



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 29.10.1997  
COM(97) 534 final

97/0293 (CNS)

Proposal for a

COUNCIL REGULATION (EC)

**applying the special incentive arrangements concerning labour rights and environmental protection provided for in Articles 7 and 8 of Council Regulations (EC) Nos 3281/94 and 1256/96 applying the scheme of generalised tariff preferences in respect of certain industrial and agricultural products originating in developing countries**

(presented by the Commission)

### **Explanatory memorandum**

This proposal introducing special social and environmental incentive clauses under the GSP is based on Articles 7 and 8 of Council Regulations (EC) Nos 3281/94 of 19 December 1994 and 1256/96 of 20 June 1996. Under these clauses additional preferences will be granted on request to beneficiary countries providing they can prove that they have adopted and actually apply the international standards on labour rights and environmental protection drawn up by the International Labour Organisation (ILO) and the International Tropical Timber Organisation (ITTO).

The proposal has been drafted on the basis of the two reports presented by the Commission to the Council under Articles 7(2) and 8(2) of the above Regulations reviewing the work of the relevant international forums on the link between trade and labour rights and between trade and the environment. Discussions within these organisations and within the World Trade Organisation (WTO) suggest we are justified in considering a system of positive, development-oriented incentives rewarding compliance with international social and environmental standards rather than the punitive approach based on trade sanctions, which was rejected by the international community at the Singapore Ministerial Conference.

For a real improvement in the social and environmental policies of beneficiary countries, the Commission feels that the extra advantages accorded to exporters under the arrangements have to be attractive and therefore the additional preferential margins substantial. This proposal pursues that objective by providing for beneficiary countries satisfying the conditions relating to the effective application of the requisite social and environmental standards to be offered, through the special incentive arrangements, a preferential margin double that currently available for industrial products and increased by two thirds for agricultural products.

The Commission considers that this additional offer combines a considerable advantage for businesses, which will thereby be encouraged to align their production operations on the requisite standards, with due respect for the sensitivity of the Community market in each of the sectors covered.

The Commission proposes to take the efforts to encourage social and environmental progress in the beneficiary countries further still by also according a preferential margin of 25% of the Common Customs Tariff duty to countries graduating from the basic arrangements. Such an approach is wholly consistent with the basic principles of the GSP scheme adopted by the Council in 1994, which, let it be emphasised, draws a clear distinction between two GSP objectives: the first objective is the traditional one of fostering basic economic development in the developing world; the second, which is more innovative and amounts to a sort of second generation GSP, is to improve the social and environmental quality of that development. These two complementary or successive objectives are served by two distinct systems, one of them - the basic system - based on considerations of trade policy (modulation) and economic development (graduation) and the other - the special incentive arrangements - on social or environmental criteria.

It would therefore make sense for the two systems to operate independently of each other, and in particular for the social or environmental incentive to apply even to sectors that have graduated from the basic system. It is not a matter of permitting countries affected by sectoral graduation to re-enter the GSP scheme but simply of applying the GSP's new objectives fairly to countries that, notwithstanding their basic level of development in the sectors concerned, still have some ground to cover in social and environmental terms.

However, achieving these objectives requires the special incentive arrangements to function effectively and produce real change on the ground. The methods for monitoring their application have to be designed to maximise effectiveness.

This is why particular attention should first be given to checking the information provided by countries requesting the arrangements in support of their overall request for additional preferences. The reliability of the overall procedure will depend on the outcome of this examination, the objectivity and rigour of which will be guaranteed, in particular, by the Generalised Preferences Committee. Countries submitting requests will have to provide the Commission with detailed information

on the state of the legislation in force, the means for its enforcement, the results obtained, the difficulties or obstacles remaining and the means employed to overcome them. The Commission could call on requesting countries to provide, by means of a questionnaire, any further information required for the appraisal of the request. In the course of that appraisal the Commission will also reserve the right to visit the country in question and consult any person or organisation likely to help it in its research, e.g. the ILO, the ITTO, specialist NGOs, national trade unions or international labour federations.

When considering the request, the Commission may also decide not to grant additional preferences to certain sectors if it feels that the measures adopted by the requesting country do not affect all production sectors or do not affect them sufficiently. The requesting country must also guarantee, in return for the additional preferential margin, that all exporters and producers comply with the standards and that appropriate monitoring arrangements have been introduced. This undertaking, the only way of achieving real progress on the ground, at business level, does, however, require strict monitoring and cooperation procedures to be applied to exporters. The Commission does not consider it necessary to change the existing origin verification procedures as they are sufficiently effective provided they are strictly applied. Such a monitoring system, based on confidence in the governments of beneficiary countries and the establishment of close cooperation with them, must clearly define the responsibilities both of the authorities in question and of business, and the risks they run (suspension) if they fail to meet them. Such an approach is consistent with the recommendations made by the Commission in its communication to the Council and the European Parliament on the management of preferential tariff arrangements (COM(97)402 final of 23 July 1997).

It must be emphasised that the outcome of the first stage of controls, the examination by the Commission with the help of the Generalised Preferences Committee of the beneficiary countries' documented requests, will be crucial to the effectiveness of the ex-post inspections planned for the second stage, which consists of the usual procedures for issuing and verifying form A origin certificates. It is during this stage that the quality of the cooperation to be established with the recipient countries for on-the-spot checks on whether exporters are actually complying with standards will come into their own. The more rigorous and reliable the ex-ante checks, the more credible the ex-post inspections will be. However, during the crucial stage of setting up these monitoring arrangements, the beneficiary countries are going to need effective technical assistance to develop suitable administrative and technical monitoring infrastructures. The Commission will require technical assistance facilities to handle these needs.

As regards the environmental side, which is confined in practice to tropical forests, but which could, at a later stage, be extended to other sectors, it is still proving difficult to identify "internationally recognised standards" which could be used for the incentive clause. The relevant organisations have failed to make sufficient progress to allow a monitoring system to be introduced for individual exporters. Either the Commission will have to impose its own interpretation of ITTO directives, which runs counter to Article 8 of the GSP regulation, or it will have to recognise the differing interpretations of the beneficiary countries, which would be unmanageable. The only option is to monitor each country's compliance with ITTO directives or the efforts they have made in this direction. Such an approach would focus on dialogue and progress towards achieving standards rather than prior compliance by individual businesses.

For highly sensitive products, however, the Commission feels that the additional preferences under the incentive arrangements should not exceed 40% of the basic rate of duty.

Lastly, the Commission proposes that the social and environmental impact of these arrangements be regularly evaluated along with their economic and trade impact, given that the first evaluation will have to be carried out when the current GSP schemes expire.

Such is the content of the proposal. The Council is requested to give its opinion on it within sufficient time for advance notice to be given to business before it comes into force.

Proposal for  
Council Regulation (EC) No .../97  
of ... 1997

applying the special incentive arrangements concerning labour rights and environmental protection provided for in Articles 7 and 8 of Council Regulations (EC) Nos 3281/94 and 1256/96 applying the scheme of generalised tariff preferences in respect of certain industrial and agricultural products originating in developing countries

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 3281/94 of 19 December 1994 applying a four-year scheme of generalised tariff preferences (1995 to 1998) in respect of certain industrial products originating in developing countries,<sup>1</sup> and in particular Articles 7 and 8 thereof,

Having regard to Council Regulation (EC) No 1256/96 of 20 June 1996 applying multiannual schemes of generalised tariff preferences from 1 July 1996 to 30 June 1999 in respect of certain agricultural products originating in developing countries,<sup>2</sup> and in particular Articles 7 and 8 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,<sup>3</sup>

Having regard to the opinion of the Economic and Social Committee,<sup>4</sup>

Whereas Articles 7 and 8 of Regulations (EC) Nos 3281/94 and 1256/96 provide that, as from 1 January 1998, special incentive arrangements in the form of

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<sup>1</sup> OJ No L 348, 31.12.1994, p.1.

<sup>2</sup> OJ No L 160, 29.6.1996, p.1.

<sup>3</sup> OJ No C , . p.

<sup>4</sup> OJ No C , . p.

additional preferences may be granted to developing countries covered by the abovementioned Regulations; whereas to this end, the Council has undertaken a review on the basis of Commission reports on the results of work within the International Labour Organisation (ILO), the World Trade Organisation (WTO), the Organisation for Economic Cooperation and Development (OECD) and the International Tropical Timber Organisation (ITTO) on the link between trade and labour rights and between trade and the environment;

Whereas this review suggests that in the light of the international debate on social and environmental clauses we would be justified in introducing positive, development-oriented incentives rewarding compliance with international social and environmental standards;

Whereas the special incentive arrangements provided for in Articles 7 and 8 of Regulations (EC) Nos 3281/94 and 1256/96 meet this objective;

Whereas the special incentive arrangements should be applied to countries which are beneficiaries of the scheme of generalised tariff preferences at 1 January 1998, whereas this should also be the case in sectors where they may be subject to the graduation mechanism; whereas, however, this should not be the case for sectors subject to the arrangements provided for in Article 5(1) of Regulations (EC) Nos 3281/94 and 1256/96 as they are excluded for reasons of competitive capacity irrespective of the level of development of the country concerned;

Whereas, under Article 7(1) of Regulations (EC) Nos 3281/94 and 1256/96, the incentives concerning labour rights may be granted only to countries which request them in writing and provide proof that they apply legislation incorporating the substance of the standards laid down in International Labour Organisation (ILO) Conventions Nos 87 and 98 concerning the application of the principles of the right to organise and to bargain collectively and ILO Convention No 138 concerning the minimum age for admission to employment;

Whereas the special incentive arrangements concerning labour rights should primarily be confined to production sectors that have actually taken steps to comply with the ILO Conventions in question; whereas provision must therefore be made for the special arrangements to apply to certain sectors but not to others;

Whereas, under Article 8(1) of Regulations (EC) Nos 3281/94 and 1256/96, the special incentive arrangements concerning environmental protection may be granted only to countries that request them and provide proof that they apply

legislation incorporating the substance of the standards of the International Tropical Timber Organisation (ITTO);

Whereas requests for the special social and environmental incentive arrangements must be subject to a publication procedure enabling interested persons to make known their views; whereas the decision on whether to grant special arrangements must be taken after the Commission has examined the requests closely and the Generalised Preferences Committee has delivered a favourable opinion;

Whereas operation of the incentive arrangements concerning labour rights is contingent on certification by the authorities of the beneficiary countries of product conformity with the abovementioned standards and the application of administrative cooperation procedures similar to those used to verify the origin of goods;

Whereas for the purposes of certification and administration cooperation procedures, recourse should be had to the relevant provisions of Commission Regulation (EEC) No 2454/93 of 2 July 1993<sup>5</sup> laying down provisions for the implementation of Council Regulation (EEC) No 2913/92 of 12 October 1993 establishing the Community Customs Code,<sup>6</sup> as last amended by Regulation (EC) No 12/97 of 18 January 1997;<sup>7</sup>

Whereas the additional preferential margin must be attractive if the arrangements are to be fully effective as an incentive; whereas this objective could be met by doubling the basic preferential margin for products of Annex I to Regulation (EC) No 3281/94, fixing the offer for products of Annex I to Regulation (EC) No 1256/96 at about 66% of the basic preferential margin for industrial products, and setting the margin at 25% of the Common Customs Tariff duty for products of Annex I included in Annex II to Regulations (EC) Nos 3281/94 and 1256/96;

Whereas the only internationally recognised environmental standards at the moment are for tropical forests; whereas the special incentive arrangements concerning environmental protection will therefore apply solely to the products of tropical timber processing;

Whereas the international criteria for the preservation of tropical forests cannot be used to monitor logging operations; whereas at this stage it is preferable, for the purposes of the special incentive arrangements for the environment, to vet countries

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<sup>5</sup> OJ No L 253, 11.10.1993, p.1.

<sup>6</sup> OJ No L 302, 12.10.1992, p.1.

<sup>7</sup> OJ No L 9, 13.1.1997, p.1.



thoroughly in advance; whereas the additional preferential margins granted under such arrangements may be the same as those adopted in the social field;

Whereas, however, owing to the great sensitivity of the products referred to in Part 1 of Annex I to Regulations (EC) Nos 3281/94 and 1256/96, the additional reduction in duty from which these products may benefit under the special incentive arrangements should be limited to 40%;

Whereas the procedures for implementing the provisions of this Regulation are inspired by the measures set out in the Commission communication to the Council and Parliament on the management of preferential tariff arrangements (COM (97) 402 final, 23.7.1997), in particular with regard to identifying government authorities in the beneficiary countries, their assumption of responsibility, their training and the organisation of surveys in these countries;

Whereas in the context of introducing new multiannual schemes of generalised tariff preferences to replace the schemes established under Regulations (EC) Nos 3281/94 and 1256/96, consideration should be given to the improvements to be made to the special incentive arrangements concerning environmental protection, including the possible extension of its scope,

HAS ADOPTED THIS REGULATION:

## TITLE I

### Special incentive arrangements concerning labour rights

#### Article 1

The special incentive arrangements provided for in Article 7 of Regulations (EC) Nos 3281/94 and 1256/96 shall be introduced according to the terms and conditions laid down in this Title.

## Article 2

1. The preferential duty applying to the products referred to in Article 2(1), (2) and (3) of Regulation (EC) No 3281/94 which comply with the conditions of this Title shall be reduced by an amount equal to:

- 15% of the Common Customs Tariff duty applying to the product in question for the products listed in Part 1 of Annex I;
- 30% of the Common Customs Tariff duty applying to the product in question for the products listed in Part 2 of Annex I;
- 35% of the Common Customs Tariff duty applying to the product in question for the products listed in Part 3 of Annex I.

2. The preferential duty applying to the products referred to in Article 2(1), (2) and (3) of Regulation (EC) No 1256/96 which comply with the conditions of this Title shall be reduced by an amount equal to 66% of the preferential margin applying.

3. The duty applying to the products listed in Annex I and included in Part 1 of Annex II to Regulations (EC) Nos 3281/94 and 1256/96 which comply with the conditions of this Title shall be reduced by an amount equal to 25% of the Common Customs Tariff duty applying to the product in question.

4. The reduction in duty referred to in the previous paragraphs shall not be accorded:

- to the countries and sectors referred to in Article 5(1) of Regulations (EC) Nos 3281/94 and 1256/96;
- to countries excluded from preferences under Article 6 of Regulations (EC) Nos 3281/94 and 1256/96.

### **Section 1: Procedure for granting the arrangements**

## Article 3

1. Article 2 shall apply to products originating in the beneficiary countries listed in Annex III to Regulations (EC) Nos 3281/94 and 1256/96 on condition that the authorities of such countries have previously applied to the Commission in writing to take advantage of the special incentive scheme, giving details of:

- their domestic legislation incorporating the substance of the standards laid down in ILO Conventions Nos 87 and 98 concerning application of the principles of the right to organise and to bargain collectively and Convention No 138 concerning the minimum age of admission to employment; the full text of such legislation must be attached, together with an official translation into one of the Community languages;
- the measures taken to implement and monitor these provisions effectively, any sectoral limits on their application, any breaches observed and a breakdown of such breaches by production sector;
- a commitment by the government of the country in question to take full responsibility for monitoring application of the special arrangements and the relevant administrative cooperation procedures.

2. The Commission shall publish a notice in the Official Journal of the European Communities, announcing that such a request has been made by a beneficiary country, stating that any useful information concerning the request may be sent to the Commission by any interested natural or legal person; it shall set the period during which interested persons may make known their views.

#### Article 4

1. The Commission shall examine the requests submitted by the beneficiary countries and, depending on the content, may put any further questions which it considers useful.

2. The Commission shall seek whatever information it considers necessary and may check this information where appropriate with the persons referred to in Article 3(2) or any other natural or legal person.

3. In the beneficiary countries, and in cooperation with them, the Commission may carry out checks to verify all or part of the information gathered. The

Commission shall request the authorities of the beneficiary country concerned to cooperate in this research. The Commission may be assisted in this task by the Member States.

#### Article 5

1. After consulting the Committee referred to in Article 17 of Regulations (EC) Nos 3281/94 and 1256/96, the Commission shall decide:

- either to apply the special incentive arrangements to products originating in the requesting country on condition that the monitoring and administrative cooperation arrangements defined in the following Articles of this Title are observed;
- or, if it considers that the requesting country's legislation does not effectively incorporate all or some of the substance of ILO Conventions Nos 87, 98 and 138, not to apply the special incentive arrangements to that country or to apply them only to certain products originating there.

2. Commission decisions taken under paragraph 1 shall be adopted in accordance with the procedure laid down in Article 19 of Regulation (EC) No 3281/94 and Article 18 of Regulation (EC) No 1256/96.

3. Requesting countries shall be notified by the Commission of decisions taken pursuant to paragraph 1 and of the date on which they enter into force.

### **Section 2: Monitoring procedure and administrative cooperation methods**

#### Article 6

1. Products referred to in Article 2 originating in countries which have been notified of a Commission decision granting them entitlement to the special incentive arrangements shall be admitted under the arrangements provided for in Article 2 from the date of entry into force of that decision on presentation of a statement by the relevant authorities of the beneficiary country certifying that the products in question have been manufactured under conditions conforming to the domestic legislation referred to in the first indent of Article 3(1) and are therefore eligible for the special incentive arrangements concerning labour rights.

2. The statement referred to in paragraph 1 shall bear the following endorsement, as appropriate:

“ILO Conventions Nos 87, 98, 138 - Article 7 of Regulation (EC) No 3281/94”

“ILO Conventions Nos 87, 98, 138 - Article 7 of Regulation (EC) No 1256/96”

and shall be entered in box No 4 of the certificate of origin form A or on the invoice declaration provided for in Article 90 of the abovementioned Regulation (EEC) No 2454/93. This statement shall be validated by a stamp of the relevant authorities of the beneficiary country, in accordance with the provisions of Article 93 referred to in Article 7 of this Regulation.

3. In the case of products listed in Part 1 of Annex II to Regulations (EC) Nos 3281/94 and 1256/96 to which full graduation applies, the certificate of origin form A or the invoice declaration shall be valid solely in respect of the special incentive arrangements and not for any other preferential treatment.

#### Article 7

1. The provisions of Article 81(3)-(6), Article 84 and Articles 93 to 95 of Regulation (EC) No 2454/94 shall apply mutatis mutandis to the statements referred to in Article 4.

2. The issuing authorities for the statements referred to in Article 4 may be different from those for certificates of origin form A.

### TITLE II

#### Special incentive arrangements concerning environmental protection

#### Article 8

The special incentive arrangements referred to in Article 8 of Regulations (EC) Nos 3281/94 and 1256/96 shall be introduced under the terms and conditions laid down in this Title.

#### Article 9

1. The preferential duty applying to the products listed in the Annex which comply with the conditions of this Title shall be reduced by an amount equal to:

- 15% of the Common Customs Tariff duty applying to the product in question for the products of Part 1 of Annex I;
- 30% of the Common Customs Tariff duty applying to the product in question for the products of Part 2 of Annex I;
- 35% of the Common Customs Tariff duty applying to the product in question for the products of Part 3 of Annex I.

2. The duty applying to the products listed in Annex I and included in Part 1 of Annex II to Regulations (EC) Nos 3281/94 and 1256/96 which comply with the conditions of this Title shall be equal to 30% of the Common Customs Tariff duty applying to the product in question.

3. The reduction in duty referred to in paragraph 1 and Article 9 shall not apply:

- to the countries and sectors referred to in Article 5(1) of Regulations (EC) Nos 3281/94 and 1256/96;
- to countries excluded from preferences under Article 6 of Regulations (EC) Nos 3281/94 and 1256/96.

### **Section 1: Procedure for granting the arrangements**

#### Article 10

1. Article 9 shall apply to products originating in the beneficiary countries listed in Annex III to Regulations (EC) Nos 3281/94 and 1256/96 on condition that the authorities of such countries have previously applied to the Commission in writing to take advantage of the special incentive scheme, giving details of:

- their domestic legislation incorporating the substance of the ITTO standards; the full text of such legislation must be attached, together with an authentic translation into one of the Community languages;
- the measures taken to implement these provisions.

2. The Commission shall publish a notice in the Official Journal of the European Communities, announcing that such a request has been made by a beneficiary country, stating that any useful information concerning the request may be sent to the Commission by any interested natural or legal person; it shall set the period during which interested persons may make known their views.

#### Article 11

1. The Commission shall examine the requests submitted by the beneficiary countries and, depending on the content, may put any further questions which it considers useful.

2. The Commission shall seek whatever information it considers necessary and may check this information where appropriate with the persons referred to in Article 3(2) or any other natural or legal person.

3. In the beneficiary countries, and in cooperation with them, the Commission may carry out checks to verify all or part of the information gathered. The Commission shall offer the authorities of the beneficiary country concerned every opportunity to cooperate in this research. The Commission may be assisted in this task by the Member States.

#### Article 12

1. After consulting the Committee referred to in Article 17. of Regulations (EC) Nos 3281/94 and 1256/96, the Commission shall decide:

- either to apply the special incentive arrangements to products originating in the requesting country;
- or, if it considers that the requesting country's legislation does not effectively incorporate the substance of the ITTO standards, not to apply the special incentive arrangements to that country.

2. Commission decisions taken under paragraph 1 shall be adopted in accordance with the procedure laid down in Article 19 of Regulation (EC) No 3281/94 and Article 18 of Regulation (EC) No 1256/96.

3. Requesting countries shall be notified by the Commission of decisions taken pursuant to paragraph 2 and 3 and of the date on which they enter into force.

### **Section 2: Monitoring procedure and administrative cooperation methods**

#### Article 13

1. Certificates of origin form A issued for products referred to in Article 9 and the invoice declarations provided for in Article 90 of Regulation (EEC) No 2454/93 shall bear the following endorsement, as appropriate:

“environmental clause - Article 8 of Regulation (EC) No 3218/94”

“environmental clause - Article 8 of Regulation (EC) No 1256/96”

2. In the case of products listed in Part 1 to Annex II to Regulations (EC) Nos 3281/94 and 1256/96 to which full graduation applies, the certificate of origin form A or the invoice declaration shall be valid solely in respect of the special incentive arrangements and not for any other preferential treatment.

### TITLE III

#### Suspension procedure, general and final provisions

##### Article 14

1. Without prejudice to the second subparagraph of Article 94(2) of Commission Regulation (EEC) No 2454/93, entitlement to the special incentive arrangements provided for in Articles 7 and 8 of Regulations (EC) Nos 3281/94 and 1256/96, may be totally or partially suspended if there is sufficient evidence that a beneficiary country has not fulfilled its obligations within the meaning of Articles 3 and 10 of this Regulation. This total or partial suspension shall be without prejudice to the possible application of Article 9 of Regulations (EC) Nos 3281/94 and 1256/96.

2. The withdrawal or suspension decision referred to in paragraph 1 shall be adopted by the Commission in accordance with the procedure laid down in Article 19 of Regulation (EC) No 3281 and Article 18 of Regulation (EC) No 1256/96.

##### Article 15

For the highly sensitive products referred to in Part 1 of Annex I to Regulations (EC) Nos 3281/94 and 1256/96 the reduction in duty resulting from the application of this Regulation shall not exceed 40%.

##### Article 16

This Regulation shall enter into force on 1 January 1998.

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

Done at Brussels,

For the Council  
The President



## Annex

List of products referred to in Article 7<sup>8</sup>

CN Code	Description of goods
(1)	(2)
	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6 mm:
	- Of tropical wood specified in subheading note 1 to this chapter:
	-- Virola, mahogany ( <i>Swietenia spp.</i> ), imbuia and balsa:
4407 24 10	--- Finger-jointed whether or not planed or sanded
	--- Other:
4407 24 30	---- Planed
4407 24 50	---- Sanded
	-- Dark red meranti, light red meranti and meranti bakau:
4407 25 10	--- Finger-jointed, whether or not planed or sanded
	--- Other:
	---- Planed:
4407 25 31	----- Blocks, strips and friezes for parquet or wood block flooring, not assembled
4407 25 39	----- Other
4407 25 50	----- Sanded
	-- White lauan, white meranti, white seraya, yellow meranti and alan:
4407 26 10	--- Finger-jointed, whether or not planed or sanded
	--- Other:
	---- Planed:
4407 26 31	----- Blocks, strips and friezes for parquet or wood block flooring, not assembled
4407 26 39	----- Other
4407 26 50	----- Sanded
	-- Other:
	--- Keruing, ramin, kapur, teak, jongkong, merbau, jelutong, kempas, okoumé, obéché, sapelli, sipo, acajou d'Afrique, makoré, iroko, tiama, mansonia, ilomba, dibétou, limba, azobé, palissandre de Rio, palissandre de Para and palissandre de Rose:
4407 29 10	---- Finger-jointed, whether or not planed or sanded
	---- Other:
	----- Planed:
4407 29 20	----- Palissandre de Rio, palissandre de Para and palissandre de Rose
	----- Other:
4407 29 31	----- Blocks, strips and friezes for parquet or wood block flooring, not assembled
4407 29 39	----- Other
4407 29 50	----- Sanded
	--- Other:
4407 29 70	---- Finger-jointed, whether or not planed or sanded
	---- Other:

<sup>8</sup> Subject to the rules for interpreting the Combined Nomenclature, the wording of the description of the products is to be considered as having no more than an indicative value, the preferential scheme being determined, within the context of this Annex, by the coverage of the CN codes. Where ex CN codes are indicated, the preferential scheme is to be determined by application of the CN code and corresponding description taken together.

CN Code	Description of goods
(1)	(2)
4407 29 83	----- Planed

(1)	(2)
4407 29 85	----- Sanded
	Veneer sheets and sheets for plywood (whether or not spliced) and other wood sawn lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness not exceeding 6 mm:
	- Of tropical wood specified in subheading note 1 to this chapter:
4408 31	-- Dark red meranti and meranti bakau
	-- Other:
	--- White lauan, sipo, limba, okoumé, obéché, acajou d'Afrique, sapelli, virola, mahogany ( <i>Swietenia spp.</i> ), palissandre de Rio, palissandre de Para and palissandre de Rose :
4408 39 11	---- Finger-jointed, whether or not planed or sanded
	---- Other:
4408 39 21	----- Planed
4408 39 25	----- Sanded
	----- Other:
4408 39 31	----- Of a thickness not exceeding 1 mm
4408 39 35	----- Of a thickness exceeding 1 mm
	--- Other:
4408 39 51	---- Finger-jointed, whether or not planed or sanded
	---- Other:
4408 39 61	----- Planed
4408 39 65	----- Sanded
	----- Other:
	----- Other:
	----- Of a thickness not exceeding 1 mm:
4408 39 81	----- Makoré, iroko, tiama, mansonia, ilomba, dibétou, azobé, white meranti, white seraya, yellow meranti, alan, keruing, ramin, kapur, teak, jongkong, merbau, jelutong, kempas, imbuia and balsa
4408 39 89	----- Other
	----- Of a thickness exceeding 1 mm:
4408 39 91	----- Makoré, iroko, tiama, mansonia, ilomba, dibétou, azobé, white meranti, white seraya, yellow meranti, alan, keruing, ramin, kapur, teak, jongkong, merbau, jelutong, kempas, imbuia and balsa
4408 39 99	----- Other
	Plywood, veneered panels and similar laminated wood:
	- Plywood consisting solely of sheets of wood, each ply not exceeding 6 mm:
4412 13	-- With at least one outer ply of tropical wood specified in subheading note 1 to this chapter
	- Other, with at least one outer ply of non-coniferous wood:
4412 22	-- With at least one ply of tropical wood specified in subheading note 1 to this chapter
	- Other:

(1)	(2)
4412 92	-- With at least one ply of tropical wood specified in subheading note 1 to this chapter
4414 00 10	Wooden frames for paintings, photographs, mirrors or similar objects: - Of tropical wood, as specified in additional note 2 to this chapter

(1)	(2)
4418 10 10	Builders' joinery and carpentry of wood, including cellular wood panels, assembled parquet panels, shingles and shakes: - Windows, frenchwindows and their frames: -- Of tropical wood, as specified in additional note 2 to this chapter - Doors and their frames and thresholds: -- Of tropical wood, as specified in additional note 2 to this chapter
4418 20 10	-- Of tropical wood, as specified in additional note 2 to this chapter
4420 10 11	Wood marquetry and inlaid wood: caskets and cases for jewellery or cutlery, and similar articles, of wood; statuettes and other ornaments, of wood; wooden articles of furniture not falling in Chapter 94: - Statuettes and other ornaments, of wood: -- Of tropical wood, as specified in additional note 2 to this chapter - Other: -- Wood marquetry and inlaid wood: 4420 90 11 --- Of tropical wood, as specified in additional note 2 to this chapter -- Other: 4420 90 91 --- Of tropical wood, as specified in additional note 2 to this chapter
ex 9401 50 00	Seats of cane or bamboo
ex 9401 61 00	- Other seats, upholstered, with wooden frames, of tropical wood, as specified in subheading note 1 to Chapter 44
ex 9403 80 00	- Furniture of cane or bamboo
ex 9403 30	Furniture of tropical wood, as specified in subheading note 1 to Chapter 44: - Of a kind used in offices
ex 9403 40	- Of a kind used in the kitchen
ex 9403 50	- Of a kind used in the bedroom
ex 9403 60	- Other
ex 9403 90 30	- Parts of furniture of subheadings 9403 30, 9403 40, 9403 50, 9403 60 and 9403 80, of tropical wood, as specified in subheading note 1 to Chapter 44, bamboo or cane

## FINANCIAL STATEMENT

### Title of operation

Draft proposal for a Regulation applying the special incentive arrangements concerning labour rights and environmental protection provided for in Articles 7 and 8 of Council Regulations (EC) Nos 3281/94 and 1256/96 applying the scheme of generalised tariff preferences in respect of certain industrial and agricultural products originating in developing countries.

### Legal basis

Article 113 of the Treaty

### Objective of the operation

Granting additional preferences is intended to encourage developing countries benefiting from the Community's system of tariff preferences to apply progressive social and environmental policies and help them do so by promoting their exports of products manufactured according to the relevant international standards.

### Estimate of customs revenue

Assuming a maximalist scenario, i.e. that all the GSP beneficiary countries request entitlement to the incentive arrangements and are granted it, on the basis of the GSP offer calculated using the figure for total imports of products eligible for the special incentive arrangements concerning labour rights and environmental protection in 1995 (ECU 56 894.5 million) originating in the GSP beneficiary countries in 1998 and average take-up of the GSP scheme in 1995 (60%), the fall in customs revenue as a result of the application of these incentive arrangements is estimated at ECU 787.8 million.

However, it seems highly unlikely that all the beneficiary countries could on the face of it be considered eligible for the special arrangements. The Commission's examination of the beneficiary countries' requests will most probably result in the financial impact of additional preferences being slashed, although as things stand it is not possible to put a figure on it. While certain countries will probably be ruled out in their entirety, others will require a more detailed sectoral analysis.

In any case, the depreciation in traditional own resources will be financed by the Member States via the GNP resource.

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