

# EUROPEAN PARLIAMENT



*s e s s i o n   d o c u m e n t s*

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## REPORT

of the Committee on Development and Cooperation

on the proposal from the Commission to the Council for a Regulation extending into 1993 the application of Council Regulations (EEC) Nos. 3831/90, 3832/90, 3833/90, 3834/90 and 3835/90 applying generalized tariff preferences for 1991 in respect of certain products originating in developing countries, and adding to the list of beneficiaries of such preferences

(COM(92) 417 final - C3-0414/92)

Rapporteur: Mrs BRAUN-MOSER

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PE 202.621/fin.  
Or. FR.

\* Consultation procedure requiring a single reading  
\*\*| Cooperation procedure (first reading)

\*\*|| Cooperation procedure (second reading) requiring the votes of a majority of the current Members of Parliament  
\*\*\* Parliamentary assent requiring the votes of a majority of the current Members of Parliament

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By letter of 22 October 1992 the Council consulted the European Parliament on the proposal from the Commission to the Council for a Regulation extending into 1993 the application of Council Regulations (EEC) Nos. 3831/90, 3832/90, 3833/90, 3834/90 and 3835/90 applying generalized tariff preferences for 1991 in respect of certain products originating in developing countries, and adding to the list of beneficiaries of such preferences.

At the sitting of 30 October 1992 the President of the European Parliament announced that he had forwarded this proposal to the Committee on Development and Cooperation, as the committee responsible, and to the Committee on Budgets, the Committee on External Economic Relations, the 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 5 November 1992 the Committee on Development and Cooperation appointed Mrs Braun Moser rapporteur.

At its meeting of 17 November 1992 the committee considered the Commission proposal and the draft report.

At its meeting of 1 December 1992 it adopted the amended Commission proposal and the draft legislative resolution unopposed with 2 abstentions.

The following took part in the vote: Saby, chairman; Chiabrande, vice-chairman; Braun Moser, rapporteur; Christiansen (for Bird), Fernandez Albor (for Oreja), Langer (for Telkämper), Mendes Bota, de Montesquiou Fezensac, Newens (for Schmidbauer), Pons Grau, van Putten, Sakellariou (for Belo), Simons, Van Hemeldonck, Verhagen and Wynn (for Lomas).

The opinions of the Committee on Budgets, the Committee on External Economic Relations and the Committee on Economic and Monetary Affairs and Industrial Policy are attached; the Committee on Agriculture, Fisheries and Rural Development decided not to deliver an opinion.

The report was tabled on 3 December 1992.

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 proposal from the Commission to the Council for a Regulation extending into 1993 the application of Council regulations Nos 3831/90, 3832/90, 3833/90 3834/90 and 3835/90 applying generalized tariff preferences for 1991 in respect of certain products originating in developing countries, and adding to the list of beneficiaries of such preferences

Commission text

Amendments

Amendment No 1  
Recital 2a (new)

Whereas the review of this instrument of Community trade policy should take greater account of development policy objectives; whereas the system of generalized tariff preferences should encourage the industrialization of developing countries;

Amendment No 2  
Recital 2b (new)

Whereas, to this end, the review of the system should:

- be preceded, as far as possible, by an assessment by country, region and production sector of the advantages that the developing countries have derived from the system and the obstacles which have hindered its use;

- take account, on both sides, of the increased diversity of sectors and countries without reducing the preferences offered by the Community;

Commission text

Amendments

Amendment No 3  
Recital 2c (new)

Whereas the system should be reviewed in depth, whereas the European Parliament must therefore be informed of and consulted on the Commission's proposal in good time;

Amendment No 4  
Recital 2d (new)

Whereas an in-depth evaluation of the results of the differentiation policy implemented since 1986 has to be conducted; whereas it has to be clearly established whether this policy has benefited the least-developed countries;

Amendment No 5  
Recital 2e (new)

Whereas, for this reason, any differentiation policy should be set up and applied with caution; whereas there are other ways of linking the most advanced developing countries to the normal trade system governed by GATT rules;

Commission text

Amendments

Amendment No. 6  
Recital 2f (new)

Whereas improved rules of origin for the least-developed countries should be implemented in 1993 as a follow-up to the Paris Conference held in September 1990:

Amendment No. 7  
Recital 2g (new)

Whereas the review of the system should also allow for closer association of management and labour in the European Community, represented by the Economic and Social Committee, and in the beneficiary countries:

Amendment No. 8  
Recital 3a (new)

Whereas the Community will not be in a proper position to lay down the details of a new preference scheme until it has been acquainted with the final outcome of the Uruguay Round negotiations:

Amendment No. 9  
Recital 3b (new)

Whereas the International Confederation of Free Trade Unions is calling for a clause guaranteeing the basic rights of workers to be included in the GSP:

Amendment No. 10  
Recital 8a (new)

Whereas the generalized system of preferences (GSP) is one of the forms of Community financial intervention with regard to the countries in question:

Commission text

Amendments

Amendment No. 11  
Recital 8b (new)

Whereas the financial consequence of this system will be a shortfall in the Community budget's own resources; whereas this shortfall should be offset against the appropriations granted for cooperation with these countries;

Amendment No. 12  
Recital 8c (new)

Whereas extending the system to a much larger number of countries necessitates a detailed analysis of the benefits to each country in order to provide the budgetary authority with criteria for assessing the impact of these decisions;

Amendment No. 13  
Recital 10a (new)

Whereas the above countries must open up their markets to exports from the developing countries and in particular from the LLDCs;

Amendment No. 14  
Recital 10a (new)

Whereas any extension of the eligibility of certain or all of the above countries to benefit under the GSP should be considered in the light of political and economic developments in those countries;

Commission text

Amendments

Amendment No. 15  
Article 3

The following ... Regulation (Unchanged)  
(EEC) 3833/90:

Ukraine

Belarus

Moldova

Russia

Georgia

Armenia

Azerbaijan

Kazakhstan

Turkmenistan

Uzbekistan

Tajikistan

Kyrgyzstan

Belarus

Moldova

Georgia

Armenia

Azerbaijan

Kazakhstan

Turkmenistan

Uzbekistan

Tajikistan

Kyrgyzstan

Amendment No. 16  
Article 3a (new)

In the light of political and economic developments in the countries referred to in Article 3 above, the Commission may request in due course that an appropriate extension be granted in respect of the eligibility of certain or all of those countries to benefit under the GSP.

Amendment No. 17  
Article 5a (new)

Every four months the Commission shall inform the budgetary authority of the volume of customs revenue which cannot be collected per geographical group of countries. It shall submit to the budgetary authority a report analysing the impact of the system for each financial year with particular reference to the financial impact per product and/or sector of activity and per country. It shall also indicate other forms of financial intervention which have been undertaken.



Commission text

Amendments

Amendment No. 18

Article 5a (new)

When the current GATT negotiations have been concluded, the Commission shall forthwith submit a detailed proposal on a revised GSP. The European Parliament shall be consulted thereon.

## DRAFT LEGISLATIVE RESOLUTION

Embodiment of the opinion of the European Parliament on the proposal from the Commission for a Council Regulation (EEC) extending into 1993 the application of Council Regulations (EEC) Nos. 3831/90, 3832/90, 3833/90, 3834/90 and 3835/90 applying generalized tariff preferences for 1991 in respect of certain products originating in developing countries, and adding to the list of beneficiaries of such preferences

### The European Parliament,

- having regard to the proposal from the Commission to the Council (COM(92) 417 final),
  - having been consulted by the Council (C3-0414/92),
  - 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 (A3-0395/92),
1. Approves the Commission proposal, subject to Parliament's amendments and in accordance with the vote thereon;
  2. Calls on the Council to notify Parliament should it intend to depart from the text approved by Parliament;
  3. Asks to be consulted again should the Council intend to make substantial modifications to the Commission proposal;
  4. Instructs its President forward this resolution to the Council and the Commission.

B.

**EXPLANATORY STATEMENT**

The Community's Generalized Preferences Scheme (GPS) was first introduced in 1971. On completion of the first ten-year period of implementation it was decided to extend the scheme for a second ten-year period.

In anticipation of a review of the scheme, the Commission in 1990 submitted a communication to the Council on guidelines for the 1990s in which it put forward an assessment of the operation of the present scheme and a set of proposals for a future one<sup>1</sup>.

The European Parliament, acting on a report by its Committee on Development and Cooperation, had the opportunity to comment in detail on that communication<sup>2</sup>.

In its communication the Commission stated that it would be necessary to await the results of the Uruguay Round before drawing up detailed proposals. The Committee on Development and Cooperation and the European Parliament approved that position.

That being so, the GPS for 1991 was essentially a simple extension of the scheme implemented in previous years. The European Parliament, acting on the report by its Committee on Development and Cooperation, approved that extension.

Since the Uruguay Round negotiations had still not been concluded when the GPS for 1992 was submitted, the Commission - on the strength of the argument outlined above - proposed extending the 1991 scheme. The Committee on Development and Cooperation approved that proposal when it decided to apply the procedure without report pursuant to Rule 116(1) of the Rules of Procedure<sup>3</sup>. The European Parliament thus in effect delivered its opinion on this matter under the procedure without report<sup>4</sup>.

This year we are again placed in the same situation: since the GATT negotiations have still not been concluded, the Commission is again proposing to extend the scheme applied in 1992 without change. It should however be noted that the Commission also proposes bringing the list of the least advanced countries into line with that drawn up by the United Nations to include seven new countries: Kampuchea, Liberia, Madagascar, Solomon Islands, Vanuatu, Zaïre and Zambia. This is to enable those countries to benefit from the additional advantages that the Community GPS reserves for the least advanced countries only.

The Commission also proposes extending the benefits of the GPS to include the countries of the former Soviet Union. Although those countries do not strictly speaking fall within the terms of reference of the Committee on Development and

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<sup>1</sup> COM(90) 329 final

<sup>2</sup> OJ No. C 19, 28.1.1991, report by Mr CHRISTIANSEN, Doc. A3-0335/90

<sup>3</sup> Letter from the chairman, Mr SABY, to the President of the European Parliament, 23 September 1991

<sup>4</sup> OJ No. C 280, 28.10.1991

Cooperation, that committee feels bound to reiterate the concern expressed in ACP countries at the erosion of preferences to which they are being subjected. It should be pointed out that some countries - e.g. Russia and Ukraine - enjoy infrastructures and trading and industrial capacities far in advance of those in many developing countries, in particular ACP countries.

The Committee on Development and Cooperation feels in duty bound to raise this important question of the erosion of preferences to the detriment of the poorest developing countries. The Committee on Development and Cooperation also notes, however, that the proposal to extend the GPS is being made for a temporary period of three years only in response to a situation that the Commission itself describes as 'by definition a temporary one'.

It should also be pointed out that the period of validity of this proposal for a regulation, as with all GBS proposals submitted hitherto, is only one year, so that it need pose no obstacle to a review of their position by the Committee on Development and Cooperation and the European Parliament at the end of 1993.

A further aspect to be taken into account is, as Commission departments point out, that the products exported by the countries of the former Soviet Union are generally different from those exported by the developing countries, in particular the ACP countries. Any negative impact the latter countries might expect to register consequently should be very limited.

The Committee on Development and Cooperation can agree to the inclusion of these new countries in the GPS provided that their inclusion will be strictly for an interim period only and that the impact on the other - in particular ACP - developing countries will be genuinely limited.

It would therefore appear that the Committee on Development and Cooperation - to be consistent with the position it has held for two years - can go along with this new extension proposal while regretting that failure to conclude the GATT negotiations prevents a new Community ten-year scheme of generalized tariff preferences from being drawn up and implemented, together with the implementation of new annual schemes derived from it.

The rapporteur nevertheless hopes to retable the amendments originally tabled in 1990, which draw attention to a number of important aspects that the European Parliament wishes to see taken into account when the Community's ten-year GPS is eventually reviewed.

OPINION

of the Committee on Budgets

Letter from the Chairman of the committee to Mr Henri SABY, Chairman of the Committee on Development and Cooperation

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**Subject:** Proposal for a Council regulation extending into 1993 the application of Council Regulations (EEC) Nos. 3831/90, 3832/90, 3833/90, 3834/90 and 3835/90 applying generalized tariff preferences for 1991 in respect of certain products originating in developing countries, and adding to the list of beneficiaries of such preferences (COM(92) 417 final - C3-414/92)

Dear Mr Saby,

At its meeting of 5 and 6 November 1992 the Committee on Budgets considered the above subject.

The Committee on Budgets notes that the reason given for the proposal is the fact that the Uruguay Round negotiations are incomplete. However, the proposal involves not only changing the effective dates for the new ten-year scheme of generalized tariff preferences, but also the following aspects:

- addition of new countries to the list of beneficiaries, in particular those of the former USSR; the addition is temporary (three years);
- no access to the textiles scheme for these countries unless they conclude bilateral textile agreements with the EEC to succeed the agreement with the USSR; modification of the accounting system for textile imports by analogy with the system already in operation for industrial products in the light of completion of the single market on 1 January 1993;
- alignment of the list of least-developed countries with the United Nations' list;
- a number of nomenclature changes.

As far as budgetary aspects are concerned, the Committee on Budgets notes that the Commission merely forecasts a loss of revenue estimated at approximately ECU 1 bn for 1993, without making any proposal for improving the system of informing the budgetary authority of how this sum breaks down in the course of each financial year.

The Committee on Budgets regrets this situation, to which it has already drawn attention on several occasions, in particular because this policy - which affects the Community's budget revenue - should be implemented in the context of other financial measures in favour of the countries in question. The Community budget affects those countries in terms of both revenue and expenditure.

Finally, the Committee on Budgets notes that the Commission proposal is fairly recent (14 October 1992) although there is no reason why developments in the Uruguay Round negotiations should rule out appropriate planning for legislation in this field.

Subject to these remarks, the Committee on Budgets calls on the Committee on Development to incorporate the following amendments:

Insert the following recitals after the 8th recital:

'Whereas the generalized system of preferences (GSP) is one of the forms of Community financial intervention with regard to the countries in question;

Whereas the financial consequence of this system will be a shortfall in the Community budget's own resources; whereas this shortfall should be offset against the appropriations granted for cooperation with these countries;

Whereas extending the system to a much larger number of countries necessitates a detailed analysis of the benefits to each country in order to provide the budgetary authority with criteria for assessing the impact of these decisions;'

Insert a new Article 5a as follows:

'Every four months the Commission shall inform the budgetary authority of the volume of customs revenue which cannot be collected per geographical group of countries. It shall submit to the budgetary authority a report analysing the impact of the system for each financial year with particular reference to the financial impact per product and/or sector of activity and per country. It shall also indicate other forms of financial intervention which have been undertaken.'

Yours sincerely,

(sgd) Thomas von der Vring

The following were present for the vote: von der Vring, chairman; Pasty, vice-chairman; Cassidy, Colom I Naval, Frimat, Isler Beguin, Kellett-Bowman (for Elles), Marques Mendes, Samland, A. Smith and Theato.

O P I N I O N

(Rule 120 of the Rules of Procedure)

of the Committee on External Economic Relations  
for the Committee on Development and Cooperation  
Draftsman: Mrs Ana MIRANDA de LAGE

At its meeting of 6 November 1992 the Committee on External Economic Relations appointed Mrs Miranda de Lage draftsman.

At its meeting of 16 November 1992 it considered the draft opinion.

At this meeting it adopted the conclusions as a whole unanimously.

The following were present for the vote: De Clercq, chairman; Cano Pinto and Stavrou, vice-chairmen; Miranda de Lage, draftsman; Guillaume, Hindley, Izquierdo Rojo (for Dido), Moorhouse, Porto (for de Vries), Sainjou, Spencer (for Price) and Welsh (for Lemmer pursuant to Rule 11(2))

INTRODUCTION : CHANGES PROPOSED BY THE COMMISSION CONCERNING THE APPLICATION OF THE GSP NEXT YEAR

It is planned to review the whole of the GSP and to set up a new revised system in the near future.

Given that the revision of the system as a whole is due to take place in 1994 it seems common sense, rather than submit the present system to a great upheaval, to simply extend it for the time being.

There is one change however which does seem necessary: account must be taken of the collapse of the former USSR and hence the countries which used to belong to it ought to be included amongst the beneficiaries of the GSP. These countries are: Ukraine, Belarus, Moldova, Russia, Georgia, Armenia, Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan, Tajikistan and Kyrgyzstan.

Furthermore, the list of least-developed countries should be aligned on that of the United Nations.

With regard to the countries which formerly made up the USSR, the conditions under which the Commission would grant them access are particularly cautious and limited in scope.

The stated aim is to open the Community market up to their exports to the greatest extent possible in order to provide their industrial and agricultural base with the incentives needed for restructuring, redeployment and revitalization.

For this purpose the Commission is proposing that these countries should be granted access to the GSP for a period of three years, this time being judged sufficient to allow these countries to carry out the initial reforms necessary and to allow the Commission to evaluate the results. This period seems rather short but it does overlap with the reform scheduled for 1994. It will in due course be necessary, having regard also to the new GSP system, to see whether this period should be extended or whether adjustment measures would be desirable.

Provision has naturally been made for accompanying measures and measures for sectoral adjustment, viz:

- these countries are not to be given access to the GSP scheme for textiles unless they conclude individual bilateral textile agreements with the Community to succeed its textile agreement with the former USSR;
- the GSP arrangements on fishery products are to be identical to those which apply to Estonia, Greenland, Latvia and Lithuania;
- to take into account the fact that these countries' economies are so closely interlinked, the Commission wishes to adopt a system of regional cumulation of origin for the republics of the former USSR similar to that already used for ASEAN, the Andean Pact and the CACM. Regional cumulation of origin would also apply to the Baltic States.

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<sup>1</sup> See COM(92) 417 final - Explanatory memorandum, p. 1



In consequence, taking as its basis the overall GSP offer of ECU 27.8 m for 1992, and taking account of the changes made (incorporation of the CIS and Georgia, withdrawal of Czechoslovakia, Hungary and Poland), the overall GSP offer for 1993 is estimated to be ECU 26.539 billion.

Poland, Hungary and Czechoslovakia are not being shut out and will not be put at a disadvantage by the incorporation of the CIS and Georgia. They belong to another system which will no doubt prove to be much more advantageous for them. These are the bilateral agreements known as 'Europe Agreements' which contain very advantageous provisions on trade which make it unnecessary for these three countries to be included amongst the GSP beneficiaries.

1. Background notes: principles applied to industrial products from the countries benefiting under the GSP

- a) The Community's preferential treatment endeavours to take account of the particular situation of each of the beneficiaries and to employ a system of tariff ceilings fixed individually for a number of sensitive products (the least-developed countries are not subject to the ceiling).
- b) The annual adjustments to the Community scheme have a two-fold aim: to differentiate preferential treatment and to simplify the arrangements.
- c) The countries and products to be dealt with selectively are chosen on the basis of the sensitivity of the sector, the situation on the Community's market in the product in question and an assessment of the state of industrial development and competitiveness of the country.

2. Principles applied to textile products from the countries benefiting under the GSP

- a) Since 1980 the Community has granted preference to products covered by the MFA in the form of duty-free ceilings only to those which originate in countries and territories which have signed bilateral agreements within the framework of the MFA which lay down a quantitative limit on their exports of certain textile products to the Community or, in certain cases, those which are prepared to give a similar undertaking.
- b) Economic and administrative constraints justify continuation of the practice of distributing Community quotas between the Member States.
- c) In practice, the extremely sensitive nature of the textile sectors necessitates extremely complex adjustments with regard to the beneficiary countries and to the products.

3. Principles applied to certain agricultural products from the countries benefiting under the GSP

- a) Certain agricultural products enjoy reduced customs duties without limitation of the quantities to be imported.
- b) Fixed amounts of tinned pineapple, coffee extract and tobacco may be imported at reduced Community tariffs.
- c) Whenever possible, the least-developed countries enjoy total exemption from customs duty on a large number of agricultural products.

#### 4. CONCLUSIONS

##### The Committee on External Economic Relations

1. Notes that the application of the GSP to developing countries remains unchanged with respect to the previous year. It considers that it is for the Committee on Development and Cooperation to assess the cogency of this option taken by the Commission.
2. On the question of including the countries of the former USSR amongst the GSP beneficiaries, it approves the proposal in principle, but reserves the right in the light of political and economic developments in these countries to request at the appropriate time a deferment of the admission of part or all of these countries to the GSP or other adjustment measures which might prove desirable.
3. In consequence, suggests to the Committee on Development and Cooperation that it should ask the European Parliament to approve the Commission proposals.

OPINION

of the Committee on Economic and Monetary Affairs and Industrial Policy

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

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Strasbourg, 16.11.1992

Subject: Proposal for a Council Regulation (EEC) extending into 1993 the application of Council Regulations (EEC) Nos 3831/90, 3832/90, 3834/90 and 3835/90 applying generalized tariff preferences for 1991 in respect of certain products originating in developing countries, and adding to the list of beneficiaries of such preferences.  
COM(92) 0417 - C3-0414/92

Dear Mr Saby,

At its meeting of 16 November 1992, the Committee on Economic and Monetary Affairs and Industrial Policy considered the above subject and expressed the wish to make the following observations.

Two of the basic concerns of the Economic Committee with the Generalized System of Preferences have been: a) the impact of a GSP on the single market and b) the impact of a GSP on the development policies of GSP beneficiaries which might hinder or contribute to the monetary and economic cooperation the Community wishes to establish with third countries.

The proposal of the Commission extends the application of the GPS in operation in 1992 until 1 January 1994. It also proposes that the access to the GSP should be available to the countries which formerly made up the USSR and to a selected number of countries in Asia and Africa which are aligned on the list of the United Nations. The Economic Committee is of the opinion that the addition of these countries to the list of GPS beneficiaries would be welcome provided that the size of the international market for traded goods would increase.

The Economic Committee is also of the opinion that given the complexity of the concessions, the production structure of the GSP beneficiaries and limited utilisation of the advantages offered by some countries, it is hard to identify the likely effects on the competitiveness of Community enterprises or on employment. On the other hand, if total trade between the Community and these new GPS beneficiaries increases, then total welfare will increase.

The Economic Committee reserves its right to give a fuller opinion on the global revision of the GPS when launched by a new Commission proposal<sup>1</sup>.

Yours sincerely,

Bouke BEUMER

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<sup>1</sup> The following were present for the vote: Mr Beumer, chairman; Mr Fuchs, vice-chairman; Mr Patterson, vice-chairman; Mr Barton, Mr Peter Beazley, Mr de la Camara, Mr Herman, Mr Mattina, Mr Metten, Mr Pierros, Mrs Read, Mr Rogalla and Mr Shoarina.