

GSP 1984

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R E P O R T
of the
Section for External Relations
on the
Proposal from the Commission to the Council
Fixing the Community's Generalized Tariff Preferences Scheme
for 1984
(COM(83) 441 final)

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CES 714/83 fin F/ET/jc

The Community's Scheme of Generalized Tariff Preferences (GSP) ..
Historical Background

1. It was at the second session of the United Nations Conference on Trade and Development (UNCTAD) in 1968 that unanimous agreement was reached on the introduction, in the near future, of a mutually acceptable generalized system of preferences, without reciprocity or discrimination.

The objectives of the system were to be:

- to increase the export earnings of the developing countries;
- to promote their industrialization;
- to speed up their rate of economic growth.

2. As a follow-up to this resolution the EEC was the first to introduce, as of 1 July 1971, a Generalized Tariff Preferences Scheme (GSP). Gradually, and not until 1 July 1976 in the case of the United States, the other industrialized countries set up their own schemes. These schemes operate differently according to the donor country¹.

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Cf. "The Generalized Preferences System: Review of the First Ten Years", Report of the General Secretariat of the OECD, Paris, 1983.

3. Under the Community's scheme all industrial products and a great many agricultural products from the developing countries are granted easier access to its market. This scheme is improved each year and remains autonomous and unilateral, i.e. it is dependent solely on the decisions of the Council of the European Communities.

As far as manufactured industrial products are concerned the scheme covers headings 25 to 99 of the Common External Tariff (CET).

For textile products the scheme is basically linked to the Multifibres Agreement (MFA).

As regards agricultural products more than 300 processed items are covered. However, the scheme is limited because of the Common Agricultural Policy (the levies cannot be treated as if they were customs duties) and preferential agreements with the ACP countries. All the same, the number of agricultural products covered has doubled in ten years, and such goods are often the only ones which LDCs can export.

4. Since 1 January 1981 the scheme has been greatly simplified. During the first decade of its operation industrial products were classified into four categories: sensitive, non-sensitive, quasi-sensitive and hybrid. Now there are only two categories: sensitive and non-sensitive.

The monitoring of imports subject to limitation (quotas and ceilings) has been simplified.

Finally, the new scheme introduces a greater distinction between different types of beneficiary country, with imports from the poorest countries being exempted from duty even if they exceed their ceilings.

5. The main points of this new system apply for a five-year period from 1981 to 1985.

The Economic and Social Committee and the GSP

6. Every year for the past nine years the Economic and Social Committee has issued an Opinion on the Commission's GSP proposals. On 30 April 1980 it also issued an Opinion on the Guidelines for the European Community's Scheme of Generalized Tariff Preferences for the Post-1980 Period².

7. The Committee feels that the GSP is, at the same time, a commercial, a political and a development instrument.

It has always approved the aims of the GSP, especially that of providing freer access to the EEC market for products from the LDCs in order to stimulate their development. The

² OJ No. C 205 of 11 August 1980.

Committee's stance has been backed up by numerous comments and criticisms as to the means proposed by the Commission for attaining these aims.

8. Although it realizes that it is inadvisable to impose strict reciprocity on LDC beneficiaries, the Committee has gradually come to feel that the application of the GSP does call for a certain attitude towards the Community from these countries (e.g. non-discrimination).

9. The Committee has constantly requested a review of the list of beneficiary countries to ensure that the GSP benefits those countries which have most need of it.

Point 6 of the Opinion of 30 April 1980 lists a number of criteria for classifying LDCs.

But at any event, the Committee has always expressed reservations about over-extending the GSP to certain state-trading countries, such as China and Romania.

10. The Committee has also urged that the GSP include clauses relating to minimum labour standards and human rights in the partner countries.

11. The Committee's comments on the classification of goods into sensitive and non-sensitive products (point 14 of the Opinion of 30 April 1980) still apply in principle.

12. The same goes for the administration of the GSP and the timetable for consulting the Economic and Social Committee (same Opinion, point 16). The Section still believes that the procedure involving a management committee would jeopardize consultation of the economic and social interest groups. Furthermore, the ESC should be consulted earlier in the year on the Commission's specific proposals.

The GSP proposals for 1984

Industrial products

The Commission states that it 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.

Hence it proposes:

- deleting four products from the list of 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; motor vehicles 87.02 A I ex b);

- replacing the system of quotas by ceilings for four other products on this list (liquefied ammonia 28.16; heparin 39.06; certain sewing machines 84.41 A I b);
- fixing individual quotas for three other products on this list (sodium carbonate 28.42 A II; gelatine 35.03 ex B; tableware and domestic porcelain or china 69.11).

In addition, the Commission proposes increases of between 5 and 15% for 32 quotas and 94 ceilings.

The Commission also proposes increasing by 10% the reference bases for non-sensitive products subject to statistical surveillance.

Finally, the Commission proposes lifting some of the exclusions applying to China and Romania. 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) (Romania already enjoying preference).

Textile products

The Commission notes that the bases for calculating the ceilings (dating from 1977) have not kept up with the actual trend in textile exports. Wishing to be fair to the beneficiary LDCs and to take the competitiveness of certain of them into

account (it should be noted that only those countries regarded in 1977 as competitive were subject to individual ceilings), the Commission is continuing to study the trends in trade flows with a view to adjusting to them in 1986.

In the meantime the Commission proposes an increase in the individual ceilings of the beneficiary countries in line with the trade flows.

Finally, some technical adjustments are proposed.

Agricultural products

The Commission proposes:

- to reintroduce those of its last year's proposals which were not accepted by the Council and which were designed to grant the least developed countries access to the Community market on the same terms as the ACP countries;
- to improve the preferential margins for 54 products on the agricultural list with marginal impact (this will mean duty-free entry for 10 products such as dried bananas, banana flour, bilberries and fresh papaws, cinnamon ground or otherwise prepared);
- to introduce a uniform GSP rate of 6% for various types of juices, preserved fruit or mixtures of fruit and jams (involving 23 products) and of 4% for crustaceans and molluscs;

- to align the GSP duties applicable to crispbread, gingerbread and the like, roasted coffee substitutes and extracts of chicory, and pre-cooked cereals with the duties applicable to these products when imported from EFTA countries;
- to remove the few exclusions which still apply to China.

Administration of the GSP

The Commission would still like to set up a Generalized Preferences Committee, a proposal so far rejected by the Council (and by the ESC, cf. 1980 Opinion).

Rules of origin

Before the end of the year the Commission intends to propose changes to these rules. The Section considers that the Committee should be consulted on this matter.

Use of the GSP

As regards the use of the Community's GSP by the developing countries, the Section notes with interest the statistics provided at the end of the explanatory memorandum preceding the Commission's proposals. However the Section regrets that the Commission does not publish the figures by beneficiary countries so as to give an indication of the impact of the GSP on development.

Pending the publication of these figures we must start right now to think about the changes which must be made in the GSP for the next five-year period if it is to play its full part in promoting the development of the poorest countries and communities.

On the basis of these recommendations some members think that the Commission's proposals should be rejected as of now. The majority of the Section, however, does not share this view.

The Chairman of the Section for External Relations	The Rapporteur of the Section for External Relations
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