

Brussels, 19 November 1986

R E P O R T
of the Section for External Relations
on the

Proposal for a Council Regulation (EEC) applying generalized tariff preferences for 1987 in respect of certain industrial products originating in developing countries

Proposal for a Council Regulation (EEC) applying generalized tariff preferences for 1987 to textile products originating in developing countries

Proposal for a Council Regulation (EEC) applying generalized tariff preferences for 1987 in respect of certain agricultural products originating in developing countries

Draft Decision of the representatives of the Governments of the Member States of the European Coal and Steel Community, meeting within the Council, applying for 1987 the generalized tariff preferences for certain steel products originating in developing countries

(submitted to the Council by the Commission)
(COM(86) 437 final)

Rapporteur: Mr CAVAZZUTI

CES 670/86 fin F/ET/dht

BACKGROUND

1. In 1967 the Group of 77⁽¹⁾ advocated the conclusion of an agreement on a general system of tariff preferences which would be non-discriminatory and non-reciprocal and which would guarantee access without restrictions or customs duties to the markets of all the developed countries for all manufactured and semi-finished products from all LDCs.
2. By a resolution of 26 March 1968 UNCTAD recognized that unanimous agreement had been reached on the early introduction of a mutually acceptable and generalized system of preferences on the basis of non-reciprocity and non-discrimination, which would be beneficial to LDCs.
3. In June 1971 the GATT contracting parties agreed to a ten-year waiver of the most-favoured-nation clause, to allow the application of the Generalized System of Preferences (GSP).
4. In 1971 (on 1 July) the EEC, followed by Japan and Norway, put their first one-year schemes into effect; the other industrialized nations (i.e. most OECD members and a few Eastern bloc countries) followed suit in succession, as late as 1 January 1976 in the case of the USA.
5. Since the conclusion of the "Tokyo Round", the "enabling clause" has given preferences a legal basis in GATT; this clause thus removed the need to have recourse to waivers in order to grant differentiated treatment to LDCs.

AIMS AND SCOPE OF THE SYSTEM

6. The GSPs operated by industrialized countries are designed to contribute to the industrialization of the LDCs.
7. From 1971 the Community GSP covered:
 - all LDCs;
 - in principle all industrial products, laying down margins, ceilings and quotas according to a classification under four categories (sensitive products, hybrid products, quasi-sensitive products and non-sensitive products);
 - a growing number of agricultural products, but not products with a common organization of the market subject to levies.
8. In 1981 the Community system was renewed for ten years. During the first five years minor alterations were made annually.

(1) Algiers Charter signed by 77 LDCs.

9. N.B.:

- the inclusion of China among the beneficiaries of the GSP for an increasing number of products;
- the Economic and Social Committee is becoming increasingly critical of the composition of the list of beneficiaries;
- the Committee advocates the introduction of modest social clauses.

10. The system has been simplified in the course of its second decade of operation. Industrial products have been reclassified under two categories (instead of four):

- sensitive products (numbering 178 in 1981);
- non-sensitive products (all the others);

a product may be transferred from one category to the other by reason of changing (market) circumstances.

11. Some LDCs continue to feel, nonetheless, that the Community GSP is too complicated and unclear.

12. In May 1985 the Commission's Communication to the Council entitled "Revision of the Generalized System of Tariff Preferences of the European Community"⁽²⁾ announced an initial differentiation in the form of the exclusion of certain country/product combinations (cross-selectivity); this was put into operation in the 1986 scheme, even though the Council did not accept all the Commission's proposals. It should be noted that for a long time the Economic and Social Committee has been advocating a form of selectivity whereby GSP concessions are withdrawn from the products of certain competitive countries in order to give greater aid to products from less favoured countries⁽³⁾.

13. The Council also rejected - as the Committee always urged - the idea of setting up a management committee responsible for decisions on the reintroduction of duties, be it on sensitive or non-sensitive products.

COMMISSION PROPOSALS FOR 1987 GSP

14. The principal changes proposed by the Commission are:

(2) COM(85) 203 final of 8 May 1985

(3) Cf the Report of the Section for External Relations on the Renewal of the Generalized System of Tariff Preferences of the European Community for the Five Year Period 1986-1990 (CES 555/85 fin of 16 September 1985).

For industrial products

- transfer of 10 products from the sensitive to the non-sensitive list and vice versa for 4 products;
- 29 country/product exclusions⁽⁴⁾ (involving Brazil, South Korea, Hong Kong and Singapore);
- abolition of 39 individual quotas and reintroduction of individual quotas for 11 products;
- increase in the preferential amounts by 20% for 15 products and by 10 to 15% for 30 products; these increases, which are arrived at by a technical calculation based on consumption (1% for sectors such as chemicals for instance) and on imports (1 to 5%), have not been applied to other more "sensitive" products;
- updating of the statistics for the calculation of the reference base for non-sensitive industrial products (current base 1984, compared with 1981 last year);
- technical adjustment of GSP as a result of the new Multifibre Arrangement and replacement of allocated ceilings by quotas;
- abolition of national quota shares;
- increased power for the Commission when the Member States call for the reintroduction (hitherto automatic) of duties;
- improved statistical publication of ceilings which have been fully used up (extended from sensitive products to all GSP products).

For agriculture

- easier for the Commission to collect the necessary statistics;
- introduction of two new products to take account of enlargement (carnations, unroasted coffee, these are tariff reductions with an individual ceiling for coffee);

(4) The criteria for selective country/product exclusion are: 1) the supplying country must have been subject to strict control in the form of an individual quota; 2) it must also have demonstrated its competitiveness by taking at least a 20% share of EC imports from third countries; 3) its total exports to the Community must have exceeded the value of the quota more than 10-fold.

- 16 improvements in the preferential margin;
- reintroduction of a real preference (because of the increase in the world price) for Virginia flue-cured tobacco: the maximum levy per 100 kg is reduced from 30 to 20 ECU;
- for dark Virginia tobacco the tariff quota of 12,917 t is replaced by a target ceiling of 20,000 t;
- adjustment of Spain and Portugal's shares for agricultural products subject to quota (e.g; preserved pineapple);
- for the least advanced countries, inclusion of 3 products (frozen strawberries, grape juice, pineapple juice) and abolition of the preferential limit for unmanufactured dark tobacco.

COMMENTS OF THE SECTION FOR EXTERNAL RELATIONS

15. As far as the agricultural sector is concerned, the Community's first concern is rural development in the LDCs themselves, with priority being given to self-sufficiency in food. The Community cannot, however, increase its imports of products covered by the CAP, especially those products in surplus in the Community. This is another reason why the Section for External Relations has consistently endorsed the extension of the GSP to tropical products, thus enabling the LDCs to achieve a maximum value added in the regions of origin of these products.

16. With reference to point 4 of the Opinion which it adopted on 14 November 1986, the Section has appended to this Report the list of basic indicators used to classify countries drawn up by the World Bank.

The Chairman
of the Section for
External Relations

John KENNA

The Rapporteur
of the Section for
External Relations

Gian Battista CAVAZZUTI

The Secretary-General
of the Economic and
Social Committee

Roger LOUET

Brussels, 19 November 1986

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BASIC INDICATORS

Source : World Bank - World Development Report, 1986.

	Population (millions mid-1984)	Area (thousands of square kilometers)	GNP per capita ^a		Average annual rate of inflation ^a		Life expectancy at birth (years) 1984
			Dollars 1984	Average annual growth rate (percent) 1965-84 ^b	1965-73		
					1965-73	1973-84 ^c	
Low-income economies	2,389,5 t	31.795 t	260 w	2,8 w	1,6 w	5,9 w	60 w
China and India	1,778,3 t	12.849 t	200 w	3,3 w	1,0 w	4,0 w	63 w
Other low-income	611,2 t	18.946 t	190 w	0,9 w	4,6 w	14,9 w	52 w
Sub-Saharan Africa	257,7 t	15.646 t	210 w	-0,1 w	4,1 w	20,1 w	48 w
1. Ethiopia	42,2	1.222	110	0,4	1,8	4,4	44
2. Bangladesh	98,1	144	130	0,6	7,3	9,9	50
3. Mali	7,3	1.240	140	1,1	7,6	10,4	46
4. Zaire	29,7	2.345	140	-1,6	18,7	48,2	51
5. Burkina Faso	6,6	274	160	1,2	2,6	10,6	45
6. Nepal	16,1	141	160	0,2	5,8	8,1	47
7. Burma	36,1	677	180	2,3	2,8	6,0	58
8. Malawi	6,8	118	180	1,7	4,5	9,4	45
9. Niger	6,2	1.267	190	-1,3	4,0	11,5	43
10. Tanzania	21,5	945	210	0,6	3,2	11,5	52
11. Burundi	4,6	28	220	1,9	2,9	12,2	48
12. Uganda	15,0	236	230	2,9	5,6	64,5	51
13. Togo	2,9	57	250	0,5	3,1	8,2	51
14. Central African Rep.	2,5	623	260	-0,1	3,0	13,8	49
15. India	749,2	3.288	260	1,6	6,3	7,8	56
16. Madagascar	9,9	587	260	-1,6	4,1	14,4	52
17. Somalia	5,2	638	260		3,8	20,2	46
18. Benin	3,9	113	270	1,0	3,6	10,8	49
19. Rwanda	5,8	26	280	2,3	7,7	10,5	47
20. China	1.029,2	9.561	310	4,5	-0,9	1,8	69
21. Kenya	19,6	583	310	2,1	2,3	10,8	54
22. Sierra Leone	3,7	72	310	0,6	1,9	15,4	38
23. Haiti	5,4	28	320	1,0	4,0	7,9	55
24. Guinea	5,9	246	330	1,1	3,0	4,5	38
25. Ghana	12,3	239	350	-1,9	8,1	52,2	53
26. Sri Lanka	15,9	66	360	2,9	5,1	14,9	70
27. Sudan	21,3	2.506	360	1,2	7,2	19,3	48
28. Pakistan	92,4	804	380	2,5	4,8	10,8	51
29. Senegal	6,4	196	380	-0,5	3,0	9,0	46
30. Afghanistan		648			3,8		
31. Bhutan	1,2	47					44
32. Chad	4,9	1.284					44
33. Kampuchea Dem.		181					
34. Lao PDR	3,5	237					45
35. Mozambique	13,4	802					46
36. Vietnam	60,1	330					65
Middle-income economies	1.187,6 t	40.927 t	1.250 w	3,1 w	5,5 w	38,0 w	61 w
Oil exporters	556,1 t	15.510 t	1.000 w	3,3 w	4,9 w	21,6 w	58 w
Oil importers	631,5 t	25.417 t	1.460 w	3,1 w	5,7 w	44,5 w	64 w
Sub-Saharan Africa	148,4 t	6.228 t	680 w	2,4 w	4,9 w	12,2 w	50 w
Lower middle-income	691,1 t	19.132	740 w	3,0 w	5,6 w	20,6 w	58 w
37. Mauritania	1,7	1.031	450	0,3	3,9	7,7	46
38. Liberia	2,1	111	470	0,5	1,5	6,7	50
39. Zambia	6,4	753	470	-1,3	5,8	10,4	52
40. Lesotho	1,5	30	530	5,9	4,4	11,9	54
41. Bolivia	6,2	1.099	540	0,2	7,5	54,5	53
42. Indonesia	158,9	1.919	540	4,9	63,0	17,4	55
43. Yemen Arab Rep.	7,8	195	550	5,9		12,6	45
44. Yemen PDR	2,0	333	550				47
45. Côte d'Ivoire	9,9	322	610	0,2	4,1	11,7	52
46. Philippines	53,4	300	660	2,6	8,8	12,9	63
47. Morocco	21,4	447	670	2,8	2,0	8,3	59
48. Honduras	4,2	112	700	0,5	2,9	8,6	61
49. El Salvador	5,4	21	710	-0,6	1,6	11,3	65
50. Papua New Guinea	3,4	462	710	0,6	6,6	6,8	52
51. Egypt, Arab Rep.	45,9	1.001	720	4,3	2,6	13,1	60
52. Nigeria	96,5	924	730	2,8	10,3	13,0	50
53. Zimbabwe	8,1	391	760	1,5	1,1	11,4	57
54. Cameroon	9,9	475	800	2,9	5,8	12,8	54
55. Paraguay	3,2	130	860	-1,5	3,4	17,2	60
56. Thailand	50,0	514	860	4,2	2,5	8,2	64
57. Botswana	1,0	600	960	8,4	4,4	9,8	58
58. Dominican Rep.	6,1	49	970	3,2	2,7	9,0	64
59. Peru	18,2	1.285	1.000	-0,1	10,1	56,7	59
60. Mauritius	1,0	2	1.090	2,7	5,6	12,7	66
61. Congo, People's Rep.	1,8	342	1.140	3,7	4,6	12,3	57

	Population (millions) mid-1984	Area (thousands of square kilometers)	GNP per capita ^a		Average annual rate of inflation ^a		Life expectancy at birth (years) 1984
			Dollars 1984	Average annual growth rate (percent) 1965-84 ^b	Average annual rate of inflation ^a (percent)		
					1965-73	1973-84 ^c	
62. Ecuador	9,1	284	1.150	3,8	6,2	17,8	65
63. Jamaica	2,2	11	1.150	-0,4	5,9	16,6	73
64. Guatemala	7,7	109	1.160	2,0	1,9	9,4	60
65. Turkey	48,4	781	1.160	2,9	10,5	42,4	64
Note: For comparability and coverage, see the technical notes. For U.N. and World Bank member countries with populations of less than 1 million, see Box A.1.							
66. Costa Rica	2,5	51	1.190	1,6	4,7	24,1	73
67. Paraguay	3,3	407	1.240	4,4	4,3	12,9	66
68. Tunisia	7,0	164	1.270	4,4	4,3	9,9	62
69. Colombia	28,4	1.139	1.390	3,0	10,8	23,8	65
70. Jordan	3,4	98	1.570	4,8		9,6	64
71. Syrian Arab Rep.	10,1	185	1.620	4,5	3,1	11,9	63
72. Angola	9,9	1.247					43
73. Cuba	9,9	115					75
74. Korea, Dem. Rep.	19,9	121					68
75. Lebanon		10			2,5		
76. Mongolia	1,9	1.565					63
Upper middle-income	494,6 t	21.795	1.950 w	3,3 w	5,6 w	44,0 w	65 w
77. Chile	11,8	757	1.700	-0,1	50,3	75,4	70
78. Brazil	132,6	8.512	1.720	4,6	23,2	71,4	64
79. Portugal	10,2	92	1.970	3,5	4,9	20,5	74
80. Malaysia	15,3	330	1.980	4,5	1,2	6,2	69
81. Panama	2,1	77	1.980	2,6	2,4	6,7	71
82. Uruguay	3,0	176	1.980	1,8	51,7	50,0	73
83. Mexico	76,8	1.973	2.040	2,9	4,8	31,5	66
84. Korea, Rep. of	40,7	98	2.110	6,6	15,5	17,6	68
85. Yugoslavia	23,0	256	2.120	4,3	10,9	24,6	69
86. Argentina	30,1	2.767	2.230	0,3	24,1	180,8	70
87. South Africa	31,6	1.221	2.340	1,4	6,0	13,2	54
88. Algeria	21,2	2.382	2.410	3,6	3,8	12,2	60
89. Venezuela	16,8	912	3.410	0,9	3,3	11,7	69
90. Greece	9,9	132	3.770	3,8	4,4	17,3	75
91. Israel	4,2	21	5.060	2,7	8,2	84,4	75
92. Hong Kong	5,4	1	6.330	6,2	6,4	9,8	76
93. Trinidad and Tobago	1,2	5	7.150	2,6	5,7	15,6	69
94. Singapore	2,5	1	7.260	7,8	3,1	4,4	72
95. Iran, Islamic Rep.	43,8	1.648					61
96. Iraq	15,1	435			3,2		60
High-income oil exporters	18,6 t	4.311 t	11.250 w	3,2 w	6,1 w	11,8 w	62 w
97. Oman	1,1	300	6.490	6,1	7,1	16,4	53
98. Libya	3,5	1.760	8.520	-1,1	9,4	10,8	59
99. Saudi Arabia	11,1	2.150	10.530	5,9	5,1	14,1	62
100. Kuwait	1,7	18	16.720	-0,1	4,6	9,2	72
101. United Arab Emirates	1,3	84	21.920			8,7	72
Industrial market economies	733,4 t	30.935 t	11.430 w	2,4 w	5,2 w	7,9 w	76 w
102. Spain	38,7	505	4.440	2,7	7,0	16,4	77
103. Ireland	3,5	70	4.970	2,4	8,5	14,4	73
104. Italy	57,0	301	6.420	2,7	5,1	17,2	77
105. New Zealand	3,2	269	7.730	1,4	7,2	13,6	74
106. United Kingdom	56,4	245	8.570	1,6	6,2	13,8	74
107. Belgium	9,9	31	8.610	3,0	4,4	6,4	75
108. Austria	7,6	84	9.140	3,6	4,5	5,3	73
109. Netherlands	14,4	41	9.520	2,1	6,4	5,9	77
110. France	54,9	547	9.760	3,0	5,3	10,7	77
111. Japan	120,0	372	10.630	4,7	6,0	4,5	77
112. Finland	4,9	337	10.770	3,3	7,2	10,7	75
113. Germany, Fed. Rep.	61,2	249	11.130	2,7	4,7	4,1	75
114. Denmark	5,1	43	11.170	1,8	7,6	9,4	75
115. Australia	15,5	7.687	11.740	1,7	5,7	10,4	76
116. Sweden	8,3	450	11.860	1,8	5,3	10,2	77
117. Canada	25,1	9.976	13.280	2,4	4,4	9,2	76
118. Norway	4,1	324	13.940	3,3	6,3	9,4	77
119. United States	237,0	9.363	15.390	1,7	4,7	7,4	76
120. Switzerland	6,4	41	16.330	1,4	5,5	3,9	77

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			Dollars 1984	Average annual growth rate (percent) 1965-84 ^b	1965-73	1973-84 ^c	
East European nonmarket economies	389,3 t	23.421 t					68 w
121. Hungary	10,7	93	2.100	6,2	2,6	4,3	70
122. Poland	36,9	313	2.100	1,5		19,4 ^b	71
123. Albania	2,9	29					70
124. Bulgaria	9,0	111					71
125. Czechoslovakia	15,5	128					70
127. German Dem. Rep.	16,7	108					71
127. Romania	22,7	238					71
128. USSR	275,0	22.402					67

a. See the technical notes. b. Because data for the entire period are not always available, figures in italics are for periods other than that specified.
c. Figures in italics are for 1973-83 not 1973-84