European Communities

EUROPEAN PARLIAMENT

Working Documents

1981 - 1982

11 November 1981. DOCUMENT 1-641/81

REPORT
drawn up on behalf of the Committee on Development and Cooperation.

on the proposals from the Commission of the European Communities to the Council (Doc. 1-450/81) for regulations fixing the Community's scheme of generalized tariff preferences for the period 1982-1985 and opening the scheme applicable in 1982.

Rapporteur: Mr R. COHEN.

PE 74.756/fin.

English Edition

By letter of 17.8.1981 the President of the Council of the European Communities requested the European Parliament to deliver an opinion on the proposals from the Commission of the European Communities to the Council (Doc. 1-450/81) for regulations fixing the Community's scheme of generalized tariff preferences for the period 1982-1985 and opening the scheme applicable in 1982.

The President of the European Parliament referred these proposals on 14.9.1981 to the Committee on Development and Cooperation as the committee responsible and to the Committee on Agriculture, the Committee on Economic and Monetary Affairs, the Committee on External Economic Relations and the Committee on Budgets for their opinions.

On 23.4.1981 the Committee on Development and Cooperation appointed Mr R. COHEN rapporteur.

The committee considered the draft report at its meeting of 21 October 1981 and adopted the motion for a resolution unanimously.

Present: Mr Poniatowski, chairman; Mr Bersani, vice-chairman; Mr Cohen, rapporteur; Mr Enright, Mrs Focke, Mr Fuchs, Mr Irmer (deputizing for Mr Sablé), Mr C. Jackson, Mr Michel, Mr Narducci, Mr Pearce, Mrs Rabbethge, Mr Sherlock and Mr Vergès.

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

The opinion of the Committee on Budgets will be published separately.

C O N T E N T S

A

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

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposals from the Commission of the European Communities to the Council for regulations fixing the Community's scheme of generalized tariff preferences for the period 1982 to 1985 and opening the scheme applicable in 1982.

The European Parliament

- having regard to the proposals from the Commission of the European Communities to the Council for regulations fixing the Community's scheme of generalized tariff preferences for the period 1982 to 1985 and opening the scheme applicable in 1982 (COM(81) 422 final),

- having been consulted by the Council pursuant to Articles 43 and 113 of the EEC Treaty (Doc. 1-450/81),

- having regard to its resolutions of 6 October 1970[1], 9 June 1971[2], 13 December 1973[3], 12 July 1974[4], 17 October 1974[5], 16 October 1975[6], 14 October 1976[7], 11 October 1977[8], 15 December 1978[9], 16 November 1979[10], 17 October 1980[11] and 15 December 1980[12],

- having regard to the report of the Committee on Development and Cooperation and the opinions of the Committee on Agriculture, the Committee on Economic and Monetary Affairs, the Committee on External Economic Relations and the Committee on Budgets (Doc. 1-641/81),

---

[1] OJ No. C 129 of 26.10.1970, page 13
[2] OJ No. C 66 of 1.7.1971, page 15
[3] OJ No. C 2 of 9.1.1974, page 55
[4] OJ No. C 93 of 7.8.1974, page 91
[5] OJ No. C 140 of 13.11.1974, page 42
[6] OJ No. C 257 of 10.11.1975, page 30
[7] OJ No. C 259 of 4.11.1976, page 27
[8] OJ No. C 266 of 7.11.1977, page 16
[9] OJ No. C 6 of 8.1.1979, page 88
[10] OJ No. C 309 of 10.1.1979, page 56
[11] OJ No. C 291 of 10.11.1980, page 77
[12] OJ No. C 346 of 31.12.1980, page 19

1. Welcomes the fact that the Commission has put forward its proposals for 1982 in good time;

2. Regrets the fact that the system of generalized preferences has not so far fulfilled all its functions; calls therefore for better implementing provisions and, in particular, for the inclusion of new products in the GSP;

3. Agrees with the maintenance of the status quo for textile products until the conclusion of the new Multifibre Arrangement;

4. Notes with astonishment that major improvements are planned in the scheme, notably for China and Romania, although they do not belong to the 'Group of 77';

5. Notes that some improvements are planned for agricultural products, particularly the inclusion of five new products with total exemption from duty for the least developed countries, but considers in general that the proposals for tariff preferences in the agricultural sector are inadequate and should be made more generous;

6. Regrets that in 1981 the Council did not include Basmati rice in the list of agricultural products covered by the scheme of generalized preferences, and that there is no reference to this in the Commission proposals; therefore calls on the Commission to reinstate its original proposal in the new scheme for 1982;

7. Stresses the fact that generalized preferences benefit the least-developed countries only insofar as they apply to agricultural products; therefore considers that a steadily increasing number of products covered by the common agricultural policy must be included and calls upon the Commission to adjust the scheme of preferences for agricultural products in such a way as to permit the poorest developing countries to sell more agricultural products and processed agricultural products on the Community market;

8. Is of the opinion that in any reform or other adjustment of European agricultural policy consideration must be given to ways of making the scheme of preferences more effective as regards the agricultural products of the poorest countries and therefore calls upon the Commission to carry out the relevant preliminary studies;

9. Continues to accept the autonomous character of the GSP but requests the Commission to examine to what extent existing restrictions for certain groups of countries (e.g. the new industrialized countries) might be removed provided the latter were willing to introduce a preferential imports system for the least-developed countries;

10. Refers in this connection to the importance of a liberal system of trade for promoting international trade and to the role played by relatively cheap imports in the battle against inflation;

11. Underlines the fundamental importance of rules of origin to the proper functioning of the GSP, particularly with a view to optimizing the rate of utilization, and therefore reiterates its demand that all the technical measures necessary to improve and streamline the system should be taken; in particular, efforts must be made to avoid a situation in which the better-off developing countries are used as a means of deflecting trade in a way that harms the poorest ones;

12. Regards it as essential that there should be genuine consultation and a systematic exchange of information between the ACP and the Community before the Community's preference scheme is fixed;

13. Reiterates its view that it is the Commission which is responsible for administering the system and refuses to allow powers of decision to be transferred from the Commission to committees of the Council of Ministers; calls upon the Council in this connection to take a decision at last on the Commission proposals concerning procedures for administering the GSP.

14. Also considers that the GSP must be as flexible as possible so that it can be adjusted continuously and, above all, rapidly to the changing economic situation;

15. Points out that information about the system must be improved as far as possible to allow beneficiaries to make better use of it;

16. Underlines the fact that the GSP is not simply a matter of trade concessions but that it can be an effective instrument of development if it is suitably structured and applied; considers therefore that the generalized system of preferences can operate effectively only if it is regarded as complementary to the Community's other development policy instruments.

B

EXPLANATORY STATEMENT

1. The basic principles of the system of generalized tariff preferences were set out in Resolution 21/2 of the UNCTAD Conference in New Delhi in 1968. They provide for: an increase in the export revenues of the developing countries, particularly the least developed; promotion of the process of industrialization and a faster rate of economic growth.

2. The Community introduced the generalized system of preferences (GSP) on 1 July 1971. It was adjusted and improved annually over the period 1971 to 1980. It has been clear since 1975 that the Community would extend its GSP beyond 1980[1].

On 7 March 1980 the Commission published a document entitled 'Guidelines for the European Community's scheme of generalized tariff preferences for the post-1980 period'[2]. On 17 October 1980 the European Parliament adopted a resolution on this text[3] in which it put forward a series of practical suggestions on the future of the GSP after the first decade. First and foremost Parliament called for simplification of the system, a greater degree of differentiation between developing countries so that more preferential treatment could be given to the poorest, more efficient use of the system and the inclusion of more agricultural products.

Compared with the scheme in the first decade of its application the new GSP is characterized by the following features: the independence of the system has been retained and it is unilateral, i.e. the developing countries are not required to grant any reciprocal concessions; generally speaking, it covers the same products; the principles of exemption from tariffs and the fixing of ceilings for sensitive products are both retained; in the short term products are divided into two instead of four categories, namely sensitive and non-sensitive.

3. As the system of generalized tariff preferences has existed for 10 years, we have some experience of its operation and know its strengths and weaknesses. In particular, the system has benefited the most developed countries far more than the ldc.

---

[1] Council decision of March 1975

[2] COM(80) 104 final

[3] See OJ No C 291, 10.11.1980, p. 7 et seq.; PEARCE report, Doc. 1-455/80

One point worth mentioning in this connection is that in 1978 67.8% of tariff exemptions benefited the ten most developed countries of the Third World. In terms of the original objectives it is clear that over the past ten years the impact of the GSP on the least-developed countries has been minimal not to say negligible. The ten most developed countries account for 83.7% of tariff-free exports of non-sensitive products to the EEC. It is only the case of non-sensitive products that one can talk of stimulating trade in the Third World as these goods are not subject to quotas.

The GSP as an instrument of Community development policy has therefore failed to achieve its objective or at least has not done so to the extent originally expected. Little is known of whether and in what way the GSP has affected investment decisions in the beneficiary countries. To assess this objectively it would be necessary to take account of the accumulated effect of all preferences granted by the donor countries. There are a number of reasons for the inadequate performance of the GSP, two of which stand out particularly: the arrangements for sensitive products, which offer many Third World countries greater export possibilities, are too restrictive and there are many technical difficulties which make the system unwieldy. As a result of these two factors in particular, exporters in the Third World have been uncertain of the opportunities for exporting goods tariff free or at reduced rates of duty. Consequently, the best organized countries, agencies, firms and individuals derived the greatest benefit from the GSP because they are best placed to exploit the system to the full.

4. The proposals of the Commission of the European Communities deal with the scheme of generalized tariff preferences for 1982. This has been fixed within the framework of the new improved GSP for the period 1982-1985 which the Community adopted in December 1980.

At present 123 countries[1] enjoy generalized tariff preferences, including all the countries of the 'Group of 77', China, and 24 other countries or dependent territories. They are allowed to export all industrial goods free of tariffs and some 115 agricultural products at reduced rates of duty to the Community subject to certain ceilings or quotas.

---

[1] See Commission proposal, COM(81) 422 final, pp. 218/219

5. The Commission's proposals can be summarized as follows: according to the Commission the structure of the new GSP scheme for industrial, manufactured and semi-manufactured products has been designed to meet two requirements:

- differentiation in the allocation of the preferential advantages offered in order to relate them much more closely to the real needs of beneficiary countries;
- simplification of administration with consequent easier comprehension.

The technique used to achieve this has been that where limits to duty-free entry have to be imposed, the former extensive system of global controls of all suppliers, whether at the quota or at the ceiling level, has been replaced by control at the level of individual suppliers, in particular those identified as already competitive. Moreover, the former complex hierarchy of product sensitivity has given way to no more than two categories, as already mentioned.

6. As no problems have so far arisen with regard to individual suppliers or products in the case of individual country quotas and ceilings, the Commission proposes an across-the-board increase of 10% of quotas and ceilings expressed in ECUs. In the case of goods produced by certain industries which are still in difficulties, a lower rate of increase (5%) is to be granted or, in the case of particularly critical products (iron and steel, footwear, certain chemical products and electrical goods), there are exceptions. The Commission also proposes extending the list of industrial goods for which China and Roumania are granted general preferences.

7. The Commission proposes maintaining the status quo for textiles pending the negotiations on a new Multifibre Arrangement scheduled for 1981. Last year Parliament pointed out that the existing provisions in this sector could be modified only in the framework of the new MFA. In the case of jute products, which are not covered by the Multifibre Arrangement, the Commission proposes including China among the GSP beneficiaries.

8. The Commission proposes increasing the prefential margins on 45 agricultural products already included in the GSP, six of which would become duty-free, adding nine new products and extending to China the GSP offer available to all other beneficiaries.

The inclusion of five new duty-free products only applies to the least-developed countries. It is also proposed to remove the remaining preferential limits on the quotas for certain tobaccos and canned pineapples. The least-developed countries comprise nine states which do not belong to the ACP Group (Afghanistan, Bangladesh, Bhutan, Haiti, Laos, the Maldives, Nepal, North Yemen, South Yemen). The five products (certain vegetables and herbs for cooking, lentils, fruit provisionally preserved, cocoa beans, shells, husks etc.) are primarily those which are of economic interest to the nine countries.

9. In paragraph 18 of the resolution[1] concerning the opening of the scheme of preferences applicable in 1981 Parliament approved the inclusion of Basmati rice in the list of agricultural products covered by the generalized system of preferences. The Economic and Social Committee was not convinced that basmati rice should be included in the GSP. In its opinion[2] the Economic and Social Committee contended that this product could be imported into the Community without payment of a levy because of its price and its inclusion in the GSP would constitute a breach of the common agricultural policy.

The Council decided not to include Basmati rice in the GSP for 1981 as some Member States objected. Since there is still apparently no possibility of reaching agreement on the Basmati rice question in the Council the Commission has refrained from including the product in its proposals for 1982. Parliament cannot endorse this attitude and therefore calls on the Commission to reinstate its original proposal for basmati rice in the proposals for 1982.

10. The GSP is a basic element of the Community's development policy, the objective of which is to help the developing countries and in particular the least-developed. However, this can only be done if the poorest countries are given a real opportunity to sell their agricultural products and their processed agricultural products on our markets as most of them have no other goods to sell given their low level of development.

---

[1] OJ No. C 346, 31.12.1980, p. 21;
PEARCE Report, Doc. 1-545/80

[2] OJ No. C 331, 17.12.1980, p.13

In the past concessions were granted primarily for industrial goods rather than agricultural goods despite the fact that the developing countries were more interested in securing concessions for their agriculture. The Commission contends[1] that it is impossible because of European agricultural policy to offer greater access for the developing countries' agricultural products, yet it must be remembered that this view is based on the assumption of a static European agricultural policy whereas we all know that attempts are currently being made to reform the agricultural policy to resolve our own problems. In this context it is worth carefully reconsidering the opinion delivered last year by the Committee on Agriculture on the guidelines for the GSP for the post-1980 period[2]. It is regrettable, moreover, that the link between the common agricultural policy and reforms of the policy on the one hand and the possibility of introducing a more effective system of preferences for agricultural products on the other was not discussed in greater depth during Parliament's debate on the future system of preferences. It would also be interesting to consider what possibilities there are for extending to the least-developed countries the same concessions as are already enjoyed by the ACP states.

11. At all events the Committee on Development and Cooperation considers that the Commission's proposals for tariff preferences in the agricultural sector are inadequate, particularly given the serious plight of the poorest developing countries, and should be made more generous. When the list of products for the system of preferences is being drawn up careful consideration must be given to extending it to include agricultural products which will enlarge the poorest developing countries' real export opportunities.

12. The Commission proposes to retain the rules on origin applicable in 1981 unchanged except for certain technical adjustments necessitated by the inclusion of new products in the GSP. Certain adjustments must be made in any case as the rules on origin are of vital importance to the proper functioning of the GSP and the extent to which it is used in particular.

---

[1] COM(80) 104 final: 'Guidelines for the European Community's scheme of generalized tariff preferences for the post-1980 period'.

[2] PEARCE Report, Doc. 1-455/80, p.18 et seq.

Since the rules on origin are so important for the optimal use of generalized preferences, the Commission should introduce the necessary technical measures to improve and simplify the system as rules on origin which are too complicated in technical terms tend to restrict trade. What must be avoided above all is a situation where shifts in trade are exploited by economic operators in the rich countries at the expense of the poorest developing countries.

13. To optimize the advantages of the GSP for all the countries concer the systems of preferences of the various donor countries must be harmoni more closely so that individual exporters in the developing countries can find their way through the confusing mass of red tape. The Committee on Development and Cooperation therefore considers increased consultation between OECD donor countries to be an urgent priority. This should not be confined to an exchange of information. An attempt should be made to achieve a real measure or harmonization of the various schemes. It is self evident that harmonization should not mean adopting the most restrictive approach. A common approach is particularly necessary when selecting countries and products.

A properly effective system of preferences cannot be achieved until links are established with other areas of economic and social policy.

14. The eternal problem of the generalized preferences granted to the developing countries and the special concessions to the ACP states in their trade with the Community should be kept under constant review. The ACP states fear that the granting of generalized preferences to the other developing countries will erode their special preferences under the Lomé Convention. It must be remembered however that the granting of generalized preferences is by no means tantamount to giving equal treatment to the other developing countries, but merely a reduction in differentials in respect of a few products.

The ACP states have the benefit of free access to the Community market for 99.5% of their products. The text of the ACP-EEC Convention must be seen as a whole as it contains virtually all the instruments of development policy, i.e. if the advantages enjoyed by the ACP were to be eroded in one area this would be offset by other advantages in other areas. In addition, the ACP states have also found new markets in those industrialized countries which also have systems of preferences.

15. Of course the Community must fulfil its obligations under the ACP-EEC Convention and defend the legitimate rights of the ACP. However, the Community also has a moral responsibility not to refuse to help the other developing countries which are also in great need. Development aid for the ACP and the other developing countries is an important complementary activity, especially as the Community is constantly being called upon in UNCTAD to grant more in the way of development aid.

What is needed above all is a genuine consultation mechanism which allows both sides to exchange information regularly on matters relating to the GSP before the Community decides on its scheme for the following year[1].

16. The Commission's proposals on the administrative procedures for the system of generalized preferences, particularly with regard to the responsibilities of the advisory committee, have not yet been adopted by the Council despite recommendations to this effect in the European Parliament's most recent resolution. The Commission has therefore included its old proposals among those for 1982. Parliament would therefore like to recall its previous demands and make it clear that in its view the Commission alone should be responsible for administering the GSP. The Commission takes decisions and accepts the responsibility so there can be no question of transferring powers from the Commission to Council committees.

17. The Community should pay careful attention to the choice of beneficiary countries as those with the most developed economies have so far benefited most from the GSP. Some of them are already in a position to hold their own in international competition or have a sufficiently large per capita GNP to be excluded from the list of beneficiaries. It is imperative therefore that the Community should be extremely careful in drawing up the list of beneficiaries and reserve the right to alter the list whenever the scheme is reviewed. The Community's GSP must be as flexible as possible so that it can be adjusted to take account of changing economic circumstances. Given that as many developing countries as possible, particularly the poorest, should be given an opportunity to make full use of the quotas, there is a need not only to improve information about the GSP but also to create real opportunities to assist the least-developed countries.

18. The generalized system of preferences can be a successful instrument of development policy only if it is regarded as complementary to the other instruments of development policy. The GSP is undoubtedly an instrument of rather modest scope within the context of cooperation with developing countries and the Council and Commission must therefore be urged to devise new methods of pursuing development policies. Investment must be promoted in parallel with the GSP by meaus of capital and technology transfers and steps must also be taken to ensure that such investments are useful in development policy terms and are adapted to the circumstances of the developing countries.

So far no one has seriously considered how the least-developed countries could benefit more from the GSP. The deficiencies of the

[1] See in this connection the resolution on the Insanally Report on the Fifth Annual Report of the ACP-EEC Council of Ministers and an assessment of initial experiences with the Second Lomé Convention and recommendation for its optimal implementation, Doc. ACP-EEC 29/81/A, p.6.

system have undoubtedly been identified and there has been talk of improvement but no radical reforms. Are there any studies or papers which show clearly to what extent the GSP concessions have benefited producers, importers or consumers?

19. The link between development policies and practical application of the GSP still remains somewhat obscure; the same is true of its place in the North-South Dialogue. What is needed is a clear statement that the GSP is not simply about tariff concessions and measures to promote exports but that it is an effective instrument of development policy and must be structured accordingly.

OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman: Mr I. FRÜH

On 21 September 1981 the Committee on Agriculture appointed Mr Früh draftsman.

It considered the draft opinion at its meeting of 1 and 2 October 1981 and adopted it unanimously with two abstentions.

Present: Sir Henry Plumb, chairman; Mr Früh, vice-chairman and draftsman; Mr Battersby, Mr Blaney (deputizing for Mr Skovmand), Mr Costanzo, Mr De Keersmaeker (deputizing for Mr Tolman), Mr Eyraud, Mr Hord, Mr Marck (deputizing for Mr Helms), Mrs Pery (deputizing for Mr Thareau), Mr Pranchère and Mr Provan.

1. The generalized system of preferences (GSP) provides tariff advantages for more than 300 agricultural products. As a rule, these advantages take the form of partial or total exemption from duties without quantitative import restrictions, except for a number of products such as tobacco, canned pineapples, cocoa butter and instant coffee, which are subject to quotas.

This preferential treatment applies exclusively to products originating from developing countries and areas appearing on a list which currently includes 146 countries and areas.

Furthermore, for the Least Developed Countries, which currently number 36, the agricultural products appearing on the list are completely exempt from customs duties on import into the Community.

In 1981 the list of agricultural products enjoying preferential advantages comprised approximately 320 products.

2. In its proposals for 1982, the Commission suggests a number of changes to the 1981 GSP:

- the inclusion of 9 new products (see Annex I);
- the inclusion of 5 new products duty-free for the Least Developed Countries (see Annex 1);
- improvements in preferential margins on 45 agricultural products already included in the GSP (see Annex III);
- removal of the application to the Least Developed Countries of the remaining preferential limits on the quota for Virginia-type tobacco, the ceiling on other tobacco and the two quotas on canned pineapples;
- the extension to the People's Republic of China of the GSP offer available to all other beneficiaries.

3. As regards the new products included in the GSP the table in Annex II shows that developing countries account for more than half of the Community's imports only in the case of cocoa products (almost 100%), cuttings, trees, shrubs and live plants, pawpaws and pineapple juice.

Cocoa beans are one of the products for which duty-free entry applies only to the Least Developed Countries. Of total imports into the Community from the developing countries, i.e. 459,320 tonnes, only 14,223 originate from the Least Developed Countries.

Once again, it is clear that the advantages to be derived from the newly included products by the countries concerned are minimal.[1]

4. The tariff reductions for 45 products already included in the GSP, generally by 1-3%, with a greater reduction in certain cases, are probably not sufficient to have a significant impact on the growth of imports of these products from the developing countries.

5. One aspect of the Commission's proposals worth mentioning is the additional advantages, summarized in paragraph 2, for the Least Developed Countries. These measures go some way towards complying with the suggestions made by the Committee on Agriculture in its opinion of the communication from the Commission on the guidelines for the scheme of generalized tariff preferences for the post-1980 period[2], regarding the need to attach greater importance to the poorest countries.

However, the measures will probably not have a decisive impact on the growth of imports from the Least Developed Countries and can therefore be regarded as symbolic rather than of any real significance for the countries concerned.

6. The Committee on Agriculture recalls its proposal[2] that, by analogy with the Lomé Convention, the poorest developing countries might be offered a sales guarantee by allocating them quotas for the products on which they are particularly dependent. Mr PISANI, the Commissioner responsible for development policy, made a similar proposal during the United Nations' Conference on the Least Developed Countries, in Paris.

7. To summarize, the Committee on Agriculture considers that the proposals for 1982 are a logical continuation of the policy hitherto pursued of lowering the customs duties on a number of products and adding new products to the list, although no action has been taken in response to the more fundamental comments the committee has made in earlier opinions, namely:

- raising the level of development of the poorest countries by including in the list products processed in these countries;
- revising the list of beneficiary countries by deleting those which, because of their level of development, are no longer dependent on preferential advantages, thus making it possible to give priority to less developed countries;

---

[1] See the Cifarelli opinion on the 1979 GSP in Doc. 474/78.

[2] Doc. 455/80

- removing all technical and administrative obstacles so that the GSP can operate more effectively;
- investigating the possibility of introducing a STABEX or equivalent system for the Least Developed Countries.

List of new agricultural products included in the proposals for 1982

06.02	Other live plants, including trees, shrubs, bushes, roots, cuttings and slips:	
	A. Unrooted cuttings and slips:	
	II. Other	9%
	ex D. Other:	
	- Trees and shrubs, excluding fruit -and forest-trees and -shrubs; other live plants and roots, excluding perennial plants and mushroom spawn	11%
06.03	ex B. Other	
	- Cut flowers, dried	7%
	- Cut flowers, dyed, bleached, impregnated or otherwise prepared	17%
06.04	Foliage, branches and other parts (other than flowers or buds) of trees, shrubs, bushes and other plants, and mosses, lichens and grasses, being goods of a kind suitable for bouquets or ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared:	
	B. Other	
	I. Fresh	8%
	II. Not further prepared than dried	5%
	III. Other	14%
07.01	Vegetables, fresh or chilled:	
	ex T. Other:	
	- Other	Free[1]
07.05	II. Lentils	Free[1]
08.08	E. Pawpaws	2%
08.11	ex E. Other:	
	- Other	Free[1]
11.04	D. II. Other:	
	- Coconuts	Free
18.01	Cocoa beans, whole or broken, raw or roasted	Free[1]
18.02	Cocoa shells, husks, skins and waste	Free[1]

[1] This exemption applies only to the developing countries listed in Annex C.

20.07	B. II. (a)	
	4. Pineapple juice:	
	(aa) Containing added sugar	16% + (L)
	(bb) Other	16%
	B. II. (b)	
	5. Pineapple juice:	
	(aa) With an added sugar content exceeding 30% by weight	16% + (L)
	(bb) With an added sugar content of 30% or less by weight	15%
	(cc) Not containing added sugar	16%
21.07	A.	
	I. Maize	3% + vc
	II. Rice	4% + vc
	III. Other	4% + vc
22.09	C.V.	
	ex (a) Two litres or less:	
	- Pisco and Singani	1.30 ECU per hl per % vol of alcohol + 5 ECU per hl

Imports into the Community (EUR-9) - 1980[1]

New products included in the GSP

Products	From all third countries		From the developing countries[2]	
	In tonnes	Value in 1,000 EUA	In tonnes	Value in 1,000 EUA
Other cuttings	6,169	12,555	4,865	8,327
Trees and shrubs, live plants	5,747	4,219	3,263	2,270
Cut flowers, dried or otherwise prepared	367	1,321	101	456
Parts of plants for ornamental purposes	14,655	28,080	3,579	6,706
Other vegetables and herbs[3]	34,435	20,842	15,278	12,942
Lentils[3]	77,838	32,952	36,910	15,509
Pawpaws	333	476	204	282
Other fruit provisionally preserved[3]	9,816	4,771	3,425	1,719
Coconuts[3,4]	-	-	-	-
Cocoa beans[3]	459,780	1,238,753	459,320	1,237,905
Cocoa waste[3]	6,366	2,077	5,235	1,871
Unfermented pineapple juice (of a value exceeding 30 EUA per 100 kg net weight)	12,361	7,167	8,549	5,124
Unfermented pineapple juice (of a value of 30 EUA or less per 100 kg net weight)	12,111	3,227	7,898	2,083
Maize, rice, other pre-cooked or otherwise prepared cereals in grain form	46,522	31,556	8,888	5,530
Pisco and Singani[4]	-	-	-	-

[1] Source: EUROSTAT - Statistics relating to the Community's external trade.

[2] Countries in category 2 of the relevant statistics.

[3] This exemption applies only to the developing countries listed in Annex c of the proposal.

[4] Not listed separately in the statistics.

ANNEX III

List of agricultural products for which improvements in preferential margins are proposed

		Present GSP duty rate	Proposed for 1982
02.04	Other meat and edible meat offals, fresh, chilled or frozen:		
	ex A. Of domestic pigeons	7%	6%
03.02	D. Fish meal	9%[1]	Free[1]
04.07	Edible products of animal origin, not elsewhere specified or included	6%	Free
08.01	ex B. Bananas:		
	- Dried	6%	Free
08.10	ex B. Bilberries (fruit of the species Vaccinium myrtillus), blackberries (brambleberries), mulberries and cloudberries	9%	7%
	C. Fruit of the species Vaccinium myrtilloides and Vaccinium angustifolium)	8%	6%
08.11	D. Bilberries (fruit of the species Vaccinium myrtillus)	4%	3%
09.04	A.I. Pepper		
	(b) Other, neither crushed nor ground	5%	4%
	B.II.Other, crushed or ground	5%	4%
09.06	Cinammon and cinnamon-tree flowers:		
	A. Ground	3%	2%
	B. Other	3%	2%
09.09	A.II. Badian seed, neither crushed nor ground	9%	7%
	B.I. Badian seed, crushed or ground	10%	7%

[1] This exemption applies only to the developing countries listed in Annex C.

		Present GSP duty rate	Proposed for 1982
09.10	F. Other spices, including the mixtures referred to in Note I(b) to Chapter 9:		
	I. Neither crushed nor ground	3%	Free
	II. Crushed or ground:		
	(b) Other	4%	3%
11.04	B. Flour of the fruits falling within any heading in Chapter 8:		
	- Other	4%	2%
15.03	A. Lard stearin and oleostearin:		
	II. Other	3%	Free
	C. Other	5%	3%
15.07	C. Castor oil:		
	II. Other	6%	4%
	D. Other oils:		
	I. (a) Crude		
	1. Palm oil	2.5%	1.5%
15.10	B. Oleic acid	5%	3%
	D. Fatty alcohols	6%	3%
16.03	Meat extracts, meat juices and fish extracts in immediate packings of a net capacity of:		
	B. More than 1 kg but less than 20 kg	1%	Free
	C. 1 kg or less	9%	5%
20.02	ex F. Capers	12%	11%
20.03	Fruit preserved by freezing, containing added sugar:		
	ex A. With a sugar content exceeding 13% by weight:		
	- Fruit falling within heading Nos 08.01, 08.02 D, 08.08 B, E and F and 08.09, excluding pineapples, melons and watermelons	11% + (L)	10% + (L)
	ex B. Other:		
	- Fruit falling within heading Nos 08.01, 08.02 D, 08.08 B, E and F and 08.09, excluding pineapples, melons and watermelons	11%	10%

		Present GSP duty rate	Proposed for 1982
20.04	Fruit, fruit-peel and parts of plants, preserved by sugar (drained, glacé or crystallized):		
	B. Other:		
	ex I. With a sugar content exceeding 13% by weight:		
	- Fruit falling within heading Nos. 08.01, 08.02 D, 08.08 B, E and F and 08.09, excluding pineapples, melons and watermelons	7% + (L)	6% + (L)
	ex II. Other:		
	- Fruit falling within heading Nos. 08.01, 08,02 D, 08.08 B, E and F and 08.09, excluding pineapples, melons and watermelons	7%	6%
20.05	Jams, fruit jellies, marmalades, fruit purée and fruit pastes, being cooked preparations, whether or not containing added sugar:		
	B. Jams and marmalades of citrus fruit:		
	ex I. With a sugar content exceeding 30% by weight, excluding orange jam and marmalade	19% + (L)	18% + (L)
	ex II. With a sugar content exceeding 13% but not exceeding 30% by weight, excluding orange jam and marmalade	19% + (L)	18% + (L)
20.06	II. Not containing added spirit:		
	(a) Containing added sugar, in immediate packings of a net capacity of more than 1 kg:		
	2. Grapefruit segments	11% + (L)	10% + (L)

		Present GSP duty rate	Proposed for 1982
ex 8.	Other fruits:		
	- Fruit falling within heading Nos. 08.01, 08.08 B, E and F and 08.09, excluding pine-apples, melons and water-melons	8% + (L)	7% + (L)
	- Tamarind (pods, pulp)	8% + (L)	7% + (L)
9.	Mixtures of fruit:		
ex (aa)	Mixtures in which no single fruit exceeds 50% of the total weight of the fruits:		
	- Mixtures of two or more fruits falling within heading Nos. 08.01, 08.08 B, E and F and 08.09, excluding melons and watermelons	12% + (L)	11% + (L)
(b)	Containing added sugar, in immediate packings of a net capacity of 1 kg or less:		
	2. Grapefruit segments	11% + (L)	10% + (L)
	9. Mixtures of fruit:		
	ex (aa) Mixtures in which no single fruit exceeds 50% of the total weight of the fruits:		
	- Mixtures of two or more fruits falling within heading Nos. 08.01, 08.08 B, E and F and 08.09, excluding melons and watermelons	12% + (L)	8% + (L)
21.03	B. Prepared mustard	9%	8%
21.04	B. Sauces with a basis of tomato purée	6%	5%
ex	C. Other:		
	- Products with a tomato ketchup basis	8%	6%

		Present GSP duty rate	Proposed 1982
	- Other, excluding sauces with a vegetable oil basis	6%	5%
23.07	C. Other sweetened forrage	6%	3%
24.02	Manufactured tobacco, tobacco extracts and essences:		
	A. Cigarettes	87%	[illegible]%
	B. Cigars	42%	35%
	C. Smoking tobacco	110%	93%

OPINION OF THE COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

Draftsman: Mrs T. CARETTONI ROMAGNOLI

On 22 September 1981 the Committee on External Economic Relations appointed Mrs Carettoni Romagnoli draftsman.

It considered the draft opinion at its meeting of 19 October 1981 and adopted it unanimously.

Present: Sir Frederick Catherwood, chairman: Mrs Wieczorek-Zeul and Mr van Aerssen, vice-chairmen; Mrs Carettoni Romagnoli, draftsman; Mr Almirante, Mrs Baduel Glorioso (deputizing for Mr Galluzzi), Mr Cohen (deputizing for Mr Nicolaou), Mr Filippi, Mr Irmer, Mrs Lenz, Mr Martinet, Mrs L. Moreau, Mr Pelikan, Mrs Poirier, Mr Radoux, Prinz zu Sayn-Wittgenstein, Mr Seeler, Mr Tolman (deputizing for Mr Giummarra) and Mr Welsh.

I. THE SYSTEM FOR THE 1980s

1. This is the fourth time since direct elections that the Committee on External Economic Relations has delivered an opinion on the Community's generalized tariff preferences. The most recent opinion (by Mrs Fourcade) is included in Mr Pearce's report (Doc. 1-545/80), the motion for a resolution of which was adopted on 15 December 1980 by the European Parliament.[1]

2. As is known, the first period of application of the scheme of generalized tariff preferences (GSP) expired on 31 December 1980 and the Council decided to prolong the scheme for a further ten years. Parliament delivered its opinion on the guidelines for the scheme at its sitting on 17 October 1980[2] on the basis of the Pearce report (Doc. 1-455/80). The scheme was fixed for a five-year period with the possibility of annual adaptation.

3. By comparison with the previous decade, the scheme for the 1980s has been amended in two respects:

- simplification in order to achieve greater transparency of the system;
- the introduction of differentiation in relation to the beneficiary countries so that the poorest countries are better able to make use of the system and Community industry is protected against an excessive influx of sensitive products from countries regarded as highly competitive.

4. In order to simplify the system, the Community has since 1981 divided the products concerned into two categories: sensitive products (128 in total, 64 of which are for specific beneficiary countries) and non-sensitive products. For sensitive products, preferential exports from the most competitive countries are subject to a system of Community quotas established for each individual country. These Community quotas are distributed among the Member States of the Community in national quotas. Once a quota ceiling has been reached, the Member State concerned must reintroduce customs duties in respect of the exporting country.

[1] OJ N° C 346, 31.12.1980, p. 18 et seq.
[2] OJ N° C 291, 10.11.1980, p. 77 et seq.

5. According to the Commission, economic criteria are the basis for determining the most competitive countries. We would draw attention to the fact that the Committee on External Economic Relations has in the past[1] stated that these criteria should include the following elements:

a) per capita income;
b) industrial growth rate and investments;
c) social situation;
d) penetration of Community market;
e) preference utilization rate during first period of application;
f) situation of Community producers.

6. For imports from other, less-competitive, countries no national quotas for Member States of the Community have been fixed. Customs duties for the whole Community may be reintroduced when the exporting country's individual ceiling is reached.

7. For non-sensitive products there is a simple statistical surveillance arrangement. Under certain circumstances customs duties can be reintroduced in respect of a specific beneficiary country.

8. The economically least-developed countries (36 in total) enjoy general exemption, without any restriction, for all industrial products (including textiles) and for all agricultural products covered by the GSP, including those subject to ceilings or quotas.

9. Overall, the GSP for industrial products - where there is general exemption from duties - comprises the following elements:

- sensitive products from competitive countries which are subject to a Community quota for each individual exporting country which is then distributed among the Member States in national quotas;
- sensitive products from other countries which are only subject to a Community ceiling for each individual exporting cantry;
- non-sensitive products subject only to statistical surveillance;
- all products from the least developed countries, on which there are no restrictions.

[1] Chouraqui opinion in Document 1-455/80

10. For agricultural products included in the GSP there is either partial or general exemption from duties. As already stated there are no restrictions for the poorest countries.

11. The arrangements for textile products are closely linked to the Multi-fibre Agreement (MFA) and the complementary bilateral agreements. No change will be made to the GSP textile arrangements until the outcome of the renegotiation of the MFA is known.

12. When assessing the GSP, it must be borne in mind that the latter is not just an instrument for development cooperation but that it can also contribute to a more balanced international trade situation. For, if the Third World's share in world and industrial production increases, so will trade between North and South.

II. THE COMMISSION PROPOSAL FOR 1982

13. The Commission considers that the list of sensitive products drawn up last year is still valid and that it therefore requires virtually no modification. The Commission does, however, propose a general across-the-board increase of 10% for quotas (where these are expressed in ECUs). However, a smaller or zero rate of increase is being considered for sectors in difficulty (for example ECSC products, shoes, certain chemical products, etc.).

The Committee on External Economic Relations has no objection to this; however, it would like to know the exact basis for this 10% increase.

14. It should also be noted that the preferential advantages enjoyed by Romania and China in respect of a number of sensitive and non-sensitive products are being extended. As is known, China has recently become a beneficiary of the GSP.

15. With regard to textile products, it has already been indicated that, having regard to the renegotiation of the MFA, the scheme will not be modified. However, the possibility of including new textile-supplier countries in the list of GSP beneficiaries is not excluded, provided they make the necessary bilateral arrangements with the Community. The Committee on External Economic Relations would also prefer to wait with its comments on the textile sector i.e. until the MFA has been renegotiated.

16. The Commission states that, for the GSP for agricultural products, it has started an in-depth review of the existing arrangements. Although, in granting preferential advantages in this sector, certain factors need to be taken into account, for example the common agricultural policy, the advantages accorded to associated countries and the further enlargement of the Community, the Commission has more the less proposed a number of improvements - for one thing the giving of priority to the poorest countries, which, partly because they lack industrial products, have as yet been able to make comparatively little use of the GSP.

17. In view of the above, the Commission proposes improving the preferential margins for 45 products already included in the GSP; 6 of these would become duty free. It is also intended to include 9 new agricultural products in the GSP. In addition, for the least developed countries only, the inclusion of 5 new products exempt from duties is advocated. Lastly, the GSP offer available to all other countries is to be extended to the People's Republic of China.

18. The Committee on External Economic Relations wishes to draw attention to two paragraphs in the European Parliament's resolution of 15 December 1980 relating to agricultural products and the least industrialized developing countries. These read as follows:

> '16. Notes the specific and very limited improvements made to the scheme for the period 1981-1985 as regards agricultural products; and notes that the new scheme makes no changes to the system for agricultural products covered by the common agricultural policy;
>
> 17. Notes, however, with particular reference to the least industrialized developing countries, that the preferences can only be of use if they apply to agricultural products; requests, therefore, that the list of products be progressively extended to include agricultural products, even those covered by the common agricultural policy, and invites the Commission to lay down in the agricultural sector a commercial policy which is compatible with the Community's development policy;'

19. The Committee on External Economic Relations does not have the impression that sufficient account has been taken of the European Parliament's wishes in this respect. Even bearing in mind the restrictions referred to above, it should still be possible to make the poorest countries a wider GSP offer in the agricultural sector.

In this context we would also draw attention to the conference of rich and poor countries held in September in Paris. At this conference the poorest countries asked, among other things, for an improvement in their trading position in the world. The programme of action adopted there invites the rich countries to consider how the export revenue of the least-developed countries can be made more stable. This is in fact a watered-down version of the French initiative aimed at having the STABEX system (which is now applied only to the ACP countries) extended by the Community to all the poorest countries.

20. To summarize,the Commission document contains the following proposals:

- a proposal for a Council Regulation (EEC) establishing a multiannual scheme of generalized tariff preferences and its application for 1982 in respect of certain industrial products originating in developing countries;
- a proposal for a Council Regulation (EEC) opening, allocating and providing for the administration of Community tariff preferences for textile products originating in developing countries and territories;
- a proposal for a Council Regulation (EEC) applying generalized tariff preferences for 1982 in respect of certain agricultural products originating in developing countries;
- a Draft Decision of the Representatives of the Governments of the Member States of the European Coal and Steel Community, meeting within the Council, applying for 1982 the generalized tariff preferences for certain steel products originating in developing countries.

21. According to the explanatory statement to these proposals, the Commission sent the Council a working document setting out the relation between the international minimum labour standards and the GSP. However, the Member States do not appear to have looked into this subject as yet.

We would draw attention to the fact that the Committee on External Economic Relations has already stated that account should be taken of the principal standards laid down by the International Labour Organization (ILO), for example those relating to the employment of children and the role of trade unions.[1] However, it would be no easy task to assess the granting of preferences in terms of the observance of ILO standards in the country concerned, such that a just decision could be taken at all times and in all respects. To give an example: the employment of children in small family businesses would have to be judged differently from employment of children by large multinationals.

[1] See Chouraqui opinion, para. 28

The Committee on External Economic Relations would also appreciate it if the relevant working document could also be sent to Parliament.

22. In relation to the statement that the rules of origin applicable in 1981 will be renewed without change for 1982, the Committee on External Economic Relations wishes to draw attention to paragraph 13 of the resolution of 15 December 1980, which reads as follows:

> '13. Notes with regret that no changes to the rules on origin or better publicity have been proposed, despite requests to that effect.'

Furthermore, certain beneficiary countries, in particular those in regional groupings such as ASEAN, seem to be of the opinion that the generalized preferences system is unsatisfactory with regard to rules of origin. Perhaps it may be possible in the future for the Committee on External Economic Relations to hold an exchange of views on this question with representatives from these countries.

23. The Committee on External Economic Relations considers it very important that the poorest and least-developed countries can and do make increasing use of the GSP. This does not depend solely on formal arrangements but also on their knowledge of and confidence in the system. The committee therefore supports the Commission's plans to continue its programme of information days on the GSP.

Account should also be taken of the outcome of the discussions between the Committee on Development and Cooperation and firms from developing countries held at the Brussels Trade Fair.

24. The proposal on industrial products contains some provisions on the management of the GSP, with more emphasis being placed on Community aspects. Thus Article 15(2) provides for the setting up of a committee on generalized preferences consisting of representatives of the Member States with a representative of the Commission acting as chairman. The committee would only be responsible for decisions on the day-to-day management of the system. Decisions relating to the structure of the system would continue to be the responsibility of the Council, which would take decisions on proposals from the Commission.

The Committee on External Economic Relations hopes that these institutional proposals will be adopted by the Council, not least because this will definitely simplify the management of the GSP.

III. CONCLUSION

25. As the new GSP has been in operation for less than a year it is not yet possible to give a proper assessment of its operation. The Committee on External Economic Relations has attempted to compare the present proposals with recent resolutions from Parliament and the associated opinions of this committee. In the light of this it wishes to make the following recommendations to the Committee on Development and Cooperation:

a) to improve the trading position of the poorest countries in the world, the preferences for these countries, in particular in the agricultural sector, must be increased;

b) the question of the rules of origin needs to be studied thoroughly so that improvements can be made (the Committee on External Economic Relations will try to organize an exchange of views on this subject with representatives of interested beneficiary countries);

c) the Commission's new proposals on the management of the GSP deserve Parliament's support;

d) the Committee on External Economic Relations points out that the GSP should be considered - and hence developed - as one of the policy instruments in relations with developing countries, with particular reference to those countries which do not benefit from association treaties or other preferential arrangements.

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

Draftsman: Mr G WALTER

On 22/23 September 1981 the Committee on Economic and Monetary Affairs appointed Mr Walter draftsman.

It considered the draft opinion at its meeting of 27/28 October 1981 and adopted it unanimously with two abstentions.

Present: Mr J. Moreau, chairman; Mr Walter, draftsman of the opinion; Mrs Baduel Glorioso (deputizing for Mr Fernandez), Mr Beazley, Mr Beumer, Mr Bonaccini, Mr Caborn, Mr Delorozoy, Mr Desouches, Mr Giavazzi, Mr Herman, Mr Hopper, Mr Leonardi, Mr Mihr, Mr Purvis and Mr Schinzel

1. The Committee on Economic and Monetary Affairs has already considered the major principles (Doc. 1-455/80) and guidelines of the European Community's scheme of generalized tariff preferences for the period after 1980 (Doc. 1-67/80).

The main points made by the committee in this opinion also apply to the Commission proposals relating to the preferences scheme for 1981-1985.

2. The committee endorses the basic principles of the GSP .

3. The committee had, nevertheless, voiced criticism of the present method of applying the GSP and its effects, particularly with regard to the following:

- the administration of the GSP is too complicated;
- the utilization of preferences has been concentrated on a small group of more advanced developing countries;
- insufficient utilization of the GSP.

These criticisms show how the GSP should be assessed in future.

4. The committee welcomes

- the limitation of categories of goods into sensitive and non-sensitive products , and
- the exemption for the poorest developing countries from quota systems as a step towards simpler administration.

The committee however insists yet again that the administrative formalities and rules of origin need to be further streamlined.

5. The committee welcomes the Commission's intention to limit the preference benefits of the most advanced developing countries as a means of controlling the utilization of the preferences. At the same time it doubts the efficacy of the quota system proposed by the Commission in view of the administrative work which this would involve.

The committee therefore reiterates its earlier proposal that the GSP should not apply at all to the economically strongest developing countries in the case of products where they are highly competitive.

These measures in themselves cannot of course redress the balance of advantage of the poorest developing countries. What is needed is an effort to concentrate the Community's trade and development policy on raising these countries' capability as suppliers.

6. The committee notes that for 1982 the Commission proposes a lower rate of increase or no increase at all in the generalized preferences in sectors where the Community is experiencing difficulties. A restrictive policy of this kind is, however, only acceptable if it is combined with the necessary restructuring of industry within the Community.

7. The committee still takes the view that the proposed GSP arrangements for agricultural products are inadequate.

8. The Committee on Economic and Monetary Affairs welcomes the new procedure suggested by the Commission for adopting measures relating to the structure of the GSP and annual adjustments to the GSP as a step towards a simpler and more expeditious administration of the system. Essentially, while the general guidelines are to be laid down in a Council decision on a proposal from the Commission, an ad hoc committee (Committee on Generalized Preferences) is to decide on the proposals for annual adjustment submitted by the Commission. This is to prevent the annual GSP arrangements being delayed because of the complexity of the formal procedure.

9. Finally, the Committee on Economic and Monetary Affairs welcomes the supplementary measures such as information seminars, publication of a Practical Guide to the Use of the Community's GSP etc. designed to help the developing countries obtain the maximum benefit from the Community's generalized preferences scheme.