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REPORT

drawn up on behalf of the Committee on Development and Cooperation

on the proposal from the Commission of the European Communities to the Council (COM(86) 437 final - Doc. C 2-91/86) fixing the Community's generalized tariff preferences scheme for 1987

Rapporteur : Mrs M. LEHIDEUX

WG(VS1)4950E

PE 107.592/fin.
Or.Fr.

By letter of 26 September 1986 the President of the Council of the European Communities requested the European Parliament, pursuant to the Treaty establishing the European Communities, to deliver an opinion on the proposal from the Commission of the European Communities to the Council fixing the Community's generalized tariff preferences scheme for 1987 (COM(86) 437 final - Doc. C 2-91/86).

By letter of 31 October 1986, the Council asked for the matter to be dealt with by urgent procedure pursuant to Rule 57 of the Rules of Procedure.

On 6 October 1986 the President of the European Parliament referred this report to the Committee on Development and Cooperation as the committee responsible and to the Committee on Agriculture, Fisheries and Food, the Committee on Economic and Monetary Affairs and Industrial Policy, the Committee on External Economic Relations and the Committee on Budgets for an opinion.

At its meeting of 28 May 1986 the Committee on Development and Cooperation appointed Mrs LEHIDEUX rapporteur.

The committee considered the Commission proposal and the draft report at its meetings of 30 October and 11 November 1986.

At the last meeting the committee unanimously decided to recommend to Parliament that it approve the Commission proposal and adopted the motion for a resolution as a whole unanimously.

The following took part in the vote: Mrs FOCKE, chairman; Mrs LEHIDEUX, rapporteur, Mr BALFE, Mr COHEN, Mrs DALY, Mrs DE BACKER-VAN OCKEN, Mr DURAN CORSANEGO, Mr ESTRELLA PEDROLA, Mr FELLERMAIER, Mrs GARCIA ARIAS, Mr GUERMEUR, Mrs HEINRICH, Mr JACKSON, Mr LUSTER, Mrs PERY, Mr PIRKL, Mr PONS GRAU (deputizing for Mr CAMPINOS), Mrs RABBETHGE, Mr RUBERT DE VENTOS, Mrs SIMONS, Mr STAES (deputizing for Mr KUIJPERS) and Mr VERBEEK

The opinions of the Committee on Agriculture, Fisheries and Food, the Committee on Economic and Monetary Affairs and Industrial Policy and the Committee on External Economic Relations are attached. The Committee on Budgets has decided not to deliver an opinion.

The report was tabled on 11 November 1986.

The deadline for tabling amendments to this report is indicated in the draft agenda for the current part-session.

C O N T E N T S

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

MOTION FOR A RESOLUTION

closing the procedure for consultation of the European Parliament on the proposals from the Commission of the European Communities to the Council fixing the Community's generalized tariff preferences scheme for 1987

The European Parliament,

A. having regard to the proposals from the Commission to the Council (COM(86) 437 final),

B. having been consulted by the Council (Doc. C2-91/86),

C. having regard to the report of the Committee on Development and Cooperation and the opinions of the Committee on External Economic Relations, the Committee on Agriculture, Fisheries and Food and the Committee on Economic and Monetary Affairs and Industrial Policy (Doc. A 2-151/86),

D. having regard to the result of the vote on the Commission's proposals,

E. having regard to its previous resolutions[1],

1. Reaffirms its support for the original general objective of the SGP: to increase developing countries' earnings from exports of manufactured products, to encourage their industrialization and, in general, to speed up their economic growth rate; and underlines the important role that the system ought to play in the Community's development policy, particularly with a view to improving the economic situation of the least-developed countries;

2. Supports the Commission's view that the European Community must allow the developing countries to benefit from the positive effects of the economic revival which is taking place in some Community countries by offering to them all improved possibilities of preferential access to the Community market;

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1 OJ No. C 291, 10.11.1980, p. 77
OJ No. C 346, 31.12.1980, p. 19
OJ No. C 327, 14.12.1981, p. 107
OJ No. C 292, 8.11.1982, p. 105
OJ No. C 342, 19.12.1983, p. 168
OJ No. C 337, 17.12.1984, p. 419
OJ No. C 343, 31.12.1985, p. 119

3. Emphasizes that from the point of view of the beneficiary countries, it is important that the Community should adopt its system promptly each year and considers it essential, therefore, that the system should be adopted in accordance with Article 113 of the EEC Treaty, which provides for majority voting;

4. Regrets the fact that the benefits of the generalized tariff preferences system are still confined to a small minority of countries which have already reached a more advanced level of development, and reiterates its demand for measures to enable the least-developed countries to derive greater benefit from the system;

5. Considers it advisable for the system to be simplified and made more flexible wherever possible so that the least-developed countries can benefit more from the advantages it offers. It would become easier to manage and easier for European industry and the beneficiary countries to understand;

6. Notes that the Council has adopted only a limited number of the measures proposed in the 1986 scheme with a view to implementing a new form of differentiation on a product/supplier country basis provided they are based on objective criteria;

7. Notes that the Commission has proposed measures for further differentiation in 1987 too, and reiterates its view that differentiation is acceptable only on condition that it improves access to the Community market for poorer countries and does not make the system as a whole less liberal;'

8. Calls, however, in any event for the implementation of the scheme to proceed in such a way that those beneficiary countries with relatively high indebtedness in terms of their exports may profit by the scheme to the full;

9. Takes the view that a number of more developed countries which currently benefit from the SGP could themselves reduce customs duties to some extent and partially remove non-tariff trade barriers, and considers that the GATT round would be a suitable forum for negotiations on this matter;

10. Considers that, in the framework of measures to encourage South-South trade, newly industrialized countries should be able to grant preferences to poorer developing countries and calls on the Commission to provide technical assistance for those countries which request it at the time that they wish to introduce such preferences;

11. Reiterates its belief that the generalized preferences can be of benefit to the least-developed countries only if they apply to both processed and unprocessed agricultural products, and calls once again on the Commission to include new agricultural products in the lists of preferences, including those covered by the common agricultural policy;

12. Approves in this respect the measures, albeit insufficient, which are proposed for agricultural products in 1987 both for the least-developed countries and those likely to establish a better balance of the advantages of the system to the benefit of the countries of Latin America;

13. Approves the package of measures proposed which seek to strengthen the Community nature of the system to bring it more closely into line with developments in trade patterns and to improve the transparency of day-to-day management;

14. Draws attention once again to the need for intensive information and training programmes to enable the beneficiary countries, particularly the least developed among them, to derive the greatest possible benefit from the possibilities offered by the system;

15. Calls on the Commission to assess carefully the likely implications of the SGP concessions for the Community industry and asks once again that the social partners be better informed and systematically consulted so that provision may be made for the reorganization needed in sensitive industrial sectors to ensure that the burden is more equally shared between all the economic and social sectors of the Community;

16. Calls for greater transparency in the functioning of the system and for greater cooperation on the part of the Member States in communicating their statistics rapidly to the Commission;

17. Takes the view that it would be useful to publish statistics showing the utilization levels, e.g. when 75% and 100% of a ceiling have been used;

18. Recognizes that the notion of burden-sharing applies to trade policy and therefore considers that other industrialized nations must also continue to apply tariff preferences; emphasizes, nevertheless, that the Community as the world's largest trading partner has a special responsibility and must faithfully apply its system of preferences;

19. Instructs its President to forward to the Commission and the Council, as Parliament's opinion, the Commission's proposal as voted by Parliament and the corresponding resolution.

OPINION OF THE COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

Letter from the chairman of the committee to Mrs K. FOCKE, chairman of the Committee on Development and Cooperation

Subject: System of generalized tariff preferences for 1987 (COM(86) 437 final)

Dear Mrs FOCKE,

At its meeting of 25 and 26 September 1986 the Committee on External Economic Relations considered the proposal from the Commission to the Council laying down the generalized tariff preference system for 1987.

The proposal is part of the 1986-1990 five-year programme, the principle of which was approved in 1985 and the precise details of which it lays down for 1987.

The Commission is seeking to exclude from the GSP those countries that have now reached a stage of development that makes measures of this kind in respect of them unnecessary, in order to enable the countries still in the system to derive the greatest possible benefit from it. The countries excluded are Brazil, Hong Kong, Singapore and South Korea. These countries have acknowledged the objectivity and consistency of the standards on which the Commission decisio is based.

The Commission is also seeking to make a number of changes to the management of the GSP to make the whole system more in keeping with the Community spirit, less inflexible, more straightforward and better suited to its purpose in view of the fact that unforeseen events might require prompt reactions.

As far as textiles are concerned there are no changes in the 1987 system, as the negotiations on the renewal of the Multifibre Arrangement and the related bilateral agreements are still going on.

The arrangements for agriculture and fisheries were set out in the 1986 proposal. Commodities produced in Latin America, notably coffee, pineapples and tobacco, have been given much more favourable terms to make allowances for inflation in these countries.

Experience with the system to date has allowed the various quotas to be adjusted in the light of Spanish and Portuguese accession.

The committee unanimously decided to approve this proposal and instructed me to write to you informing you of its decision.

Yours sincerely,

(sgd.) Dame Shelagh ROBERTS

The following took part in the vote: Dame Shelagh ROBERTS, chairman, Mr CANO PINTO, Mr COSTANZO, Mr GRIMALDOS, Mr HITZIGRATH, Mr D. MARTIN (deputizing for Mr FORD), Mrs van ROOY, Mr SARIDAKIS, Mr SEELER, Mr SILVA DOMINGOS, Mr TOUSSAINT, Mr ZAHORKA and Mr ZARGES

OPINION OF THE COMMITTEE ON AGRICULTURE, FISHERIES AND FOOD

Letter from the chairman to Mrs Katharina FOCKE,
chairman of the Committee on Development and Cooperation

Subject: Proposal from the Commission of the European Communities to the Council for a regulation applying generalized tariff preferences for 1987 in respect of certain agricultural products originating in developing countries
(Doc. C 2-91/86 - COM(86) 437 final)

Dear Mrs Focke,

At its meeting of 29 and 30 October 1986[1] the Committee on Agriculture, Fisheries and Food considered the Commission's proposal on the system of generalized tariff preferences to be granted to certain developing countries in 1987.

With regard to the agricultural sector, the committee noted that there has been no fundamental departure from the long-standing basic principles governing the application of the system to agricultural and fishery products. The only changes relate to the inclusion of two new products for 1987, fresh carnations (limited to the period 1 June - 31 October) and unroasted coffee, limited to a 5 000 tonne quota for each producing country. Furthermore, in the case of 'flue-cured' Virginia tobacco the maximum duty applicable is to be reduced from 30 to 20 ECU per quintal, since the real value of the preference granted has steadily and demonstrably been eroded in recent years and it has thus become necessary to readjust the preferential margin. The quota specified for this type of tobacco is 65 992 tonnes.

The European carnation crop is very large (4 178 million blooms in 1982) and if massive quantities were to be imported from third countries at reduced rates of duty, the market could be thrown into crisis. However, the fact that the concession is to be limited to a specific period in the year should prevent direct competition between Community and imported products.

As far as flue-cured tobacco is concerned, Community production in 1984 amounted to 34 144 tonnes (out of a total of 348 421 tonnes) and its imports to approximately 254 000 tonnes, or 60% of total tobacco imports (424 000 tonnes).

Not only, then, is the quantity of flue-cured tobacco produced in the Community relatively modest, but less than 25% of imported tobacco of this type is eligible to benefit from duty reductions under the GSP and the prospective reduction in the maximum duty does not seem likely to have a marked influence on the volume of imports: that being so, no particular problems should arise for Community production, although it is worth pointing out that the latter is subject each year to reductions in the intervention price, especially in the case of some varieties.

The increases in various quotas resulting from Spanish and Portuguese accession to the EEC do not invite any particular remarks. The same applies to the plans to add frozen strawberries and certain juices to the products covered under the preferential conditions of access accorded to a number of the least developed countries.

In the light of the foregoing, the Committee on Agriculture, Fisheries and Food can approve the proposals under consideration.

Yours sincerely,

Teun TOLMAN

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[1]The following took part in the vote: Mr TOLMAN, chairman; Mrs CASTLE, Mr CHRISTENSEN, Mr DALSASS, Mr FRÜH, Mr GATTI, Mr GUARRACI, Mr GUERMEUR (deputizing for Mr Musso), Mr MAHER, Mr MERTENS, Mr MORRIS, Mr NAVARRO VELASCO, Mr F. PISONI, Mrs PROVAN, Mr ROSSI, Mr SPÄTH (deputizing for Mr Bocklet).

OPINION

OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS AND INDUSTRIAL POLICY

Letter of the Chairman of the Committee on Economic and Monetary Affairs and Industrial Policy to Mrs FOCKE, Chairman of the Committee on Development and Cooperation

Subject : Proposals from the Commission to the Council fixing the Community's generalized tariff preferences scheme for 1987 (COM (86) 437 fin.).

Dear Mrs Focke,

At its meeting of 14-15 October 1986, the Committee on Economic and Monetary Affairs and Industrial Policy considered the proposals from the Commission to the Council fixing the Community's generalized tariff preferences scheme for 1987 (COM (86) 437 fin.). The Committee adopted the following conclusions[1] :

General Conclusions

i) The Committee reaffirms the importance of the GSP concept as a means of assisting those developing countries which do not have association or specific preferential agreements with the Community but regrets that such a low level of total Community imports are eligible for GSP benefits, and also that the value of imports which actually receive GSP benefits remains so far below the value of imports which are potentially eligible;

ii) The Committee welcomes, therefore, those elements in the Commission's proposals for 1987 providing for a net increase in the values and volumes of preferential limits, for a redistribution of benefits from those developing countries and product lines least in need of GSP assistance to those which are more in need, for more information about and greater transparency in the operation of the Community GSP, and for greater security for those taking advantage of the scheme;

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[1] The following took part in the vote :
SEAL (Chairman), BEAZLEY (Vice-Chairman), BAILLOT, BESSE, BONACCINI, BRU-PURON, van HEMELDONCK, HERMAN, LATAILLADE, MARQUES MENDES, METTEN, MUHLEN (replacing Starita), NEWMAN (replacing Gautier), NIELSON Tove, PATTERSON, ROGALLA, WEDEKIND

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iii) The Committee notes, as regards beneficiaries of the scheme that the Commission states (p. 2 of COM (86) 437 fin.) that its proposals for 1987 "have been drafted with a particular emphasis on products of interest to the countries of Latin America", but regrets that the Commission has not provided any more details on this point;

iv) The Committee has long insisted, on the other hand, that certain countries and products no longer need GSP assistance as they are able to compete on the Community market without such assistance. The Committee notes, therefore, with approval that the Commission's 1987 proposals carry the concept of differentiated treatment between the more and less competitive developing countries to a further degree by actually excluding a number of products from certain countries (Brazil, Hong-Kong, Singapore and South Korea) from the Community's GSP scheme. The Committee would, however, warn against exclusion being carried out merely on the basis of mechanistic criteria, there also needs to be a thorough study of the level of economic development of the country in question: such studies should be qualitative as well as quantitative, since such familiar indices of degree of development such as GNP per capita should be treated with extreme caution;

v) The Committee also notes that the need for some reciprocity and for better working conditions within the beneficiary countries have sometimes been suggested as possible conditions for the application of GSP. As a general rule the Committee is opposed to imposing any new such conditions, as the GSP is already hemmed in with sufficient restrictions, but considers that reciprocity, (greater access of Community goods to the beneficiary's markets) might be a possible alternative to exclusion of a country's products from the application of the Community GSP. As for the need by the concerned countries to take account of the recommendations made by the Commission on working conditions, a request made on several occasions by the Committee on Economic and Monetary Affairs and Industrial Policy, the Committee recognizes that this is very difficult to evaluate, but believes that the Commission should attempt to make such an evaluation in the case of the more rapidly industrializing developing countries such as some of those in S.E. Asia;

Effects within the Community

vi) Naturally the Committee on Economic and Monetary Affairs and Industrial Policy has a particular interest in the impact of the GSP on industry within the Community. The Commission states that one of its central objectives (p. 2 of its proposals) "is to ensure that the increased competition thus created for the EC's own industries, agriculture and fisheries remain at a level which does not create unfair stresses". The Committee regrets, therefore, that there is no other mention of this criterion in this year's GSP proposals, nor was there any proper evaluation in what should have been the most appropriate context, last year's Commission "review of the European Community's Generalized Tariff Preference Scheme" (COM (85) 203 fin.). This year an additional factor needs to be taken into account, namely the entry of Spain and Portugal into the Community. The Committee further regrets that this is barely mentioned in the Commission's 1987 proposals;

vii) The Committee requests more information on the impact of the GSP on particular industrial sectors within the European Community Member States before the Commission puts forward its proposals for the 1988 GSP;

viii) While the Committee would emphasize that negative effects on specific industrial sectors within the Community must be clearly taken into account it also believes that this assessment should be done more at Community than at national level. The Committee therefore shares the Commission's concern about duties on products from GSP beneficiaries being re-introduced at the simple request of a Member State and on the basis of purely national considerations, and considers that this creates great uncertainty for developing country exporters, and seriously undercuts the value of GSP. The Committee therefore agrees with the Commission that there should be more in-depth consultation between the Commission and individual Member States before duties are re-introduced, and that the Commission needs to be given more responsibility;

ix) The Committee would also point out that the Community GSP will clearly not be transparent for the intended beneficiaries if the information published in the Official Journal and elsewhere is not sufficiently accurate, a condition which is dependent upon information received from the Member States. The Committee therefore supports the Commission in its request to be empowered to ask Member States to submit the necessary up-to-date statistics at appropriate intervals;

x) The Committee also agrees with the Commission that the time has come to abolish the intra-Community allocation of GSP quotas. This practice creates inflexibility within the GSP, with some Member States using up their quotas and others not, and also undercuts the Community internal market as well as the uniform application of the common customs tariff. If imports from GSP countries create severe problems for Community industry they should be restricted by Community measures, not by national quotas. In the rather different context of textile quotas the Committee would also

support the Commission's proposals for the transfer between individual Member States of unused or partly used shares in textile quotas;

xi) Finally the Committee believes that the legal basis for the Community's GSP proposals should be Article 113 of the Treaty, on which there has been conflict between the Commission and Council going back at least 15 years, a conflict which is now before the European Court of Justice. This is not an arcane legal matter but an important issue of principle, since it will determine whether the GSP proposals are to be decided by majority voting of the Member States, or only by unanimity.

Yours sincerely,

Dr. Barry SEAL