

COMMISSION OF THE EUROPEAN COMMUNITIES

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THE EUROPEAN COMMUNITIES'

GENERALIZED TARIFF PREFERENCES SCHEME FOR 1979.

(Proposals presented by the Commission to the
Council)

Only the explanatory memo has been reproduced. The lists of products covered by the scheme can be found in Official Journal L 375/78, Regulation (EEC) No 3161/78, 20 December 1978

EXPLANATORY MEMORANDUM

I. INTRODUCTION

These proposals which the Commission is sending to the Council concern the regulations required to grant generalized tariff preferences during the year 1979 both on processed agricultural products and on industrial semi-manufactures and manufactures originating in developing countries.

The objective of the proposed regulations is a renewed implementation of the offer by the European Economic Community to grant tariff preferences. They, therefore, set out the detailed rules needed to apply these preferences in favour of developing countries both on a selected list of processed agricultural products falling under Chapters 1 - 24 of the Common Customs Tariff and on all finished and semi-finished industrial products covered by Chapters 25 - 99 of the CTT. Iron and steel products coming within the scope of the ECSC Treaty are dealt with in separate draft decisions opening tariff preferences on the basis of the same rules as those used for the other industrial products subject, however, to the particular administrative regime which governs ECSC products.

II. SALIENT FEATURES OF THE 1979 SCHEME

At its meeting on 27 June the Council declared its intention to improve further in 1979 the Community's GSP which although formally autonomous, would represent an important contribution to the global results of the Multilateral Trade Negotiations.

Subsequently, both the European Council held at Bremen (6-7 July) and the Western Economic Summit at Bonn (16-17 July) reaffirmed their determination to strengthen the open world trading system and recognized the requirement of developing countries for better access for their products in the markets of industrialized countries.

The proposals which the Commission is now putting forward represent a balance between recognition of the needs of developing countries for additional improvements in their access to the markets of the industrialized countries with its responsibility to be fair to the Community's own industries. They also take account of certain concerns expressed by the countries with which the Community has signed preferential cooperation agreements. Further one may recall in this context, that the Council has accepted the Commission's view that where it is necessary to make choices and establish priorities, the unending struggle of many of the poorest or Least Developed Countries demands a concentration of our efforts, and that a special package should be inserted in the 1979 GSP schemes of measures designed specifically to benefit the LDCs. The initiatives in favour of this group of countries introduced in the EC's 1977 and 1978 GSP schemes will thus be carried significantly further.

The other main change which the Commission has envisaged for 1979 has already been foreshadowed in recent months - to recast the system for preferential imports for textiles, consequent upon the renegotiation of the Multifibre Agreement and the conclusion of bilateral agreements with most of the EC's suppliers of textiles with the object to bringing the management of the GSP and these arrangements in harmony.

The value of the preferential trade opportunities offered under the Commission's proposals will rise to around 6600 million EUA for industrial products and 1300 million EUA for agricultural products, a combined total of 7900 million EUA.

The following table shows the progressive increase in the value of the EC's offer and also how these import possibilities have been used.

	<u>Value of offer (million units)</u>	<u>Utilisation Ratio</u>
1974	3.250 MUA	65 %
1975	3.680 MUA	50 %
1976	5.250 MUA	67 %
1977	6.720 MUA (revised figure)	63.1 %
1978	6.800 MUA (revised figure)	
1979	7.900 MEUA	

The Commission also believes that the effects of applying the European Unit of Account to the GSP which should be carried out in the 1979 scheme, can be regulated in a manner which satisfies the the varying concerns of different Member States, particularly by the technique of adjusting the reserve shares in quotas for sensitive industrial products.

AGRICULTURAL PRODUCTS IN CHAPTERS 1 - 24 OF THE CCT

The Commission recalls in this context the considerable contribution which the Community has already made to the MTN by bringing into effect a generous offer on Tropical Products to honour its undertakings under the Tokyo Declaration. It considers therefore that there is relatively little room for major improvements in the GSP for agricultural products.

Nevertheless the Commission believes that the following improvements which is proposing represent together an effort somewhat above the norm which might otherwise have been expected :

- (a) the inclusion of 13 new products in the GSP bringing the total list up to 320 : the products involve Morello cherries - both fresh and in various processed forms, concentrated grape-fruit juices and Hilsa fish preserved in brine both whole + filleted (see Annex 1).
- (b) reductions in the level of preferential duties on 14 products, in particular a large number of different crustaceans, as well as squid and octopus on soluble coffee, cocoa butter, on honey and cigars, whose total trade value is estimated at some 155 million EUA and to ensure more complete utilisation of the quota, increases in the reserve share for pineapples in ¹⁾ cub
- (c) To exempt the 28 Least Developed Countries ¹⁾ altogether from any duties on agricultural items covered by the GSP in Chapters 1 - 24 of the CCT, apart from the six products subject to quantitative limitations by separate regulations.

Lastly, the Commission gives notice that it reserves the right to come back later with amended proposals in regard to the reserve share in the quotas for Virginia type tobacco and canned pineapples in slices in the light of more up-to-date information on the utilisation of the quotas for these two items in the current year's GSP Scheme.

1) As defined by United Nations Resolution 3487 (XXX) of 12 December 1975.

INDUSTRIAL SEMI-MANUFACTURES AND MANUFACTURES
IN CHAPTERS 25 TO 49 AND 64 TO 99 OF THE CCT

The Commission is not on this occasion proposing the introduction of any radical change in the GSP Scheme for industrial products except for an important innovation in the management of the Scheme as regards the Least Developed Countries.

Overall it is proposed to leave the structure of the GSP very much that ruling in 1978. As usual, in accordance with the original undertaking given in UNCTAD, all the ceilings have been recalculated to bringing into account a more recent reference year - 1976 - in the calculation of the supplementary amount in the agreed two-part formula. Regretably, however, because of the precarious economic situation in several important industrial sectors, notably steel and footwear, it has had to be accepted that no increase can be risked in 1979; while for a number of other products the full effect of the recalculation cannot be applied. Similarly the increase of the quota for plywood has been limited to 5 % in order to safeguard the interests of the ACP countries instead of 13,3 % were the formula to be applied in full. However there will be a normal increase of 15 % in the ceilings for non-sensitive products.

The Commission is also proposing a progressive measure of liberalisation as part of its special package in favour of the Least Developed Countries - to suspend the re-application of the maximum country amounts on both the sensitive and the special maximum country amounts lists, thus carrying a stage further the relaxations in regard to semi-sensitive and non-sensitive products introduced in 1977 and 1978.

The Commission also restates its conviction that a more liberal system of management must be introduced in the list of products subject to special maximum country amounts where the removal of the 50% limitation on imports into any one Member State can no longer be put off.

GENERALIZED TARIFF PREFERENCES SCHEME FOR TEXTILES, 1979

Because of the new situation in the Community textiles sector, it is necessary to adapt the GSP as regards textiles for 1979.

I. Present situation

1. There has been scarcely any fundamental change in the GSP as regards textiles since its inception in 1971, apart from the introduction in 1977 of more restrictive arrangements for the highly competitive beneficiary countries.

2. The 1978 scheme for textiles (excluding jute and coir) covers a duty-free volume of 84 000 tonnes (calculated on the basis of the reference year 1968). This figure needs to be assessed in the light of other figures for the same year:

(a) 1 500 000 tonnes (imports from outside the EEC: all processed textile products covered by Chapters 50 to 63 of the CCT, excluding jute and coir products);

(b) 1 300 000 tonnes (imports from countries with low production costs: all processed textile products excluding jute and coir products);

(c) 1 100 000 tonnes (imports from countries with low production costs: MFA products);

(d) of which 900 000 tonnes (imports from countries with low production costs, subject to voluntary restraint of quantities under bilateral agreements or arrangements).

3. Up to the end of 1977 (1978 being considered to be a transitional year so far as the scheme for textiles is concerned) there was scarcely any potential for improvement in the volume covered by the preferential arrangements under the GSP (6% of imports from countries with low production costs) since the machinery for controlling quantities was not equal to the task of ensuring the orderly growth of textile imports, in particular as regards the categories of sensitive products (770 000 tonnes in 1978).

Since 1 January 1978, imports of MFA products for an amount of 1 million tonnes have for practical purposes been covered either by bilateral agreements or arrangements or by unilateral arrangements. Of this quantity, approximately 900 000 tonnes covering all the sensitive products are now subject to voluntary quantitative restraint. This means that the machinery for controlling quantities already in existence is now equal to the task of preventing market disruptions and that the tariff factor has therefore lost some of its former importance.

4. The chief beneficiaries under the GSP as regards textiles have so far been the competitive countries, whereas the less-developed countries were handicapped by the uncertainty involved in the machinery for the reintroduction of customs duties. These countries want a system which provides them with greater security of utilization.

5. The GSP classification of products has hardly changed since 1971, apart from certain regroupings carried out in 1977. This classification is very far removed from the new system of categories which provides the basis for the bilateral agreements and is used for the control and surveillance system.

Retention of the GSP classification, which has been in force since 1971, would have entailed:

- (i) operating two different control and surveillance systems;
- (ii) creating an artificial distinction between tariff sensitivity and quantitative sensitivity;
- (iii) making the use of the GSP still more complex as regards textiles.

II. A new scheme in line with commercial and industrial policy in the textiles sector

The main features of the new textiles scheme proposed by the Commission are described briefly below.

1. Products covered

As in the past, all processed products of Chapters 50 to 63 of the CCT are covered by the new scheme. Jute and coir products are covered by a separate regulation.

2. Classification of products

A new system of categories based on the Nimexe has been developed for the purpose of:

- (a) identifying the sensitivity of products in relation to existing and developing industrial structures (rate of penetration, for example);
- (b) coordinating commercial policy with industrial policy.

This new system of categories has been accepted by non-member countries. The bilateral agreements or arrangements and the unilateral arrangements (even for the state-trading countries to some extent) are based strictly on this system.

The categories are now used as a basis for the control and surveillance system, which covers all textile imports from all sources. The categories are also the pivot of industrial policy.

This system of categories has been adopted for the new textiles scheme.

3. Tariff arrangements

Low production costs in developing countries constitute a handicap for Community industries, particularly where the machinery for controlling the volume of imports is not very effective.

The various bilateral agreements have solved this problem and have permitted an appreciable recovery of import prices since the beginning of the year.

The preferential advantage is being maintained, therefore, on the basis of duty-free admission. The volume offered has been doubled to around 162.000 tonnes.

4. The beneficiaries

For products covered by the MFA the new scheme for textiles is reserved for the member countries of the Group of 77 and dependent territories which have concluded bilateral agreements or arrangements with the Community or which could undertake commitments similar to those existing under the MFA in its renewed form. For carpets the GSP will be open to all beneficiaries which at present export this product. For products not covered by the MFA the new GSP will remain open to all countries and territories which are normally beneficiaries in the industrial sectors.

5. Distribution of the volume covered by the GSP among the beneficiary countries and its allocation among the Member States

(a) For products covered by the MFA

Each beneficiary is given, for each category of product and in complete security, an individual quota share corresponding either to a percentage of the imports originating from that beneficiary into the Community in 1977 or to a percentage of the threshold beyond which the Community is entitled to request voluntary restraint of quantities in accordance with the bilateral agreements.

The volume offered to South Korea, Romania and Hong Kong corresponds to a proportion of that specified for the other beneficiaries, in view of the special competitive position of these three beneficiaries and their dominant position on the Community markets.

The volume to be opened under GSP for 1979 has been calculated as above and corresponds to about 162.000 tons broken down as follows:

Group I	72.707 t = 23,98%	of imports from beneficiary countries in					
Group II	24.387 t = 23,81%	"	"	"	"	"	1977
Group III	25.108 t = 33,08%	"	"	"	"	"	"
Group IV	9.412 t = 32,96%	"	"	"	"	"	"
Group V	8.284 t = 85,15%	"	"	"	"	"	"
<hr/>							
TOTAL	139.898 t = 26,91%	of imports from beneficiary countries in					1977

(b) Products not covered by the MFA

For these products there will be no individual quota share for each particular country, and the present system will be maintained, subject to certain modifications (see (c) below). The volume involved is :

Group VI)
Group VII) 21.896 t = 55% of imports from beneficiary countries in 1977

(c) Allocation of MFA products among the Member States

The quantities offered are subject to Community tariff ceilings either allocated among the Member States or not allocated among the Member States. As far as the "allocated ceilings" are concerned, Member States will have the right to exceed their share as long as the overall Community ceiling is not reached. This latter, however, will be of an obligatory nature.

The quantities offered are expressed in terms of pieces, pairs or in tons.

(d) The Least Developed Countries

The Least Developed Countries will benefit from a more favourable administration:

for MFA products: non-application of the limitation on individual shares for ceilings not allocated

for non MFA products: non-application of the maximum country amount on products subject to non-allocated ceilings.

In its new textiles scheme, the Commission has made carefully adjusted improvements on the basis of a number of objectives:

- simplification;
- security for all users and above all for the less competitive beneficiaries;
- differentiation among beneficiaries on an objective basis.

The security factor, combined with an improved but realistically limited volume, has virtually eliminated pressure on import prices while providing the beneficiaries with a real increase in export earnings through the reduction of customs duties.

These improvements made in a unilateral context constitute the implementation of undertakings given by the Community's negotiator to a number of non-member countries last year for the purpose of facilitating the conclusion of the bilateral negotiations on textiles.

III. RULES OF ORIGIN

The rules of origin currently operating will be maintained in 1979 apart from certain technical adjustments necessitated by the inclusion of some agricultural products and the introduction of the European Unit of Account.

IV. ADDITIONAL MEASURES

The Community has now accumulated considerable experience in running its GSP. From this one lesson has clearly emerged, namely that there is still scope for a further improvement - both quantitative and qualitative - in the utilisation of the GSP, particularly in regard to non-sensitive products where there is considerable scope for developing countries to concentrate their efforts.

With this in view the Commission will, as in previous years, be organising a programme of seminars in beneficiary countries. Emphasis in these seminars is, however, being increasingly placed not so much on general expositions of the GSP but on practical discussions with business interests and selective briefings of particular economic sectors in the beneficiary countries concerned.

The Commission nevertheless also remains convinced that to achieve a significant and sustained improvement in the utilisation of the GSP, urgent additional tasks must be embarked upon in order to meet the innumerable requests for information and advice about the GSP from both exporters and importers.

The Commission hopes that in the coming year agreement can be reached on the appropriate means to achieve this.

Lastly the Commission again urges Member States to continue to collaborate closely with each other and with its services in practising a very flexible administration of the GSP. In this the most fruitful approach will normally be a policy which judges each case on its merits and avoids rigid and stereotyped reactions.

LISTE DES NOUVEAUX PRODUITS AGRICOLES A INCLURE DANS LES
PROPOSITIONS DE LA COMMISSION POUR LE SPG 1979

N° du TDC	Désignation du produit	Taux du TDC	Taux SPG proposé
08.07 C ex I	Griottes fraîches, du 1er mai au 15 juillet	15 % min. 3 UC/100 kg	10 % min. 3 UCE/100 kg
08.07 C ex II	Griottes fraîches, du 16 juillet au 30 avril	15 %	10 %
08.10 ex B	Griottes à l'état congelé, sans addition du sucre	20 %	11 %
08.11 ex E	Griottes conservées provisoirement	11 %	4 %
08.12 ex G	Griottes séchées	6 %	4 %
20.03 ex A	Griottes à l'état congelé, additionnées de sucre, d'une teneur en sucres supérieure à 13 %	26 % + das	18 % + (P)
20.03 ex B	Griottes à l'état congelé, additionnées de sucre, d'une teneur en sucres inférieure ou égale à 13 %	26 %	18 %
20.07 A III	Jus de pamplemousses d'une densité supérieure à 1,33 à 15°C	42 %	15 %
ex a)		42 % + (P)	15 % + (P)
ex b) 1		42 %	15 %
ex b) 2		1,30 UC/hl par degré d'alcool + 5 UC/hl	1 UCE/hl par degré d'alcool + 3 UCE/hl
22.09 C IV ex a)	Slivovitz en récipients contenant deux litres ou moins	12 %	8 %
03.02 A I ex f)	Hilsa sp.p. entiers, décapités ou tronçonnés, en saumure	16 %	10 %
03.02 A II ex d)	Filets de hilsa sp.p., en saumure		

LISTE DES AMELIORATIONS POUR LES PRODUITS AGRICOLES

A INCLURE DANS LES PROPOSITIONS DE LA COMMISSION POUR LE SPG 1979

	Taux SPG actuel	Taux SPG proposé
A. 03.03 A I	8 %	7 %
Langoustes		
II	8 %	7 %
Homards		
III	8 %	7 %
Crabes et écrevisses		
ex V	8 %	7 %
Peurullus sp. p.		
ex VI c)	7 %	6 %
Crevettes Penaeidae sp. p.		
03.03 B IV a) 1 aa)	5 %	}
Calmars, Omastrephes sagittatus et loligo sp.p.		
2 Seiches	6 %	
3 Poulpes des espèces Octopus	5 %	
4 autres	5 %	4 %
b) 1 Calmars, autres que congelés	5 %	
2 autres, "	5 %	
Miel	25 %	22 %
B. 04.06		
C. (21.02 ex A)	9 %	7 %
Contingent café soluble		
D. (18.04)	8 %	6 %
Contingent beurre de cacao		
E.		
Contingent ananas, autres qu'en tranches etc.: Réserve=15.000 tonnes au lieu de 9.000 tonnes		
F. (24.02 B)	47 %	42 %
Cigares		

COMMISSION DES
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AP/sp

ANNEXE III

Milliers d'U.C.

UTILISATION DU SPG 1977

Union Douanière

Produits sous contingents tarifaires	Volumes contingents/plafonds	Utilisation	%
Produits CECA	43.026	9.837	22,8
Chaussures	33.210	29.085	(76,5)
Textiles (1)	228.204 (2) (= 42.655 tonnes)	196.216 (2) (= 36.676 tonnes)	86
Autres produits industriels	216.282 (118.499 + 97.783 pour p.t. 44.15)	151.996 (93.776 + 58.220)	70,2(
Produits agricoles (3)	548.156 (2) (173.350 tonnes)	331.582 (= 128.868 tonnes)	74,3(
Sous-totaux	1.068.878 (39,5 % en plus de 76)	718.716 (+ 25,1 % de 1976)	67,2 %
<u>Produits sous plafonds surveillés</u>			
Produits CECA	23.084	8.595 (+ 46 % de 76)	37,2
Produits pétroliers	384.028 (2.678.500 t) (2) (+ 4,6 % de 76)	612.189 (1.215.718 t) (15,7 % de 76)	157,4
Textiles (1) (2)	549.863 (+ 26,6 % de 76) (= 31.784 t = + 0,9 %/76)	317.403 (18.347 t = 19,7 % de 76)	57,7
Autres produits industriels	404.662 (+ 45,2 % de 76)	436.037 (+ 45,4 % de 76)	108
Produits sous plafonnement (R 3020/76)	288.099	125.455 (= 99,3 % de 76)	43,5
Sous-totaux	1.649.736	1.499.679	91 %

Produits sous plafonds normaux ou hors plafonds

Textiles (1)	39.000 (2) (= 9.066 tonnes) (4)	51.105 (2) (= 11.820 tonnes) (4)	130,3
- Produits de jute et coco	47.386 (4) (= 18.400 tonnes) (4)	16.500 (= 6.480 tonnes)	35
Autres produits industriels	2.632.000 (4)	1.275.000 (4)	47,5
Sous-totaux	2.768.386	1.342.605	48,5 %
TOTAL	5.487.000	3.561.000	64,9 %
Autres produits agricoles	1.230.000 (4)	680.000 (4)	55,3
TOTAL OUVERT	6.717.000	4.241.000 (+ 21,1 % de 76)	63,1 %
			1977

- (1) Coton + non coton
 (2) Ces contingents et plafonds sont ouverts en tonnage
 (3) Contingents tarifaires pour : beurre de cacao, café soluble, ananas (en tranches et autres qu'en tranches), tabac.
 (4) Estimation
 (*) Utilisation sans pos. tar. 44.15 : 79,1 %.