	15,150,691 (114.7 %/1981)	<u>TOTAL UTILIZATION</u> 9,503,071(104.8 %/1981)	

(x) Total ceilings opened.

(xx) Estimate offer for LDBC's

1) MFA and non MFA textiles allocated among Member States (Annex A and C - Reg. 3602/81)

2) These quotas and ceilings are expressed in metric tonnes

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. 3602/81)

(a)	Utilization in quantity	: 64.9 %
(b)	"	: 80.1 %
(c)	"	: 99.3 %
(d)	"	: 233.2 %