

COMMISSION OF THE EUROPEAN COMMUNITIES

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THE EUROPEAN COMMUNITY'S GENERALIZED TARIFF PREFERENCES

SCHEME FOR 1976

(Proposals and communications by the Commission to the Council)

Only the explanatory memo has been reproduced. For the detailed list of products covered, see Regulation 3011/75, Official Journal L 310/75.

EXPLANATORY MEMORANDUM

I. Introduction

The Commission's views on the future development of the Community's generalized preferences were set out in its Communication to the Council of 3 February 1975 (Document COM (75) 17 final).

After a preliminary debate on this Communication, the Council adopted on 3 March 1975 an initial Resolution on the future development of the Community's generalized preferences (see Annex).

The following proposals from the Commission for the 1976 Generalized Scheme of Preferences represent a first step towards implementing the Council Resolution.

II. Purpose and general scope of the proposals

These proposals from the Commission to the Council concern the legal provisions necessary to the grant of generalized tariff preferences for 1976 in respect of manufactured and semi-manufactured products originating in developing countries.

The proposals for regulations submitted to the Council fall within the scope of the Community offer on generalized tariff preferences made to UNCTAD in 1969. They address themselves to the detailed rules for the application of tariff preferences to a number of processed agricultural products of Chapters 1 to 24 of the CCT and to all manufactured industrial products of Chapters 25 to 99 of the CCT. Iron and steel products covered by the ECSC Treaty are dealt with in special draft decisions opening tariff preferences following the same rules as those adopted for other industrial products, but without prejudice to the administrative details applying to ECSC products.

III. Context of the Commission's proposals

1. The problem of deadlines

Last year the problem of deadlines was still not dealt with satisfactorily. The Commission stresses that the belated adoption of the 1975 scheme by the

Council (on 2 December, with the result that the implementing regulations could not be published in the Official Journal until 9 December) hampered implementation of the generalized preferences during the first months of 1975.

For the 1976 scheme the Commission is making an extra effort by presenting its proposals even earlier - in the first fortnight of June 1975. It urges the Council to respect the spirit of its own Resolution of 27 June 1974 (1) and to organise its work on this subject in such a way as to ensure that the necessary decisions are taken by the end of October 1975 at the latest.

The timetable planned by the Commission has moreover been drawn up in such a way that :

- the European Parliament, after being consulted, can deliver its opinion early enough for the Council to be able to take account of it in its decisions;
- the Economic and Social Committee can make known its opinion in good time;
- the partner and associated States can be informed and will be able to make their views known in the time available.

2. General approach

The Commission's approach for the 1976 Generalized Scheme of Preferences has been to try to achieve a modest, but significant, improvement with particular emphasis on the poorest countries. Within this general guideline the Commission has borne in mind two essential, if opposed, considerations.

On the one hand, developments in the general world economic situation, and in the Community in particular, continue to give rise to serious concern. The Community's capacity to provide assistance through generalized preferences, particularly in certain sensitive sectors, seems to be reaching a level which requires, if not a pause in the development of the GSP, at least an adaptation of its speed to the economic possibilities of the moment.

(1) O.J. N° C 79 of 8 July 1974, p. 1

On the other hand, it must be recognized that the economic difficulties faced by the Community are in quite a different class from those encountered by most of the beneficiary countries, particularly the poorest among them. For these countries any slowing down of foreign assistance in general and, as far as the particular problem dealt with in this paper is concerned, any reduction in the advantages provided through the GSP, are likely to have repercussions which justify persuading the improvement of GSP.

Between these two imperatives the Commission considers that it is possible to steer a middle course, defined above as a modest, though significant, improvement.

Although this improvement cannot be ambitious, it does offer the advantage of both preserving what has already been achieved and also of ensuring that progress is maintained. Because they have had to be so moderate and so carefully measured the improvements have had to be concentrated on the exports of the poorest countries and on systematic measures to encourage better use of the advantages provided in order to increase their impact.

Such improvement will, if made full use of, provide new opportunities for the beneficiaries of the Community's GSP.

This, then, has been the general approach on which the Commission has based its proposals for the 1976 GSP, the main features of which are set out below.

IV. Characteristics of the 1976 GSP

1. Processed agricultural products from Chapters 1 to 24 of the CCT

For all agricultural products subject in 1975 to GSP Regulation EEC 3055/74 (except castor oil and coconut oil for industrial use), and for raw "Virginia flue cured" tobacco, the Commission proposes an additional linear reduction of 10 % in the GSP duties, rounded off where appropriate. This improvement will have a favourable effect on developing countries, especially in cases where GSP duties are still at fairly high levels, and could involve substantial sacrifices being made in certain processing activities in the Community. Thus the Commission does not propose to include any further products, except

Tonquin beans, certain products which originate in the poorest countries but do not compete with production in the Community or in the ACP States (aquarium fish, certain shrimps and prawns, urad, gram, tur, mangosteens and papad).

The Commission also points out that it does not propose to make any change in the tariff arrangements for the other products subject to special GSP regulations (soluble coffee, cocoa butter, tinned pineapple (other than in slices) or for the products included in the GSP as from 1 July 1975 (pepper, certain tropical vegetable oils, and covering also by extension castor oil and coconut oil for industrial use).

For tinned pineapple, it must be remembered that an improvement had already been agreed upon which still holds good provided certain conditions are met : a 10.000 metric tons increase in the tariff quota for tinned pineapple other than in slices and the opening of a 28.000 metric tons tariff quota at a GSP duty of 15 % for tinned pineapple in slices after the entry into force of the harmonization of the external arrangements under the common organization of the market in processed fruit.

These arrangements envisaged by the Commission are supplemented by a proposal opening a new tariff quota of 36.000 metric tons for a raw "Virginia flue cured" tobacco. The Commission points out that in 1974 and 1975 this product was covered by a GSP tariff quota as an exceptional measure with a view to helping the poorest countries - particularly India - to cope with their economic difficulties. The Commission considers that the economic situation in these countries is continuing to deteriorate, and that it is therefore justifiable, indeed vital, to open, as an exceptional measure, a new GSP tariff quota of 36.000 metric tons; this represents a notable improvement : 20 per cent compared with the 1975 amount and 80 % compared with 1974.

The details below enable overall assessment to be made of the 1976 GSP in the agricultural sector :

- 226 agricultural products covered by the GSP, representing an estimated value in terms of imports from beneficiary countries other than the ACP of

850 million units of account in 1976 ;

- these proposals constitute a special effort in favour of the poorest countries, whose exports of agricultural products account for an essential part of their trade balance.

2. Industrial manufactured products from Chapters 25 to 99 of the CCT

For all these products the Commission proposes in essence to maintain the advantages granted under the 1975 GSP, together with a number of improvements and adjustments.

a. Industrial manufactured products other than textiles and ECSC products

Raising the level of the ceilings

With the aim of simplification the Commission proposes a flatrate increase for all tariff quotas and ceilings with a few exceptions set out below. The figure of 15 per cent which has been chosen takes account of an overall increase of 40 per cent in current values which took place between 1972 and 1973 (1) for imports from non-beneficiary countries. The Commission stresses that, for technical reasons^{and for reasons}/of principle, it is out of the question under the present circumstances to attempt to establish a strict correlation between the rate of increase of the level of ceilings and that of inflation in the various Member States of the Community. However, it may be noted that this 15 per cent rate enables the GSP advantages to be preserved to a very great extent, taking into account inflation.

As a result of the operation of the additional amount the actual incidence of the overall 40 per cent increase on the different ceilings varies between 11 per cent and 22 per cent. The Commission is proposing this method of calculation and this percentage as an experiment, without prejudice to certain adjustments as regards particular products (for plywood the proposed increase - 5 per cent - relates to both the Community and the United Kingdom quotas

(1) Reference year for calculating the additional amount

expressed in cubic meters ; for tennis rackets on the one hand, and shoes, radio and television receivers, diodes and transistors on the other, the proposed rates are respectively 20 per cent and 8 per cent.)

Classification of products and improvement of the balance of advantages between beneficiaries

These two questions are linked and a specific solution was worked out for 1975. As the Commission has already indicated, the system adopted for administering the special "buffers" raises problems as to whether it is consistent with certain basic principles governing the customs union. Consequently, it is only on a transitional basis that the Commission proposes to extend with some adjustments the 1975 system, the idea being for it to develop eventually into the system of ceilings pure and simple. The adjustments mentioned relate first to the withdrawal of Hong Kong from the system of special "buffers" for wigs (exports from the Colony to the Community have decreased in the last two years) and secondly to the raising of the "buffers" for tennis rackets from 30 per cent to 50 per cent.

Under these circumstances, since the problem of classification of products is linked with that of improving the balance of advantages between beneficiaries, the Commission does not propose this year to make any new reductions in the lists of products subject to tariff quotas, although it remains fully in favour of reducing those lists as soon as possible until they are abolished altogether.

b. Textile products

With regard to jute and coir products, the Agreements concluded expire on 31 December 1975, and negotiations will have to be started with India and Bangladesh in good time to replace them and thus to fulfil the conditions for implementing the special measures provided for in the GSP offer made to UNCTAD. The Commission which will be sending forward proposals in due course for the renegotiation of these Agreements considers that, in any case, the least that should be done is to maintain for 1976 the advantages granted under the GSP in 1975. Furthermore the Commission considers that the same applies to Thailand and Sri Lanka as regards their respective jute and coir products.

For other textile products, the Commission points out that bilateral negotiations under the Multifibres Agreement have not yet been completed and that it is not in a position to make a comprehensive assessment of the textiles issue, where generalized preferences constitute only an aspect of development cooperation. Pending the conclusion of all these negotiations and the study of their results, the Commission proposes to extend for 1976 the present GSP arrangements for textiles as a whole, bearing in mind the need to ensure continuity in applying the GSP in this sector until such time as an appropriate solution can be found.

The Commission considers, however, that improvements and adjustments should be made, ones which would not fundamentally affect the economy of the Community in this sensitive sector.

The Commission proposes in particular a uniform flat-rate increase of 5 % in the tariff quotas and ceilings in force in 1975. This proposed increase would not affect the additional shares allocated to Denmark. It would make it possible to extend to the textile sector - which is particularly important for the poorest countries - some of the benefit of the improvements envisaged for other sectors as a result of raising the level of ceilings. Here the Commission would like to set the problem in its proper perspective : of the 1.200.000 metric tons of textiles imported annually into the Community, of which 500.000 tons come from developing countries, approximately 75.000 metric tons are covered by the GSP.

Moreover, the Commission proposes to add Guatemala, Paraguay and Haiti to the list of countries enjoying preferences for cotton textiles and like products. These countries have already embarked on the procédure laid down for this purpose or are about to do so. Their inclusion would not cause any problems owing to the extremely modest volume of their exports of the products in question to the Community.

Lastly, in accordance with the assurances which it gave at the time of the compromise reached in the Council with regard to Hong Kong (1), the Commission proposes, after studying the problem, to include the dependent territories in the list of beneficiaries under the GSP arrangements for textiles

(1) Council minutes of 12 November 1974 : "... the case of Hong Kong will be examined when the Community generalized preferences system for 1976 is worked out".

in respect of certain products subject to the ceiling system. The principal beneficiary of this operation will undoubtedly be Hong Kong and this measure will involve approximately 2.500 metric tons (including 500 metric tons of cotton textiles), traditionally imported mainly by the United Kingdom. The Commission points out that textile exports from Hong Kong to the Community amount to 120.000 metric tons per year and that the proposed measure is more one of political importance than one bringing with it immediate practical economic effects. It would provide a stimulus for the Colony's authorities and firms by encouraging them to face up to a particularly difficult situation in the textile production sector. The Commission points out that the Community's GSP arrangements for textiles have been somewhat loaded against Hong Kong vis-à-vis its South-East Asian competitors which are covered by the Community GSP.

c. ECSC products

For ECSC products the Commission proposes the same flat-rate increases envisaged for industrial products other than textiles, and maintenance of the present classification of products and the mechanism in force governing "buffers".

d. Introduction of the reserve in tariff quotas

The Commission stresses the importance of the progressive introduction (as decided by the Council) of the Community reserve in the tariff quotas still existing under the GSP. To maintain this progress and in accordance with the Council Resolution on this subject, the Commission proposes for 1976 to add two other products (travel goods falling within subheadings 42.02 A and B) to the list of products subject to tariff quotas in 1975 which include a limited reserve. In addition, with the same aim in view, the Commission proposes to increase from 40 % to 50 % the total additional shares which the Member States may draw on the reserve.

e. Rules of origin

It should be possible to extend for 1976 the rules of origin in force in 1975. However, it would be premature to adopt a definitive position at this stage. The question is under review and the Commission reserves the right to come back to it if necessary.

f. Special measures for the poorest countries

As part of the general improvement for the industrial sector, the Commission proposes a number of specific measures in favour of the poorest countries.

For Pakistan, the ceilings for tennis rackets would be increased by 20 % and the corresponding "buffers" raised from 30 % to 50 %. These measures will be well-received by Pakistan and are not likely to upset the industries concerned in the Community, since Pakistan's product does not cater for the same section of the market as the European product.

For India the "buffers" for hand-knotted carpets, carpeting and rugs of the category containing 350 knots or less would be raised from 20 % to 40 %. This product is very sensitive both for India and the Community. It should, however, be pointed out that only 61 % of the 1973 tariff quota and 53 % of the 1974 quota were utilized. There are in fact only two main suppliers - India and Iran. This measure proposed by the Commission has been urged for a long time by India and the Commission considers that, following the Resolution adopted by the Council on the future development of preferences, which specifically puts the emphasis on the poorest countries, it would not be advisable to postpone it any longer.

g. Beneficiary countries

The only modification to the list of beneficiaries proposed by the Commission involves transferring Guinea Bissau, which has so far been included in the "countries and territories" list under the name of Portuguese Guinea, to the "independent countries" list.

The Commission reserves the right to make further proposals, in the course of the year, if necessary, in order to regularize the position regarding any countries which may find themselves in the same situation as Guinea Bissau (Angola, Mozambique and Cape Verde for example).

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The figures given below enable an overall assessment to be made of the proposed 1976 GSP arrangements in the industrial sector :

- quotas and ceilings opened for textile products :
approximately 75.000 metric tons ;

- quotas and ceilings opened for industrial products other than textiles :
2.650 million u.a.

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To supplement these measures the Commission is preparing for the autumn a proposal to set up a GSP documentation and information agency. The launching of studies for the setting up of this agency was announced last year.

The Commission also points out that other additional measures for supporting and encouraging utilization of the GSP are necessary. These will include, for example, the publication of a guide to the GSP, to be regularly updated, the organization of seminars in beneficiary countries and for the private sector in the Community trade promotion and measures to assist regional integration.

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The Commission believes that the proposals it is submitted to the Council for the 1976 GSP constitute a coherent, balanced and realistic whole. It hopes that the Council will be able to accept them as such and take its decisions as soon as possible.

In drawing up its proposals the Commission has taken into account the opinions already expressed by the European Parliament and the Economic and Social Committee. Even though the proposals involve only a modest improvement they are consistent with the development of preferences as conceived and desired by the Commission and the Council. They confirm the political commitment entered into by the Commission in the field of cooperation, which the Community plans to intensify with the countries of the Third World.

COUNCIL RESOLUTION ON THE FUTURE DEVELOPMENT OF COMMUNITY GENERALIZED
TARIFF PREFERENCES

1. On the basis of a Commission communication dated 3 February 1975, the Council held discussions on the future development of the European Community's generalized tariff preferences.

The Council recalled that among the countries according this benefit the Community was the first to implement, on 1 July 1971, its scheme of generalized tariff preferences for finished products and semi-manufactures from developing countries. Since then, considerable improvements have been made to the Community's scheme which, since 1 January 1974, has been applied by the enlarged Community of the Nine Member States. On a number of occasions the countries concerned have stressed the extent and importance of the progress made by the Community in applying its scheme of preferences.

2. The Council stated that generalized preferences were a fundamental instrument of development co-operation. It indicated its willingness to work uninterruptedly and progressively towards improving such preferences along the following guidelines :

- increased use of the present Community scheme, particularly by means of steps aimed at its simplification ;
- better administration of the scheme ;
- appropriate improvement and adjustment of the Community scheme to take account of the export potential of developing countries and the Community's economic potential.

The Council remained steadfast in its wish that such improvements pay particular attention to the interests of the less favoured developing countries so as to facilitate their preferential access to the Community market.

3. The system of generalized tariff preferences was intended to last for an initial period of ten years, ending in 1980. However, the Council considered that since the aim of generalized preferences was, and would continue to be, to increase export earnings of developing countries, to promote their industrialisation and to speed up their economic growth rate, this policy should be pursued. The Council therefore considered that a further period during which generalized preferences would apply beyond 1980 was necessary.

FINANCIAL CONSEQUENCES OF THE COMMISSION'S PROPOSALS1. Losses of customs revenue

It is not possible at the present stage, for want of accurate statistics on the actual use made of the advantages granted, to undertake even an approximate assessment of the losses of customs revenue resulting from the implementation of the system of generalized tariff preferences. The system worked out for collecting and processing statistical data on the Generalized Scheme of Preferences, which the Commission had planned to implement last year, should become operational within the next few months, as soon as the many difficulties have been overcome and statistical data is sent in by the Member States on a regular basis as laid down by mutual agreement. The Commission will be provided with more detailed information on this subject once the first data have been collected and processed, which should be by mid-June.

2. Cost of the supplementary measures

A. Seminars in the beneficiary countries (Asia, Far East and Latin America)	57.000 u.a.
B. Seminar in Brussels for representatives of industry, the importers and the trade unions	20.000 u.a.
C. Publication of a guide to the GSP	30.000 u.a.
D. Setting up an agency for documentation and information on the GSP	p.m. (see detailed proposal to be drawn up later)
E. Trade promotion measures and measures to assist regional integration	