

EUROPEAN PARLIAMENT

# Working Documents

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## Report

drawn up on behalf of the Committee on Development and Cooperation

on the proposal from the Commission of the European Communities to the Council (doc. 390/78) for a Regulation amending Regulation (EEC) No 950/68 on the Common Customs Tariff and Regulation (EEC) No 2710/77 establishing in respect of certain products falling within Chapters 1 to 24 of the Common Customs Tariff a scheme of generalized preferences in favour of developing countries

Rapporteur: Lord REAY

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By letter of 23 October 1978 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 43 of the EEC Treaty, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation (EEC) No. 950/68 on the Common Customs Tariff and Regulation (EEC) No. 2710/77 establishing in respect of certain products falling within Chapters 1 to 24 of the Common Customs Tariff a scheme of generalized preferences in favour of developing countries.

The President of the European Parliament referred this proposal to the Committee on Development and Cooperation as the committee responsible and to the Committee on External Economic Relations and the Committee on Agriculture for their opinions.

On 2 November 1978 the Committee on Development and Cooperation appointed Lord Reay, rapporteur.

It considered the draft report at the same meeting and adopted the motion for a resolution and the explanatory statement unanimously.

Present: Miss Flesch, chairman; Mr Bersani, Mr Lagorce, Mr Sandri, vice-chairmen; Lord Reay, rapporteur; Lord Castle, Mr Croze, Mr Cunningham, Mr Deschamps, Mr Dewulf, Mr Flämig, Mr Jakobsen, Mr Lezzi, Mr Martinelli, Lord St. Oswald, Mr Seefeld (deputizing for Mr Spénale) and Mr Witz.

The opinions of the Committee on External Economic Relations and the Committee on Agriculture are attached.

C O N T E N T S

	<u>Page</u>
A. MOTION FOR A RESOLUTION .....	5
B. EXPLANATORY STATEMENT .....	6
Opinion of the Committee on External Economic Relations .....	8
Opinion of the Committee on Agriculture .....	10

The Committee on Development and Cooperation hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a Regulation amending Regulation (EEC) No. 950/68 on the Common Customs Tariff and Regulation (EEC) No. 2710/77 establishing in respect of certain products falling within Chapters 1 to 24 of the Common Customs Tariff a scheme of generalized preferences in favour of developing countries

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council<sup>1</sup>,
  - having been consulted by the Council (Doc. 390/78),
  - having regard to the report of the Committee on Development and Cooperation and the opinions of the Committee on External Economic Relations and the Committee on Agriculture (Doc. 475/78),
1. Welcomes the use of a uniform classification system in all Member States of the EEC for the different fractions of palm oil imported from developing countries into the Community;
  2. Recognizes that this measure will help prevent distortions in competition between Member States, and accepts the tariff rates proposed for the different fractions of palm oil, insofar as they will not adversely affect the supplier countries;
  3. Approves the Commission's proposal.

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<sup>1</sup> OJ No. C 247, 18.10.1978, p.4

EXPLANATORY STATEMENT

1. The purpose of the proposed regulation is to set the rates of duty applicable to the importation into the Community of processed palm oil, and simultaneously to set the rate of Generalized Preference Tariff for this.
2. In the past palm oil has largely been imported in its natural state. In the last few years the import of this product has increased sharply, and, increasingly, it is being processed in the exporting countries, of which the chief one is Malaysia. The result of this processing is that the palm oil now arrives in liquid and hardened fractions, which have a different fatty acid content from that of crude oil.
3. The liquid fraction is similar to other oils, such as soya, sunflower, cotton seed, etc. The hardened fraction is intended either for industrial uses, or for incorporation in foodstuffs, particularly margarine.
4. These different fractions have been treated differently in the application of tariffs in different Member States, so that a low rate of duty on a particular fraction might apply in one Member State, thereby giving rise to distortions in the cost prices of imported products in this category.
5. The Customs Nomenclature Committee delivered a formal opinion as to which tariff headings these two fractions should be allocated (15.07 for the liquid fraction and 15.12 for the hardened). This introduces a standard and uniform classification system throughout the EEC.
6. The Commission proposal is that in order to "ensure a balanced situation in the oils and fats market", the tariff level for the hardened fraction should be altered, and that the rate of duty payable should depend on the use to which the product is put: if used for industrial purposes, the rate of duty proposed is 4% (and under GSP) the rate is 2.5%) while for use in foodstuffs the rate proposed is 17% (GSP - 9%).
7. These tariff rates represent a reduction on existing rates for products falling within Tariff Heading 15.12 but at the time of drafting this report, the Commission has not provided information regarding the effect of this measure on the developing countries concerned with supplying palm oil. If the net effect is to increase the average tariff level applied, then the Committee on Development and Cooperation cannot agree to the proposal without further justification, since development policy

should encourage the processing of locally produced commodities. If the effect on the developing countries is not adverse, or is minimal, then the Committee accepts the proposal since it will clarify the internal market situation in the Community.

OPINION OF THE COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

Draftsman : Sir Geoffrey de FREITAS

On 30 October 1978 the Committee on External Economic Relations appointed Sir Geoffrey de Freitas draftsman.

The draft opinion was adopted unanimously at its meeting of 22 November 1978.

Present: Mr Scott-Hopkins, vice-chairman and acting chairman; Sir Geoffrey de Freitas, draftsman; Mr Baas, Mr Bersani, Lord Castle, Mr Fitch, Lord Kennet, Mr Tolman and Mr Vandewiele.



This proposal concerns the fractioning of palm oil in the exporting countries and the classification in the CCT of the resultant fractions of this product.

The Committee on External Economic Relations considers that this proposal can be approved without reservation.

OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman : Mr M. CIFARELLI

On 19/20 October 1978 the Committee on Agriculture appointed Mr Cifarelli draftsman of the opinion.

At its meeting of 30/31 October 1978 the committee considered the draft opinion and adopted it unanimously.

Present : Mr Caillavet, chairman and acting draftsman ; Mr Ligios, vice-chairman ; Mr Cunningham, Mr Halvgaard, Mr Hughes, Mr Joxe, Mr Klinker, Mr Lemp, Mr Scott-Hopkins and Mr Tolman.

1. This proposal is strictly technical since it provides for amendment of the CCT (Common Customs Tariff) in respect of crude palm oil imported into the Community.

The new classification of this product is better, since it distinguishes between the liquid and hardened fractions, their composition (fatty acid content) differing from that of the original product, namely crude palm oil.

Also changed are the rates of duty applicable to the hardened part, according to its utilization (for industrial or food purposes), while the liquid part comes under the general heading for 'other than crude' seed oils.

In view of the new classification and the amendment of the CCT, an adjustment is also made to the duty applied in respect of the developing countries under the scheme of generalized preferences.

2. The Committee on Agriculture has no reservations about the above amendments which, being clearer, will help to prevent distortions of competition between the Member States resulting from erroneous interpretation of the CCT.

