



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 16.09.1998  
COM(1998) 521 final

98/ 0280 (ACC)

Proposal for a

COUNCIL REGULATION (EC)

**applying a multiannual scheme of generalised tariff preferences  
for the period 1 January 1999 to 31 December 2001**

(presented by the Commission)

Only the explanatory memorandum has been reproduced. The text of the legislative proposal was published in Official Journal C 362, 24 November 1998 and is available at <http://eur-lex.europa.eu/en/index.htm>.

## EXPLANATORY MEMORANDUM

The aim of this proposal is to implement the European Community's second multiannual scheme of generalised tariff preferences within the ten-year period covered by the Community offer starting in 1995 and ending in 2004.

The industrial products component of the current scheme will remain in force until 31 December 1998 and therefore the second scheme should be ready to enter into force on 1 January 1999 for a period of three years, i.e. until 31 December 2001. That scheme will be followed in turn by a third starting on 1 January 2002 and lasting for three years until the end of the ten-year period on 31 December 2004.

The scheme now submitted to Council consists largely of an update of the previous scheme and contains the following features and innovations:

### 1. Simplified presentation

To make it easier for beneficiaries to use, all the legislation has been brought together so that the industrial and agricultural components and the various other arrangements (general, social and environmental incentives, drugs and LLDC) now come under a single regulation.

### 2. Updated graduation mechanism

Whenever the scheme has been renewed, the annexes, which represent the results of the graduation mechanism, have generally been adjusted at the same time in line with the most recent available statistics. The most recent definitive statistical data for the purposes of graduation are the World Bank statistics for 1996 and if these were applied in accordance with the scheme, it would lead to the graduation of new sectors for some countries. However, since some beneficiary countries, mainly in Asia, experienced an abrupt change in 1997 in the growth and trade patterns which had hitherto prevailed, the Commission has decided that it would be better not to propose the updating of the annexes in the short term but to retain the possibility of revising them next year depending on the pattern of growth and trade with our Asian and Latin American partners.

### 3. Renewal of the special drugs arrangements with the Andean and Central American countries

Reports<sup>1</sup> evaluating anti-drugs measures taken by beneficiary countries and analysing the economic and social impact of the special arrangements confirm the need for the special drugs programme - it is a useful means of supporting the efforts of those countries to reduce their dependence on the drug economy and stabilise their economic

---

<sup>1</sup> These reports are submitted to the Generalised Preferences Committee in accordance with the procedure referred to in Article 18(3) of Regulation (EC) No 3281/94.

and social structures and the institutions that uphold the rule of law. However, as yet, the special arrangements have fallen somewhat short of the objectives set out above. The extreme difficulty of the task, persistent shortcomings and the need for further progress justify the EU's desire to continue backing up the anti-drug efforts of the Andean Community and Central American states by means of the GSP special arrangements which, in any event, will be comprehensively reviewed at the end of ten-year period in 2004.

Naturally, if the EU is to continue with this policy the countries concerned will in turn have to step up their own efforts in three areas:

a) The anti-drug measures of the countries benefiting from the special arrangements must be backed up by continued commitment in the areas of precursors and money laundering - a crucial factor for success. It is vital that these countries adopt legal and political measures which will increase their effectiveness in this area and actually implement the international commitments which they have entered into, or should enter into, to that effect. Monitoring the development of the situation in this respect will therefore form an integral part of the details to be submitted to the Generalised Preferences Committee under the annual exercise to assess the impact of the special arrangements laid down by the regulation. An inappropriate policy on precursors and money laundering in the countries concerned may have an adverse effect.

b) Preferential access to our market must be matched by further export diversification and this requires a special effort by the beneficiary countries. For the Community's support to work properly, exports of manufactures must expand. The same is true of the Central American countries to which the Commission proposes to extend the benefit of the special arrangements for the industrial sector. This will require an improvement in the institutional environment of the countries concerned in order to attract new investment, including foreign direct investment, in the industrial sector. The completion of regional integration would represent considerable progress, helping overcome potential investors' reluctance to get involved in small, partitioned markets. This too will be subject to scrutiny by the Generalised Preferences Committee as part of its annual exercise to assess the impact of the special arrangements which may be adversely affected by a lack of progress towards regional integration.

c) Social considerations form an essential part of any attempt to combat drug-trafficking, since the drugs problem is clearly rooted to a large extent in the social conditions of the people concerned. Problems relating to the environment must also form part of any such policy.

To respond to these concerns, the Commission proposes to introduce a social and environmental component into the special drugs arrangements. This will take the form of a clause according to which the countries eligible for the special drugs arrangements will

have their tariff benefits reduced by a percentage equal to the additional preferential margins offered under the special incentive schemes if they fail to comply with the social and environmental standards which apply to countries eligible for such schemes. The preferences allowed under the drugs arrangements will therefore be made up of a drugs component *per se* and a component linked to compliance with social and environmental standards.

However, the countries benefiting from the drugs arrangements will only be subject *ex-post* to the procedure provided for under the incentive arrangements for verifying compliance with social and environmental legislation in order to assess their eligibility for the social and environmental component of the benefit they receive. The verification procedure will not therefore be a precondition for eligibility. This approach allows the drugs arrangements to maintain their appeal and effectiveness by incorporating a social and environmental incentive into them thereby making the whole scheme more coherent.

#### 4. Extending product coverage under the environmental clause

To make use of the environmental clause more attractive (hitherto it has been limited to tropical forest timber products) the Commission has decided to extend the list of eligible products by adding various non-wood products of tropical forests managed in accordance with International Tropical Timber Organisation standards.

#### 5. Special arrangements for the LLDC

The Commission underlines its pledge to embark upon a process which will lead, by the year 2005, to duty-free access for practically all products originating in the LLDC on the basis of the trade provisions of the current Lomé Convention and to simplify the origin rules and provisions on cumulation which apply to their exports. This process entails abandoning the principle of non-discrimination between ACP States.

The basic industrial products which are now to form part of the LLDC offer are naturally excluded from the general arrangements applicable to non-LLDC beneficiary countries. In the interests of clarity for traders, the information provided to them will in future include a list of the basic industrial products excluded from the general arrangements.

\*  
\*   \*

The above are the main features and innovations of the 2nd GSP scheme of the ten-year period which the Commission now submits to the Council for its opinion with a view to adoption in time to enter into force on 1 January 1999.