

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(79) 348 final
Brussels, 12 July 1979

THE EUROPEAN COMMUNITIES

GENERALIZED TARIFF PREFERENCES SCHEME FOR 1980

(Communication from the Commission)

Editor's note: Only the Explanatory memorandum is included. The proposed legislation was published in *Official Journal C 234/79*, 17.9.79

COM(79) 348 final

EXPLANATORY MEMORANDUM

I. INTRODUCTION

In accordance with established practice, the generalized tariff preferences scheme for the coming year proposed to the Council takes into account the experience acquired in the past, while incorporating the necessary amendments or adjustments.

The Communities' GSP scheme was implemented on 1 July 1971, and therefore the proposals concerning the scheme for 1980 mark the end of the initial period of ten years for which a waiver from the GATT rules was obtained. They follow the lines marked out by the Council in its Resolution of 3 March 1975 on the future development of Community generalized tariff preferences (1). These proposals therefore follow the pattern of previous schemes and do not anticipate the new guidelines which will be established for the second period of application of the GSP, which will open with the 1981 preferences.

II. AIM AND GENERAL SCOPE OF THE PROPOSALS

These proposals from the Commission to the Council concern the regulations required for the granting for 1980 of generalized tariff preferences for processed agricultural products and industrial semi-manufactures and manufactures originating in developing countries.

The proposals for regulations submitted to the Council come within the context of the Community offer of generalized tariff preferences presented

./.

(1) Council document T/192/75 of 13 March 1975.

to UNCTAD in 1969. They relate to the rules for applying tariff preferences to a number of processed agricultural products falling within Chapters 1 to 24 of the CCT and to all the industrial semi-manufactures and manufactures falling within Chapters 25 to 99 of the CCT. Iron and steel products coming within the scope of the ECSC Treaty are dealt with in separate draft decisions opening tariff preferences in accordance with procedures based on those adopted for other industrial products, while respecting the special administrative features peculiar to ECSC products.

III. TIMETABLE

The timetable proposed by the Commission is drawn up in such a way as to enable :

- the European Parliament, after consultation, to formulate its opinions soon enough for the Council to be able to take them into account in its decisions ;
- the Economic and Social Committee to communicate its opinions in good time ;
- the partner and associated States to be informed and to state their points of view soon enough for any necessary consultations to take place.

The practical and other problems which arose in 1978 show the serious drawbacks caused by the late adoption of the GSP scheme. It inevitably creates distortion of trade, for exporters and importers alike, and it is in fact the most advanced beneficiary countries which profit from the situation, to the

detriment of the less developed. The Commission, for its part, has taken all the necessary steps so that it can transmit its proposals at the beginning of July in order to make it easier to keep to schedule. It therefore feels justified in urging that everything should be done to enable the 1980 scheme to be adopted by mid-November 1979 at the latest and to respect the deadlines laid down in the Council Resolution of 27 June 1974 on customs matters.

IV. CONTEXT OF THE COMMISSION'S PROPOSALS

1. The proposals for the 1980 scheme reflect the present trends of the economy, which is showing little improvement and still seems to be lacking in stability. Employment problems are still among the most worrying and a number of major industrial sectors are more vulnerable as a result of the recent acceleration in the upward movement of oil prices and the general energy situation. Furthermore, the proposals come within the context of the new situation following the conclusion in May 1979 of the Multilateral Trade Negotiations, particularly as regards more flexible rules and the granting of new tariff concessions which should benefit the developing countries. In this connection, it should be pointed out that on 1 January 1977 the Community implemented in its GSP scheme its offer relating to tropical products presented under the MTNs and that it anticipated the conclusion of these negotiations by further extending its offer in 1979.

2. General trend of the 1980 scheme

The general economic data and the fact that this marks the end of the first series of Community generalized preferences schemes suggest that the present structure of the GSP scheme should be maintained, and that only the few technical improvements which appear necessary and which are compatible with the situation of the Community's industries should be made.

V. CHARACTERISTICS OF THE 1980 SCHEME

1. Processed agricultural products falling within Chapters 1 to 24 of the C.C.T.

The Community has already taken steps to help the developing countries through the implementation of its offer made at the MTNs. That is why, in 1980, the improvement cannot really go beyond the adjustments required to alleviate the distortions affecting some products under the application of the preferential system to certain beneficiary countries.

This involves mainly :

a) Products subject to quotas:

- The Commission, while leaving unchanged the overall volume of 60,000 tons of the quota, is proposing a technical modification in the tariff arrangements for Virginia type tobacco, in order to offset in part the reduction in the extent of the preferential treatment on some EEC markets applicable in particular to beneficiaries from the Indian Sub continent following changes in the monetary basis for calculating the specific minimum rate of duty (1) ; furthermore, in view of the changes which have occurred in the traditional import flows and in order to ensure better use of the offer, it is proposed that the reserve share be increased to 5 % of the volume of the quota and also that the

./.

(1) It may be noted here that the Commission confirms the undertaking it gave the previous year to take account of the GSP concession when the premiums provided by the tobacco market organisation are fixed.

date from which the Member States pay back into the reserve a given unused fraction of their initial quota share be brought forward to 1 October.

- Similarly in the light of the results obtained in 1978 which make clear that there was a substantial under-utilisation (1) of the quota for pineapples other than in slices (20.06 B ex II), the Commission is proposing - while in no way altering the overall volume of 45,000 tons fixed in 1977, to examine with the Member States, should the latest figures confirm this trend, the possibilities of bringing about a better utilisation of this quota (increase in reserve share etc...).

b) Other products :

- it also proposes a reduction to 6% of the GSP duty (at present 10%) for dried bananas falling within sub-heading 08.01 ex B, which are of special interest for the Latin American developing countries ;

- it is also necessary to adapt the GSP offer relating to palm oil in order to take into account the new tariff classification ^{FOR PRACTICAL PURPOSES} proposed by the Commission to the Council on 26 September 1978 (COM(78) 459 final. This proposal is already under discussion by the responsible groups in the Council.

2. Industrial manufactures other than textiles

In accordance with the offer submitted at UNCTAD, the period to be used in 1980 for the calculation of the basic amount and also the additional amount is the year 1977. However, given the economic situation, an increase on the amounts applied in 1979 lower than that resulting from the theoretical calculation has been adopted in a number of sectors or the 1979 amount has been maintained. The Commission has also taken care not to jeopardize the ACP States' interests and it has therefore, inter alia, suggested that the increase in the volume opened for plywood be limited to 5% (2).

(1) 34.122 tons out of a total of 45,000 tons, that is a utilisation rate of 75,8%.

(2) The proposals submitted by the Commission in implementation of the calculation rule would have produced an increase of 135%.

As regards sensitive industrial products and ECSC products, in accordance with the decision taken by the Council on 29 December 1978, a second move towards the European unit of account will be effected on the basis of its value at 1 October 1979.

Overall, the 1980 offer for industrial products other than textiles may be put at 1,212 million EUA, a significant increase of some 15% over 1979 (not including non-sensitive products).

3. Textile products

The Commission is presenting for 1980 the same proposal which it had presented for 1979, which is still under discussion in the Council. As in the case of the decisions already reached, notably on 24 May 1979, the Commission will continue in the future to give full assistance to the continuation of the Council's work in this sphere. The Commission reserves the right to put forward during the course of this work proposals for solutions to the particular problems which have arisen concerning the preferential arrangements for woollen carpets of more than 500 knots per square metre.

For jute and coir products, duties are completely suspended under the 1979 GSP scheme in respect of the main supplier non-member countries which have concluded agreements for voluntary restraint of their export of certain jute products (India and Bangladesh) or have undertaken to conclude such agreements if the Community so requests. The agreements with India and Bangladesh expire on 31 December 1979 and they are due to be renegotiated during the second half of this year. If these new negotiations are successful, the Community intends to maintain for 1980 the duty-free entry which the beneficiary countries concerned enjoy at present.

4. Beneficiary countries

The Commission proposes to include the People's Republic of China among the beneficiaries of the Community's GSP scheme from 1 January 1980. As this country, which raised the question of its inclusion is not a member of the Group of 77, that inclusion must be assessed on its own merits.

The basic economic indicators, such as gross national product, economic structure, which is based on agriculture, and energy production, etc., show that China must be considered as a developing country. It would therefore seem advisable to include it among the beneficiaries for all the products covered by the GSP with the exception of the sensitive products; as regards textile products, it should be included following the conclusion of the EEC-China textile agreement and in accordance with the same procedures as Hong Kong and Romania.

5. Rules of origin

The rules of origin in force in 1979 will be extended in 1980 subject to the technical adaptations necessitated by the few innovations introduced.

6. Yugoslavia

The Commission reserves the right to adapt the preferential offer for 1980 if an agreement is concluded with Yugoslavia.

VI. SUPPLEMENTARY MEASURES

The Community has not ceased to pursue its objective of a quantitative and also qualitative improvement in the use of its GSP schemes. The statistics on utilisation show clearly that the beneficiaries still benefit very unevenly from the advantages offered.

Furthermore, they do not derive sufficiently differentiated benefit from the possibilities open to them, and they neglect those accorded to them for non-sensitive products.

The Commission will therefore continue in 1980 to make its programme of seminars as extensive and effective as possible by endeavouring to make direct contact with those involved in export trade.

Furthermore, the Commission has taken special steps to speed up the process of compiling and publishing its Practical Guide to the use of the Communities' scheme of generalized tariff preferences in order to make it available to those concerned as soon as possible at the start of the year of application of the scheme.

VII. CONCLUSIONS

In presenting its proposals for 1980, the Commission would point out that they are set against an unfavourable economic background, which is seriously affected by the uncertainties created by the problem of energy products. It would also stress that the scheme must of necessity remain conservative since it represents the end of the first decade of the generalized system of preferences and that fundamental changes would not be contemplated before the guidelines for the second series of GSP schemes have been clearly defined.

In the light of these two factors, it should, however, be noted that the 1980 scheme represents a significant improvement, notably as regards the offer for industrial products. This progress illustrates the importance the Commission attaches to constantly extending, on a pragmatic basis, the preferential benefits accorded to the developing countries.

List of improvements for agricultural products
to be included in the Commission proposals for
the 1980 GSP scheme

		<u>Current GSP rate</u>	<u>Proposed GSP rate</u>	
08.01	ex B	Dried bananas	10%	6%
24.01	A ex I	"Virginia" type tobacco	7% with minimum charge of 15 EUA/100kg and ma-	6% with minimum charge
	A ex II		ximum charge of 45 EUA/	of 11 EUA/100kg and a
	ex B		100kg	maximum charge of 45 EUA/ 100kg

UTILIZATION OF THE GSP 1978

1000 EUA

<u>Products subject to tariff quotas</u>	<u>quotas/ceilings</u>	<u>Utilization</u>	<u>%</u>
ECSC products	43,026	12,212	28.4 %
Footwear	33,210	30,041	90.5 %
Textiles (1)	228,844 (2) (=41,561 metric tons)	173,268 (32,296 m.t.)	75.7 %
Other industrial products	210,634 (121,600+89,034 for item 44.15)	202,491 (113,457+89,034)	96.1 % (*)
Agricultural products (3)	475,749 (2) (=173,350 metric tons)	296,300 (131,605 m.t.)	75.9 %
Sub-totals	991,463 (93 % / 77)	714,312 (99.3 % / 77)	72 %
<u>Products subject to ceilings under surveillance</u>			
ECSC products	23,084	4,523	19.6 %
Petroleum products	254,224 (2) (=2,678,500 m.t.)	500,698 (5,534,454 m.t.)	199.2 %
Textiles (1)	551,452 (2) (31,784 m.t.)	409,911 (23,626 m.t.)	74.3 %
Other industrial products	439,513	558,545	127.1 %
Products subject to preferential tariff ceilings (Reg.2704/77)	320,736	163,667	51 %
Ceiling for tobacco (other than Virginia type)	12,450 (2) (=2,500 m.t.)	16,120 (=3,237 m.t.)	129.5 %
Sub-totals	1,601,459 (97.1 % / 77)	1,653,464 (110.3 % / 77)	103 %
<u>Products subject to normal ceilings or no ceilings at all</u>			
Textiles (1)	39,102 (2) (=9,066 m.t.) (4)	19,873 (2) (=4,608 m.t.) (4)	51 %
Jute and coir products	77,976 (4) (2) (=18,400 m.t.)	48,777 (=11,465 m.t.)	62.3 %
Other industrial products	3,040,000 (4)	1,082,326	36 %
Sub-totals	<u>3,157,078</u>	<u>1,150,976</u>	36.5 %
TOTAL	5,750,000 (105 % / 77)	3,518,752 (99.8 % / 77)	61 %
<u>Other agricultural products</u>	<u>1,250,000 (4) (101.6 % / 77)</u>	<u>654,034 (96.2 % / 77)</u>	52.3 %
TOTAL OPENED	7,000,000 Total utilization of the 197 ⁹ GSP	4,172,786 (98.4 % / 77)	60 %

(1) Cotton and other than cotton.

(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.

(4) Estimate.

* Utilization without item 44.15 : 93.3 %.