

COMMISSION OF THE EUROPEAN COMMUNITIES

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THE EUROPEAN COMMUNITY'S GENERALIZED TARIFF PREFERENCES SCHEME FOR 1977

(Proposals and Communication from the Commission to the Council)

Editor's note: Only the Explanatory memorandum is included. The proposed legislation was published in *Official Journal C 220/76*, 20.9.1976

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EXPLANATORY MEMORANDUM

I. Introduction

These proposals from the Commission to the Council concern the regulations necessary for granting generalized tariff preferences for the year 1976 for semi-manufactured and manufactured products originating in developing countries.

The proposals for regulations submitted to the Council fall within the scope of the Community offer on generalized tariff preferences made to UNCTAD in 1969. They address themselves to the detailed rules for the application of tariff preferences to a number of processed agricultural products of Chapters 1 to 24 of the CCT and to all manufactured industrial products of Chapters 25 to 99 of the CCT. Iron and steel products covered by the ECSC Treaty are dealt with in special draft decisions opening tariff preferences following the same rules as those adopted for other industrial products, but without prejudice to the administrative details applying to ECSC products.

In submitting these proposals, the Commission urges the Council to respect the spirit of its own Resolution of 27 June 1974 (1) and to organise its work on this subject in such a way as to ensure that the necessary decisions are taken by the end of October 1975 at the latest.

The timetable planned by the Commission has moreover been drawn up in such a way that :

- the European Parliament, after being consulted, can deliver its opinion early enough for the Council to be able to take account of it in its decisions;
- the Economic and Social Committee can make known its opinion in good time;
- the partner and associated States can be informed and will be able to make their views known in good time so that possible consultations can take place under satisfactory conditions.

II. Characteristics of the 1977 GSP

Originally the Community's GSP answered a political challenge. This was during a period when economic expansion and prosperity made sacrifices easy. Since then the GSP has become an economic challenge. We now find ourselves in a period of uncertainty and recession which grows more severe year by year, but this has in no way reduced the Community's willingness to demonstrate its fellowship with the developing countries through the GSP. Moreover, however

(1) O.J. No C.79 of 8 July 1974, p. 1.

serious the economic difficulties may be which the Community faces, they cannot be compared with those which the developing countries are passing through, Particularly the poorest of them. The figures which follow illustrate the growing economic importance and size of the GSP :

<u>Year</u>	<u>Volume of the GSP</u> (in million u.a.)	<u>Utilisation of the GSP</u> (in million u.a.)
1971 (6 months - Community of the Six)	500	220
1972	1.100	450
1973	1.250	695
1974 (Community of the Nine)	3.250	2.100
1975	3.680	2.450 (1)
1976	4.600	2.700 - 3.100 (1)

For its 1977 GSP the Commission is proposing to the Council that the commitments taken by the Community should continue to be honoured and the various resolutions relating to the GSP should be given solid effect. The 1977 GSP is being drawn up against a more relaxed background. The economic recovery has begun and can be expected to spread throughout the Community. The Commission believes that the improvements, which it is proposing, can be borne by the economy of the Community and that they constitute a responsible initiative in regard to the developing countries and at the same time reject the facile temptations of returning to every kind of protectionism. Furthermore the Commission considers that the implementation of the two latest schemes by Canada and by the United States has resulted in an improvement in the sharing of the responsibilities and the burden between the industrialised countries.

1. Agricultural products from Chapters 1 to 24 of the CCT

As has been agreed, the Commission's proposals for 1977 take up the improvements in the GSP adopted by the Council on 6 April for the offer relating to tropical products within the Multilateral Trade Negotiations in GATT. The agricultural section of the 1977 GSP will therefore incorporate :

- 46 new items,
- 70 improvements in preferential margins.

Altogether 296 agricultural products will be covered by the GSP and the total effect of this is estimated at 1,235 million u.a. in 1977.

Most of these improvements represent a special effort in favour of the poorest countries ("Virginia" type tobacco, spices, vegetable oils, cut flowers).

(1) provisional estimates

2. Industrial semi-finished and manufactured products from Chapters 25 to 99 of the CCT

In essence, the proposed improvements deal with the raising of the ceilings and with a new scheme for textiles.

a. Manufactured products other than textiles

Raising the level of the ceilings

In accordance with what was signified during the course of the meetings of UNCTAD, particularly when the "concerted conclusions" of the Special Committee on Preferences were being prepared, it is now time to change the reference year for calculating the ceilings. Moreover the Community has announced this change to the C.I.E.C. in Paris. Generally the year 1971 was used as the base for calculating the tariff quotas and ceilings during three successive years : 1974 - 1975 - 1976. For 1977, the Commission proposes that the year 1974 - the latest year for which appropriate Community statistics are available - should be adopted as the reference year for determining the basic amount as well as the supplementary amount in calculating the ceilings. At the level of individual sensitive and semi-sensitive products the increases in value or in volume as the case may be resulting from these calculations will be limited to a maximum of 50 % by comparison with 1976.

This measure is being applied to all manufactured products other than textiles - apart from shoes and certain steel products - for which it is proposed to freeze the 1976 levels because of the very difficult situation in these two sectors. However as far as steel products are concerned the Commission reserves the right to present proposals for improvements during the course of the discussions at the Council in the light of economic developments in that particular branch of activity.

A table attached at Annex I gives a general idea of the effect of changing the reference year. Although the manufactured products other than textiles show an overall growth ^{in value} of 51 %, the increase varies according to the category of products : 35 % for the sensitive products, 45 % for the semi-sensitive and 57 % for the non-sensitive. It is also to be noted that even if the effect is such, the Commission considers that the Community ought to observe completely the rules of the game which it itself decreed. After all, the Commission reminds the Council that the nominal increase in the level of ceilings takes account of the progress of inflation in the Community. This increase also runs along the lines of the Resolution on manufactured goods adopted at UNCTAD IV in Nairobi, which provides among other things, that the donor countries should as far as possible initiate

a tangible rise in the ceilings and tariff quotas under their generalised preferences schemes.

Classification of products and improvement of the balance of advantages between beneficiaries

These two questions are linked and a specific solution was worked out for 1975. As the Commission has already indicated, the system adopted for administering the special "buffers" raises problems as to whether it is consistent with certain basic principles governing the Customs union. Consequently the Commission proposes on a solely transitional basis, to extend the 1975 system with some adjustments intended to bring up to date the application of the objective criteria laid down at that time.

Under these circumstances, since the problem of classification of products is linked with that of improving the balance of advantages between beneficiaries, the Commission does not propose this year to make any new reductions in the lists of products subject to tariff quotas, although it remains fully in favour of reducing those lists as soon as possible until they are abolished altogether.

b. Jute and Coir products

For coir products, following the conclusion of a new agreement with India, the GSP offer will proceed with the dismantling of tariffs in such a way as to arrive at a nil rate in two stages, the first on 1.7.1976 and the second on 1.1.1978. The tariff suspensions already achieved under GSP for the second half of 1976 will be maintained for the year 1977.

For jute products, negotiations with India and Bangladesh to conclude new agreements are still continuing. It is not at present possible to foresee the outcome of these negotiations which will be resumed in the second half of June. That is why it is more advisable to provide for the continuation for the whole of the year 1977 of the treatment in force in 1976. It is nevertheless understood that this tariff arrangement could be modified in the light of any future agreements.

Should the Community not manage to come to an agreement with one or other of these suppliers, the suspensions would be maintained at their present level. For essentially political reasons it would appear difficult to return to the level of duties in force before 1973.

c. Other textiles

The state of the problem when the 1976 scheme was adopted

The Commission has stated to the Council the four main guiding principles which it expects to propose for a new GSP arrangement for textiles i.e. :

- the creation of a link between the Multifibres Agreement and the GSP,
- maintain the present GSP volume for textiles with a 5 % rate of annual increase,
- the introduction of a more restricted regime for the over-competitive beneficiaries from the Far East on the basis of equal treatment for all of them (this presupposes the elimination of the different treatment at present applied to Hong Kong),
- the rules to be made more flexible for the other beneficiaries who include among their number some of the poorest countries.

For its part, the Council has adopted the following declaration :

" The problem of including dependent countries and territories among the beneficiaries of the GSP scheme for textile products will be examined in the course of 1976 when the scheme for 1977 is being prepared, in the light of the global result of the bilateral negotiations provided by the Multifibres Agreement within an overall solution to the problem of the most competitive beneficiaries. This solution will take particular account of the importance of limiting on the basis of a non-discriminatory treatment, SPG benefit for all the most competitive countries and of making the rules more flexible for the poorest beneficiaries.

The present context

Apart from Japan which has included textiles in its GSP to a limited and modest extent, all the other donor countries have practically excluded these products from preferential advantage. It is therefore legitimate for the Community to question itself on the advisability of maintaining them within its own scheme on account of the obvious absence of a sharing of the burden between the industrialised countries in this sensitive sector.

Inclusion of textiles was originally compelled on political grounds and for conceptual reasons. Not to have included textiles would have amounted to a considerable lessening in the political scope of the Community's scheme and would at a stroke have reduced the economic effect for a number of beneficiaries, particularly some of the poorest such as Pakistan and India. In other respects the non-inclusion of these products broke the balance of the scheme which had been conceived of springing from three interdependent elements : duty-free entry - ceilings - no exceptions. These political grounds and these conceptual reasons for not excluding textiles from the GSP remain clearly valid.

Nevertheless in order to make the burden on the Community's textile industries bearable, the system devised for textiles did depart from the general provisions governing the other industrial products. This policy, and to be more precisely the rate of increase in the level of ceilings, has up to now been followed without harming out textile industries, because it has been below the critical threshold of tolerance. It could therefore be maintained for the future the more so as possible disruptions can be dealt because of the existence of the Multifibres Agreement.

The development of the situation within the context of the Multifibres Agreement makes it easier to look for a solution to the problem of Hong Kong. The different treatment applied to the colony, and in a wider sense to all dependent territories is strongly and unanimously regarded as discriminatory by public opinion in the colony. Direct competitors like South Korea and Singapore and others enjoy GSP. In several cases, the preferential margins have resulted in purchases and investments being changed to the disadvantage of Hong Kong. Exports to the Community are governed by a bilateral agreement, which imposes some sacrifices on the colony. Consequently extending the textiles GSP to Hong Kong would probably not have the effect of increasing the pressure on the Community's industries while to maintain the exclusion of the colony would not fail to prejudice it. Over and above all these economic arguments, there is a political problem. Hong Kong falls under the political responsibility of a Member State of the Community. A differential treatment, by the Community, defects of which continue to grow contains the risk in the long run of political repercussions.

A radical solution is theoretically possible : to exclude Hong Kong's direct competitors but that is not politically viable. The alternative solution consists of including Hong Kong.

The inclusion of Hong Kong which above all is in response to political imperatives can only be conceived of in so far as the protection of Community industries is assured and the poorest of the beneficiaries do not suffer from it. It therefore affords the opportunity to revise the GSP for textiles in the light of twin concerns : improvement in the protection of community industries with respect to competitive beneficiaries and improvement of the system in favour of the other beneficiaries, particularly the poorest.

The proposals summarised below take these two elements into consideration and link them. They are written within the framework of the four guiding principles defined by the Commission and conform to the Declaration by the Council on this subject.

The Proposals

A link between the Multifibres Agreement and the GSP should be examined like that which was created in the past with the LTA. Pending this, the GSP for textiles for 1977 could be extended provisionally for one year in the manner set out below, to the independent and dependent beneficiaries cited in the annex to Regulation (EEC) No 3008/75 for sensitive manufactured products other than iron and steel products and textiles.

Cotton and non-cotton textiles would henceforth be treated in an identical manner. The simplification which would result from this would be very significant, both at the level of regulations (1 regulation instead of 6) and at that of administration and utilisation.

The global volume of the ceilings would be lifted from 75,323 metric tons to 79,131 metric tons, that is an increase of 5 %, without counting the additional amounts hitherto granted to Denmark of a temporary and exceptional basis, which would be phased out in connection with the final alignment of national tariffs with the CCT on 1 July 1977.

The general appearance of the scheme for textiles would stay largely the same, with tariff quotas, ceilings and butoirs. However a double system would be applied, related to the degree of sensitivity of the products, the more restrictive one being kept for those beneficiaries which were considered to be more advanced and more competitive according to the products. The identification of these beneficiaries would be made on the basis of two objective and cumulative criteria : income per head of at least 300 dollars (IBRD 1972) and at least 6 % of the imports per product into the Community coming from developing countries. For 28 products, each global ceiling would be divided into two parts : one part of 30 % for the more competitive beneficiaries administered with a tariff quota without buffer and with a reserve portion; the other part of 70 % set aside for the other beneficiaries and administered under a ceiling with a normal buffer of 50 %. For 1 product subject to tariff quota without a reserve portion, a 5 % buffer would be applied against the more competitive countries while the others would profit from a 30 % buffer. For all the other products (6 sensitive subject to tariff quotas, 14 semi-sensitive and 54 non-sensitive) the general rules of ceilings and buffers would be applied to all the beneficiaries without discrimination.* It follows that this differential application of a non-discriminatory procedure would depend strictly on the objective, cumulative and non-discriminatory criteria referred to above. If, in the course of two successive years, a particular beneficiary did not fulfill one of these criteria, it would then be subject to the general rules.

This double system allows the present possibilities for preferential imports from the more advanced and competitive beneficiaries to be preserved in a global manner. However some difficulties could arise on the case of certain products for which the limitation might in principle result in a cut back. In the view of the Commission, technical modifications could be worked out case by case and for a limited number of products, without challenging the double system envisaged and in particular the division of certain ceilings into two parts administered in different ways (30 % and 70 %) and without bringing about an increase in the Tariff quota or ceiling.

* See general table attached as Annex I (supplement)

The Commission is convinced that the new GSP for textiles devised in a manner which is at once objective and pragmatic is of a constitution which allows textiles to be kept in the GSP in a way that is fair to all the parties interested which yet entirely meets the requirements of the customs union.

d. Introduction of the reserve in tariff quotas

The Commission once again stresses the importance of the progressive introduction (as decided by the Council) of the Community reserve in the tariff quotas still existing under the GSP. To maintain this progress and in accordance with the Council Resolution on this subject, the Commission proposes for 1976 to add three new products (preserved pineapples other than in slices, diodes and transistors and certain types of chairs) to the list of products subject to tariff quotas in 1976 which include a limited reserve.

e. Rules of Origin

The system of rules of origin in force in 1976 will be extended just as it is, subject to the adaptations made necessary by the inclusion of certain agricultural products.

f. Beneficiary countries

No major change is anticipated except as far as textiles are concerned. The Commission reserves the right to put forward proposals during the course of its discussions with the Council aimed at regularizing the list of beneficiaries, in particular to take account of changes in the international status of countries and territories.

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The figures in the table attached at Annex I and its supplement enable an overall assessment to be made of the 1977 machinery :

- textiles	395 million u.a.
- ECSC products	75 million u.a.
- petroleum products	468 million u.a.
- other industrial products	4,300 million u.a.
Total industrial sector	5,235 million u.a.
Total agricultural sector	1,235 million u.a.
Grand total	6,470 million u.a.

These global figures have of course to be broken down to the sectoral level and even to the grade of individual products. They also have to be appraised at the level of the beneficiary countries. For example, calculation of the buffers for sensitive and semi-sensitive industrial products exported under GSP by Pakistan and India, two countries well known to be among the poorest, has enabled it to be established that the 1977 scheme will open up important additional opportunities for them.

<u>Pakistan</u>		<u>India</u>	
37 products of which 25 textiles		68 products of which 39 textiles	
<u>1976</u>	<u>1977</u>	<u>1976</u>	<u>1977</u>
140 million u.a.	240 million u.a.	224 million u.a.	297 million u.a.

A similar calculation for Yugoslavia, hitherto the largest user of the Community's GSP, allows one also to foresee a substantial increase in the benefits, in spite of the special buffers and the particular new set of rules for the textiles GSP, which for a number of products, would clearly be less favourable than the ad hoc scheme in force for the last years.

<u>Yugoslavia</u>	
121 products of which 47 textiles	
<u>1976</u>	<u>1977</u>
206 million u.a.	283 million u.a.

These figures however only illustrate in part the increase in the advantages offered. In fact non-sensitive products have not been included in these calculations because their ceilings and quotas are not subject to surveillance.

The order of magnitude of advancement at the level of countries is thus seen; if the Commission's proposals were to be adopted by the Council without major modifications, the 1977 GSP scheme would mark a significant stage in the implementation of the Council's important resolution of 3 March on the future development of preferences.

III. Additional measures

The qualitative and quantitative improvement of the utilisation of the GSP remains the aim of the Community's efforts in the field of complementary measures intended to support the GSP.

For its part, the Commission will continue with its programme of seminars with an emphasis in them on meeting the actual commercial operators and to elaborate its efforts to give information about particular economic sectors in certain countries.

Furthermore the Commission announced two years ago and has confirmed that it would take steps to set up a GSP documentation, information and advice agency. The studies which have been undertaken are now on the way to completion and a proposal will be submitted to the Council in the coming months.

Finally the Commission reminds the Council that systematic recourse to application of the letter of the procedures for restoring the normal tariff duties is not always compatible with the pragmatic and liberal spirit which reigns over GSP policy. If some Member States have a rather restrictive attitude on this matter, the Commission is pleased to note that one Member State has recently taken the initiative to reopen discussion on the aim of making the rules for administering the GSP more flexible, particularly for the benefit of the poorest countries. The Commission fully supports this move, and reserves the right to put forward suitable proposals during the course of the Council's discussions on the 1977 scheme. For the moment it limits itself to pointing out that the greatest flexibility envisaged would require operations involving close cooperation with all the Member States.

IV. Analysis of the impact of GSP

At the Council's session of 5/6 November 1975 the Netherlands asked the Commission to put before the Council a general assessment comprising :

" - on the one hand an analysis relating to the impact which the Community's generalised preferences have had on developing countries and distinguishing in it according to the profit which different categories of beneficiary countries have drawn from it;

- on the other hand, a comparison between the Community's scheme and the efforts undertaken by other industrialised preference donor countries."

As far as the first part of this assessment is concerned, the Commission has just informed Member States (see letter No SG (76) D - 6371 of 11 June 1976)

in a strictly internal manner, of a study dealing particularly with the degree of utilisation of the GSP by Member States and by the main beneficiaries. This study is based on the comprehensive statistics for the year 1974 (sensitive, semi-sensitive and non-sensitive products); the main elements in it are summarised in the table at Annex II. For the year 1975, it refers in part to statistics already known and is based on them; for the rest it is based on estimates, as it is also in the same way for the year 1976. In addition, a more intense elaboration of the complete figures for the year 1975 which have just been brought together is in process. The question has therefore already been replied to and will be answered further in the future.

On the general level one can pick out some interesting lines of information on⁴ Overall, ten beneficiaries made up about 72 % of the utilisation with a sum of¹⁹⁷⁴ 1,500 million u.a. in the order : Yugoslavia (288 million u.a.), Hong Kong (219 million u.a.), Brazil (189 million u.a.), India (181 million u.a.), South Korea (154 million u.a.), Singapore (119 million u.a.), Pakistan (115 million u.a.), Mexico (98 million u.a.), Romania (76 million u.a.), Iran (61 million u.a.).

As far as cotton textiles are concerned, Pakistan is at the top with 29 % of utilisation, with India in second place with 23 %, ahead of Egypt, Mexico, South Korea and Yugoslavia.

For textiles other than cotton, Yugoslavia, Iran, and South Korea shared 44 % of utilisation.

As far the study comparing the Community's scheme with that of other industrialised countries^{is concerned}, the Commission points out that some studies carried out by the secretariat of UNCTAD may give a first element of reply to the request by the Netherlands. These studies were circulated at the time of the 7th Session of the Special Committee on Preferences and are in the possession of all the national administrations. After taking into account priorities to be carried out favouring activities which have a direct operational effect on Community policies, and the availability of all kinds of resources, the Commission envisages submitting in other respects a further and more elaborate analysis.

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In the proposals which it is submitting to the Council for the 1977 scheme, the Commission has not neglected to retain the views expressed by the European Parliament in its previous debates and the Economic and Social Committee.

In drawing up these proposals the Commission has all the time been inspired by a concern to submit a coherent whole, but one which is above all fair and responds as concretely as possible to the general aims of the GSP, while taking account of the wide variety of situations. It is convinced that these texts bring a new element in the advancement of the preferences in line with the development which all the interested Community institutions have advocated. Thus the political commitment on the theme of co-operation with the countries of the Third World which the Community has entered into and which it has not censed to eleborate, is confirmed.

FINANCIAL EFFECTS OF THE COMMISSION'S PROPOSALS

1. Reduction in customs duties

Up to now the Commission has not been in a position to supply valid figures on the reduction in customs duties attributable to the GSP because of the very incomplete knowledge that there has been of the utilisation of the GSP.

For 1977 some information can be put together on the basis of the figures collected for the GSP years 1974, 1975 and 1976. Calculations of the reduction in customs duties for the 1977 GSP scheme have been made as approximate estimates. The results, which represents an order of magnitude, are set out below as indicative. In fact they would not normally be included in a financial summary which requires stricter particulars. The Commission therefore asks that these figures should be treated with the greatest caution for they should not under any circumstances be interpreted as the economic cost of the 1977 GSP scheme.

The reduction in customs duties attributable to the system of generalised preferences, calculated in terms of the products actually admitted under preferences will lie in 1976 around \pm 257,000,000 u.a.

When it is taken into account that the overall increase in the scheme for 1977 in the value of products eligible should reach 40 % in comparison with 1976 and on the basis of an average incidence of 9.1 % in the customs duties applicable, the reduction in customs duties foreseeable for the year 1977 should be reckoned at about 300,000,000 u.a.

2. Cost of the supplementary measures

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| A. Seminars in beneficiary countries
(Asia, Far East and Latin America) | 65,000 u.c. |
| B. Publication of a guide to the GSP | 40,000 u.a. |
| C. Setting up an agency for documentation
and information on the GSP | p.m.
(see detailed proposal
to be drawn up later) |
| D. Trade promotion and measures to
assist regional integration | p.m. |

in million u.s.

DEVELOPMENT OF THE GSP : 1976 and 1977 SCHEMES

ANNEX I

3.6.1976

Products	Categories	1976 scheme		Proposals for the 1977 scheme		
		Number of products	1976 scheme	Number of products	ceilings	Increase in comparison with 1976
Agricultural products		250	1.000 (1)	296	1.235 (1)	24 %
Textile products	S	15	(2) 39.454 metric tons (163)	7	(2) 21.778 metric tons (49)	
Textile products	S - QS			28	18.681 metric tons (79)	
Textile products	QS	29	29.139 metric tons (192)	14	34.085 metric tons (252)	
Textile products	NS	66	6.730 metric tons (21)	54	4.587 metric tons (15)	
Sub-total		110	75.323 metric tons (376) DK 4.376 metric tons (10)	103	79.131 metric tons (395)	5 % (4 %)
ECSC products	S	3	43	3	43	-
ECSC products	QS	3	23	3	26	9 %
ECSC products	NS	10	2	10	3	50 %
Sub-total		16	68	16	72	6 %
Petroleum products	QS	3	2,5 mio metric tons (288)	3	3,8 mio metric tons (387)	52 % (34 %)
Petroleum products	NS	18	68	18	81	19 %
Sub-total		21	356	21	468	32 %
Plywood	S	1	227.000 m3 (59)	1	282.609 m3 (73)	24 % (24 %)
Other industrial products	S	12	137	12	185	35 %
Other industrial products	HYB	29	275	27	356	29 %
Other industrial products	QS	64	265	67	386	45 %
Other industrial products	NS	1.636	2.100	1.635	3.300	57 %
Sub-total		1.742	2.836	1.742	4.300	51 %
Total Agricultural		250	1.000	296	1.235	24 %
Total Industrial		1.889	3.646	1.882	5.235	43 %
Grand total		2.139	4.646	2.178	6.470	39 %

(1) Estimated import figures; in general agricultural products are not subject to ceilings.

(2) For textile products, value equivalents on the base of CIF EEC price 1974.

S = sensitive ; S - QS = mixed sensitive and semi-sensitive ; HYB = hybrids ; QS = semi-sensitive ; NS = non sensitive.

G.S.P. TEXTILES 1977General features

	<u>Tonnage</u> (Metric)	<u>Values (1)</u> (in million u.a.)
6 tariff quotas 1 buffer	10.460	22
1 tariff quota 2 buffers	11.318	27
28 mixed 30 % in tariff quota and 70 % in ceiling under surveillance	18.681	79
14 ceilings under surveillance	34.085	252
54 ceilings not under surveillance	4.587	15
103 products	<u>79.131</u>	<u>395</u>
Total		
	79.131	395
	79.131	395
	75.323	376
	+ DK 4.376	+ DK 10)

Result of the new rules for the most competitive and advanced beneficiaries

(two cumulative criteria : 6 % of imports from beneficiaries in 1974 and income per head at least equal to 300 US \$ in 1972)

	<u>Income per head</u> (US \$)	
Hong Kong	980	20 special limitations
South Korea	310	16 " "
Yugoslavia	810	14 " "
Brasil	530	9
Mexico	750	3
Colombia	400	3
Uruguay	760	2
Singapore	1.300	1
Venezuela	1.240	1

69 special limitations for a global total of 7,303 metric tons out of volume of GSP quotas and ceilings of 29,999 metric tons.

(1) base price EEC CIF 1974.

3.6.1976

ANNEX II

UTILIZATION OF GSP IN 1974

The information given in this document should be considered in the light of the following explanations:

1. For products subject to tariff quotas and to ceilings under surveillance, the utilization figures are derived from the actual quantities/values charged against such quotas or ceilings in the records of the Member States, transmitted to the Commission.

2. For products subject to normal ceilings, the utilization statistics should be provisionally regarded as estimates. One Member State was unable to provide the information required. Nevertheless, the figures recorded are accurate enough to be used, because there were few imports of the products concerned into that particular State. The ceilings for those products have not been calculated and are estimates.

3. By 1 January 1974 60 beneficiaries including 48 independent countries, had completed the requisite formalities for certification of origin.

<u>Independent countries</u>			<u>Dependent territories</u>
Afghanistan	Ghana	Pakistan	Angola
Algeria	Haiti	Peru	British Pacific Ocean (Solomon Islands only)
Argentina	Honduras	Philippines	Cape Verde Islands
Bolivia	India	Romania	Portuguese Guinea
Botswana	Indonesia	Singapore	Hong Kong
Brazil	Iran	Sri Lanka	Macao
Burma	Ivory Coast	Syria	Mozambique
Chile	Jamaica	Thailand	Papua-New Guinea
Colombia	Korea (South)	Trinidad and Tobago	Portuguese Timor
Cuba	Lebanon	Tunisia	São Tomé and Príncipe
Cyprus	Malaysia	Uruguay	Spanish Territories in Africa
Egypt, Arab Republic of	Mauritius	Venezuela	Territories for which New Zealand is responsible (Cook Islands only)
El Salvador	Mexico	Vietnam, Republic of	
Ecuador	Morocco	Western Samoa	
Ethiopia	Nepal	Yugoslavia	
Fiji	Nicaragua	Zaire	

On 1 July 1974 25 beneficiaries, including 23 independent countries were added to the list:

<u>Independent countries</u>		<u>Dependent territories</u>	
Bahamas	Iraq	Qatar	Netherlands Antilles
Bahrain	Kenya	Senegal	Surinam
Bangladesh	Kuwait	Sierra Leone	
Cameroon	Malawi	Swaziland	
Congo	Nigeria	Sudan	
Dominican Republic	Panama	Tanzania	
Gabon	Paraguay	Tonga	
Guatemala		Yemen, People's Democratic Republic of	

By 31 December 1974 there were 89 beneficiaries including 75 independent countries. Four countries - Guyana, Lesotho, Madagascar and Upper Volta - had been added to the list.

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In considering these lists it is important to bear in mind certain inherent features of the Community's GSP.

For industrial products other than textiles and footwear the Community scheme applied to all the beneficiaries listed above. Only Romania did not enjoy GSP treatment for products subject to tariff quotas and for certain products subject to ceilings.

In the case of textiles and footwear, GSP treatment was not applicable to dependent territories or to Romania.

For textiles other than cotton, all the independent beneficiaries (except Romania) had access to preferential treatment.

In the case of cotton textiles and like products, preferences were confined to independent beneficiaries fulfilling the conditions specified in the Community's offer. For the GSP year 1974 there were 15 such beneficiaries :

Afghanistan, Argentina, Bangladesh, Colombia, Egypt,
El Salvador, India, Indonesia, Jamaica, Korea (South) Malaysia, Mexico,
Pakistan, Philippines, Thailand.

3.6.1976

ANNEX II page 4UTILISATION OF THE GSP 1974thousand u.a.

<u>Products subject to tariff quotas</u>	<u>Volume of quotas/ceilings</u>	<u>Utilisation</u>	<u>%</u>
ECSC products	39,968	6,242	16 %
Footwear	29,288	20,011	68 %
Textiles (see page 5)	122,338 (1) (= 40,385 m. tons)	80,943 (1) (= 23,556 m. tons)	66 %
Other industrial products	353,412	228,138	64 %
Sub-totals	545,006	335,334	62 %
<u>Products subject to ceilings under surveillance</u>			
ECSC products	16,389	9,380	57 %
Petroleum products	163,604	186,640	114 %
Textiles (see page 5)	363,196 (1) (= 26,441 m. tons)	165,734 (1) (= 13,806 m. tons)	46 %
Other industrial products	174,075	166,946	96 %
Sub-totals	717,264	528,700	74 %
<u>Products subject to normal ceilings</u>			
Textiles (see page 5)	43,544 (1) (= 8,000 m. tons)(2)	13,204 (1) (= 2,000 m. tons) (2)	30 %
Other industrial products	(1,500,000)(2)	(957,000)(2)	63 %
Sub-totals	<u>1,543,544</u>	<u>970,204</u>	63 %
GRAND TOTAL	2,805,814	1,834,238	66 %
<u>Agricultural products</u>		<u>252,607</u>	
	Total utilisation of 1974 GSP	<u>2,086,845</u>	

(1) These quotas and ceilings are in metric tons

(2) Estimated

MAIN USERS OF THE GSP FOR INDUSTRIAL PRODUCTS OTHER THAN TEXTILES IN 1974

<u>Products subject to tariff quotas</u>	<u>Beneficiaries</u>	<u>Utilisation in thousand u.a.</u>	<u>Percentage</u>
<u>ECSC products</u>	All beneficiaries	6,242	100 %
	Yugoslavia	3,168	51 %
	Algeria	1,707	27 %
	Korea (South)	1,301	21 %
	Honduras	66	1 %
<u>Footwear</u>	All beneficiaries	20,011	100 %
	Korea (South)	3,971	20 %
	Brazil	3,741	19 %
	Yugoslavia	3,449	17 %
	Pakistan	3,085	15 %
	India	1,359	7 %
	Malaysia	789	4 %
	Mexico	15	-
<u>Other industrial products</u>	All beneficiaries	228,138	100 %
	Hong Kong	53,445	23 %
	Yugoslavia	44,344	19 %
	Korea (South)	26,812	12 %
	Singapore	25,283	11 %
	Brazil	18,328	8 %
	Malaysia	17,276	8 %
<u>Products subject to ceilings under surveillance</u>			
	<u>ECSC Products</u>		
	All beneficiaries	9,380	100 %
	Yugoslavia	5,230	56 %
	Korea (South)	4,117	44 %

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	<u>Beneficiaries</u>	<u>Utilisation in thousand u.a.</u>	<u>Percentage</u>
<u>Petroleum Products</u>	All beneficiaries	186,640	100 %
	Romania	63,043	34 %
	Venezuela	30,443	16 %
	Saudi Arabia	23,245	12 %
	Trinidad and Tobago	21,861	12 %
	Kuwait	9,643	5 %
	Mexico	7,884	4 %
<u>Other industrial products</u>	All beneficiaries	166,946	100 %
	Yugoslavia	40,083	24 %
	Hong Kong	26,325	16 %
	Brazil	19,327	12 %
	Mexico	18,331	11 %
	Korea (South)	13,688	8 %
	India	10,118	6 %
	Singapore	10,061	6 %
	Pakistan	8,334	5 %

UTILISATION OF GSP TEXTILES FOR 1974

	<u>Volume of quotas/ceilings</u>		<u>Utilisation</u>			
	<u>Metric tons</u>	<u>Thousand u.a.</u>	<u>Metric tons</u>	<u>Thousand u.a.</u>		
<u>Products subject to tariff quotas</u>						
Cotton	25,606	} 40,285	122,338	16,740	} 23,556	80,943
Non-cotton	14,679			6,816		
<u>Products subject to ceilings under surveillance</u>						
Cotton	4,033	} 26,441	363,196	3,525	} 13,806	165,734
Non-cotton	22,408			10,281		
<u>Products subject to normal ceilings</u>						
All textiles	<u>8,000</u>	<u>43,544</u>	<u>2,000</u>	<u>13,204</u>		
GRAND TOTAL	74,726	529,078	39,362	259,881		

<u>Rate of utilisation</u> : Global level	53 % by tonnage
	49 % by value
Products subject to tariff quotas	58 % by tonnage
	66 % by value
Products subject to ceilings under surveillance	52 % by tonnage
	46 % by value
Products subject to normal ceilings	25 % by tonnage
	30 % by value

MAIN USERS OF THE TEXTILES GSP 1974

<u>Products subject to tariff quotas</u>	<u>Beneficiaries</u>	<u>Utilisation by tonnage</u>	<u>Percentage</u>
Cotton	All beneficiaries (except Yugoslavia)	16,740	100 %
	Pakistan	4,823	29 %
	India	3,527	21 %
	Egypt Arab Republic of	3,153	19 %
	Mexico	1,287	8 %
	Korea (South)	1,208	7 %
	Colombia	1,204	7 %
	Yugoslavia (separate regulation)	1,226	-
Non cotton	All beneficiaries (including Yugoslavia)	6,816	100 %
	Korea (South)	1,328	19 %
	India	784	12 %
	Mexico	569	8 %
	Thailand	285	4 %
	Pakistan	135	2 %
	Colombia	118	2 %
<u>Products subject to ceilings under surveillance</u>			
Cotton	All beneficiaries (except Yugoslavia)	3,525	100 %
	Pakistan	1,407	40 %
	India	1,340	38 %
	Korea (South)	218	6 %
	Malaysia	91	3 %
	Yugoslavia (separate regulation)	178	-
Non cotton	All beneficiaries (including Yugoslavia)	10,281	100 %
	Yugoslavia	3,668	36 %
	Iran	2,488	24 %
	Pakistan	1,690	16 %
	Brazil	558	5 %