

European Communities

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EUROPEAN PARLIAMENT

# Working Documents

1983-1984

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14 November 1983

DOCUMENT 1-1007/83

## Report

drawn up on behalf of the Committee on Development and  
Cooperation

on the proposals from the Commission of the European  
Communities to the Council (Doc. 1-635/83 - COM(83)  
441 final) for regulations fixing the Community's  
generalized tariff preferences scheme for 1984

Rapporteur: Mr G. FUCHS

By letter of 3 August 1983 the President of the Council of the European Communities requested the European Parliament to deliver an opinion, pursuant to Article 113 of the EEC Treaty, on the proposals from the Commission of the European Communities to the Council for regulations fixing the Community's generalized tariff preferences scheme for 1984.

On 12 September 1983 the President of the European Parliament referred the proposals to the Committee on Development and Cooperation as the committee responsible and to the Committee on External Economic Relations, the Committee on Agriculture and the Committee on Economic and Monetary Affairs for opinions.

At its meeting of 29 September 1983 the Committee on Development and Cooperation appointed Mr G. FUCHS rapporteur.

The committee considered the Commission proposals and the draft report at its meetings of 19 October and 4 November 1983.

At this last meeting, it decided by 10 votes to 0 to recommend that Parliament should approve the Commission proposals without amendment.

The following took part in the vote: Mrs Focke, vice-chairman and acting chairman; Mr G. Fuchs, rapporteur; Mr Cingari (deputizing for Mr Kühn), Mr Cohen, Mrs Dury, Mr Enright, Mr Johnson (deputizing for Mr de Courcy Ling), Mr Pearce, Mrs Rabbethge and Mr Vankerkhoven.

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

The report was tabled on 8 November 1983.

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The Committee on Development and Cooperation hereby submits to the European Parliament the following motion for a resolution:

MOTION FOR A RESOLUTION

closing the procedure for consultation of the European Parliament on the proposals from the Commission of the European Communities to the Council for regulations fixing the Community's generalized tariff preferences scheme for 1984

The European Parliament,

- A. having regard to the proposals from the Commission to the Council (COM(83) 441 final),
  - B. having been consulted by the Council pursuant to Articles 43 and 113 of the EEC Treaty (Doc. 1-635/83),
  - C. having regard to the report of the Committee on Development and Cooperation and the opinions of the Committee on External Economic Relations, the Committee on Agriculture and the Committee on Economic and Monetary Affairs (Doc. 1-1007/83),
  - D. having regard to the result of the vote on the Commission's proposals,
  - E. recalling its previous resolutions on the generalized tariff preferences system and, more particularly, those of 17 October 1980<sup>1</sup>, 15 December 1980<sup>2</sup>, 20 November 1981<sup>3</sup> and 15 October 1982<sup>4</sup>,
1. Reaffirms its support for the Community's generalized preferences system for the benefit of the developing countries;
  2. Believes that the Commission's proposals can constitute a step forward towards the introduction of trading rules which favour the least-developed countries in particular;
  3. Approves the Commission's proposal to improve appreciably the rates at which the scheme is utilized by modifying the flat-rate allocation scale hitherto used for the Member States, but stresses the importance of the three-year introductory period as a means of protecting Member States' imports from violent fluctuations which could be damaging to their industries and their employment sector;
  4. Welcomes the Commission's proposal to review the existing rules of origin, with a view in particular to achieving a wider application of the rules in favour of regional groupings;

<sup>1</sup> OJ No. C 291, 10.11.80, p.77

<sup>2</sup> OJ No. C 346, 31.12.80, p.19

<sup>3</sup> OJ No. C 327, 14.12.81, p.107

<sup>4</sup> OJ No. C 292, 8.11.82, p.105

5. Hopes that the least-developed countries, particularly those which are landlocked or islands, may benefit from a genuine liberalization of the rules of origin;
6. Emphasizes yet again the importance of training programmes, information booklets and seminars designed to familiarize users and beneficiary countries with the workings of the scheme, and calls upon the Council to authorize the funds necessary for running a worthwhile programme;
7. Endorses the Commission's decision to resubmit to the Council the terms of its proposal for the scheme for 1983, from which the Council departed, aimed at placing certain agricultural exports from the least-developed countries on an equal footing with those from the ACP countries;
8. Takes note of the adjustments proposed for industrial products and emphasizes, with regard to sensitive products, the desirability of mutual information on major investment projects which allows the Community to anticipate more accurately the new forms of competition that may result from the industrialization of developing countries;
9. Commends the Commission on its decision to reflect the commercial trends of recent years in the current offer for textile products, and shares the Commission's belief that a thorough study of recent developments is needed in the context of the review of the scheme;
10. Reaffirms the importance of ensuring that both sides of industry are involved in the discussions on the main changes to the GPS;
11. Supports the differentiation applied within the system, whereby certain restrictions are imposed on the most competitive supplier countries in order to allow other countries, especially the least-developed, better access to the Community market;
12. Repeats moreover, its view that the most competitive of the developing countries should themselves grant facilities for the import of products from other developing countries;
13. Considers that the beneficiary countries should move towards acceptance of the main ILO conventions, particularly as regards hard labour, the right to collective bargaining and trade union rights;
14. Recalls the support it has previously voiced for the setting-up of a generalized preferences management committee, and hopes that the Commission will fulfil its commitment to reformulate its earlier proposals before the end of the current five-year period;

15. Calls as a matter of urgency for studies to be carried out on:
  - the actual benefits of the generalized preferences system for the beneficiary countries (including an assessment of the amount of customs duties saved by each country);
  - the effects of the GSP on industry and employment in the Community (making it easier to make further adjustments to improve supply);
  - the effect on ACP exports of the new competition created by the existing GSP and any possible modifications of it;
16. Instructs its President to forward to the Council and Commission, as Parliament's opinion, the Commission's proposals as voted by Parliament and the corresponding resolution.

OPINION<sup>1</sup>of the Committee on External Economic Relations1. BACKGROUND: THE SYSTEM FOR THE 1980s

The Committee on External Economic Relations has been consistent in its views on the subject since this Parliament was elected. Its previous opinion for the Committee on Development and Cooperation drawn up in September 1982 by Sir Fred CATHERWOOD (Doc. 1-662/82), reads in part:

1. 'In her draft opinion drawn up on behalf of the Committee on External Economic Relations for the Committee on Development and Cooperation Mrs CARETONI ROMAGNOLI pointed out that the generalized tariff preferences scheme is broadly based on the following principles: (cf Doc. 1-641/81 - p. 3,4,5)'.  
2. The scheme for the 1980s differs from that of the previous decade on two points:

- the system has been simplified in order to make it clearer;

- a distinction has been made between the beneficiary countries in order to enable the least developed countries to benefit more from the system and to protect the Community industries from an excessive influx of sensitive products from countries considered highly competitive.

3. With a view to simplifying the system, the Community decided that from 1981 on, the products involved would be divided into two categories, namely sensitive products (a total of 128,64 of which are industrial products) and non-sensitive products. For the sensitive products, preferential imports from the most competitive countries are subject to a system of separate Community quotas for each country. These Community quotas are then divided into national quotas among the Member States of the Community. When the ceiling is reached, the Member State concerned must start levying customs duties on the exporting country.

4. The most competitive countries are classified as such by the Commission on the basis of economic criteria.

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<sup>1</sup> See Annex

It should be recalled that at the time, the Committee on External Economic Relations felt<sup>1</sup> that these criteria had to include the following;

- (a) the per capita income;
- (b) investments and the rate of industrial growth;
- (c) the social situation;
- (d) the penetration of the Community market;
- (e) the take-up rate of tariff preferences during the initial period of implementation;
- (f) the situation of Community producers.

5. With regard to imports from the other less competitive countries, no national quota has been fixed for Community member countries. Customs duties are re-introduced throughout the Community when the exporting country reaches its ceiling.

6. Non-sensitive products are subject only to a statistical check. In some cases, customs duties can be re-introduced for a given beneficiary country.

7. Economically less developed countries (altogether 36) are totally exempted from paying customs duties on all industrial products - including textiles - and agricultural products listed in the generalized tariff preferences scheme, even those that are subject to a ceiling or quota restrictions.

8. To sum up, the GPS for industrial products that are totally exempted from customs duties comprises the following elements:

- sensitive products from competitive countries, which are subject to a separate Community quota for each exporting country, this Community quota then being divided into national quotas among the different Member States;
- sensitive products from other countries, which are subject only to a Community quota; once again, each exporting country is given a separate quota;
- sensitive and non-sensitive products from the least developed countries, for which there are no quota restrictions.

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<sup>1</sup> opinion CHOURAQUI, Doc. 1-455/80



9. As far as agricultural products under the GPS are concerned, exporting countries are partially or totally exempted from paying customs duties. In this case as well, no restriction is applied to the least developed countries.

10. The rules on textile products are closely linked to the Multi-fibre arrangement (MFA) and complementary bilateral agreements. Consequently, the GPS in this area will be modified only after the renegotiation of the MFA.

11. In evaluating the GPS, it must be remembered that the scheme is not only an instrument of cooperation for development but also one that can help achieve a greater balance in world trade. In fact, the share of the third world in industrial and world production is increasing, but so is trade between the North and the South (cf Doc. 1-662/82, p.3, 4, 5).

#### 11. PREVIOUS STAND OF THE COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

12. The following general guidelines must be taken into account:

(a) in order to improve the trading position of the least developed countries in the world, the preferences granted to them, particularly in the agricultural sector, should be extended;

(b) the problem of the rules of origin must be studied in depth so that improvements can be made. The Committee on External Economic Relations would like to arrange for meetings in order to exchange views on this subject with representatives of the beneficiary countries who so wish;

(c) the new Commission proposals on the management of the GPS must be supported by Parliament;

(d) the Committee on External Economic Relations points out that the GPS must be considered - and developed accordingly - as one of the instruments of policy towards the developing countries and especially to those that do not enjoy the advantages of the treaties of association or preferential treatment (EP 80.192. p.5).

#### 111. PROPOSALS OF THE COMMISSION OF THE EUROPEAN COMMUNITIES FOR 1984

The main modifications are as follows:

13.

- industrial products: following an in-depth review of List A of sensitive products, the down-grading of 4 items to non-sensitive on the basis of the

- Low level of imports from GSP beneficiaries - broom handles (CCT 44.25 D), sewing machine parts + furniture (84.41 A III), insulated electric cable and wire (85.23 B) and motor vehicles up to 1,500 cc (87.02 A I ex b);
- Three other products are to be retained on list A, but with year's individual country quotas transformed into ceilings : liquefied ammonia (28.16); heparin (39.06); other sewing machines (84.41 A I b);
  - On the other hand in the view of the Commission a significantly deteriorating economic situation require preferential imports to be more strictly controlled on 3 products already on list A - carbonates of sodium (28.42 A), gelatine (35.03 ex B) and tableware etc. of porcelain (69.11) by the application of quotas against certain suppliers.

14. Although there now appears to be some slight recovery of business confidence, the overall outlook is still far from rosy and the Commission has therefore felt bound to exercise caution in proposing increases in the values of quotas and ceilings :

- in its view there can be increase in certain well-known problem areas - ECSC products, shoes and leather products, certain petrochemicals and the related fertiliser sector, aswell as glass, china and watches,
- for other products the Commission is proposing increases in range 5 to 15 % for 32 quotas and 94 product subject to ceiling treatment,
- for Non-Sensitive products on list B the Commission proposes an across-the-board increase of 10 % on the reference base.

15. On textiles the Commission has responded to a widespread request among beneficiary countries for the application of a more up-to-date reference year as the basis of calculating the guaranteed shares on products falling under the MFA, and has recalculated these shares by applying 1981 imports figures for the original basis - 1977 import figures. In a number of cases, however, where the full application of 1981 based calculations would have led to a very substantial increase in the existing GSP offer, the Commission has decided to limit the impact to a lower level.

16. In any event no improvements are envisaged for the 3 "dominant" suppliers included in the GSP - Hong Kong, South Korea and Macao on the two States trading countries - China and Romania.

17. Last year the Council accepted the greater part of the Commission's proposal to put Least Developed Countries on the same footing as ACP countries

by extending to them duty-free access on all otherwise dutiable agricultural products not further protected by a variable levy or similar device. The Commission nevertheless believes that the Council's decision last year to exclude 7 products from this list was not justified, and is accordingly representing these proposals (fresh bananas (ex 08.01 B), fresh pineapples (ex 08.01 C), frozen strawberries (ex 08.10 A), fruit juices from pineapples, melons and water melons (ex 20.07 A III a), A III b) 1, A III b) IV), as well as the proposal also not accepted last year to exempt LLDCs from the reintroduction of duties on the quota for Virginia-type tobacco and the ceiling for other types of manufactured tobacco.

18. For all other GSP beneficiaries the Commission has proposed improvements in preference margins on 65 products already included in the GSP, which in most cases are products where

- the existing GSP rate of 2 % cannot be regarded as offering a protection but to be operating rather as a "nuisance" rate which the Commission considers should be abolished; or
- where there are varying rates on a variety of similar fruit juices, canned fruits or fruit juices, for which the Commission now envisages a uniform GSP rate of 6 % and on similar reasoning a 4 % rate for 9 subheadings of CCT 03.03 (crustaceans and molluscs);
- alignment of the GSP rate for certain processed foods with the rates applied under the EFTA agreements.

#### IV. MANAGEMENT OF THE GSP

19. The commission still believes that the proposals which represented for the 1981 and 1982 GSP schemes for setting up a Management Committee in which the annual review of the EC's GSP scheme could be conducted, had considerable merit, but has decided to hold back putting this idea forward again this year. Nevertheless certain other aspects of the management of the GSP can no longer continue uncorrected, in particular the application of a single standard key in the allocation of shares to Member States in tariff quotas for industrial products and allocated ceilings in the textile scheme.

20. The present provisions have resulted in substantial underutilization of quotas because of differences between Member States in levels of demands for certain products and in consequence also in the unity of the Common Customs Tariff being undermined because duties have been reintroduced

in some Member States and not others. The Commission has now recalculated what the shareout of quotas would have been if based on average trade flows in 1981 and 1982 and is proposing a progressive changeover to this method of apportionment in equal stages over the next 3 years.

#### V. CONCLUSIONS

21. The Committee on External Economic Relations acknowledges that the Commission has fairly little room to manoeuvre because of the need not to devalue the preferential access granted to some groups of developing countries .

22. It notes that, in spite of considerable differences depending on the sector and the products, imports made within the framework of the GPS still represent, in many cases, only a very small or even negligible percentage of the total volume of imports.

23. It notes with interest the trend towards simpler and more efficient GPS management methods.

24. It observes that some countries are beginning to make more effective use of the new opportunities offered by the greater security provided by the system of individual preferential quotas.

25. It hopes that the efforts to define the rules of origin which began within the UNCTAD working group will be continued and go beyond the 'notes printed on the back of the certificate of origin A applicable from 1 January 1983'. The Committee on External Economic Relations recalls that, in this connection, it would like to arrange for discussions on the subject with representatives of the beneficiary countries.

26. It also hopes that the Commission will continue to provide information on the GPS in order to enable all the countries concerned, particularly the least developed among them, to obtain maximum benefit from the GPS .



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Committee on External Economic Relations  
The Chairman

83 27723

Dear Mr Poniatowski,

Subject: Commission proposal fixing the Community's generalized tariff preferences scheme for 1984 (Doc. COM (83) 441 final - Doc. 1-635/83)

At its meeting of 28 September 1983 the Committee on External Economic Relations adopted the enclosed draft opinion, which it instructed me to forward you in the form of a letter expressing its agreement with the Commission's proposal.

Yours sincerely,

pp Sir Fred CATHERWOOD

The following took part in the vote: Mr van Aerssen, acting chairman; Mr Almirante, Mr Cohen (deputizing for Mr Radoux), Mr Jonker, Mr Mommersteeg, Mr Rieger, Mrs Pauwelyn (deputizing for Mrs Pruvot), Mr Seeler, Mr Spencer.

Enc.

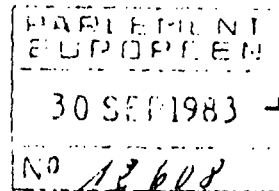
PE 86.683/fin./Ann.

ANNEX

29. IX 1983

Luxembourg,

Mr Michel PONIATOWSKI  
Chairman of the Committee on Development  
and Cooperation  
European Parliament  
Plateau du Kirchberg  
LUXEMBOURG



OPINION  
of the Committee on Agriculture

Letter from Mr CURRY, chairman of the Committee on Agriculture, to  
Mr PONIATOWSKI, chairman of the Committee on Development and Cooperation

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Brussels, 30 September 1983

Dear Mr Poniatowski,

At its meeting of 28 September 1983, the Committee on Agriculture<sup>1</sup> considered the proposal from the Commission to the Council fixing the Community's generalized tariff preferences scheme for 1984.

The Commission proposals follow the guidelines established by the Council on 16 December 1980 which extended the Community's generalized tariff preferences scheme for a further ten-year period (1980-1990) and approved a more detailed framework for the operation of the scheme during the first five years.

The Commission has put forward proposals for improved preferential margins for 65 products already covered by the GSP for all countries eligible for the scheme.

It also repeats the proposals which were rejected by the Council last year for extending duty-free imports of a number of agricultural products (fresh bananas and pineapple, frozen strawberries, fruit juices produced from pineapples, melons and watermelons) to the least developed countries and for improving the provisions for importing certain tobaccos from these countries.

The Committee on Agriculture approves these proposals and reiterates the comments it made in previous opinions on the need to revise the list of beneficiary countries, with a view to giving maximum priority to the least-favoured countries, and to eliminate the technical and administrative obstacles which reduce the effectiveness of the GSP.

Yours sincerely,

D. CURRY

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<sup>1</sup> The following took part in the vote: Mr Curry, chairman; Mr Früh, vice-chairman, Mr Barbagli (deputizing for Mr Diana), Mr Blaney, Mr Bocklet, Miss Brookes (deputizing for Mr Kirk), Mrs Castle, Mr Clinton, Mr Dalsass, Mr Eyraud, Mr Helms, Mrs Herklotz, Mr Ligios, Mr Maher, Mr McCartin, Mr Mouchel, Mr Papapietro, Mr Pranchere, Mr Provan, Mr Simmonds, Mr Sutra, Mr Thareau, Mr J.D. Taylor (deputizing for Mr Battersby), Mr Tolman, Mr Vgenopoulos, Mr Vitale and Mr Woltjer.

OPINION  
of the Committee on Economic and Monetary Affairs  
Draftsman: Mr WELSH

At its meeting on 20 September 1983, the Committee on Economic and Monetary Affairs appointed Mr Welsh as draftsman of an opinion for the Committee on Development and Cooperation.

The committee considered the draft opinion at its meeting of 28 September 1983 and adopted unanimously.

The following took part in the vote: Mr MOREAU (chairman); Mr BEAZLEY (presenting the opinion in the absence of the draftsman); Mr ALBERS (deputizing for Mr Rogers); Mr BONACCINI, Mr CABORN, Mr DE GUCHT, Mr FORTH (deputizing for Sir Brandon Rhys-Williams), Miss FORSTER, Mr FRANZ, Mr GIAVAZZI, Mr HERMAN, Mr LEONARDI, Mr MÜLLER-HERMAN, Mr PAPANTONIOU, Mr ROGALLA (deputizing for Mr Ruffolo), Mr von BISMARCK, Mr VAN ROMPUY, Mr von WOGAU, Mr WAGNER, Mr WEDEKIND (deputizing for Mr Schnitker) and Lord HARMAR-NICHOLLS (deputizing for Mr Purvis).

## THE COMMUNITY'S GENERALISED SYSTEM OF PREFERENCES (GSP)

LEGAL BASIS: Article 113 of the EEC Treaty

ORIGIN: the idea of tariff preferences was prompted by the realisation of the difficulties encountered by countries with nascent industries, ie the developing countries, in gaining access to and expanding sales of their products on the markets of the industrialised countries. The system was devised within UNCTAD in 1970.

OBJECTIVES AND NATURE: to promote the industrialisation of the developing countries through special customs arrangements; to increase the export revenue of poor countries; to speed up the pace of their economic growth; to correct the North-South imbalance by improving the distribution of wealth.

The system consists of customs duty reductions or exemptions accompanied in certain cases by quotas. These arrangements therefore concern exclusively finished or semi-finished industrial products and processed agricultural products (not primary products). The preferences are non-discriminatory and autonomous and governed by rules which vary according to the categories of product.

ACHIEVEMENTS: The Community was the first to apply, with effect from 1 July 1971, the GSP to developing countries belonging to the 'Group of 77' within UNCTAD and to the overseas countries and territories of the Member States and third countries. Since then it has made regular improvements to the system in respect of both the countries concerned and the magnitude of the advantages granted. In 1982 the system concerned some 120 countries and independent territories and 22 territories and states dependent on the Member States of the Community or third countries.

The first scheme applied from 1971 to 1980. The main features were as follows: preferential tariff advantages granted unilaterally and on a non-reciprocal basis for:

- processed agricultural products (tariff reductions were allowed on a given number of scheduled products);
- finished and semi-finished industrial products: the recipient countries were able to export these products to the Community free of customs duty up to a ceiling fixed annually for each country and product. Special measures were introduced for, in particular, textiles and coir and jute products.

These principles have remained intact, but they have been modified and improved each year. At the same time the Community has tried to ensure that the authorities in the recipient countries receive enough information to enable them to take real advantage of the benefits offered by the GSP.

The total theoretical volume of imports to which the tariff preferences can apply has been increased for most of the products over the last decade: in the case of textiles, the Community's offer rose from 68,000 t in 1974 to some 115,000 t in 1980; for agricultural products the number of products benefitting from the scheme doubled from 147 in 1971 to 317 in 1981, and the value of the offer tripled between 1974 and 1980; for industrial products, the increase has been lower but is nonetheless substantial since the value of the products which can benefit rose from 2,600 m ECU to 6,800 m ECU between 1974 and 1980, ie an increase of 142%.

Although utilisation of the preferential concessions is confined to a relatively small number of products and is concentrated on sectors where the competitive position of the recipients seems quite favourable it would be wrong to suggest that this constitutes a real threat to the European economy. Imports of sensitive products enjoying preferential treatment have in fact amounted to only 3-4% of Community imports.

However, two criticisms may justifiably be made of the GSP as it operated until 1980: only moderate use was made of the generalised preferences (only 55-60% of eligible products were actually imported free of duty); the number of recipient countries was still very limited, since 13 countries accounted for 70% of the imports at preferential rates.

The second scheme (1980-1985 guidelines) is to apply for 10 years. It contains no radical changes as far as processed agricultural products are concerned. Pending the outcome of the negotiations on the renewal of the Multifibre Arrangement and voluntary restraint agreement, the same is true of textiles. But two general provisions apply to these as to industrial products:



- the quotas or ceilings take account of Greece's entry into the Community; consequently, the bases of assessment have been increased by 2%;
- all quantitative restrictions have been removed for 36 less developed countries, on processed agricultural products (apart from tobacco and pineapples) textile products (including jute and coir) and industrial products.

The arrangements for industrial products have been substantially modified. The objectives are as follows: to simplify the scheme, because its complexity has often discouraged the traders of the Third World, and to make it more selective according to the level of development and competitiveness of the countries concerned.

Instead of four categories of sensitive products there are only two: the strictly monitored sensitive products and the others. In addition global quotas and ceilings are replaced for each product by individual preferential amounts for each country; this will make it impossible for the most developed countries to take too large a share of the GSP cake.

For industrial products, and subject to the more favourable arrangements granted to the poorest developing countries, to which the quantitative restrictions apply, the position is as follows:

- sensitive products: 128 products are subject to strict controls because of the problems of the Community's own industries;
- other products: non-sensitive products are simply to be monitored statistically. However, customs duties could be reintroduced if the growth of imports exceeds a reference rate similar to the theoretical 'cut-off' fixed in 1980 for each recipient country but increased by 2% to take account of Greece's entry into the Community.

1984 arrangements: these come within the framework of the scheme laid down for 1981-1985 and do not include any major changes:

- in the agricultural sector the Commission's proposals include in the list of products to which reduced rates apply six new export products from the poorest countries, namely bananas, pineapples, frozen strawberries, certain types of tobacco and certain fruit juices; in addition, duties are reduced on 65 products;
- in the industrial sector, the modifications are minimal.

ROLE OF THE EUROPEAN PARLIAMENT (EP): each year the EP is consulted on the Commission's proposals for the arrangements for the following year. Various observations have been made, in particular in regard to revising the list of recipient countries, better provision of information for the developing countries so that greater use is made of the opportunities offered, additional advantages to be granted to the least-favoured countries and the inclusion of new products.