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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

**GENERALIZED SYSTEM OF PREFERENCES:  
GUIDELINES FOR THE 1990s**

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GENERALIZED SYSTEM OF PREFERENCES:  
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INTRODUCTION

1. The generalized system of preferences, designed to give developing countries more favourable access to the markets of developed countries, is now in its twentieth year. Conceived in the early 1960s within UNCTAD, launched at the 2nd UNCTAD Conference in New Delhi in February-March 1968 and finalized by Resolution 21(II) of the Special Committee on Preferences in October 1970, it was subsequently implemented by means of various national schemes. The Community was one of the first industrialized powers to introduce such a scheme (on 1 July 1971).

2. Intended to promote the economic development and industrialization of Third World countries, and therefore reserved for them alone, it was adopted by derogation to the rules of Article 1 of the GATT (Decision of the Contracting Parties to the GATT of 25 June 1971) for a period of ten years, then renewed in 1980 by a new derogation, this time on a permanent basis (enabling clause adopted by the Contracting Parties to the GATT on 28 November 1979).

In 1990 the system is therefore due for its ten-yearly overhaul by UNCTAD.

3. It is accordingly time for the Community to carry out a rigorous examination of the past and present operation of its own generalized preferences scheme and to draw the necessary conclusions for the future, in the light of its basic aim - economic and industrial development in the Third World - account being taken of the changes which have taken place in the international economy and trade system since the GSP was set up: the GSP can only be judged against this background.

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#### I. THE SITUATION TO DATE

4. The Generalized System of Preferences (GSP) was set up at the end of the 1960s for the granting of preferential tariffs and based on the principles of autonomy, non-reciprocity and non-discrimination between beneficiaries. At that time:

- the industrialized members of the GATT had relatively high levels of tariff protection;
- there were few free trade agreements between industrialized countries (the EEC and EFTA Agreements did not enter into force until 1973);
- few developing countries participated in the GATT negotiating machinery and the resulting multilateral disciplines;
- the gap between levels of underdevelopment in the various beneficiaries was relatively small.

When it was set up, the GSP was a useful instrument for the beneficiary countries: the margin of preference was substantial and represented a real advantage over the tariff treatment which industrialized countries granted each other. The system also offered developing countries an alternative to

GATT negotiating machinery (which had hitherto been the only available method for obtaining generalized tariff reductions), freeing them from the constraints of multilateral disciplines while protecting them from arbitrary discrimination.

5. Over the last twenty years the situation has changed substantially with regard to these four points, and many others.

A. Erosion of the margin of preference

6. Levels of tariff protection in developed countries have been substantially reduced by the combined effect of the multilateral dismantling of tariffs at the end of the Tokyo Round (the arithmetic mean industrial tariff of the developed countries fell from 10.4% to 6.4%) and the multiplication of free trade areas or customs unions between industrialized countries under Article XXIV of the GATT (EEC and EFTA, Australia and New Zealand, United States and Canada, successive enlargements of the Community).

Falling levels of tariff protection have resulted in a corresponding fall in the margin of preference enjoyed by GSP beneficiaries.

7. These developments, while providing new multilateral opportunities for developing country trade on developed country markets, unfortunately highlighted the fall in the margin of preference enjoyed by developing countries. The perception among developing countries that their preferential access was being whittled away was reinforced in this period by the introduction by developed countries of certain non-tariff measures affecting developing country exports in a number of sensitive sectors, notably textiles.

In the case of the Community, the factors indicated in paragraph 4 were compounded by its special contractual preferential relations with the ACP and Mediterranean countries, which by their nature implied a treatment superior to that provided by the GSP.

In spite of these trends, the GSP continues to be perceived as important by both the Community and the developing countries. In 1988 developing countries benefited from a reduction of customs duties of some ECU 1 000 million on ECU 16 000 million of imports, even with reduced preferential margins.

8. These changes in the international trading environment, together with internal developments within the developing countries, have resulted in a change in their political attitude to both GATT instruments and the GSP. Developing countries are increasingly turning their backs on the doctrines of import substitution and the protection of infant industries and recognizing the beneficial effects on their economies of liberalizing their markets. Against this background there is a tendency to become less concerned with diminishing GSP benefits and to focus instead on negotiating bound and lasting concessions for their liberalization plans in the GATT.

The Uruguay Round of multilateral trade negotiations provides the best opportunity for consolidating this trend. For the first time a number of developing countries are playing an active part in the negotiations and the integration of developing countries in the system is one of the objectives agreed at Punta del Este. It should result in a further dismantling of tariffs and non-tariff barriers and thus further reduce the alternative role of the GSP.

#### B. Uneven development and differentiation

9. From its outset the GSP was the subject of very strong defensive reactions from political and business circles in the Community aimed at restricting the benefits of the preference.

One of the factors recently put forward to justify such defensive reactions is the very marked difference in the development levels of third world countries.

The developing countries are no longer a homogeneous group. Their situation now ranges from that of dynamic and competitive economies, mostly in Asia, with *per capita* incomes equal to, if not higher than, those of certain Community Member States, to that of the poorest of the least developed countries, where the vast majority of the population is at minimum subsistence level. Moreover, the developing countries include a number of large middle- or low-income countries (India, China, Brazil) with a very unequal distribution of income and certain highly developed and competitive industrial sectors (see Annex I).

In one sense this development is in accordance with the objectives of the GSP, at least as regards the countries which have experienced rapid economic growth.

However, it has also resulted in an increase in the so-called "differentiation" measures intended to limit the extent to which the more competitive countries benefit from the GSP. This in turn has made the scheme much more complex to administer.

#### C. Protection and structural adjustment

10. Differentiation measures and all measures aimed at restricting GSP benefits for exporting countries in order to protect the Community market from excessive penetration by sensitive products are in fact a result of the very wide product coverage of the Community scheme and the fact that it applies to all developing countries and, from this year, to certain Eastern European countries. The autonomous nature of the GSP makes it easy to implement such measures. Most have been applied differently to the various national markets within the Community, precisely to offset the unequal

distribution across Community regions of the benefits and costs of the generalized preferences granted to developing countries. The internal machinery for allocating imports among the Member States has hitherto permitted sufficient regional differentiation. However, the 1993 single market precludes the use of such internal machinery, particularly in the light of judgment 51/87 of the Court of Justice. The Community's principal objective vis-à-vis its weaker regions must be to encourage and support their structural adjustment. The spur to invest given by the prospect of the single market in 1993 is to some extent helping to meet this objective. Moreover, substantial assistance from the Community's structural funds is being channelled into the weaker regions, often with the specific aim of making traditional industries more competitive and diversifying the economies of the areas dependent on them. Nevertheless, these are medium to long-term tasks and in the meantime the GSP offer will need to take account of the vulnerability of the weakest sectors/regions in the absence of internal market barriers, although this vulnerability should diminish as the necessary adjustments are made.

D. Cost of the complexity and uncertainty of the Community scheme

11. The complexity of administering the Community scheme results in disproportionate costs in terms of time, money, staff and administration.<sup>1</sup> Above all, however, it results in a lack of stability and clarity. The simple fact that the arrangements are renewed on an annual basis leads to permanent uncertainty which considerably handicaps importers and exporters, restricts their scope for long-term planning and may discourage investment in the export industries of the beneficiary countries.

Certain quotas or zero-duty fixed amounts are so popular with traders that they are exhausted during the first three days of the year; other larger quotas disrupt distribution circuits by creating a mad rush to benefit from the quotas which falsifies the normal conditions of trade and production.

In the case of textile products these problems are aggravated by the effects of the special arrangements applicable to the sector (two quota periods each year, retention of allocation between Member States, double return to the reserve) which results in breakdowns in supply networks

1 The administrative complexities are illustrated in Annex II.

which can be disruptive and certainly bear no relation to commercial reality.

12. The unpredictability caused by quantitative restrictions is particularly marked in the case of ceilings. Ceilings are more flexible than quotas and zero-duty fixed amounts because the duty is not automatically re-established when the ceiling is reached, but a Member State or the Commission may ask for this to be done at any time thereafter. The result is great uncertainty for suppliers and importers concerning the fate of their consignments. This unpredictability is annoying for businesses and is accompanied by a degree of inconsistency, if not a form of injustice. Indeed, the fact that the duty can be re-established at any moment after the ceiling has been reached - the request for re-establishment often being a response to commercial or political imperatives, by definition variable from one supplier and one Member State to another - results in inequality of treatment between beneficiary countries.

The effects of the system of re-establishing duties are equally harmful in the case of "non-sensitive products under surveillance" - the duty can be re-established once a "reference threshold" has been exceeded - and even in the case of non-sensitive products.

13. Moreover, the quantitative limits which apply under the Community GSP scheme to products which the developing countries export precisely because they have a comparative advantage hit particularly hard economies which in some cases depend for their external revenues on just one or two competitive products. The margin of preference for agricultural products is sometimes relatively small.

14. The impact of the GSP on industrialization varies considerably. In a small number of countries where *per capita* income has grown rapidly - the main beneficiaries of the GSP - the impact has clearly been positive. It has also been positive, although less so, in those countries which have



managed to develop certain competitive export industries. However, it has not been positive at all in the least developed countries. Their very small share - a little over 1% - of trade in products covered by the GSP may well be due to their small share of world trade in industrial products, but they clearly underuse the system, and this must count against it, even if it is not due to the system itself, since the least developed countries in theory enjoy unlimited special treatment with wider product coverage. There are many reasons for this underuse (administrative structures, lack of information, communication problems). However, rules of origin clearly have a restrictive effect.

15. Annex III deals at length with rules of origin. Originally intended to encourage greater industrialization in developing countries, the origin rules define the substantial processing necessary for the acquisition of originating status. Most beneficiary countries have been unable to achieve the degree of processing required for certain products and have accordingly been unable to benefit from the preferences. This is particularly true for the least developed countries and in the textiles and electronics sectors.

The particularly rapid development of intra-industrial trade, as opposed to inter-industrial trade, signals a trend for production to be spread over several countries which runs counter to the vertical integration required by certain origin rules. It is therefore essential to adapt the rules to modern international trade practice, without forgetting the need to reserve preferential treatment for those countries which need it and for which it is intended.

## II. GUIDELINES FOR THE NEXT DECADE

16. The Community must draw all the appropriate conclusions from the situation described above.

The criticisms made could lead to the conclusion that the GSP is an outdated instrument which should now be scrapped. The conclusion could also be that it should be substantially improved. This is the approach

which the Commission is proposing to the Council.

- Scrapping the GSP would amount to an acknowledgement of inability to deal with unsolved development problems which still need a response.
- A commercial policy instrument aimed at stimulating development which is differentiated with regard to the developing countries therefore remains imperative, particularly at a time when Community policy with regard to the Eastern European countries has given rise to doubts in the developing world concerning the priorities of the Community's external policy.
- Community support for non-associated developing countries must go beyond financial instruments, even if these are supplemented by other economic cooperation instruments. These can provide only a limited response to the needs of the developing countries: increasing trade remains a priority for their development.

17. With this in mind, under what conditions can the GSP continue to be an adequate instrument for achieving the objectives of development and the integration of developing countries into international trade?

A. Link between the GSP and the multilateral trading system

18. The Generalized System of Preferences is no longer - as it once was - an alternative to GATT machinery. GATT instruments have become and, with the Uruguay Round, will become more and more the priority instrument for developing countries, because they ensure more reliable access to industrialized country markets than GSP concessions, which are by definition revocable.

19. The Uruguay Round provides the best opportunity for progress in integrating the developing countries into international trade. Although it is in the developing countries' own interest to liberalize their import arrangements, as this will help them to develop, it is also true that,

given the high level of protection, such liberalization would be facilitated by a positive evaluation by them of the advantages they bring away from the negotiations. The developed countries should therefore encourage this process by making their own contribution.

20. If it is made sufficiently consistent, the GSP can become a useful complement to that end, although it cannot be covered by the negotiations, since it must retain its autonomous nature; in effect it would be equivalent to the speedier introduction for the beneficiary countries of the reductions in bound duties which will be phased in as a result of the Uruguay Round; this complement should also comprise back-up measures to support the developing countries in their efforts to integrate themselves into the enlarged GATT multilateral system.

B. A renewed Community scheme for the decade 1991-2000

21. A renewed generalized preferences scheme should be attractive, i.e. meaningful, but also simpler, more stable and more transparent.

The basic principles are as follows:

1. the scheme should remain open, in principle, to the current beneficiaries;
2. the present product coverage should be maintained and improved wherever possible;
3. the scheme should be simplified. This simplification constitutes a substantial improvement in the revised scheme. It must therefore be comprehensive. It involves replacing quantitative limits for products which are subject to customs duties with a new approach which reconciles two equally important imperatives:
  - the need to maintain a sufficiently large margin of preference, particularly for the least developed countries, to make it worth traders' while using the system, without which it may be even more underused than at present;

- modulation of the opening-up of the Community market under the new scheme as a function of the sensitivity of the products and the competitiveness of the exporting country. Modulation would be accompanied by a suspensive clause making it possible to react during the period of validity of the GSP to unforeseen developments in import flows for certain products.

With these two parameters in mind we have devised a solution for all products subject to customs duties involving three possible treatments for each product/country pair:

- duty-free entry, without quantitative restriction, for the vast majority of products, particularly industrial products;
- reduction in the MFN duty (without quantitative restriction) for products which are recognized as being sensitive. The reduction should be fixed at a variable percentage of the MFN duty, provided the MFN duty is not lower than a minimum threshold, which may vary from one sector to another;
- exclusion, pure and simple, of product/country pairs which cannot be fitted into either of the above categories, either because the product is extremely sensitive or because it is not possible to reduce the duty sufficiently to provide an acceptable margin of preference.

The criteria for allocating product/country pairs to one or other of these categories would be based not only on the level of MFN duty, but also on past take-up of existing limits, and changes over time. In the case of exclusion these criteria would, where appropriate, be weighted by other general indicators (non-GSP trade performance, *per capita* income, etc.).

4. The ~~stability of the scheme~~ should in principle be guaranteed for a period of application of at least three years with a suspensive clause limited to exceptional cases justified by criteria relating to real market disruption. Confirmation of the re-establishment of the duty would be

preceded by notification of the beneficiary countries. Overall the Community should endeavour to ensure that recourse to the suspensive clause does not lead to a reduction in the overall GSP offer.

5. The least developed countries would continue to benefit from more favourable arrangements involving unrestricted duty-free entry wherever possible.

C. Towards an innovative approach to the generalized system of preferences

22. The substantial contribution which this new policy requires from the Community will be fully rewarded if the new policy is drawn up jointly with the Community's OECD partners and matched by similar contributions from them.

23. It is inconceivable that major differences in the application of the schemes, such as the exclusion of entire sectors (e.g. textiles), could be allowed to persist between donor countries. A higher degree of harmonization of donor country policies is needed as regards product coverage.

This would bring two main advantages:

- for the developing countries, extension of the scope of the preferences they enjoy;
- for the donor countries, a better distribution of the burden of liberalization.

24. Such a contribution from the Community should take account of the growing capacity of all the beneficiaries to make their own contribution to liberalizing trade for developing countries.

25. This means in particular that at the Uruguay Round the Community expects a large number of developing countries, not including the least

developed countries, to enter into a process, depending on their level of development, leading them to assume more obligations under the GATT. Active participation in the result of the negotiations on GATT rules and disciplines and acceptance of increased multilateral disciplines as regards tariffs and non-tariff issues by a significant number of developing countries will give the Community an important signal affecting the degree of additional liberalization to be offered by the GSP to all beneficiary countries.

26. As regards preferences for fishery products, all factors specific to the fisheries sector will be taken into consideration.

27. It also means that the Community intends to obtain a commitment from the most developed of the beneficiary countries, and from the Eastern European countries, to open up their markets to imports from developing countries in the same way as it grants them improved access to the Community market.

27a. In addition, the Community will actively seek to ensure that any supplementary concession to non-LDC and non-ACP beneficiaries will be compensated by a supplementary opening-up of the markets of these countries to the LDCs.

#### CONCLUSIONS

28. Such an approach introduces a link - although not a conditional one - between improvement of the GSP and increased participation of the beneficiary countries in GATT rules, including the assurance of practical concessions on their part in this context.

This is indeed an innovative approach which takes a much more open and active view of the GSP. However, it is not revolutionary: it is the logical conclusion of a process which started long ago with the differentiated development of developing countries, reflected in the 1979

enabling clause and resulting finally in the Uruguay Round and the substantial integration of developing countries in the negotiations.

The GSP cannot remain apart from this development, but must take it into account, accompany it and even facilitate it by means of its complementary role, with due respect for GATT rules in this field.

However, we must be clear that this is not a direct or indirect attempt to contractualize the GSP. The GSP must remain autonomous, which does not mean that it must remain impermeable. UNCTAD, for its part, must also take account of this development.

29. The Commission is in any case of the opinion that the new approach proposed is the only one capable of enabling the GSP, an essential instrument for the Community's development policy, to play a useful role in the years to come.

29a. The implementation of rules on new subjects at the end of the Uruguay Round of negotiations will constitute, thanks in particular to the liberalization of trade in services, a potential source of new growth for the world economy. This will nevertheless entail a special effort on the part of the developing countries to comply with the new disciplines and take full advantage of the resulting expansion in trade. The Community wishes to encourage this process and will examine the steps which could be taken under cooperation programmes or one-off measures to back up developing countries' efforts in the most adequate manner possible. In the case of services, it will take account in particular of their particular training requirements. In more general terms it will aim to increase the capacity, in particular of the least developed countries, to provide services at a national level and for export. It will examine what steps can be taken to facilitate access to information and distribution networks.

30. It is proposed that the Council confirm the guidelines set out in this communication.

In practical terms, it will not be possible to present a concrete, detailed

proposal for a renewed GSP before the positive completion of the Uruguay round of negotiations at the end of the year.

For the least-developed countries, the improved rules of origin will be implemented in 1991 as a contribution to the Paris Conference due to be held in September 1990.



## Chapter 1: Introduction.

This paper has been prepared with a view to provide the necessary macro-economic background to the coming revision of the Community's Scheme of Generalised Preferences (GSP). The Community's scheme was also reviewed in the beginning of the eighties. More changes were introduced in 1985, notably with respect to differentiation and graduation of products from countries which had obtained a substantial market share in the Community. In 1987 changes were introduced with respect to textile imports.

The Community introduced its GSP scheme in 1971, following the adoption of a resolution by the UNCTAD special committee on preferences in 1970, which called for granting generalized non-reciprocal and non-discriminatory trade preferences to developing countries by the industrial countries. The objectives of such preferences were to:

- increase export earnings of developing countries,
- promote industrialisation of developing countries and
- accelerate economic growth in developing countries.

The principle of 'differential and preferential treatment' was incorporated in the GATT 'enabling clause' of 1979, and interpreted as allowing the adaptation of the GSP benefits along with the improvement in the economic status of the developing countries.

Much has changed in the trading area since the inception of the GSP. Among the world's top twenty exporters there were only two developing countries in 1973, today six developing countries belong to the group of the world's top twenty exporters. Yet, the overall share of developing countries in world exports has remained almost stable at about 20 percent, indicating that there has been a strong trend towards differentiation.

The changed position of the developing countries in the international trading system can also be gauged from their participation in the Uruguay Round. Contrary to earlier Rounds the developing countries are now playing a much more active role.

This paper will not deal with the question of the effectiveness of the GSP as an instrument of promoting export growth in developing countries. Much has been written on this subject, particularly up to the mid-eighties. Most studies concluded that the importance of the GSP as an instrument for promoting economic development and export diversification has been limited, yet at the same time it has been argued that the GSP has never been implemented in a manner as originally envisaged by its protagonists, for example because product coverage has been limited, particularly in

product groups of interest to developing countries. An UNCTAD<sup>1/</sup> study shows that developing countries would be only slightly worse off if all MFN rates were set at zero percent, compared to a situation in which there was a complete and unrestricted GSP coverage. The effect of zero MFN rates would be trade diversion, as developing countries would lose their preferential margin over competitors from industrialised countries, but this would be compensated for by trade creation, particularly favourable to developing countries, as these countries face relatively high MFN rates and tariff escalation.

The structure of this paper is as follows. The second chapter describes the Community's trade relations with developing countries, both in qualitative and quantitative terms. This chapter serves basically as a background chapter. The third chapter analyses the Community's GSP scheme as it has evolved during the eighties. Some conclusions are summarised in the last chapter, chapter 4.

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1/ G. Karsenty and S. Laird, *The generalised system of preferences; a quantitative assessment of the direct trade effects and of policy options*, Discussion papers no. 18, UNCTAD, Geneva, 1986.

## CHAPTER 2: THE GSP COUNTRIES AND EC TRADE

### I. THE EC'S TRADE POLICY TOWARDS DEVELOPING COUNTRIES: THE PYRAMID OF PRIVILEGES

The European Community subscribes to the fundamental GATT principle of MFN treatment whereby countries cannot discriminate between countries in their trade policies. Yet, by virtue of other GATT-accepted principles such as the "enabling clause", the EC does grant preferential treatment both to groupings of industrialized countries with whom it has free trade area agreements (namely, EFTA) and to most developing countries as well.

Yet, the preferential treatment towards LDCs is not uniform. On the contrary, depending on historical and geo-strategic factors, the treatment is "more preferential" in some cases than in others. More precisely, an order of preference often called a "pyramid of privileges" can be distinguished as follows:

#### 1. ACP countries

The Lome agreement between the EC and most of the countries of Africa, the Caribbean and the Pacific (a total of 69 since Lome IV) grants to those countries trade preferences that virtually allow for duty-free entry of industrial exports without any quantitative limitations. Imports of agricultural products are virtually duty free as well and, within some quantitative limits and calendar restrictions, they benefit from reductions and suspensions in their variable levies; furthermore, sugar and beef have a secured market access at favorable EC prices. The EC's relationship with this group of countries, which includes the largest number of Least Developed Countries, is the most developed and privileged among those with LDCs.

#### 2. Mediterranean countries

Within a global framework common to all the various countries of Southern Europe (Cyprus, Malta, Turkey and Yugoslavia) and the Southern (Algeria, Egypt, Morocco, Tunisia) and Eastern Mediterranean (Israel, Jordan, Lebanon, Syria) the EC has economic and commercial bilateral agreements of various kinds (cooperation, association, customs unions, etc) with each of those countries providing for financial and technical aid (1) and granting important trade preferences for their exports to the EC.

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1. Including access to European Investment Bank loans from which the ACP and Mediterranean countries are the only non-EC countries to benefit

The extent of the trade preferences varies with the countries: they tend to be below those granted to ACP countries but in many cases, for many countries and for many products they allow for duty-free entry of industrial goods subject, some times, to tariff quotas or voluntary export restraints.

### 3. The GSP beneficiary countries.

By virtue of its GSP scheme, the EC unilaterally, i.e., without the mediation of a Treaty or formal agreement and without involving reciprocity, grants a series of generalized (in the sense they are extended, in principle (2), to all LDCs) duty reductions for imports originating from LDCs. The granting of these reductions is made on a year-to-year basis but within a scheme whose structure has been established until now for ten-year periods (3).

To the extent that GSP concessions are, as a rule, granted to all developing countries, all LDCs are in a sense "GSP countries". However, because the preferential treatment from the GSP involves concessions that are below those granted by the Lome Convention and the Mediterranean agreements, the only countries that effectively make use of the GSP scheme are the non-Mediterranean Asian countries and the Latin American countries. These countries are the main focus of this paper and throughout the remainder of it they are alternatively referred to as "GSP beneficiaries" or "GSP beneficiary countries".

Regarding semi-manufactured (including mining) and manufactured products most of them enjoy GSP treatment and, as a result, their importation is duty-free for amounts not exceeding certain ceilings and quotas. However, these quantitative restrictions as well as rules of origin requirements and administrative complexities tend to limit the extent to which GSP benefits are actually received. Furthermore, since 1986 the EC has implemented a more formal approach concerning graduation and differentiation so that after countries reach a certain level of competitiveness, they are faced, on a product-by-product basis, with a gradual limitation of their preferential treatment.

With respect to textiles, their treatment and concessions are different from those affecting the other industrial products. Their importation also benefits from preferential treatment but

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2. However, there are two significant exceptions to this principle: Korea and Taiwan. Korea, although formally a GSP beneficiary, has been explicitly suspended since 1988, and on a temporary basis, from enjoying the preferences of the system. On the other hand, Taiwan, because it does not belong to the UN organizations, has never been granted GSP treatment.

3. The periods referred to are 1971-1980 and 1981-1990.

within the context of tariff quotas, some of which are allocated by Member State; furthermore, this preferential treatment is dependent upon potential beneficiary countries having concluded export-restrain agreements within the framework of the Multifibre Arrangement.

With some of these countries outside the Lome and Mediterranean accords, the EC also has various trade and cooperation bilateral agreements of a non-preferential character as far as import barriers are concerned. While these agreements do not involve import barrier concessions, they normally include measures to facilitate and promote exports from those countries to the EC. Most of these agreements are with individual countries but some of them are with groups of countries instead. More precisely, the EC has commercial and cooperation agreements with the ASEAN, the Andean Group, the Central America Common Market and some Latin American (Mexico, Brazil, Uruguay, etc.) and Asian (Bangladesh, China, India, Pakistan, Sri Lanka, Yemen, etc.) countries. A second type of trade agreements signed by the EC with developing countries is that of those under the framework of the Multifibre Arrangement already mentioned above.

## II. The EC's TRADE WITH GSP BENEFICIARY COUNTRIES

While GSP benefits are granted to LDCs in general, not all of them apply and receive those benefits. For 1990, 133 countries and 25 territories are eligible for GSP benefits (4).

However, not all of these eligible countries always apply for or utilize the GSP benefits to which they are entitled. Indeed, because the Mediterranean and ACP countries often receive a better treatment under their bilateral agreements than under the GSP, they choose to apply for GSP benefits only for some products or in some instances. Still, these countries retain their entitlement to GSP treatment and have the choice to apply for those benefits.

Other countries do not have that choice and those are the GSP beneficiaries in strictu sensu. For the purpose of this paper, "GSP beneficiary countries" covers those countries that are not eligible for any other preferential treatment and apply for and effectively receive GSP benefits. For 1988, the number of these

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 4. Included in this number are Korea, because its preferences have been only suspended. Also included, are Hungary and Poland, two countries that for the first time have been brought into the scheme. However, both of these countries are excluded from the preferences for steel products. For a complete list of eligible countries, consult the Official Journal of the European Communities, L383/89.

countries was 56 (5): of these, 20 countries were in the American continent, 21 in South and South-East Asia and 10 in the Middle East.

#### 1. Importance of GSP beneficiaries' exports to the EC

GSP beneficiaries' exports to the EC accounted for ECU 93 billion in 1988. As shown in Table I below, these exports represented more than one fifth of all EC imports and about 70% of all EC imports from developing countries. It will be noted that the share of both developing countries in general and GSP beneficiaries in particular fell markedly between 1981 and 1988. This is because many of the oil-exporting developing countries are included in the GSP and the decline in the price of oil during the 1980s is the main factor behind the fall in the relative importance of GSP beneficiaries' exports in total EC imports. Indeed, when oil is excluded from both total EC imports and EC imports from GSP countries, the share of the latter in the former appears to have remained stable during the 1980s at 18-20%

TABLE I  
GEOGRAPHICAL STRUCTURE OF EC IMPORTS  
(in per cent)

	1981	1984	1988
Industrial countries	48	51	62
State trading count.	8	10	8
Developing countries	44	39	30
Of which:			
ACP	6	7	4
Medit. basin	9	10	8
GSP benef.	34	28	21
GSP benef. excl. fuels	18	20	18

Note: For 1981, figures correspond to EC-10. For the other years, to EC-12. The sum of imports from the various developing country groupings exceed total imports from developing countries due to a certain overlapping between country groupings.

Source: Eurostat

5. The complete listing of these countries is in Appendix I

## 2. Evolution of GSP beneficiaries' exports to the EC

GSP exports to the EC during the 1980s have fluctuated in line with world exports to the EC which have also fluctuated during that period. This partly reflects the evolution of economic activity in the Community. The decline in economic growth in the mid-1980s resulted in a fall of both total exports, and LDCs' exports, to the EC. Its recovery in recent years has also resulted in an important recovery of global exports, as well as exports from LDCs to the EC.

As Table II shows, exports from LDCs have performed less well during the 1980s than have the exports from industrialized countries. As already noted, the decline in the prices of fuels and other primary commodities which LDCs export, helps explain this development. As shown in Table II, GSP beneficiaries performed below the LDCs' average during the early part of the 1980s, about average in the middle of the 1980s and above average in the late 1980s. Yet, when fuels are excluded from the analysis, exports from the GSP beneficiaries to the EC appear to have grown well above the LDCs' average throughout the whole past decade.

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TABLE II  
AVERAGE OF ANNUAL GROWTH RATES OF EC IMPORTS  
(in value terms, in per cent)

	1981-83	1984-86	1986-88
Industrial countries	7	0	10
State trading count.	13	-13	5
Developing countries	-3	-14	4
Of which:			
ACP	-9	-13	-5
Medit. basin	11	-12	3
GSP benef.	-5	-14	2
GSP benef. excl. fuels	11	0	8
TOTAL	4	-7	7

Note: The growth rate for 1983-84 is not given in the table because 1981-83 figures correspond to EC-10 while those for the other years correspond to EC-12

Source: Eurostat

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3. Composition of GSP beneficiaries' trade with the EC

As pointed out before and as shown in Table III below, fuels represent a major component of EC imports from GSP countries. Indeed, given the fall in the value of oil exports, their share in total exports from GSP beneficiary countries to the EC has declined spectacularly from about two thirds to about one quarter. Meanwhile, the share of textiles has doubled from its 1981 level and the other industrial products' share has risen to 40%.

TABLE III  
STRUCTURE OF EC IMPORTS FROM GSP BENEFICIARY COUNTRIES  
(in per cent)

	1981	1984	1988
Food and agriculture	11	17	20
Fuels	65	50	24
Textiles	7	9	14
Other ind. products (inc. mining)	16	23	40
TOTAL	100	100	100

Source: Eurostat

However, the increasing importance of textiles and other industrial products in GSP countries exports to the EC is not just the result of the decline in the importance of oil trade. As shown in Table IV below, exports of industrial products have expanded more vigorously than total GSP countries' exports to the EC.



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TABLE IV  
AVERAGE OF ANNUAL GROWTH RATES OF EC IMPORTS  
FROM GSP BENEFICIARY COUNTRIES  
(in per cent)

	1981-83	1984-86	1986-88
Food and agriculture	10	-5	1
Fuels	-15	-27	-12
Textiles	6	3	9
Other ind. products (inc. mining)	11	2	14
TOTAL	-5	-13	2
TOTAL LESS FUELS	11	0	8

Note: As for the absence of growth rates for 1983-84, see note to Table III

Source: Eurostat

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### Chapter 3: The Community's GSP scheme.

#### Introduction<sup>1/</sup>

Following the above general analysis of trade flows between the GSP countries and the Community, this chapter reviews the Community's GSP scheme in some detail. As much as possible emphasis will be given to quantitative evidence. The first part deals with trade and benefit coverage. It describes the trade regime faced by GSP countries exporting to the Community. The second part analyses the GSP scheme from a product group point of view. As there are major differences between product groups, this is relevant in view of the revision of the scheme. The third part analyses the GSP scheme from a country point of view. Which countries have been the main beneficiaries of the scheme, and what can be said about the distribution of GSP benefits between low and high income countries, are some of the questions which will be answered. Lastly, a comparison will also be made between the Community's preferential trade arrangements with on the one hand the GSP countries and on the other the ACP and Mediterranean countries.

#### Trade and benefit coverage.

This section describes briefly what part of trade is actually covered by the GSP scheme.

Trade from GSP beneficiaries can be roughly divided into the following categories: Firstly, trade which enters the Community duty free anyway, because the MFN rate is set at zero. Secondly, trade that is specifically excluded from the GSP scheme. This concerns primarily agricultural goods and a number of industrial goods. Thirdly, imports that fall or are covered under the GSP scheme, of which in turn a part actually receives preferential treatment <sup>2/</sup>. The table below presents the details. ✓

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1/ The analysis of the GSP scheme is severely hampered by lack of data. Although it is expected that the Statistical Office of the European Communities (EUROSTAT) will make available additional data, the present analysis is based on the regularly produced statistics. These however do not allow an analysis of the degree of preferences extended to eligible countries. Note also that starting from 1988 South Korea has been excluded from the GSP scheme; this is taken into account by the statistics presented in this chapter.

2/ Note that in what follows GSP covered trade will also be referred to as GSP eligible trade. GSP benefits stand for trade that has actually received preferential treatment.

Table 1: Composition EC imports from GSP countries by import regime (in percentages).

	MFN zero duty	Not covered by GSP	Covered by GSP
1981	73.6	6.1	20.3
1982	69.1	7.7	23.2
1983	64.0	10.1	25.8
1984	58.5	10.7	30.8
1985	55.8	11.3	33.0
1986	45.2	18.0	36.8
1987	42.7	13.0	44.3
1988	39.4	13.8	46.7

Source: Estimates Commission services.

The rapidly declining share of duty free imports from GSP beneficiaries can be attributed to the fall in oil prices and exchange rate movements between the ECU and the US dollar. It does therefore not represent a tightening of the import regime. The share of non-covered GSP imports provides an idea about the magnitude of the exclusions from the system. Non-covered imports increase up to 1986, when they amounted to 18 percent of the total, this largely being a reflection of the decreasing share of MFN zero duty imports. After 1986 the share of non-covered imports decreases. This latter decrease can probably be attributed to the review of the scheme which took place in 1986. What matters is the relationship between the non-covered part and the covered part of the imports. This is shown in the next table.

Table 2: Coverage of GSP trade (in percentages).

	Coverage ratio	Benefit ratio	Share sensitive products:		
			in GSP covered	in GSP received	Ratio (4)/(5)
(1)	(2)	(3)	(4)	(5)	(6)
1981	73.2	29.2	62.1	51.3	120.9
1982	72.3	28.7	62.4	52.8	118.0
1983	68.3	27.6	61.2	54.4	112.6
1984	71.3	29.9	62.3	56.9	109.5
1985	71.5	32.7	64.8	62.1	104.3
1986	64.6	24.5	61.7	55.0	112.2
1987	73.7	30.3	59.1	48.8	121.2
1988	77.2	31.3	55.7	45.5	122.3

Source: Commission services

The second column shows the coverage ratio, that is that part of dutiable EC imports originating in GSP countries that falls under the GSP scheme. In other words, it shows that part of imports from eligible countries, which in principle could benefit from preferential treatment. While the data is fairly comparable over the period shown, it should be borne in mind that from 1987 onwards it no longer includes imports in product categories from countries whose exports have been graduated/excluded from the scheme. As the data shows, the coverage ratio is fairly stable over time. The coverage of the scheme is fairly comprehensive, about 70 percent of all imports from eligible countries qualify in principle for preferential treatment.

Quota/ceilings, but also nonfulfilment of administrative requirements and/or non-compliance with rules of origin requirements, cause a much lower actual utilisation of the GSP benefits. This is shown in the third column of table 2, the benefit ratio, here defined as that part of dutiable imports from GSP countries that actually benefits from GSP preferential treatment. The benefit ratio peaks in 1985, after which it falls to a level of about 31 percent in 1988. No clear trend can be discerned. Moreover, the actual reasons for the movements in the benefit ratio are hard to identify at this level of aggregation. Changes in product composition, price movements, and changes in the administration of the regime are all factors which might influence the benefit ratio.

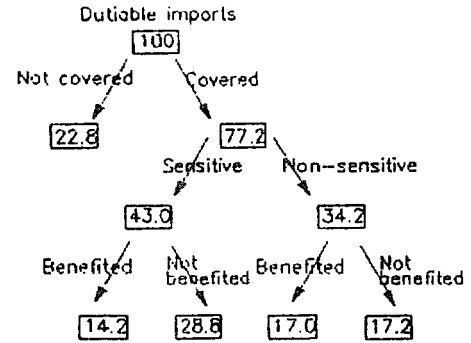
The fourth and fifth columns of the table deal with sensitive goods. Column 4 shows the share of sensitive goods in total eligible GSP imports <sup>1/</sup>, while the fifth column presents the share of sensitive goods in GSP imports which have actually received GSP benefits. The high share of the sensitive products is striking; it amounts to about 60 percent of covered GSP imports, but it has been declining since 1985, due to the policy of differentiation and the exclusion of Korea from the scheme in 1988. As for actual GSP benefits, the share of sensitive goods is consistently lower compared to covered imports; this confirms that for sensitive products it is generally more difficult to obtain preferential treatment. The last column of the table provides an idea about the extent to which it is more difficult to obtain preferential treatment for sensitive products. It shows the ratio of the two columns (the columns 4 and 5) multiplied by 100. A ratio of 100 would imply that sensitive and non-sensitive products would have an equal probability of receiving actually GSP benefits. As mentioned this is not the case; in the first half of the eighties the ratio shows a downward trend up to 1985. From 1986 onwards it rises again, indicating that it has become relatively more difficult to benefit from preferential treatment for sensitive goods.

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1/ The definition of sensitive goods is a rather broad one. It includes goods which are subject to some form of surveillance. This can be either quotas or ceilings, but also mere surveillance. This definition is in accordance with the practice applied in the compilation of GSP statistics.

For 1988 the impact of the GSP system on imports from GSP countries is summarised in the chart on the right. Starting from the total dutiable imports from GSP countries (100%), a distinction is made between not-covered (22.8%) and covered imports (77.2%). The covered part of imports are in turn broken down by sensitive (43.0%) and non-sensitive products (34.2). For each of these two groups the bottomline indicates the distribution between that part of sensitive and non-sensitive products respectively which did or did not benefit from preferential treatment.

IMPACT OF GSP SYSTEM IN 1988



It shows clearly that a much smaller part of the sensitive product benefited from preferential treatment compared to the non-sensitive products; even of the non-sensitive products only 50 percent benefited actually from preferential treatment.

### Coverage and benefits by product groups.

This section reviews the coverage of the Community GSP scheme by product groups. Four product groups are distinguished, agriculture, textile products (comprising MFA, non-MFA, jute and coir), industrial products and petroleum products. Table 3 presents the details.

Table 3: Distribution GSP imports, covered imports and imports with actual preferential treatment by product groups (in percentages)

		Agriculture	Textiles	Other industrial	Petroleum products	Total imports (mln ECU)
1981	imports	11.2	7.0	16.1	64.9	
	covered	12.3	25.5	62.2	n.a. <sup>a/</sup>	21470.8
	received	18.2	9.8	72.0	n.a.	8063.1
1982	imports	12.8	7.7	18.1	60.3	
	covered	12.7	24.8	47.6	14.9	23508.5
	received	18.4	9.8	42.6	29.2	8863.9
1983	imports	15.1	8.7	22.2	51.9	
	covered	13.3	23.7	48.3	14.7	25048.4
	received	19.0	10.8	41.8	28.3	9429.1
1984	imports	16.8	8.9	22.7	50.3	
	covered	13.0	22.8	46.2	18.0	31385.0
	received	17.3	9.0	40.5	33.1	12472.1
1985	imports	17.7	9.4	24.2	47.6	
	covered	12.1	21.7	45.9	20.3	33999.8
	received	15.9	8.6	39.0	36.5	14724.7
1986	imports	20.3	12.6	31.7	33.1	
	covered	12.5	24.8	52.5	10.2	31574.5
	received	18.8	11.3	48.3	21.7	11289.1
1987	imports	17.4	14.3	35.3	30.9	
	covered	16.3	24.2	51.3	8.2	38748.3
	received	25.1	10.4	47.4	17.0	14998.7
1988	imports	19.6	14.5	39.7	24.4	
	covered	15.9	24.8	49.6	10.1	38324.4
	received	26.0	13.5	49.8	12.1	15538.5

a/ Not separately available, included under other industrial products. The 1981 data pertaining to industrial products are therefore not comparable with those for later years.

Source: EUROSTAT

Table 3 shows in the first place the distribution of total imports from GSP countries by main product categories. Price- and exchange rate movements, as well as real changes in the composition of imports from GSP countries have caused a

substantial shift in the product composition of imports from GSP countries. In the early eighties about two thirds of total imports from GSP countries consisted of oil and oil products. In 1988 this share was reduced to only 24.4 percent. Simultaneously, the shares of textiles and other industrial products has increased, and combined these imports account now for almost 55 percent of total imports from GSP countries.

Due to lack of data, it is not possible to show the share of MFN zero duty imports in each of the distinguished product categories for each of the years; this, in turn, would allow the calculation of coverage- and benefit ratio's similar to one's shown earlier. Yet, on the basis of 1987 data it is known that the coverage ratio, as defined already, varies considerably from product group to product group. The coverage ratio amounted in that year to 57 percent for agricultural goods, 84 percent for textiles and 78 percent for industrial goods, including petroleum products. Consequently, there appears to exist an inverse relationship between the coverage ratio and the distribution of GSP benefits. Product groups with a low coverage ratio have a relatively high share in the benefits, product groups with a high coverage ratio have a relatively low share in the benefits. Therefore, agriculture products have a relatively low coverage, but combine this with a relatively high share in benefits in relation to its share in covered imports; textile products have a high coverage ratio, but a relatively low share in benefits. Industrial products, including petroleum products, possess an intermediate position. To this should however be added that in the case of agricultural goods the benefits are mostly extended in the form of a duty reduction, rather than a duty exemption, which is the case for industrial products. This duty exemption amounts to as much as about 14 percent in the case of textiles.

Another presentation of the finding that the GSP benefits across product groups are not distributed in accordance with their respective shares in eligible imports is shown in the table below. This table presents for each of the product groups the share of GSP covered imports which actually received GSP preferential treatment.

Table 4: Share of GSP covered imports which actually received GSP preferential treatment. (in percentages)

	Agriculture	Textiles	Other industrial	Petroleum products
1981	55.8	14.5	43.4	n.a. <sup>a/</sup>
1982	54.5	15.0	33.7	73.8
1983	53.8	17.2	32.6	72.4
1984	53.0	15.7	34.9	73.0
1985	56.9	17.1	36.9	77.7
1986	53.7	16.3	32.9	75.8
1987	59.6	16.7	35.8	80.5
1988	66.3	22.1	39.7	48.6

a/ Not separately available, included under other industrial products. The 1981 data pertaining to industrial products are therefore not comparable with those for later years.

Consistent with the observation above, agricultural products once included in the system stand a much higher chance of receiving preferential treatment. About 60 percent of eligible GSP agricultural imports, and even almost two thirds in 1988, actually received preferential treatment. In the case of textiles it is only 20 percent of covered imports which actually received preferential treatment. Industrial products and petroleum exports are positioned in between agriculture and textiles.

#### Coverage and benefits by countries.

This section reviews the distribution of the coverage and benefits of the system by eligible countries. It consists of two parts; the first part identifies the top 10 beneficiaries of the scheme during the eighties. The second part analyses the distribution of benefits by income level of the beneficiaries. This last analysis is particularly relevant in view of the contemplated differentiation of beneficiary countries.

It is often argued that only a limited number of countries have really benefited from the GSP scheme. Obviously, countries which develop the capability to produce for the world market stand a much better chance to benefit from preferential treatment under the GSP scheme. An identification of the main beneficiaries of the GSP scheme over time shows that there has been considerable changes. Firstly, comparing 1981, 1985 and 1988, as shown in table 5, it can be seen that OPEC countries have almost completely disappeared from the list of top ten beneficiaries. In terms of benefits, there has been a shift to countries producing manufactures. Secondly, differentiation, formally incorporated in the Community's GSP scheme in 1986 was in fact already practiced before that year. In this respect it is interesting to compare the ranking of the countries with respect to GSP trade coverage and GSP trade benefits. It can



be seen that for oil exporting countries the scheme has been particularly attractive; most oil exporting countries combine a low share in trade covered with a high share in GSP benefits, e.g. Kuwait, Venezuela. The scheme has therefore been biased in favour of oil products. Furthermore, for countries like Hong Kong, Singapore and Korea their ranking in terms of benefits has always been considerably lower than their ranking in terms of covered trade, implying that these countries have been less successful in actually obtaining preferential treatment due to quota, ceilings, rules of origin etc.

Table 5: Share top ten beneficiaries in total GSP trade, 1981, 1985, 1988.

1981	Share in covered trade	Share in GSP benefits	1985	Share in covered trade	Share in GSP benefits
Romania	6.9	9.9	Kuwait	5.1	10.6
Brazil	7.9	9.2	Brazil	8.7	9.3
Venezuela	3.4	7.6	Romania	5.9	8.4
Hongkong	17.2	7.3	India	5.3	6.7
China	5.9	7.3	Venezuela	3.0	6.4
India	6.4	7.2	South Korea	9.2	6.0
South Korea	10.7	7.0	China	6.7	6.0
Saudi Arabia	4.0	4.7	Hongkong	13.1	5.3
Malaysia	3.9	4.6	Saudi Arabia	3.9	4.5
Philippines	3.1	4.3	Malaysia	4.1	4.4
Total top ten	69.4	69.1	Total top ten	64.9	67.5

1988	Share in covered trade	Share in GSP benefits
China	13.1	13.8
Brazil	10.0	13.8
India	5.8	9.3
Thailand	4.8	6.3
Hongkong	13.2	5.6
Romania	3.6	4.6
Indonesia	3.4	4.3
Kuwait	2.7	4.1
Singapore	7.0	3.9
Malaysia	3.8	3.9
Total top ten	67.3	69.5

Looking at the distribution of benefits in 1988, it is interesting to observe that China has become the main beneficiary of the Community's GSP scheme, just ahead of Brazil; Brazil has however a considerably lower share in GSP covered trade, implying

that the system is more favourable to China. Asian countries dominate; seven out of the top beneficiaries are located in Asia. The position of India is also noteworthy; it has a relatively low share in GSP covered trade compared to its share in GSP benefits. Lastly, the ASEAN countries combined are also one of the main beneficiaries of the scheme.

As differentiation is one of the policy objectives currently investigated, it is interesting to find out as to whether the current scheme already differentiates among groups of countries classified by their income level. For this purpose table 6 has been compiled, which shows for four income groups the coverage- and the benefit ratio, as well as the share in covered imports which actually received GSP benefits. The classification of countries is reproduced in appendix II, and is taken from the 1989 World Development Report.

Table 6: Coverage and benefit ratio by income group

	Low	Lower middle	Upper middle	High
<b>Coverage ratio <sup>a/</sup></b>				
1981	80.8	54.7	76.3	101.5
1983	90.0	54.2	66.6	90.0
1985	86.7	55.3	66.9	101.5
1987	94.8	74.2	68.6	87.9
1988	89.3	74.7	60.1	93.0
<b>Benefit ratio</b>				
1981	38.6	29.0	28.4	23.9
1983	40.4	29.8	23.0	26.0
1985	43.0	29.2	28.1	37.6
1987	42.5	39.3	23.6	26.0
1988	44.9	39.2	24.1	21.8
<b>Benefits as a percentage of covered trade</b>				
1981	47.8	53.0	37.3	23.6
1983	44.8	54.9	34.5	28.8
1985	49.6	52.8	41.9	37.1
1987	44.9	52.9	34.4	29.6
1988	50.3	52.5	40.1	23.4

a/ Note that a coverage ratio in excess of 100 percent is caused by the inclusion of MFN zero duty products in the GSP scheme.

As for the coverage ratio, it is clear that both low- and high income countries have a fairly comprehensive coverage. The coverage ratio is the lowest for the upper-middle income countries. Consequently, the lower- and the upper middle income countries appear to have the highest interest in an extension of the coverage of the scheme. As for the benefit ratio, that is that part of dutiable imports which actually receives preferential treatment, there has always been a tendency that the higher the level of income, the lower the benefit ratio. The sharp fall of the benefit ratio for the high income countries and to a lesser extent for the upper-middle income countries can be attributed to the policy of differentiation formally adopted after 1985.

Differentiation is also clear from the bottom of table 6, which shows the GSP benefits expressed as a percentage of covered trade, being, in fact, the ratio of the benefit- and coverage ratio. Both for low and lower middle income countries this ratio is in excess of 50 percent; for upper-middle and higher income countries this ratio is substantial lower, while for the latter group of countries it shows a strong decline after 1985.

The position of the **least developed countries** is somewhat hidden in the above table. These countries, with a single exception belonging to the group of low income countries, merit however separate attention. This is particularly so because to the group of low income countries belong such countries as China, India, Pakistan and Indonesia which are important beneficiaries from the GSP scheme (compare table 5). The position of the least developed countries can be gauged from the table below, which shows, quite similar to table 6, the coverage- the benefit ratio and the GSP benefits expressed as a percentage of covered trade.

Table 7: Coverage and benefit ratio of the least developed countries.

	1981	1983	1985	1987	1988
Coverage ratio	87.3	80.4	36.1	98.8	94.9
Benefit ratio	53.7	48.0	51.3	65.2	58.2
Benefits as a percentage of covered trade	61.5	59.7	59.6	66.0	61.4

Table 7 shows indeed that the least developed countries have benefited from a relatively more generous treatment of their imports in the Community. Both the coverage- and the benefit ratio are considerably higher, when compared with those of the group of low income countries shown in table 6. Furthermore, at the end of the eighties, the coverage of the imports from the least developed countries was almost complete, with the benefit ratio standing at about 60 percent, almost twice as high as for all GSP eligible countries combined (see table 2). The large gap between on the one hand the benefit ratio of the least developed countries and on the other all GSP countries combined implies, of course, a very small share of the least developed countries in

total GSP imports. In fact, in 1988, imports from the least developed GSP countries amounted only to 1.1 percent of total imports from GSP countries, which in turn was equivalent to about 0.2 percent of total extra-EEC imports.

From a trade policy point of view vis-a-vis developing countries it is interesting to compare the GSP countries with the group of ACP countries and the Mediterranean countries. Also the last two groups of countries benefit from preferential treatment in the Community market, which is generally of a more generous nature. For this purpose, the table below has been compiled.

Table 8: The Community's preferential trade arrangements with developing countries in 1987.

	Imports	MFN = 0	Dutiable	Covered <sup>a/</sup>	Benefits <sup>a/</sup>
All LDCs	100.0	100.0	100.0	100.0	100.0
ACP	14.7	19.4	11.3	13.7	24.9
Mediterranean <sup>b/</sup>	10.5	10.5	10.6	12.9	23.4
GSP countries <sup>c/</sup>	74.7	70.1	78.1	73.4	51.7
GSP - low	10.5	5.9	13.8	15.9	13.0
GSP - lower middle	13.0	11.9	13.9	12.5	12.0
GSP - upper middle	34.5	35.9	33.4	27.9	17.4
GSP - high	16.0	16.0	16.0	17.1	9.2

a/ In the case of the ACP and Mediterranean countries it has been assumed that all dutiable imports are covered by the preferential trade arrangement, as well as that these imports have actually received preferential treatment. This results in a slight upward bias in the shares of ACP and Mediterranean countries in covered and benefited trade.

b/ Tunisia, Morocco, Algeria, Egypt, Libanon, Jordan , Syria.

c/ Figures might not add up due to rounding.

Table 8 confirms again the importance of GSP countries in total imports from developing countries. ACP countries account only for 14.7 percent in total imports from developing countries and Mediterranean countries for about 10 percent. ACP countries have a relatively high share in non-dutiable imports and their share in preferential imports is more than twice as high as could be expected on the basis of their share in dutiable imports. For Mediterranean countries this ratio is equally favourable. As was demonstrated before, the low income GSP countries are generally treated more favourably than the higher income countries, yet, as the table shows, compared to the ACP and Mediterranean countries, low income GSP countries benefit considerably less from preferential treatment.

## APPENDIX I

## LIST OF GSP BENEFICIARY COUNTRIES

## AFRICA

Libya

## AMERICA

## A. Central America

Costa Rica  
El Salvador  
Guatemala  
Honduras  
Mexico  
Nicaragua  
Panama

## B. Caribbean Basin

Cuba  
Dominican Republic  
Haiti

## C. South America

Argentina  
Bolivia  
Brazil  
Chile  
Colombia  
Ecuador  
Paraguay  
Peru  
Uruguay  
Venezuela

## ASIA

## A. East Asia

Hong Kong  
Korea  
Macao

## B. South-East Asia

Brunei  
Indonesia  
Kampuchea  
Laos  
Malaysia  
Philippines  
Singapore  
Thailand  
Vietnam

- C. South Asia
  - Afghanistan
  - Bangladesh
  - Bhutan
  - Burma
  - India
  - Maldives
  - Nepal
  - Pakistan
  - Sri Lanka
- D. Middle East
  - Saudi Arabia
  - Bahrain
  - United Arab Em.
  - Iran
  - Iraq
  - Kuwait
  - Oman
  - Qatar
  - North Yemen
  - South Yemen
- E. Central Asia
  - China

**EUROPE**

- Romania
- Yugoslavia

**OCEANIA**

- Nauru

## APPENDIX II

## LOW INCOME COUNTRIES

## GDP PER CAPITA LESS THAN \$500 IN 1987

AFGHANISTAN	HAITI	MALDIVES
BANGLADESH	INDIA	NEPAL
BHUTAN	INDONESIA	PAKISTAN
BURMA	KAMPUCHEA	SRILANKA
CHINA	LAOS	VIETNAM
		S.YEMEN

## LOWER MIDDLE INCOME COUNTRIES

## GDP PER CAPITA LESS THAN \$2000 IN 1987

BOLIVIA	EQUADOR	PARAGUAY
CHILE	GUATEMALA	PERU
COLUMBIA	HONDURAS	PHILIPPINES
COSTARICA	MALAYSIA	DOMINICAN REP.
CUBA	MEXICO	SYRIA
EL SALVADOR	NICARAGUA	THAILAND
		N.YEMEN

## UPPER MIDDLE INCOME COUNTRIES

## GDP PER CAPITA LESS THAN \$6000 IN 1987

ARGENTINA	SOUTH KOREA	PANAMA
BRAZIL	LIBYA	ROMANIA
IRAN	MACAO	URUGUAY
IRAQ	OMAN	VENEZUELA
		YUGOSLAVIA

## HIGH INCOME COUNTRIES

## GDP PER CAPITA MORE THAN \$6000 IN 1987

SAUDI ARABIA	UAE	NAURU
BAHRAIN	HONGKONG	QUATAR
BRUNEI	KUWAIT	SINGAPORE

ANNEXE II

SPG 1990 - QUELQUES STATISTIQUES DE GESTION

1. Nombre de montants préférentiels administrés (Corée exclue)

Bon nombre des préférences tarifaires généralisées sont assorties, en ce qui concerne de nombreux pays en voie de développement spécifiques, d'une limitation sur la quantité qui peut en bénéficier. Ces limitations prennent la forme notamment de contingents tarifaires, de montants fixes et de plafonds tarifaires, et elles demandent un travail administratif de la part non seulement des Etats membres mais aussi des services de la Commission (XXI/A/2).

Le nombre de ces montants préférentiels (la Corée exclue) figure ci-dessous :

	Montants fixes	Contingents	Plafonds
Produits industriels	106	-	135
Produits textiles	10	373	442
Produits agricoles - soumis à droits de douane	5	-	-
- soumis à prélèvement	8	-	-
Produits CECA	-	11	6

2. Épuisements connus au 31.3.90

Pour les produits soumis à contingent tarifaire ou montant fixe, les administrations douanières des Etats membres procèdent à un tirage sur le montant concerné dès qu'elles reçoivent une demande de bénéfice dûment justifiée. Les tirages continuent jusqu'à épuisement du montant.

Le nombre d'épuisements connus au 31.3.90 figure ci-dessous :

Produits industriels	49
Produits textiles	94
Produits agricoles	1
<b>T O T A L</b>	<b>144</b>

Parmi ces épuisements, 63 ont eu lieu le 3.1.1990 (c'est-à-dire dès le premier jour de leur disponibilité).



3. Clauses de retour effectuées (seuls textiles)

Les contingents tarifaires pour les produits textiles comportent deux tranches, dont une est préallouée comme quote-part initiale aux Etats membres pour leur gestion directe, et l'autre constitue une réserve communautaire gérée par les services de la Commission. Quand un Etat membre a épuisé sa quote-part initiale il tire sur la réserve. Dans le cas où une réserve est presque épuisée une clause de retour est prévue selon laquelle les Etats membres doivent reverser à la Commission les quantités éventuelles de leurs quotes-parts initiales qu'ils n'ont pas utilisées. Dans certains cas les versements doivent se faire en deux étapes.

Les clauses de retour effectuées jusqu'au 31.3.90 peuvent se résumer comme suit :

	<u>Versements à 1 étape</u>	<u>Versements à 2 étapes</u>		TOTAL
		50 %	solde	
Janvier	48	29	18	95
février	10	6	1	17
mars	9	9	12	30

4. Sélection de transactions traitées quotidiennement par les services de la Commission

Dans leur gestion des contingents tarifaires et montants fixes, les services de la Commission (XXI/A/2) procèdent chaque jour à l'enregistrement et au traitement des communications des Etats membres. Ces communications ont trait notamment aux quantités à tirer ou à reverser sur les divers montants préférentiels. Pour chaque tirage ou versement, une transaction doit être opérée sur le solde du montant préférentiel concerné.

Le nombre de transactions traitées ainsi jusqu'au 31.3.90 peut se résumer comme suit (celles des 8.1.90, 19.1.90 et 6.2.90 ont été particulièrement nombreuses) :

	Tirages	Revers.	Divers	TOTAL
8.1.90	734	-	-	734
19.1.90	1 049	268	1	1 318
6.2.90	814	146	3	963
moyenne Jan-mars	167,8	13,4	20,9	202,1

5. Télex et téléfax

La gestion des montants fixes et plafonds a, jusqu'au 31.3.90, demandé l'envoi aux Etats membres des communications suivantes (envoyées par télex ou téléfax selon les moyens de chaque Administration douanière) :

	Jan.	fév.	mars	TOTAL
- allocations journalières	18	20	22	60
- épuisements	6	13	13	32
- déclenchement d'une clause de retour	13	12	19	44
- rapports mensuels	1	1	1	3
<b>T O T A L</b>	<b>38</b>	<b>46</b>	<b>55</b>	<b>139</b>

Chaque communication visée ci-dessus est envoyée à un nombre important de destinataires dans les Etats membres. Certains de ces telexes ont atteint une longueur de 10 mètres.

En plus, de nombreuses communications sont échangées avec les Etats membres concernant la régularisation des années précédentes ainsi que la surveillance des plafonds tarifaires et bases de référence, et les rétablissements éventuels des droits de douane normaux.

6. Coût d'administration SPG (ECUS)

Mis à part le coût du personnel et des bureaux, le coût de la gestion du SPG résulte de l'utilisation de moyens informatiques et de télécommunications. Une estimation du coût annuel en ce qui concerne les services de la Commission (XXI/A/2) et un Etat membre, a produit les chiffres suivants (en ECUS):

	Frais d'ordinateur	Télécommunications	TOTAL
XXI/A/2	18 750	53 750	72 500
République fédérale d'Allemagne	526 500	223 500	750 000

Sur cette base le coût total de la gestion du SPG au niveau de la Communauté pourrait être estimé à 3 million d'ECUS.

## Annexe III

### Les règles d'origine

#### A. Description des règles d'origine préférentielles actuelles

1. Les règles d'origine applicables dans le cadre d'un régime préférentiel tel que le SPG fixent les conditions sous lesquelles les produits des pays bénéficiaires peuvent bénéficier du traitement préférentiel à l'importation dans la Communauté<sup>(1)</sup>. Un produit ne peut donc bénéficier des préférences prévues que s'il satisfait aux règles d'origine prévues dans le cadre de l'accord avec le(s) pays concerné(s) ou appliquées dans le cadre d'un régime autonome.
2. Ces règles concernent notamment le degré et la nature des ouvraisons et des transformations requises pour obtenir l'origine d'un pays bénéficiaire du SPG lorsque des matières, pièces et composants importés d'autres pays sont utilisés dans la fabrication d'un produit.
3. Dans le cadre des régimes préférentiels, l'origine est basée sur la notion de la transformation suffisante dans un pays (ou groupement de pays) particulier. La notion de "transformation suffisante" est définie selon la même approche systématique dans tous les accords et arrangements préférentiels conclus ou adoptés par la Communauté avec ou vis-à-vis de pays tiers. Cette notion se traduit par la règle générale du changement de position tarifaire, c'est-à-dire que le degré de transformation nécessaire pour obtenir un produit fini qui relève d'une position tarifaire différente de celle de chacune des matières non originaires utilisées, est considéré comme suffisant pour conférer à ce produit le caractère originaire aux fins de l'application du traitement préférentiel.

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(1) Il ne faut pas confondre les règles d'origine préférentielles avec les règles d'origine non préférentielles, qui sont prévues à d'autres fins.

4. Cette règle générale est assortie, dans tous les accords et arrangements préférentiels, d'une liste d'exceptions qui indique les produits pour lesquels des conditions autres que cette règle de base ou, le cas échéant, supplémentaires à cette règle, doivent être remplies pour obtenir l'origine préférentielle. Dans le passé, les accords et arrangements visés comportaient deux listes, l'une reprenant les produits pour lesquels le changement de position tarifaire n'était pas suffisant pour conférer l'origine, l'autre reprenant les produits pour lesquels des ouvraisons et transformations ne résultant pas dans un changement de position tarifaire pouvaient néanmoins être considérées comme suffisantes. Lors de l'introduction du système harmonisé, ces deux listes ont été combinées, ce qui constitue une simplification considérable pour l'utilisateur.
  5. Si cette liste de conditions différentes et/ou supplémentaires est "unique" dans le cadre de chacun des régimes préférentiels, elle varie cependant quelque peu entre les différents accords et arrangements. Les conditions prévues sont ainsi plus restrictives dans le cadre du régime autonome SPG que dans tous les accords négociés. Parmi les accords négociés, ces conditions sont plus généreuses pour les pays ACP et les PTOM.
  6. D'autres divergences entre les règles d'origine préférentielles apparaissent dans le texte des différents protocoles "origine" des accords préférentiels, notamment en ce qui concerne :
    - une tolérance générale en matières originaires de pays tiers (ACP - PTOM) et
    - les dispositions relatives au "cumul". De telles dispositions permettent à un pays bénéficiaire de préférences de traiter les produits originaires d'autres pays bien précisés (par exemple : membres d'un groupement régional) ou bien les opérations effectuées dans ces pays, comme si ces produits avaient été obtenus, ou ces opérations effectuées, dans le pays bénéficiaire en question (ACP - PTOM : cumul complet entre eux et avec la CEE; pays méditerranéens (autres que Maghreb) : cumul bilatéral CEE-pays concerné).
- A tous égards, cependant, les conditions que doivent satisfaire les pays SPG sont plus restrictives que celles que doivent satisfaire les autres pays en voie de développement.

B. Quelques aspects économiques des règles d'origine SPG

7. L'objectif des règles d'origine préférentielles, basées sur la notion de la transformation suffisante dans le pays bénéficiaire est d'encourager l'industrialisation des pays bénéficiaires du SPG, en subordonnant l'octroi du traitement préférentiel à la condition d'atteindre un certain degré de transformation. Cette condition est également nécessaire pour réserver ces préférences aux produits des pays concernés et pour éviter qu'elles ne s'appliquent à des produits dont le contenu est largement attribuable à d'autres pays.
8. Ceci crée un certain dilemme, puisque d'une part le degré de transformation exigé doit être suffisamment élevé pour justifier l'application de la préférence prévue pour le pays bénéficiaire et pour encourager l'implantation dans ce pays de vraies industries de transformation (et non pas, par exemple, de simples entreprises d'assemblage de produits originaires de pays industrialisés); d'autre part, il faut tenir compte du fait que si les règles d'origine sont trop strictes, les pays concernés pourraient avoir beaucoup de difficultés d'atteindre le degré de transformation imposé et donc d'obtenir l'application des préférences.
9. En outre, l'internationalisation croissante de la production va à l'encontre de certaines exigences relatives à la nécessité d'effectuer, dans un pays particulier, un certain degré de transformation et/ou certains types d'ouvrages, et le rend nécessaire de reconsidérer le niveau et la nature de ces exigences. En effet, dans les années 1980, le taux de croissance des échanges mondiaux des biens manufacturés (5,4 % per annum) a excédé de 60 % le taux de croissance de la production mondiale (3,3 % p.a.).
- 10 Par ailleurs, les règles d'origine sont identiques pour tous les pays SPG, ce qui comporte des désavantages pour les économies les moins puissantes, qui n'ont pas les mêmes possibilités de développer certaines industries et qui dépendent beaucoup plus sur le commerce extérieur. En conséquence, ces pays sont obligés d'importer d'autres pays certains composants de produits qu'ils envisagent d'exporter à la Communauté, et risquent de ne pas pouvoir satisfaire aux règles d'origine SPG et donc de bénéficier des préférences prévues.

- 11 Pour d'autres pays en voie de développement, à savoir les pays ACP et les PTOM, certaines des règles d'origine sont effectivement moins restrictives que celles actuellement applicables aux pays SPG, y compris aux 9 PMA non ACP entre eux (Afghanistan, Bangladesh, Bhoutan, Laos, Maldives, Myanmar, Népal, Yemen du Nord, Yemen du Sud). Cette divergence n'est guère compatible avec l'esprit de la coopération.
- 12 S'il est difficile d'estimer avec précision l'impact des règles d'origine SPG, il est toutefois clair que ces règles doivent faire l'équilibre entre d'une part les exigences d'un instrument de politique commerciale et d'autre part, celles d'un outil de développement. Une tension existe entre l'imposition des règles d'origine restrictives qui fixent un degré de transformation et, dans certains cas, un contenu en produits locaux, assez élevé, et les tendances actuelles de la production mondiale en faveur de la spécialisation accrue. C'est dans cette optique qu'une révision des règles d'origine SPG devrait être considérée.

#### C. Orientations

- 13 Il conviendrait d'inclure la question des règles d'origine dans le débat relatif au nouveau schéma SPG pour les années 90, sans préjudice de la procédure d'adoption des dispositions en question qui est réservée à la Commission.
- 14 Il est considéré que pour améliorer l'accès au marché communautaire des produits des pays SPG et particulièrement des PMA, il convient d'apporter certains assouplissements aux règles d'origine SPG.
- 15 Aucune modification des dispositions SPG actuelles n'est envisagée en ce qui concerne :
  - les produits entièrement obtenus, c'est-à-dire des produits de la nature et les marchandises fabriquées à partir de tels produits sans aucun apport de produits importés; et
  - la substance des "notes explicatives".

En conséquence, par exemple, il n'y aurait aucune modification des dispositions actuelles pour les produits de la pêche (sauf que le point 16 d) ci-après se réfère à tous produits).

16 En détail, les modifications à examiner, pour tous les pays bénéficiaires SPG, seraient dans les domaines suivants :

- a) révision, en vue d'y apporter des améliorations, de la liste des opérations conférant l'origine qui remplacent, pour les produits concernés, la règle générale du changement de position tarifaire, visée au paragraphe 4 ci-dessus.
- b) modification des notes introductives de la Liste pour introduire une tolérance en matière de l'utilisation de garnitures et accessoires en matières textiles;
- c) introduction de dispositions relatives au cumul (type "bilatéral") entre les produits originaires de la CEE et les produits du pays SPG concerné ("élément du pays donneur"); La substance de cette innovation devrait être de nature à comporter un avantage réel pour les pays SPG;
- d) les dispositions relatives au cumul régional (ANASE, MCAC, pacte andin) seraient inchangées. Toutefois, celles-ci pourraient être étendues à d'autres groupements régionaux tels que le cône sud (Argentine, Brésil, Uruguay), ALADI, SAARC pourvu qu'ils satisfassent aux conditions prévues (application entre membres du groupement des mêmes règles d'origine, infrastructure administrative suffisante pour permettre l'application des contrôles nécessaires ...).

17 En ce qui concerne les PMA, en plus des améliorations visées ci-dessus en ce qui concerne tous les pays bénéficiaires du SPG, il est envisagé que ces pays bénéficieraient d'autres modifications telles que l'introduction d'une tolérance générale de 10% ainsi que d'une révision des dispositions relatives aux demandes de dérogations, pour prévoir que la Communauté "accède à toutes les demandes de dérogations des PMA bénéficiaires du SPG qui sont dûment justifiées et qui ne peuvent causer un grave préjudice à une industrie établie de la Communauté.

18. Il convient de rappeler que la Communauté et les pays de l'AELE appliquent les mêmes règles d'origine dans le cadre de leurs différents schémas SPG et que ce lien comporte des avantages importants pour les pays bénéficiaires SPG. Dès l'adoption d'une position commune, il sera donc nécessaire d'aborder avec les partenaires de l'AELE la question de la continuation de ce lien important.