



COMMISSION OF THE EUROPEAN COMMUNITIES

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Proposal for a

COUNCIL REGULATION

amending Council Regulation (EC) No 2820/98 applying a multiannual scheme of generalised tariff preferences for the period 1 July 1999 to 31 December 2001 so as to extend duty-free access without any quantitative restrictions to products originating in the least-developed countries

(presented by the Commission)

EXPLANATORY MEMORANDUM

This proposal is a result of the Community's (recently renewed) undertakings for the least-developed countries (LLDCs), and seeks to translate those undertakings into action.

The action plan adopted by the World Trade Organisation (WTO) at its 1996 ministerial conference in Singapore is aimed at improving the access of the LLDCs to the markets of the industrialised countries. In particular, it recommends that the latter give duty-free access, on an autonomous basis, to products originating in LLDCs.

Following up the action plan, the Council decided in its conclusions of 2 June 1997 that the Community should initially implement the Singapore conclusions by granting LLDCs not party to the Lomé Convention preferences equivalent to those enjoyed by Lomé Convention signatories and, in the medium term, duty-free access for essentially all LLDC products. In 1998, in accordance with that undertaking, the Community granted LLDCs not party to the Lomé Convention preferences equivalent to those enjoyed by signatories, through Regulation (EC) No 602/98.

Similar undertakings have also been reaffirmed for Lomé Convention countries. The Partnership Agreement between the African, Caribbean and Pacific States and the European Community and its Member States, signed at Cotonou (Benin) on 23 June 2000 further states that, by the year 2000, the Community will start a process which, by the end of the WTO multilateral trade negotiations and at the latest by 2005, will allow duty-free access for essentially all products from all LLDCs, building on the level of the existing trade provisions of the fourth ACP-EC Convention, and which will simplify and review the rules of origin, including cumulation provisions, that apply to their exports.

The Community has campaigned actively on the multilateral front for undertakings in the LLDCs' favour. In that connection, at the November 1999 WTO Ministerial Conference in Seattle, the Community and Japan jointly declared their intention to open their markets to essentially all LLDC products. Later, the Community's continued efforts brought an undertaking from the other Quad countries (the US and Canada) to the same effect. Canada has just launched an initiative similar to that of the Community. Just recently, this objective was reaffirmed within the G8, which consists of the world's eight major industrialised countries, plus Russia.

The Commission therefore feels that we now need to unilaterally set down in law this series of undertakings. However, the Commission further believes that the Community can go beyond its undertakings by granting all products (except arms and munitions) from all LLDCs duty-free access without quantitative restrictions immediately. It should be emphasised that over 99% of Community trade with the LLDCs already carries zero import duty, either under the Lomé Convention or under the Generalised System of Preferences (GSP). This is the case for EUR 8 113 million out of EUR 8 136 million of trade. Where import protection still exists, it often involves products in which LLDC trade with the Community is very low, or nonexistent. This absence of trade is undoubtedly partly due to Community protection, and eliminating the latter would encourage the development of trade in the products in question.

Such an initiative will send a strong and credible political signal to all our partners. Since the Community is by far the world's biggest importer of LLDC products (accounting for a total of 56% of developed-country imports), this proposal will also set an example for other WTO members, particularly those with an industrialised economy. By reinforcing the current trend,

it will boost output of and trade in goods which still have little (or no) significance for the LLDCs, and therefore provides a longer-term objective. It will show developing countries in general, and the LLDCs in particular, that after Seattle the Community is continuing to take the initiative on trade liberalisation, and will testify to its genuine efforts to take on board the needs and concerns expressed by these countries regarding a new round of multilateral trade negotiations.

Since it involves taking action on an autonomous basis in the context of tariff preferences at multilateral level, the Commission is presenting this proposal as an amendment to Council Regulation (EC) No 2820/98 of 21 December 1998 applying a multiannual scheme of generalised tariff preferences for the period 1 July 1999 to 31 December 2001. The alternative would have been to propose a tariff scheme for the LLDCs separate from the GSP and to extend its application beyond 31 December 2001. However, this would have been a departure from the concept of a single Community generalised system of preferences which, in any case, has to be reviewed before the end of 2001 in order to decide what amendments are required for the last phase of the ten-year scheme up to 2004. When that review takes place, the new arrangements for the LLDCs laid down in this proposed regulation should therefore be incorporated.

The main objective of this proposal is to amend Article 6 of the above-mentioned Regulation concerning the special support arrangements for the least-developed countries. However, logically, this amendment would entail the amendment of other articles. Therefore, a reference to the new Article 6 must be included in Article 1(2) of the Regulation concerning the scope of the scheme's application. Furthermore, technical amendments must be made to Article 7 and Annex VII of the Regulation to define more exactly the scope of the special support arrangements for the fight against drugs following the amendments in favour of the least-developed countries. Finally, technical amendments are also necessary in Article 29(4) of the Regulation so as not to restrict the benefits to the least-developed countries to *ad valorem* duties alone.

The Commission is aware that such an opening increases the risk of fraud and failure to adhere to the rules of origin, so it is proposing to put in place stronger safeguard measures, similar to those which the Council adopted in connection with the exceptional trade measures for the countries and territories of the Western Balkans. The proposal amends Article 22 of the basic Regulation on the GSP and provides for tariff concessions to be temporarily suspended in cases of fraud, failure to adhere to the rules of origin and/or huge increases in imports into the Community beyond the usual output or export capacity of the countries concerned.

It was felt that there was no point in going any further than this - for example, by altering the rules-of-origin arrangements. This was because the arrangements already contain all the instruments needed to enforce the rules and prevent distortions of trade, and because a tightening of the rules of origin for countries eligible for the GSP (all of them developing countries) cannot be justified on the grounds that the poorest of those countries have free access to the Community market. In addition, establishing rules of origin to apply specifically to the LLDCs would go against Community moves of recent years to simplify and harmonise the various rules of origin in force.

The intention is, however, also to allow least-developed countries belonging to the ACP group to benefit from regional cumulation on the basis of the regional organisations formed in negotiations for the economic partnership agreements with the Community. Although there are short-term difficulties involved in giving the ACP LLDCs the same regional-cumulation

opportunities already given to non-ACP LLDCs, the view is that in the longer term there could be no justification for discriminating between LLDCs. Furthermore, these cumulation opportunities would be consistent with Community policy in this field.

The Commission is also aware that the proposed liberalisation, which targets only some third countries, has consequences for a number of agricultural products covered by arrangements for the common organisation of the market which are currently being revised or are due to be revised (e.g. bananas, rice and sugar). It is therefore suggested that free access for these be phased in over three years.

Granting free access to their products is not the only important measure to be taken to help these countries. The circumstances in which they find themselves must be such as to allow them to exploit the opportunities presented by the liberalisation of trade. Another important objective is to bolster production capacity so as to enable them to produce and process a greater number of quality goods for export. Maintaining technical and financial assistance to developing countries at a level sufficient to help them improve and diversify their export capacity must continue to be a priority of Community policy.

In the light of the above considerations, the Commission is proposing to the Council that this proposal for a Regulation be adopted.

Proposal for a

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 133 thereof,

Having regard to the proposal from the Commission¹,

Whereas:

- (1) Whereas Article 6 of Council Regulation (EC) No 2820/98 of 21 December 1998 applying a multiannual scheme of generalised tariff preferences for the period 1 July 1999 to 31 December 2001 provides for more favourable tariff treatment for the least-developed countries.
- (2) The Community's multiannual scheme of generalised tariff preferences has to be reviewed before the end of 2001 in order to decide what amendments are required for the last phase of the ten-year period of the scheme up to 2004.
- (3) At the Singapore ministerial conference in December 1996 the WTO member countries pledged to carry out an action plan to improve access to their markets for products originating in the least-developed countries.
- (4) On 2 June 1997 the Council, on the basis of a Commission communication of 16 April 1997, adopted conclusions calling for the Singapore conclusions to be implemented by granting least-developed countries not party to the Lomé Convention preferences equivalent to those enjoyed by signatories and, in the medium term, duty-free access for essentially all LLDC products.
- (5) Council Regulation (EC) No 602/98 granted LLDCs not party to the Lomé Convention preferences equivalent to those enjoyed by signatories to the Convention.
- (6) Article 37(9) of the Partnership Agreement between the African, Caribbean and Pacific States and the European Community and its Member States, signed at Cotonou (Benin) on 23 June 2000 and put into early application by Decision No 1/2000 of the ACP-EC Council of Ministers, states that, by the year 2000, the Community will start a process which, by the end of multilateral trade negotiations and at the latest 2005,

¹ OJ C [...], [...], p. [...].

will allow duty-free access for essentially all products from all LLDCs, building on the level of the existing trade provisions of the fourth ACP-EC Convention.

- (7) In the light of the real risk of the least-developed countries becoming increasingly marginalised in the world economy, the European Community must go even further than these undertakings and grant all LLDC products, except arms and munitions, duty-free access without quantitative restrictions immediately.
- (8) In the light of the fact that the arrangements for the common organisation of the markets in sugar, rice and bananas are currently being revised or are due to be revised, the Regulations regarding these reforms will have to take account of duty-free access for the LLDCs from the outset when they establish new general import arrangements. Provision should be made for free access for these products to be phased in over three years beginning on 1 January 2001.
- (9) Technical amendments are needed to more closely define the scope of the provisions on the special drug prevention support measures in the light of the changes relating to the LLDCs.
- (10) It is necessary to add to the reasons for the possible provisional suspension of preferences, allowing the Commission to react swiftly when the Community's financial interests are at stake, massive increases in imports of products originating in the LLDCs in relation to their usual levels of production and export capacity,

HAS ADOPTED THIS REGULATION:

Article 1

1. Article 1(2) of Council Regulation (EC) No 2820/98 is amended as follows:

"Without prejudice to Article 6, this Regulation shall apply to the products falling within Chapters 1 to 97 of the Common Customs Tariff, excluding Chapter 93, which are listed in Annex I. It shall apply only to the products listed in Annex VII on the conditions laid down in Article 7."

2. Article 6 of Council Regulation (EC) No 2820/98 is amended as follows:

"Common customs tariff duties shall be suspended in their entirety on all products of Chapters 1 to 97 of the Common Customs Tariff, excluding Chapter 93, originating in the least-developed countries listed in Annex IV. However, duties applying to codes 0803 00 19, 1006 and 1701 shall be phased out over a period of three years from 1 January 2001. This shall be achieved by reducing Common Customs Tariff duties on these products by 20% on 1 January 2001, by 50% on 1 January 2002 and by 80% on 1 January 2003, culminating in full elimination on 1 January 2004."

3. Article 7 of Council Regulation (EC) No 2820/98 is amended as follows:

"For the countries listed in Annex V, Common Customs Tariff duties shall be suspended in their entirety on the industrial products listed in Annex I falling within Chapters 25 to 97 of the Common Customs Tariff, excluding Chapter 93, and on the agricultural products listed in Annex VII, without prejudice to the procedure described in Article 31(3)."

4. Article 22(1)(d) of Council Regulation (EC) No 2820/98 is amended as follows:

“(d) fraud or failure to provide administrative cooperation as required for the verification of certificates of origin form A, or massive increases in imports into the Community of products originating in the countries listed in Annex IV in relation to their usual levels of production and export capacity.”
5. Article 29(4) of Council Regulation (EC) No 2820/90 is amended as follows:

"Save as otherwise provided in the Annexes, with respect to products falling within Chapters 1 to 24, wherever customs duties comprise an ad valorem duty plus one or more specific duties, the preferential reduction is limited to the ad valorem duty. However, the exemption from customs duties provided for in Article 6 shall also apply to the specific duties. Where the customs duties comprise an ad valorem duty with a minimum and a maximum duty, the preferential reduction also applies to that minimum and maximum duty. Where they comprise more than one specific duty, the preferential reduction applies to all of these."
6. Annex VII to Council Regulation (EC) No 2820/98 is amended as indicated in the Annex to this Regulation.

Article 2

This Regulation shall enter into force on the third day following its publication in the *Official Journal of the European Communities*. It shall apply from

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

ANNEX

ANNEX VII (1)

Non-sensitive products

<u>CN code</u>	<u>Description</u>
	Live horses, other than pure-bred breeding animals:
0101 19 90	— Other horses
0104 20 10	Live goats, pure-bred breeding animals(1)
0106 00 10	Live domestic rabbits
0106 00 20	Live pigeons
0205 00	Meat of horses, asses, mules or hinnies, fresh, chilled or frozen
	Edible offal, fresh, chilled or frozen:
0206 80 91	— of horses, asses, mules or hinnies
0206 90 91	
0208	Other meat and edible meat offal, fresh, chilled or frozen, except products of 0208 90 50

CHAPTER 3(2) FISH AND CRUSTACEANS, MOLLUSCS AND OTHER AQUATIC VERTEBRATES

- 0407 00 90 Birds' eggs, in shell, fresh, preserved or cooked, other than poultry eggs
- 0409 00 00 Natural honey
- 0410 00 00 Edible products of animal origin, not elsewhere specified or included

CHAPTER 5 OTHER PRODUCTS OF ANIMAL ORIGIN, NOT ELSEWHERE SPECIFIED OR INCLUDED

CHAPTER 6(3) LIVE TREES AND OTHER PLANTS; BULBS, ROOTS, AND THE LIKE; CUT FLOWERS AND ORNAMENTAL FOLIAGE

- 0701 Potatoes, fresh or chilled
- 0706 90 30 Horseradish (*Cochlearia armoracia*), fresh or chilled
- 0708 Leguminous vegetables, shelled or unshelled, fresh or chilled
Other vegetables, fresh or chilled:
 - ex 0709 20 00 — Asparagus, from 1 October to 31 January
 - 0709 30 00 — Aubergines (egg-plants)
 - 0709 40 00 — Celery, other than celeriac
 - 0709 51 30 — Chanterelles
 - 0709 60 10 — Sweet peppers
 - 0709 60 99 — Other
 - 0709 90 70 — Courgettes
 - 0709 90 90 — Other
- ex 0710 Vegetables (uncooked or cooked by steaming or boiling in water), frozen, except products of 0710 80 10
- 0711 Vegetables provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption, except products of 0711 20 10 and 0711 20 90

Dried vegetables, whole, cut, sliced, broken or in powder, but not further prepared:

- 0712 20 00 — Onions
- 0712 30 00 — Mushrooms and truffles
- 0712 90 05 — Potatoes, whether or not cut or sliced, but not further prepared
- 0712 90 30 — Tomatoes
- 0712 90 50 — Carrots
- ex 0712 90 90 — Other, excluding olives

0713 Dried leguminous vegetables, shelled, whether or not skinned or split

0803 00 90 Bananas, including plantains, dried

0804 10 00 Dates, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried

0804 30 00

0804 40

Citrus fruit, fresh or dried:

ex 0805 20 — Mandarins (including tangerines and satsumas); clementines, wilkings and similar citrus hybrids, from 15 May to 15 September

0805 30 90 — Limes (*Citrus aurantifolia*)

0805 40 Grapefruit

0805 90 00 — Other

Melons (including watermelons) and papaws (papayas), fresh:

0807 11 00 — Watermelons

0807 19 00 — Other melons

0809 20 05	Sour cherries (<i>Prunus cerasus</i>), fresh
0809 40 90	Sloes
	Other fruit, fresh:
0810 20	Raspberries, blackberries, mulberries and loganberries
0810 30	Black-, white- or redcurrants and gooseberries
	— Fruits of the genus <i>Vaccinium</i> :
0810 40 30	— — Fruit of the species <i>Vaccinium myrtillus</i>
0810 40 50	— — Fruit of the species <i>Vaccinium macrocarpon</i> and <i>Vaccinium corymbosum</i>
0810 40 90	— — Other
0810 50	— Kiwifruit
0810 90 85	— — Other
0811	Fruit and nuts, uncooked or cooked by steaming or boiling in water, frozen, whether or not containing added sugar or other sweetening matter
0812	Fruit and nuts, provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption
	Fruit, dried, other than that of heading Nos 0801 to 0806:
0813 10 00	— Apricots
0813 20 00	— Prunes
0813 30 00	— Apples
	— Other fruit:
0813 40 10	— — Peaches, including nectarines
0813 40 30	— — Pears
0813 40 50	— Papaws (papayas)
0813 40 95	— — Other

Mixtures of nuts or dried fruits of this chapter:

- 0813 50 12 — Fruit salads of dried fruit, other than that of heading Nos 0801 to 0806
- 0813 50 15
- 0813 50 19
- ex 0813 50 31 — Mixtures exclusively of coconut, Brazil nuts, cashew nuts, areca (or betel) nuts or colanuts
- ex 0813 50 91 — Mixtures of dried guavas, mangoes and mangosteens, papaws, tamarind, cashew apples, jackfruit, lychees or sapodillo plums
- 0901 12 00 Coffee, not roasted, decaffeinated
- 0901 21 00 Coffee, roasted
- 0901 22 00
- 0901 90 90 Coffee substitutes containing coffee
- 0904 20 10 Sweet peppers, dried, neither crushed nor ground
- 0910 40 13 Thyme, other than wild thyme (*Thymus serpyllum*), neither crushed nor ground
- 0910 40 19 Thyme, crushed or ground
- 0910 40 90 Bay leaves
- 0910 91 90 Mixtures of spices, crushed or ground
- 0910 99 99 Other spices, crushed or ground
- ex 1008 90 90 Quinoa
- 1105 Flour, meal, powder, flakes, granules and pellets of potatoes
- Flour, meal and powder:
- 1106 10 00 — Of the dried leguminous vegetables of heading No 0713

1106 30 — Of the products of Chapter 8

ex CHAPTER OIL SEEDS AND OLEAGINOUS FRUITS; MISCELLANEOUS GRAINS,
12 SEEDS AND FRUIT; INDUSTRIAL AND MEDICINAL PLANTS; STRAW
AND FODDER excluding sugar beet and sugar cane falling within
subheadings 1212 91 and 1212 92

CHAPTER 13 GUMS, RESINS AND OTHER VEGETABLE SAPS AND EXTRACTS

Lard stearin, lard oil, oleostearin, oleo-oil and tallow oil, not emulsified or mixed or otherwise prepared, excluding lard stearin and oleostearin for industrial uses

1503 00 19

1503 00 90

1504 Fats and oils and their fractions, of fish or marine mammals, whether or not refined, but not chemically modified, excluding products of ex 1504 30 10 (whale oil or sperm oil)

1505 Wool grease and fatty substances derived therefrom (including lanolin)

1507 Soya-bean oil and its fractions, whether or not refined, but not chemically modified

1508 Ground-nut oil and its fractions, whether or not refined, but not chemically modified

1511 Palm oil and its fraction, whether or not refined, but not chemically modified

1512 Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, but not chemically modified

1513 Coconut (copra), palm kernel or babassu oil and fractions thereof, whether or not refined, but not chemically modified

1514 Rape, colza or mustard oil and fractions thereof, whether or not refined, but not chemically modified

1515 Other fixed vegetable fats and oils (including jojoba oil) and their fractions, whether or not refined, but not chemically modified

1516 Animal or vegetable fats and oils and their fractions, partly or wholly hydrogenated, inter-esterified, re-esterified or elaidinised, whether or not

refined, but not further prepared

1517 Margarine; edible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this chapter, other than edible fats and oils or their fractions of heading No 1516

1518 Animal or vegetable fats and oils and their fractions, boiled, oxidised, dehydrated, sulphurised, blown, polymerised by heat in vacuum or in inert gas or otherwise chemically modified, excluding those of heading No 1516; inedible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this chapter, not elsewhere specified or included

1521 90 99 Beeswax and other insect waxes, whether or not refined or coloured, other than raw

Degras; residues resulting from the treatment of fatty substances or animal or vegetable waxes:

1522 00 10 — Degras

1522 00 91 — Oil foots and dregs; soapstocks

Other prepared or preserved meat, meat offal or blood:

1602 20 11

1602 20 19

1602 41 90

1602 42 90

1602 49 90

1602 50 31

1602 50 39

1602 50 80

1602 90 31

1602 90 41

1602 90 69

1602 90 72

1602 90 74

1602 90 76

1602 90 78

1602 90 98

1603 00 10 Extracts and juices of meat, fish or crustaceans, molluscs or other aquatic invertebrates, in immediate packings of a net content of less than 20 kg

1604 (4) Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs

1605 Crustaceans, molluscs or other aquatic invertebrates, prepared or preserved

1702 50 00 Chemically pure fructose

1702 90 10 Chemically pure maltose

1704 (5) Sugar confectionery (including white chocolate), not containing cocoa

CHAPTER 18 COCOA AND COCOA PREPARATIONS

CHAPTER 19 PREPARATIONS OF CEREALS, FLOUR, STARCH OR MILK, PASTRYCOOKS' PRODUCTS

CHAPTER 20 PREPARATIONS OF VEGETABLES, FRUIT, NUTS OR OTHER PARTS OF PLANTS

ex CHAPTER MISCELLANEOUS EDIBLE PREPARATIONS, excluding sugar syrups
21 falling within subheadings 2106 90 30, 2106 90 51, 2106 90 55 and 2106 90 59

ex CHAPTER BEVERAGES, SPIRITS AND VINEGAR, excluding products falling within
22 subheadings 2204 10 11 to 2204 30 10, 2206 00 10, 2208 40, 2208 90 11 and 2208 90 19

Bran, sharps and other residues, whether or not in the form of pellets derived from the sifting, milling or other working of cereals or of leguminous plants:

2302 50 00 — Of leguminous plants

Preparations of a kind used in animal feeding:

2309 10 90 — Dog or cat food put up for retail sale, other than containing starch, glucose, glucose syrup, maltodextrine or maltodextrine syrup falling within subheadings 1702 30 51 to 1702 30 99, 1702 40 90, 1702 90 50 and 2106 90 55 or milk products

— Other

2309 90 91 — — Beet-pulp with added molasses

2309 90 93 — — Premixtures

2309 90 95 — — Other

2309 90 97

CHAPTER 24 TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES

2818 30 00 Aluminium hydroxide

ex 2844 30 51 Crude cermets, waste and scrap of uranium depleted in U 235

35029070 Other albumins

(1) Entry under this subheading is subject to conditions laid down in the relevant Community provisions.

(2) The duty is 3.6% for shrimps of CN code 0306 13.

(3) For cut flowers of CN code 0603, the conditions laid down by Article 28(1) are deemed to be fulfilled when the quantities put into free circulation with preferential benefit in any year exceed the volume of imports from one of those countries into the Community corresponding to the figure half-way between the highest and the average quantity for the last four years for which statistics are available.

(4) For prepared and preserved tuna of CN codes 1604 14 11, 1604 14 18, 1604 14 90, 1604 19 39 and 1604 20 70, the examination of the conditions laid down by Article 28(1) shall be carried out for a particular country when the quantities put into free circulation with preferential benefit, originating in that country, exceed the average annual quantity of its exports to the Community of the products concerned over the last three years.

(5) The specific duty for products falling within CN codes 1704 10 91 and 1704 10 99 shall be limited to 16% of the customs value.

FINANCIAL STATEMENT

1. TITLE OF OPERATION

Proposal for a Council Regulation (EC) amending Council Regulation (EC) No 2820/98 applying a multiannual scheme of generalised tariff preferences for the period 1 July 1999 to 31 December 2001 so as to extend duty-free access without any quantitative restrictions to products originating in the least-developed countries.

2. LEGAL BASIS

Article 133 of the Treaty

3. DESCRIPTION OF OPERATION

The aim of the proposed Regulation is to grant products from the least-developed countries, other than arms and munitions, duty-free access without any quantitative restrictions.

4. ESTIMATE OF CUSTOMS REVENUE - CLASSIFICATION OF EXPENDITURE/REVENUE

On the basis of imports in 1998, the products on which the LLDCs are not yet granted duty-free access without any quantitative restrictions, excluding arms, account for 677 eight-digit tariff headings representing total imports of EUR 77 million out of an overall total of EUR 8.191 billion. The estimated loss of customs revenue is EUR 7 118 727.

IMPACT ASSESSMENT FORM

THE IMPACT OF THE PROPOSAL ON BUSINESS, WITH SPECIAL REFERENCE TO SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)

TITLE OF PROPOSAL

Proposal for a Council Regulation amending Council Regulation (EC) No 2820/98 applying a multiannual scheme of generalised tariff preferences for the period 1 July 1999 to 31 December 2001 so as to extend duty-free access without any quantitative restrictions to products originating in the least-developed countries.

DOCUMENT REFERENCE NUMBER

THE PROPOSAL

1. This proposed Regulation comes under the heading of the common commercial policy. Its main aim is to extend duty-free access without any quantitative restrictions to products originating in the least-developed countries.

IMPACT ON BUSINESS

2. Regardless of their size, businesses will be mainly affected in the import sector as a result of this proposal. By granting duty-free access to products originating in the LLDCs, the main aim is to scrap import charges on these goods so as to make them more competitive on the Community market. Community importers will therefore no longer have to pay customs duties on the products they import from the LLDCs which should encourage them to import more from these countries, which are the poorest in the world, and thus contribute to their development.

The proposal does not concern a specific region of the Community.

Since the proposal is likely to result in increased trade, it should have a positive impact on employment, investment, business creation and business competitiveness.

IMPACT ON TRADE

An evaluation of the Commission proposal has two different dimensions: the likely immediate effects of the proposal on EU imports originating in the Least Developed Countries (LLDCs) and its long-term, dynamic effects. In order to try and measure the first dimension, the value of present imports is the most relevant data. However, as concerns the second dimension, the present level of tariff protection is the crucial one.

Indeed, the immediate effect of freeing the import of a product, which has to pay a duty or is limited by a tariff quota until now, is the value of the present imports. However, in eliminating duties for products where no imports are registered today, i.e. because of very high tariffs imposed, the dynamic effects of the elimination of

duties, i.e. the stimulation to produce and export a product until now not attractive enough, are of paramount importance.

In 1998, the Community imported goods from LLDCs for a value of EUR 8 715 million (USD 8.7 billion). The total import value of the products covered by the Commission proposal is about EUR 77.7 million. This modest amount is mostly explained by the fact that the overwhelming part of EU imports from the LLDC already enters duty-free.

The main impact of the liberalisation will fall on imports presently partially liberalised, since imports of products excluded up until now only represent EUR 1.6 million. This means that the total figure of EUR 77.7 million is to be considered as a maximum benchmark since a good part of the imports receive already some tariff reduction or are even free inside tariff quotas.

The vast majority of the tariff lines proposed for duty free status are of non-traded products. If this absence of trade is compared with the present rate of protection for the products affected the conclusion is that absence of imports is most probably due to the high import protection, which will be eliminated following the proposal. This points to the other aspect of the proposal: its dynamic, long-term effect on spurring trade on new products for the LLDCs.