

COMMISSION OF THE EUROPEAN COMMUNITIES

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Proposal for a
COUNCIL REGULATION (EEC)
applying generalized tariff preferences for 1990 in respect of certain
industrial products originating in developing countries

Proposal for a
COUNCIL REGULATION (EEC)
applying generalized tariff preferences for 1990 to textile products
originating in developing countries

Proposal for a
COUNCIL REGULATION (EEC)
applying generalized tariff preferences for 1990 in respect of certain
agricultural products originating in developing countries

Draft
DECISION
OF THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES OF THE
EUROPEAN COAL AND STEEL COMMUNITY, MEETING WITHIN THE COUNCIL

applying for 1990 the generalized tariff preferences for certain steel
products originating in developing countries

(presented by the Commission)

On the Explanatory Memorandum has been reproduced. The texts of the detailed proposals were published in Official Journal C165, 3 July 1989.

EXPLANATORY MEMORANDUM

These proposals from the Commission to the Council - three draft EEC Regulations and one draft ECSC Decision - are intended to provide the legislative basis for the operation of the European Community's scheme of Generalised Tariff Preferences for the calendar year 1990.

1. The general objectives of the Commission

The revision of the Community's GSP schemes for the decade 1991-2000 in the agricultural and industrial sectors should be started this year. This revision will give rise to a Commission proposal on the subject during the coming months.

In these circumstances, the Commission believes that fundamental and substantial changes to the schemes - other than those already put into practise or envisaged in 1989, notably in the area of administration - cannot be realised by 1990.

The intentions of these Commission proposals are as follows:

- (a) to retain the essential elements of the economic part of the different schemes applied in 1989,
- (b) without prejudice to the changes which result automatically from the principles and criteria decided by the Council within the framework of the differentiation policy as applied to the industrial scheme since 1985 and to the textile scheme since 1987,
- (c) to put into practise a Community-wide administration of the agricultural, industrial and textile schemes - with the completion of the internal market in 1992 in mind - something which will facilitate and improve the utilisation of preferences by beneficiary countries.

2. The industrial products scheme

2.1 Overview

The Commission proposed to retain the structure of the 1989 scheme in the 1990 scheme as applicable to industrial products and ECSC.

It is at the same time understood that the changes resulting from the application of the principles and criteria of differentiation will be notified by the Commission as soon as they become apparent in the Community's import statistics for 1988 - the statistical year to which the criteria decided in 1988 apply.

2.2 Administration

An important step was taken in the 1989 scheme with the transformation into fixed duty-free amounts (not allocated between Member States) of 73 tariff ceilings for sensitive industrial products.

Following the decision of the Court of Justice in this regard in case no. 51/87, and in conformity with the undertaking given by the Council in 1988, the Commission therefore proposes to the Council the putting into operation of the undertaking by the transformation into fixed duty-free amounts (not allocated between Member States) of the 32 tariff ceilings which remain allocated. To date the management of the new duty-free amounts has not given rise to any particular difficulty.

The beneficiary countries may thus fully utilise these preferential amounts through a complete community administration which also represents a positive move towards the completion of the internal market in 1992.

3. The agricultural products scheme

3.1 Overview

The Commission also proposes to retain in 1990 the structure of the 1989 scheme applying to agricultural products. At the same time, it wishes to reiterate the following proposal, previously made in 1988:

- to reduce to 34% the GSP duty rate on cigars (CN code 2302 10 00) so as to restore the preferential margin which existed before the Article XXIV (6) GATT negotiations,
- and to include in the scheme: dried figs (CN code 0804 20 90) raisins (CN code 0806 20) and frozen strawberries (CN code 0811 10) from the less developed countries in order that their GSP regime becomes identical to that in the Lomé Convention in so far as the imposition of customs duties is concerned,

3.2 Administration

As with the industrial scheme, and for the same reasons, the Commission proposes the transformation into fixed reduced-duty amounts (not allocated between Member States) of the 5 tariff ceilings which remain allocated.

4. The textile products scheme

4.1 Overview

The new GSP textile scheme for MFA products, as applied in 1989, was characterised by an increased differentiation with regard to products/beneficiary countries.

As a result these latter have seen their access to the Community market strongly increased within the framework of generalised tariff preferences.

The Commission here again proposes to retain the structure of the 1989 scheme in the 1990 scheme for products covered by the MFA as well as for other textile products.

As with the industrial scheme, it remains understood that the adaptations which will result from the application of the differentiation criteria - already put into effect in 1988 and 1989 - will be notified by the Commission as soon as they become apparent in the Community's 1988 import statistics.

4.2 Administration

The introduction in 1989 of a Community reserve of 30% in the administration of tariff ceilings for MFA textile products constituted an important step forward in the sense of a better utilisation by beneficiary countries of quantities available.

At the same time the return by Member States of their unused allocations to the Community reserve remains optional.

The Commission is proposing that this return of unused allocations becomes obligatory in the 1990 GSP scheme in order to ensure a more communitary administration in this sector, the very special nature of which has been previously recognised.

5. Regime applicable to South Korea

The regime which would normally apply to South Korea in 1990 is shown in each of the GSP schemes. However, the Commission proposes to maintain the suspension of preferences with regard to this country for as long as it continues its discrimination in its treatment of the Community in respect of intellectual property which resulted in Regulation (EEC) no. 3912 of 18 December 1987 and the Decision 88/80/ECSC of 8 February 1988 on this subject.

6. Publication of the Regulations and the Decision

In previous years, the Regulations and the Decision on GSP were adopted and published only a few days before their coming into force. There is evidence that such a delay does not permit commercial operations in beneficiary countries to be informed of the decisions taken in good time.

Since the GSP is above all for the benefit of these operators and since they need to operate in conditions of transparency and certainty, the Commission therefore considers it indispensable that the new arrangements should be published by at the latest, 15 September 1989.

7. Rules of Origin

The Commission has carried out a thorough analysis of the ways and means of introducing a 'donor country element' in the GSP rules of origin. This question will shortly be the object of a regulation.

8. Other measures

The Commission has now ceased giving general information seminars on GSP in order to concentrate on technical workshops on the under-utilisation of preferences in certain sectors with commercial operators in beneficiary countries, and on the training of officials whose task is to complete the origin certificates.

This approach having been positively received, the Commission intends to continue in this manner, whilst at the same time reinforcing the link between GSP and the promotion of exports from developing countries.

Financial Statement

It should be noted that the financial effect of generalised tariff preferences accorded to developing countries is difficult to quantify exactly, as much as a result of the flexible nature of the concessions as to

- the complexity of the concessions and the differentiation between countries, notably because of the existence of quotas and differing tariff ceilings which are applicable either to certain products or beneficiary countries.
- the production structure in some developing countries does not always satisfy the rules of origin criteria;
- only partial utilisation of the advantages offered due either to a lack of information or only limited economic benefit if the normal duty is already low.

As result of these elements there is a net disproportion between the global offer opened on 1 January and those imports which actually enter by 31 December of the same year at a preferential rate.

On the basis of a global offer worth 25 billion ECU in 1990, of a weighted average Common Customs Tariff duty rate of between 5.5 and 6% and of an average utilisation rate of some 70%, it is estimated that, under the terms of the present proposal, there will be a loss of between 960 million and 1 billion ECU in customs duties not levied due to the application of the Community's GSP scheme in 1990. This loss is identical to that estimated for 1989 in that the 1990 proposal is identical to its predecessor.

A model based on actual imports and duty rates is at present being defined in order to permit a more sophisticated calculation of the effect on its own resources of the various tariff concessions accorded by the Community.

COMPETITIVENESS AND EMPLOYMENT IMPACT STATEMENT

- I. What is the main reason for introducing the measure ?
EC has committed itself to offer tariff preferences until at least end 1990 (Council Decision of December 1980).
- II. Features of the businesses in question. In particular :
- (a) Are there many SMEs ?
not possible to calculate
- (b) Are they concentrated in regions which are :
- i. eligible for regional aid in the Member States ?
or
- ii. eligible under the ERDF ?
Not possible to identify. These regulations apply in the whole Community and not specifically in certain areas.
- III. What direct obligations does this measure impose on businesses ?
No direct obligations. It does not involve any additional cost. On the contrary, it should reduce costs of the trading activities since more flexibility is proposed in the management field.
- IV. What indirect obligations are local authorities likely to impose on businesses ?
Only the national customs administrations are involved in the implementation of the EC' GSP schemes.
- V. Are there any special measures in respect of SMEs ? Please specify.
No. However, either trading firms or companies using imported components/ items in their own production could be stimulated by the proposal.
- VI. What is the likely effect on :
- (a) the competitiveness of businesses ?
Difficult to identify since a widening of sectors and activities are covered. Giving preferences may increase external competition slightly but can certainly encourage creation of both new import firms and joint ventures with foreign partners.
- (b) employment ?
For the same reasons, impossible to identify.
- VII. Have both sides of industry been consulted ?
Please indicate their opinions.
As the GSP Scheme is a long-established EC policy- since 1 July 1971 - normal sectoral consultations by DGs III and VI in preparation of these proposals have taken place with the relevant industrial organizations. In addition, the Commission uses to consult the Economic and Social Committee, after its proposals being adopted, without having any formal obligation to do so.