

European Communities

EUROPEAN PARLIAMENT

Working Documents

1974-1975

8. July 1974

DOCUMENT 172/74

Report

drawn up on behalf of the Committee on Development and Cooperation

on the proposal from the Commission of the European Communities to the Council (Doc. 104/74) for a regulation to extend the list of products falling within Chapters 1 to 24 of the Common Customs Tariff, in respect of which the scheme of generalized preferences in favour of developing countries is applicable under Regulation (EEC) No 3506/73 of the Council of 18 December 1973

Rapporteur : Mr Knud NIELSEN

PE 37.096/fin.

By letter of 10 May 1974 the President of the Council of the European Communities requested the European Parliament to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation of the Council to extend the list of products falling within Chapters 1 to 24 of the Common Customs Tariff, in respect of which the scheme of generalized preferences in favour of developing countries is applicable under Regulation (EEC) No. 3506/73 of the Council of 18 December 1973 (Doc. 104/74).

At the sitting of 15 May 1974 the President of the European Parliament referred this proposal to the Committee on Development and Cooperation as the committee responsible and to the Committee on External Economic Relations and the Committee on Agriculture for their opinions.

The Committee on Development and Cooperation appointed Mr K. Nielsen rapporteur on 24 May 1974.

It considered this proposal at its meetings of 6 and 25 June 1974.

At its meeting of 25 June the committee unanimously adopted the motion for a resolution and the explanatory statement.

The following were present: Mr Achenbach, chairman; Mr Knud Nielsen, second vice-chairman and rapporteur; Mr Sandri, third vice-chairman; Mr Broeksz, Sir Arthur Dodds-Parker, Miss Flesch, Mr Glinne, Mr Härzschel, Mr James Hill, Mrs Iotti, Mr Seefeld and Mr Spedale.

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

CONTENTS

	<u>Page</u>
A. MOTION FOR A RESOLUTION	5
B. EXPLANATORY STATEMENT	7
Opinion of the Committee on External Economic Relations	11
Opinion of the Committee on Agriculture	13

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

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation to extend the list of products falling within Chapters 1 to 24 of the Common Customs Tariff, in respect of which the scheme of generalized preferences in favour of developing countries is applicable under Regulation (EEC) No. 3506/73 of the Council of 18 December 1973.

The European Parliament,

- having regard to the proposal from the Commission to the Council¹,
- having been consulted by the Council (Doc. 104/74),
- recalling its resolutions of 6 October 1970², 9 June 1971³, and 13 December 1973⁴,
- having regard to the report of the Committee on Development and Cooperation and the opinions of the Committee on External Economic Relations and the Committee on Agriculture (Doc. 172/74),

1. Regrets that the Commission has not proposed to the Council a more substantial extension of the list of products falling within Chapters 1 to 24 of the Common Customs Tariff in respect of which the scheme of generalized preferences is applicable;
2. Draws attention once again to the importance for developing countries, and especially the least developed ones, of exports of processed agricultural products; this factor has become even more important during the past year in view of the distressing economic situation of these countries resulting from the increased prices of raw materials.
3. Regrets that greater account has not been taken of the importance for a number of Asian countries of exports of some of their specialities;

¹ OJ No. C 64, 5 June 1974, p.8

² OJ No. C 129 26 October 1970

³ OJ No. C 66 1 July 1971

⁴ OJ No. C 2 9 January 1974

4. Repeats its request made earlier to the Commission to review the criteria according to which a country is deemed to be a 'developing country';
5. Notes with dissatisfaction that a number of important industrialized countries still appear to be unable to accept their responsibilities in this respect towards the developing countries, to the detriment not only of the developing countries but also of those industrialized countries which do grant preferences;
6. Believes, furthermore, that Community policy should be based on both the reasonable desires and needs of the developing countries and the actual capacity of the Community;
7. Points out once more that the Community cannot carry out a development policy acceptable to all strata of the population unless it ensures that the burden of it does not fall on particular population groups.
8. Approves the Commission's proposals subject to the above considerations;
9. Instructs its President to forward this resolution to the Council and Commission of the European Communities and, for their information, to the Secretary-General of UNCTAD and the Secretary-General of OECD.

EXPLANATORY STATEMENTI. Introduction

1. At the end of 1973 when the Community was considering the scheme of generalized preferences for 1974 there was a lack of agreement on a number of requests from the Danish, Dutch and United Kingdom delegations. It was decided at the time that the Commission should study these requests and then submit proposals to the Council, which it has done in the present document (Doc. 104/74).

2. The negotiations on the Community's preference scheme for 1974 were more complicated than ever before, since this was the first time that the new Member States had to participate in the scheme evolved by the Community of the Six. In the DEWULF report¹, presented to Parliament in December 1973, your committee discussed in depth the differences between the generalized preference scheme of the Community of the Six and the schemes operated by Denmark, Ireland and the United Kingdom. In connection with the proposal on which the committee is now being consulted it may be recalled that Ireland did not grant preferences for processed agricultural products, that the British scheme for processed agricultural products was more liberal than the Community scheme applying before 1 January 1974 and that Denmark took up a position between these two. It should be added that Denmark and the United Kingdom, for example, wanted more preferences to be granted to developing countries. In view of the fact that developing countries have more to gain from preferences for processed agricultural products than for industrial products, the European Parliament has consistently urged that developing countries should be granted as many concessions as possible in this area which is so important to them.

II. Contents of the proposal

3. The Commission's proposal is that the list of products falling within Chapter 1 to 24 of the Common Customs Tariff in respect of which generalized preferences are applicable should be extended by fourteen headings (or sub-headings) with effect from 1 September 1974. The average reduction of tariffs is 10 points.

1

Doc. 272/73 of 12 December 1973

III. Assessment of the proposal

4. In 1971 Community imports of such products from countries within the generalized preference scheme amounted to the equivalent of 28.7 million u.a. In the same year the Community's total imports of these imports amounted to 70.7 million u.a. Practically none of the products concerned are imported from the Associated States.

The customs duty reductions proposed by the Commission for the products referred to in its proposal vary greatly. In some cases the reduction is minimal (e.g. from 8 to 7% for some vegetable oils), whilst in others it is more substantial, as for instance for dates in certain forms of packaging (reduced from 12% to zero).

The Danish, Dutch and United Kingdom requests referred to a larger number of products, a larger overall volume and a higher total value.

In paragraph 1 of its Explanatory Memorandum the Commission sums up the reasons for reducing the requests submitted to the relatively insignificant amount of approximately 28 million u.a. mentioned above. Here it should be remembered that the proposal will apply for only four months with the result that the value of products imported under the preferential scheme this year will fall far short of the amount referred to.

5. The Commission apologises, as it were, for its modest proposals by recalling first of all that the application of generalized preferences at world level should be based on the principle of burden-sharing between donor countries. Your committee does not believe that this should be a basic consideration in the Community's policy. It would start by pointing out that the generalized tariff preferences are granted independently. It would also draw attention to the fact that in the past year, as a result of the rise in prices of certain raw materials in particular and of the bad economic situation in general, the position of the developing countries has deteriorated considerably. By comparison the situation in the Community is still rosy. Your committee therefore believes that the criteria for granting tariff preferences should not be so much whether other major industrialized countries (such as, for example, the United States and Canada) also participate. It will never be difficult to find countries which for one reason or another are not prepared or are not in a position to accept the logical consequences of their strong economic position in the world. The Community should base its policy on the reasonable needs of developing countries and the actual capacity of the Community to grant preferences.

6. Your committee once again points out that the Community cannot conduct a policy in this area that is acceptable to all strata of the population unless it avoids putting the main burden of the policy on certain groups. Your committee ardently hopes that the Commission will soon be in a position to present constructive proposals with the aim of furthering structural changes in the Community to ensure that a Community development cooperation policy is no longer impeded by inequitable distribution of the burden within the Community.

7. According to information provided by the Commission, Community imports of the products in question from associated and associable States are equivalent to less than one million u.a. Your committee has taken note of the fact that the consultation procedure laid down in the Yaoundé Convention is respected and that the associable States are also consulted.

8. Your committee has noted that despite requests for action on a number of specialities from India, which that country was able to export duty-free to the United Kingdom before 1974, these products do not appear on the list. They are not exported by any other countries and the export revenue represents a welcome contribution to India's currency position. Your committee is of the opinion that the Commission should endeavour to find a positive solution to the problems related to this point - and India's other unfulfilled desires - by giving them sympathetic consideration in the EEC-India Joint Committee. This would be in the spirit of the Community's Declaration of Intent concerning the commercial relations with certain Asian countries.

9. Your committee notes that the Commission has proposed¹ extending suspension of duties for a number of products - in respect of which Document 104/74 also contains proposals under the generalized preference scheme - to 30 June 1975. The main products concerned are dates and bitter oranges.

Duty on bitter oranges will be reduced to 8 per cent, and shelled cashew nuts will be duty-free. This means that something is being done for an area in India where social conditions are particularly distressing.

In Document 100/74 the Commission mentions the difficulties experienced in the past by French packers in obtaining supplies of dates. Although your committee is sympathetic towards difficulties arising in this branch of industry it would, in its turn, have appreciated greater sympathy on the part of the Commission for what the latter calls (in the Dutch version of the proposal) the 'tendency' of certain developing countries to reserve their production for local packers. Your committee finds such tendencies quite natural and welcomes them.

¹ See Doc. 100/74 of 17 May 1974 on a regulation temporarily suspending the autonomous duties in the Common Customs Tariff on a number of agricultural products.

Your committee is very surprised that the proposal for the suspension of duties in respect of all countries (Doc. 100/74) includes some of the customs items which are also to be found in the present proposal. This means, in theory at least, that a number of industrialized countries will also be able to compete on Community markets under the same conditions as developing countries.

10. Your committee believes that there is little point in launching an extensive discussion on the Community's policy on the basis of the present proposal for a slight extension of the Community's preference system, all the more so as less than six months ago the European Parliament came to a decision on this point after an extensive debate. The committee would simply like to take this opportunity to recall that in its resolution of 13 December 1973 the European Parliament requested the Commission to review the basis for determining the status of countries participating in the Community preference scheme as 'developing countries'. Your rapporteur would be pleased to hear whether a start has been made on a study of this problem, and if so whether any progress has been made yet.

11. According to information received by your committee the Commission's proposal falls far short of the requests made by Denmark, the United Kingdom and the Netherlands. The Commission itself indirectly admits that the Community is not exactly performing a 'tour de force' by introducing the slight extension of the generalized preference scheme now proposed. The Commission observes in the annex to its proposal, concerning the financial implications, that the loss in customs revenue will be relatively low because the volume of trade covered by the products referred to is limited and, moreover, 'because of the general moderate level of preferential tariff reductions anticipated for these products (10 points on average)'. Added to this there is the fact that a number of tariff reductions will at all events be applied universally, something which is only to be welcomed in the improbable event of non-adoption of the present proposal by the Council.

Your committee does not wish to withhold its approval since half a loaf is better than no bread at all, but does regret the fact that the Commission has been so unenterprising.

OPINION OF THE
COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

Draftsman : Mr Klepsch

On 2 July 1974 the Committee on External Economic Relations appointed Mr Slepsch draftsman, and at the same meeting it discussed the draft report and adopted it unanimously.

The following were present: Mr de la Malène, chairman; Mr Fellermaier and Mr Thomsen, vice-chairmen; Mr Klepsch, rapporteur; Mr Bregegere, Mr Corterier, Lord Chelwood, Mr Eisma (deputizing for Mr Patijn), Mr Frehsee (deputizing for Mr Behrendt), Mr Herbert, Mr Kaspereit, Mr Lange, Mr Maigaard, Mr K. Nielsen (deputizing for Mr Rizzi), Mr Pounder (deputizing for Lord Lothian), Lord St. Oswald, Mr Sandri, Mr Scholz, Mr Schwabe (deputizing for Mr Radoux), Mr Thornley.

1. On 1 July 1971 the European Community introduced its system of generalized preferences granting non-reciprocal and non-discriminatory preferences for finished and semi-finished products from the developing countries.
2. Every year, improvements have been made to this system, and in 1974¹ the system of generalized preferences has undergone changes, on the initiative of the European Commission, designed to further assist the developing countries.
3. At the Council session of 3/4 December 1973 it was agreed, on a proposal by Denmark, the Netherlands and Great Britain, that the European Commission should examine the possibility of improving the system of generalized preferences.
4. In the proposal for a regulation under consideration, on the basis of the above requests put forward in the Council, the Commission proposes to include in the system of generalized preferences for 1974, as from 1 September 1974, 18 new items falling under Chapters 1 to 24 of the Common Customs Tariff.
5. Financially, the proposal involves 28.7 million u.a. for EEC imports from the beneficiary countries.
6. The effort to improve the Community's offer extending the application of the system of generalized preferences is to be welcomed; nevertheless it should be pointed out, as has been done on previous occasions², that many countries eligible to benefit from the system of generalized preferences have not made use of it in practice, mainly because of the excessively complicated administrative arrangements needed to take advantage of it. The administrative machinery of some developing countries is not sufficiently developed to satisfy the relevant conditions laid down by the industrialized countries. This state of affairs should therefore be corrected as soon as possible.
7. We agree with the proposal for a regulation submitted by the European Commission, while believing that further progress must be made in order to give adequate assistance to the developing countries; we are also of the opinion that the application of generalized preferences must be further extended, and the administrative and office procedures needed to take advantage of generalized preferences simplified.

1

The European Parliament has already been consulted in this connection; see report of the Committee on Development and Cooperation, by Mr DEWULF, opinion of the Committee on Agriculture, draftsman Lord St. OSWALD, opinion of the Committee on External Economic Relations, draftsman Lord MANSFIELD, Doc. 272/73.

2

Report by Mr DEWULF, page 6, paragraph 11, Doc. 272/73

OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman : Mr Logier

By letter of 10 May 1974 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 43 (2) of the EEC Treaty, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation to extend the list of products falling within Chapters 1 to 24 of the Common Customs Tariff, in respect of which the scheme of generalized preferences in favour of developing countries is applicable under Regulation (EEC) No. 3506/73 of the Council of 18 December 1973 (Doc. 104/74)

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

The Committee on Agriculture appointed Mr LIOGIER draftsman of an opinion on 24 May 1974.

It considered this proposal at its meeting of 2 and 3 July 1974.

At the same meeting, the committee adopted the opinion by 13 votes in favour and two abstentions.

The following were present: Mr HOUDET, Chairman, Mr VETRONE, Vice-chairman, Mr LABAN, Vice-chairman, Mr LIOGIER, draftsman of the opinion, Mr BOURDELLES, Mr DELLA BRIOTTA, Mr FREHSEE, Mr FRUH, Mr John HILL, Mr JAKOBSEN, Mr de KONING, Mr LIGIOS, Mr Jørgen NIELSEN, Mrs ORTH and Mr SCOTT-HOPKINS.

PURPOSE OF THE COMMISSION PROPOSALS

1. The Council, at its session of 3 and 4 December 1973, agreed that the Commission should examine the requests of the Danish, Dutch and British delegations for an extension of products covered by generalized preferences.
2. Having eliminated from the requests put forward: products entering duty free, items already covered by generalized preferences and primary commodities (which, in principle, according to Resolution 21 (II) of UNCTAD should not be included under generalized preferences), the Commission now proposes a strictly limited extension of the Communities' present offer on processed agricultural goods, by the addition of the following items :

Certain types of meat and edible meat offals, certain types of shrimps and prawns, edible products of animal origin not specified elsewhere in the CCT, certain natural sponges, packaged dates, bitter or Seville oranges, dried apricots, ground cinnamon, crushed or ground nutmeg and mace, badian seed, certain castor oils, homogenised composite food preparations, cigars and smoking tobacco.

IMPACT ON THE COMMUNITY PRODUCER

3. Generalized preferences are granted on processed agricultural products and not primary products. Community production of these additional offers is minimal, since they consist mainly of the products of tropical and semi-tropical climates.

In only one case, packaged dates, is the proposed tariff rate to be zero. In the majority of cases tariffs are to be cut from approximately 8 - 25% to 5 - 10%.

In most cases imports also enter the Community from developed countries. The principal result, therefore, should be a substitution in the source of import, from developed to developing country.

Imports from Third developing countries	Total world imports	Intra-Community trade (BEC - 6)
28,700,000 u.a.	70,700,000 u.a.	69,265,000 u.a.

¹ Source : Foreign Trade, Tariff Statistics, 1971. Statistical Office of the European Communities.

In only one case, cigars, is there an important Community production, concentrated mainly in the Netherlands and Belgium.¹ Tariff rates remain high, however, and the tariff cut is limited : from 52% to 42%.

GENERALIZED PREFERENCES AND THE COMMUNITY'S PROCESSING INDUSTRIES

4. Certain products proposed for inclusion on the list benefitting from generalized preferences are important to processing industries within the Community. Imports from Third Countries are required to make up the difference between the needs of Community processors and Community production.

5. For this reason, certain products put forward in this present proposal have already been included in a Commission proposal of 26 April 1974 for a temporary suspension of the autonomous duties in the Common Customs Tariff on a number of agricultural products :² bitter or Seville oranges; dates in packings not exceeding 35 kg. for repacking; and dried apricots.

According to that proposal :

- tariffs on bitter or Seville oranges are to be suspended until 31 December 1974;
- and tariffs on dates and dried apricots until 30 June 1975.

The Commission, in their document proposing a temporary suspension of tariffs, stated clearly :

(a) in respect of dates

that Community packers of dates require imports of dates from Third Countries (17,602 tonnes in 1973) in order to maintain production, in view of difficulties in obtaining supplies from Algeria and Tunisia, who are reserving production for their own packers;

(b) in respect of bitter or Seville oranges

that since Italy is unable to supply sufficient amounts of this basic product, Community producers are dependent on imports from Spain;

(c) in respect of dried apricots

that a temporary suspension of duties is required in order to bridge a gap between the previous and a future trade agreement with Iran.

¹ Imports from developing countries enter mainly from Cuba, Brazil, the Philippines and Mexico.

² Doc. 100/74

6. It is clear that with regard to certain of the products presently proposed, considerations other than the interests of the developing countries enter the discussion, and notably the necessity to maintain the source of supply and competitive position of the Community producer.

IMPACT ON ASSOCIATED STATES

7. Import statistics show that the impact on existing trade between the Associated States and the Community will be minimal :

1971¹

Imports from Third Developing Countries	* Imports from Associated States
28,700,000 u.a.	8,900,000 u.a.

* To EEC - 6

OBSERVATIONS

8. This offer has been drawn up by the Commission following requests by Denmark, the Netherlands and the United Kingdom for specific items to be added to the list of generalized preferences.

9. The Commission has also borne in mind the principle agreed to by UNCTAD and UNQ, that the burden of preferences should be shared between donor countries. This is not the case at the moment : a number of major industrial countries have made limited offers or even none at all. Accordingly, the Commission has sought to balance the real needs of developing countries facing serious difficulties in the present crisis, with its desire to uphold the principle of burden-sharing.

10. In these circumstances, the very limited character of this proposed additional offer cannot be criticised.

11. However, it can be noted that the main beneficiaries of this offer will be the more prosperous developing nations, such as Algeria, Argentina, Brazil, Colombia, Cuba, Iraq, Morocco, Pakistan, Philippines, Romania and Yugoslavia.

¹ Source : Foreign Trade, Tariff Statistics, 1971. Statistical Office of the European Communities.

12. No countries included on the United Nations list of least developed countries (those with a GNP per capita of less than \$85 per annum) export significant amounts of these products to the Community.

In terms of aiding the lesser developed nations the most important products proposed are the following :

- certain shrimps and prawns, of special interest to India;
- ground cinnamon, of interest to Ceylon;
- and ground nutmeg and mace, of interest to Indonesia.

13. It should be carefully borne in mind that the proposal made by the Commission in October 1973¹ is for an application of generalized tariff preferences for the year 1974. A review of the situation therefore is possible at the end of that period.

The safeguard measures which are proposed and which already exist are sufficient to protect the interests of Community producers. Article 2 of the previous proposal provides, when Community producers or a single region of the Community are likely to suffer serious disadvantages, that the CCT can be reintroduced in whole or in part in respect of the products and the countries or territories causing the disadvantage. Additional safeguard provisions exist in respect of the common agricultural policy under Articles 43 and 113 of the Treaty, as well as by Article 19 of the General Agreement on Tariffs and Trade (GATT).¹

14. The Committee on Agriculture would like to suggest that the Community should develop a more comprehensive, and less an ad hoc approach, in which the interests of the least developed nations can be given special attention.

15. These observations apart, and bearing in mind that inclusion of these processed agricultural products on the list of generalized preferences will not have significant detrimental effects on the interests of the Community producer, the Committee on Agriculture considers that it can approve this proposal from the Commission of the European Communities.

¹ Doc. 171/73

ANNEX

Imports of Products Covered by the Commission's proposals, by Zone of Origin (EEC - 6)

(1971, \$1,000)

Item	CCT No.	Community imports from Third developing countries	Community imports from Associated States	Intra-Community trade	Total EEC trade	Major importing developing countries (in order of import values)
Domestic pigeon	02.04-10	5	-	4,822	20,250	Rumania
Domestic rabbit meat offals						
Other meat offals	02.04-98	1,460	29	85	2,228	Indonesia, India, Turkey, Rumania, Pakistan, Lebanon
Shrimps and prawns	03.03-43	3,752	7,252	5,759	21,195	Senegal, Ivory Coast, Dahomey, Madagascar, Tunisia, India, Brazil, Algeria, Pakistan
Edible products of animal origin	04.07-00	2,077 ¹	17 ¹	13,063 ¹	7,313	
Natural sponges	05.13-90	5	3	41	92	
Dates	08.01-10	1,983	965	1,524	14,184	Algeria, Tunisia, Iraq
Oranges (bitter/Seville) (April-Oct.)	08.02-24	34	556	45	774	Morocco
(Oct.-April)	08.02-27	36	50	86	266	Morocco
Apricots	08.12-10	1,992		74	3,390	Iran, Turkey
Ground cinnamon	09.06-50	114	7	121	258	Comores, Ceylon
Crushed nutmeg	09.08-60	60	-	74	179	Indonesia
Crushed mace	09.08-70	7	-	15	31	Indonesia
Badian seed	09.09-13	-	-	1	52	
Crushed Badian seed	09.09-51	-	-	1	1	
Castor oil	15.07-17	6,714	-	1,334	8,092	
Homogenised composite food	21.05-00	(58)	(1)	(23,042)	(24,251)	Yugoslavia, Israel, Turkey
Cigars	24.02-20	2,201	2	37,845	41,518	Cuba, Philippines, Brazil
Smoking tobacco	24.02-30	3	2	4,375	7,143	
		20,443	8,883	69,265	126,966	
		EEC-9:28,700			150,250	¹ 1970