

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(77) 330 final
Brussels, 29 July 1977

THE EUROPEAN COMMUNITY'S SCHEME OF GENERALIZED TARIFF PREFERENCES FOR 1978

(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 242/77*, 10.9.1977

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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 1978 for processed agricultural products and industrial semi-manufactures and manufactures originating in developing countries.

The proposals for regulations presented to the Council fall within the scope of the Community offer on generalized preferences made to UNCTAD in 1969. They concern 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 industrial semi-manufactures and manufactures 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 in accordance with the same rules as those adopted for other industrial products, but without prejudice to the special administrative rules applying to ECSC products.

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 opinions early enough for the Council to take account of them 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 make their views known in good time so that any consultations can be held under satisfactory conditions.

II. Characteristics of the 1978 Scheme

The economic situation in the Community continues to be worrying and hopes of a sustained recovery remain uncertain. For this reason

the Commission has chosen for the 1978 Scheme the prudent course of safeguarding what has been achieved in the past and treading cautiously with regard to the future. For 1978 the commitments entered into will be honoured, but without the systematic substantial improvements of previous years. Efforts will be concentrated on the fullest possible use being made of concessions already granted.

The calculations set out below summarise the evolution of the volume of preferential import possibilities opened as well as their utilisation rate since 1974

	<u>Volume</u>	<u>% Utilisation</u>
1974	3.250 million u.a.	65 %
1975	3.680 million u.a.	50 %
1976	5.600 million u.a.	62 %
1977	6.230 million u.a.	-
1978	6.400 million e.u.a. (*)	-

The Commission would also point out that in future European units of account will be used for expressing financial data.

The Commission's proposals have been drawn up in the light of changes to the tariff Nomenclature, work on which has now reached a stage which makes it likely that the changes will take effect as from 1 January 1978. A final revision will be necessary, however, when the definitive texts are formally adopted.

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

A feature of the 1977 Scheme consists in the substantial improvements in the agricultural sector, resulting mainly from the implementation of the offer on tropical products made in the GATT multilateral trade negotiations. The Community's industrialized partners have by no means all made comparable efforts. Accordingly it is difficult for the Community to go any further at present, especially in the current economic situation.

For 1978 the Commission is proposing to make improvements involving:

the inclusion of some new products, for example: horses for slaughter and other horses; certain kinds of crustaceans and molluscs, dried garlic, limes, tropical fruit cocktails and certain kinds of fruit and vegetables during the winter season (see Annex);

the inclusion of a limited reserve share in all GSP tariff quotas for agricultural products.

(*) The calculation for 1978 has been made on the hypothesis that
1 U.A. = 1 E.U.A.

2. Industrial semi-manufactures and manufactures of Chapters 25 to 99 of the CCT

Essentially the Commission proposes that for industrial products the 1978 Scheme should maintain the pattern of the 1977 Scheme, with a number of improvements and some administrative adjustments.

First, for industrial products other than textiles, the level of ceilings will be raised as a result of the adoption of a new reference year (1975) for calculating the additional amount. However, for a number of products (iron and steel and petroleum products, footwear, plywood), the arrangements in force under the 1977 Scheme will be left intact in view of the difficult situation in the sectors in question. Furthermore, as regards products for which the calculations result in a rate of increase higher than 50%, the ceiling increases will be limited that level.

Secondly, for textile products the Commission does not propose any increase in the ceiling in 1978 (except for carpets), in view of the critical state of the textile industry in various regions of the Community and also the need to take account of the current negotiations for the renewal of the MFA and bilateral agreements.

The arrangements introduced in 1977 will be retained, it being understood that the Commission does not propose to introduce a reserve share in the tariff quotas for textile products because of the highly specialized descriptions of the products and the relatively small volumes involved as a result of such specialization so that it is likely that the quota shares allocated to the various Member States will all be used up at substantially the same rate.

As regards coir and jute products, the tariff suspension accorded by the Community as a counterpart to the voluntary restraint agreements negotiated with India (jute and coir) and Bangladesh (jute) will continue to be applied.

For coir products it will be raised to 100% on 1 January 1978.

For jute products the Commission proposes to bring forward the implementation of the 100% suspension to 1 January 1978 in response to the request from India and Bangladesh and in view of the significance of exports of jute products for these two countries. Under the Agreements this suspension was not due to enter into force until 1 July 1978.

Thirdly, the Commission is proposing three important improvements:

the extension of the application of a limited reserve share to all the GSP tariff quotas expressed in terms of value in the industrial sector, except for ECSC products;

more flexible administration of the special maximum country amounts;

exemption for the least developed countries¹ from reintroduction of the duty in the context of ceilings for semi-sensitive and non-sensitive products. These countries already enjoy (1977) such exemption with regard to the maximum country amounts. This measure continues along the same road the new approach introduced in 1977 setting up a special regime in favour of the least competitive countries and which reserved for them more than two thirds of the ceilings for a considerable number of textile products.

Fourthly, the Commission proposes to extend to Romania the benefit of preferences for a number of additional products as a mark of the Community's readiness, within the framework of its relations with Romania, to take account of the difficult period that country is going through.

3. Volume of trade covered by the proposed 1978 Scheme

The volume of trade covered will amount to 5 100 million EUA for industrial products and 1 300 million EUA for agricultural products, representing a total volume of 6 400 million EUA.

III. Rules of origin

The rules of origin in force for 1977 will be maintained unchanged in 1978,

¹Countries included in the list established by United Nations Resolution 3487 (XXX) of 12 December 1975.

subject to the technical adjustments necessitated by the inclusion of certain agricultural products, amendments to the Nomenclature, the introduction of the European unit of account and the adoption of a new Form A certificate. Furthermore, the possible need for certain technical adjustments to the rules concerning transport will be examined.

IV. Beneficiary countries

There is no major change apart from updating of the list of beneficiaries to take account of changes in the international status of countries and territories. Account has also been taken of the Council decision on the adoption of the geonomenclature.

V. Additional measures

The Community's efforts continue to be aimed at improving utilization of the GSP as regards the manner in which it is used and the quantities involved.

The Commission will continue its programme of seminars with the emphasis on meetings between business operators and stepping up its information efforts at sectoral level in certain beneficiary countries.

Furthermore the Commission hopes that in this matter solution which is a satisfactory and operational will rapidly be found with a view to improving the possibilities for information and utilisation relating to the G.S.P.

Lastly, the Commission urges the Member States to cooperate closely with each other and with the Commission so that the GSP can be administered as flexibly as possible. All those involved in running it should adopt a pragmatic approach which takes account of the situation of the products in question.

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At the conclusion of the CIEC's work in the trade sphere, it was agreed that the donor countries should introduce greater certainty in the

utilization of the GSP, in particular through a form of prior consultation with the beneficiary countries in the event of a reduction or withdrawal of GSP concessions. The Commission will be presenting proposals to the Council on this subject.

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In making its proposals for the 1978 Scheme, the Commission continues to be motivated by a concern for both responsibility and equity: responsibility towards the developing countries, with which we are interdependent partners, and equity with regard to the economic interests of the Community. The Commission believes that the proposed improvements are realistic and will be effective from the standpoint of the beneficiary countries. The keynote of the 1978 Scheme will be measured and tangible improvement.

FINANCIAL IMPLICATIONS OF THE COMMISSION'S PROPOSALS

1. REDUCTION IN CUSTOMS DUTIES

The reduction in customs duties attributable to the generalized system of preferences, calculated in terms of the products at present covered by the GSP, will work out in 1977 at around 300 million EUA.

Given that the overall value of the offer under the 1978 Scheme is being increased to 6 400 million EUA and that utilization should reach 55% of this amount, the reduction in customs receipts for 1978, calculated on the basis of an average rate of 8.5% for the customs duties applicable, should be of the order of 304 million EUA.

The results of these calculations are given as an indication of the order of magnitude and would not normally be included in a financial statement requiring very accurate data. The Commission therefore asks that these figures be treated with caution and not interpreted in any sense as representing the economic cost of the 1978 Scheme.

2. COST OF THE SUPPLEMENTARY MEASURES

A. Seminars in beneficiary countries (Asia, Far East and Latin America)	40 000 EUA
B. Seminar in Brussels (for developing countries)	90 000 EUA
C. Publication of a Guide to the GSP	100 000 EUA
D. Trade promotion and measures to assist regional integration	token entry

LIST OF NEW AGRICULTURAL PRODUCTS TO BE INCLUDED IN THE
COMMISSION'S PROPOSALS FOR THE 1978 SCHEME

ANNEX

CCT heading No	Description	Rate of CCT duty	Proposed GSP rate
01.01 A II	Horses for slaughter	4%	exemption
01.01 A III	Other horses	18%	9%
ex 03.03 A V	Locust lobster	12%	8%
03.03 B IV (a)3	Octopus	8%	5%
ex 07.01 T	Moringa Oleifera (Drumsticks)	16%	exemption
	Marrows and pumpkins - from 1 December to the last day of February	16%	8%
	Other, except celery and parsley - from 1 December to 30 April	16%	8%
ex 07.04 B	Dried garlic	16%	14%
ex 08.02 E	Mexico lime	16%	8%
ex 08.09	Water melons - from 1 November to 31 May	11%	6.5%
20.06 B II (a)9 aa and bb	Mixtures of fruit (falling within heading or subheading 08.01, 08.08 B, E or F or 08.09 except pineapples, melons and water melons) not containing added spirit, containing added sugar, in packings of a net capacity of more than 1 kg	21% + ads or 22% + ads	(8% + levy (
20.06 B II (b)9 aa and bb	Ditto, in packings of a net capacity of 1 kg or less	22% + ads or 24% + ads	(8% + levy (
20.06 B II (c)1 ee	Ditto, not containing added sugar, in packings of a net capacity of 4.5 kg or more	23%	8%
ex 20.06 B II (c)2 bb	Ditto, not containing added sugar, in packings of a net capacity of less than 4.5 kg	23%	8%