



European Communities

EUROPEAN PARLIAMENT**SESSION DOCUMENTS**

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R E P O R T

of the Committee on Development and Cooperation

on the proposals from the Commission to the Council

- for a regulation applying generalized tariff preferences for 1991 in respect of certain industrial products originating in developing countries
(COM(90) 515 final - C3-0381/90)
- for a regulation applying generalized tariff preferences for 1991 to textile products originating in developing countries
(COM(90) 515 final - C3-0382/90)
- for a regulation applying generalized tariff preferences for 1991 in respect of certain agricultural products originating in developing countries
(COM(90) 515 final - C3-0383/90)
- for a regulation reducing for 1991 the levies on certain agricultural products originating in developing countries
(COM(90) 515 final - C3-0384/90)

Rapporteur : Mr Eijner Hovgard CHRISTIANSEN

A Series: Reports - B Series: Motions for Resolutions, Oral Questions - C Series: Documents received from other Institutions (e.g. Consultations)

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PE 145.423/fin.

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= Consultation procedure requiring a single reading

**II

= Cooperation procedure (second reading) which requires the votes of a majority of the current Members of Parliament for rejection or amendment

**I

= Cooperation procedure (first reading)

= Parliamentary assent which requires the votes of a majority of the current Members of Parliament

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Proposal from the Commission to the Council for a regulation applying generalized tariff preferences for 1991 in respect of certain industrial products originating in developing countries

Text proposed by the Commission

Amendments tabled by the Committee on
Development and Cooperation

Citations unchanged

First to second recitals unchanged

Amendment No. 1

Recital 2a (new)

Whereas the review of this instrument of Community trade policy should take greater account of development policy objectives, and whereas the system of generalized tariff preferences should encourage the industrialization of developing countries;

Amendment No. 2

Recital 2b (new)

Whereas, to this end, the review of the system should :

- be preceded, as far as possible, by an assessment by country, region and production sector of the advantages that the developing countries have derived from the system and the obstacles which have hindered its use;
- take account, on both sides of the increased diversity of sectors and countries without reducing the preferences offered by the Community;

Amendment No. 3

Recital 2c (new)

Whereas the system should be reviewed in depth; whereas the European Parliament must therefore be informed of and consulted on the Commission's proposal in good time;

Amendment No. 4

Recital 2d (new)

Whereas an in depth evaluation of the results of the differentiation policy implemented since 1986 has to be conducted; whereas it has to be clearly established whether this policy has benefited the least-developed countries;

Amendment No. 5

Recital 2e (new)

Whereas, for this reason, any differentiation policy should be set up and applied with caution; whereas there are other ways of linking the most advanced developing countries to the normal trade system governed by GATT rules;

Amendment No. 6

Recital 2f (new)

Whereas improved rules of origin for the least-developed countries should be implemented in 1991 as a contribution of the Paris Conference held in September 1990;

Amendment No. 7

Recital 2g (new)

Whereas the review of the system should also allow for closer association of management and labour in the European Community, represented by the Economic and Social Committee, and in the beneficiary countries;

Remainder of recitals unchanged

Articles of enacting terms unchanged

DRAFT LEGISLATIVE RESOLUTION

embodying the opinion of the European Parliament on a proposal from the Commission to the Council for a regulation applying generalized tariff preferences for 1991 in respect of certain industrial products originating in developing countries

The European Parliament,

- having regard to the proposal from the Commission to the Council (COM(90) 515 final),
 - having been consulted by the Council pursuant to Article 113 of the EEC Treaty (C3-381/90),
 - having regard to the report of the Committee on Development and Cooperation and the opinions of the Committee on Budgets and of the Committee on Economic and Monetary Affairs and Industrial Policy (A3-0363/90),
1. Approves the Commission proposal subject to Parliament's amendments and in accordance with the vote thereon;
 2. Calls on the Council to notify Parliament should it intend to depart from the text approved by Parliament;
 3. Asks to be consulted again should the Council intend to make substantial modifications to the Commission proposal;
 4. Instructs its President to forward this opinion to the Council and Commission.

Proposal from the Commission to the Council for a regulation applying generalized tariff preferences for 1991 to textile products originating in developing countries

Text proposed by the Commission

Amendments tabled by the Committee on
Development and Cooperation

Citations unchanged

First to second recitals unchanged

Amendment No. 8

Recital 2a (new)

Whereas the review of this instrument of Community trade policy should take greater account of development policy objectives, and whereas the system of generalized tariff preferences should encourage the industrialization of developing countries;

Amendment No. 9

Recital 2b (new)

Whereas, to this end, the review of the system should:

- be preceded, as far as possible, by an assessment by country, region and production sector of the advantages that the developing countries have derived from the system and the obstacles which have hindered its use;
- take account, on both sides of the increased diversity of sectors and countries without reducing the preferences offered by the Community;

Amendment No. 10

Recital 2c (new)

Whereas the system should be reviewed in depth; whereas the European Parliament must therefore be informed of and consulted on the Commission's proposal in good time;

Amendment No. 11

Recital 2d (new)

Whereas an in depth evaluation of the results of the differentiation policy implemented since 1986 has to be conducted; whereas it has to be clearly established whether this policy has benefited the least-developed countries;

Amendment No. 12

Recital 2e (new)

Whereas, for this reason, any differentiation policy should be set up and applied with caution; whereas there are other ways of linking the most advanced developing countries to the normal trade system governed by GATT rules;

Amendment No. 13

Recital 2f (new)

Whereas improved rules of origin for the least-developed countries should be implemented in 1991 as a contribution of the Paris Conference held in September 1990;

Amendment No. 14

Recital 2g (new)

Whereas the review of the system should also allow for closer association of management and labour in the European Community, represented by the Economic and Social Committee, and in the beneficiary countries;

Remainder of recitals unchanged

Articles of enacting terms unchanged

A
DRAFT LEGISLATIVE RESOLUTION

embodying the opinion of the European Parliament on a proposal from the Commission to the Council for a regulation applying generalized tariff preferences for 1991 to textile products originating in developing countries

The European Parliament,

- having regard to the proposal from the Commission to the Council (COM(90) 515 final),
 - having been consulted by the Council pursuant to Article 113 of the EEC Treaty (C3-382/90),
 - having regard to the report of the Committee on Development and Cooperation and the opinions of the Committee on Budgets and of the Committee on Economic and Monetary Affairs and Industrial Policy (A3-0363/90),
1. Approves the Commission proposal subject to Parliament's amendments and in accordance with the vote thereon;
 2. Calls on the Council to notify Parliament should it intend to depart from the text approved by Parliament;
 3. Asks to be consulted again should the Council intend to make substantial modifications to the Commission proposal;
 4. Instructs its President to forward this opinion to the Council and Commission.

Proposal from the Commission to the Council for a regulation applying generalized tariff preferences for 1991 in respect of certain agricultural products originating in developing countries

Text proposed by the Commission

Amendments tabled by the Committee on Development and Cooperation

Citations unchanged

First to second recitals unchanged

Amendment No. 15

Recital 2a (new)

Whereas the review of this instrument of Community trade policy should take greater account of development policy objectives, and whereas the system of generalized tariff preferences should encourage the industrialization of developing countries;

Amendment No. 16

Recital 2b (new)

Whereas, to this end, the review of the system should:

- be preceded, as far as possible, by an assessment by country, region and production sector of the advantages that the developing countries have derived from the system and the obstacles which have hindered its use;
- take account, on both sides of the increased diversity of sectors and countries without reducing the preferences offered by the Community;

Amendment No. 17

Recital 2c (new)

Whereas the system should be reviewed in depth; whereas the European Parliament must therefore be informed of and consulted on the Commission's proposal in good time;

Amendment No. 18

Recital 2d (new)

Whereas an in depth evaluation of the results of the differentiation policy implemented since 1986 has to be conducted ; whereas it has to be clearly established whether this policy has benefited the least-developed countries;

Amendment No. 19

Recital 2e (new)

Whereas, for this reason, any differentiation policy should be set up and applied with caution; whereas there are other ways of linking the most advanced developing countries to the normal trade system governed by GATT rules;

Amendment No. 20

Recital 2f (new)

Whereas improved rules of origin for the least-developed countries should be implemented in 1991 as a contribution of the Paris Conference held in September 1990;

Amendment No. 21

Recital 2g (new)

Whereas the review of the system should also allow for closer association of management and labour in the European Community, represented by the Economic and Social Committee, and in the beneficiary countries;

Remainder of recitals unchanged

Articles of enacting terms unchanged

DRAFT LEGISLATIVE RESOLUTION

embodying the opinion of the European Parliament on a proposal from the Commission to the Council for a regulation applying generalized tariff preferences for 1991 in respect of certain agricultural products originating in developing countries

The European Parliament,

- having regard to the proposal from the Commission to the Council (COM(90) 515 final),
 - having been consulted by the Council pursuant to Article 113 of the EEC Treaty (C3-383/90),
 - having regard to the report of the Committee on Development and Cooperation and the opinions of the Committee on Budgets and of the Committee on Economic and Monetary Affairs and Industrial Policy (A3-0363/90)
1. Approves the Commission proposal subject to Parliament's amendments and in accordance with the vote thereon;
 2. Calls on the Council to notify Parliament should it intend to depart from the text approved by Parliament;
 3. Asks to be consulted again should the Council intend to make substantial modifications to the Commission proposal;
 4. Instructs its President to forward this opinion to the Council and Commission.

DRAFT LEGISLATIVE RESOLUTION

embodying the opinion of the European Parliament on a proposal from the Commission to the Council for a regulation reducing for 1991 the levies on certain agricultural products originating in developing countries

The European Parliament,

- having regard to the proposal from the Commission to the Council (COM(90) 515 final),
 - having been consulted by the Council pursuant to Article 43 of the EEC Treaty (C3-384/90),
 - having regard to the report of the Committee on Development and Cooperation and the opinions of the Committee on Budgets and of the Committee on Economic and Monetary Affairs and Industrial Policy (A3-0363/90)
1. Approves the Commission proposal in accordance with the vote thereon;
 2. Calls on the Council to notify Parliament should it intend to depart from the text approved by Parliament;
 3. Asks to be consulted again should the Council intend to make substantial modifications to the Commission proposal;
 4. Instructs its President to forward this opinion to the Council and Commission.

B
EXPLANATORY STATEMENT

1. Introduction

The Generalized System of Preferences of the European Communities was set up in 1971. After a first ten-year period of application it was decided in 1981 to reconduct the system for a second ten-year period from 1981 to 1990.

The European Community is currently reviewing its scheme in order to propose a renewed scheme for the decade 1991-2000. Last July, the Commission adopted a Communication to assess the functioning of the present system and to put forward new proposals¹. The European Parliament has been consulted on the Communication and is currently in the process of delivering its opinion.

In its Communication on the GSP guidelines for the 1990s, the Commission underlined the necessity of knowing the results of the Uruguay Round before any detailed proposal according to the new guidelines could be put forward. In its opinion, the proposed GSP for 1991 was still to be designed in the framework of the current 1980s scheme.

According to the discussions in Committee, this position has been accepted by the members of the Committee on Development and Cooperation.

2. Main features of the Commission's proposals for 1991

The Commission considers that - since the scheme for 1991 is transitional - there should be no changes other than those required by external circumstances:

- (a) the economic part is maintained substantially unchanged;
- (b) in the light of the application of the differentiation criteria, it appears necessary to ask for the suppression of the preferential benefit for 5 additional products per country;
- (c) the GSP is extended to Bulgaria and Czechoslovakia (as it was already the case for Yugoslavia, Poland, Hungary and to some extent Romania);
- (d) the GSP is fully extended to Romania (subject to the signing of the trade and cooperation agreement with the EEC);
- (e) effect of the German unification: the Commission proposes a 5% flat rate increase in the quotas (and fixed amounts and ceilings). However, "given the structure of the external agricultural trade" of former East Germany, the Commission does not intend to propose extending this flat rate increase to cover agricultural products.

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In that connection the Commission should bring an economic justification for proposing a 5% flat increase (and not an other figure). As far as the agricultural products are concerned, it is worth recalling that the European Parliament has constantly been insisting on the importance of the inclusion of agricultural products in the GSP. The Commission should therefore make clear the reason why it excludes any increase for agricultural products.

(f) extension of GSP to Mongolia and Namibia

Given the fact that Namibia is independent since about half a year, it has to be regretted that no extension of the current 1990 GSP to Namibia has been decided. This would have been politically and economically important even though the period considered is relatively short.

3. Improved rules of origin for the least developed countries

In its Communication "GSP guidelines for the 1990s", the Commission agreed that improved rules of origin for the least developed countries should not be delayed until the new scheme for the 1990s is defined. It agreed that they should be implemented in 1991. The Committee on Development and Cooperation is deeply concerned by the impact - a negative one according to the Commission itself - of the GSP on the least developed countries. The Committee therefore strongly supports this move.

In the absence of any reference made to this important item in the Commission's proposals, the question arises now as to how the Commission intends to ensure that improved rules of origin be proposed and adopted for 1991.

4. Proposal for a Council Regulation reducing for 1991 the levies on certain agricultural products

The Commission proposes that adjustments should be made to certain meat products covered by the Common Agricultural Policy. It proposes that a preference be granted consisting in a reduction of the import levy (reduction of 50 %) within the limits of a fixed quota.

It is worth recalling that the European Parliament has constantly asked that more agricultural products - including those covered by the CAP - be included in the GSP. Such a proposal should therefore be, in principle welcomed.

5. Financial impact of the proposed 1991 GSP

According to the Commission, the increase in the offer is estimated at around 12% and the loss in customs duties not levied is estimated at around 1 to 1.17 billion ECU.

OPINION

of the Committee on Budgets

Letter from the chairman of the committee to Mr Saby, chairman of the Committee on Development and Cooperation

Brussels, 28 November 1990

Subject: Opinion of the Committee on Budgets on the proposals for regulations to establish the legislative basis for the Community's scheme of generalized tariff preferences for 1991

Dear Mr Saby,

At its meeting of 27 November 1990 the Committee on Budgets considered the proposals referred to above.

It noted that the current proposals deal with the operation of the system of generalized tariff preferences for the financial year 1991, but that, in the light of the GATT negotiations now under way (Uruguay Round), they leave unchanged the economic part of the various schemes applied in 1990.

In these circumstances, the Committee on Budgets reiterates its request to be informed of the impact on budget revenue which the operation of this mechanism will have in the financial year 1991.

Yours sincerely,

(sgd) Thomas von der VRING

The following were present: von der Vring, chairman; Arias Canete, Boge, Desama, Holzfuss, Hry, Kellett-Bowman, Lo Giudice, Marques Mendes, Napoletano, Onur and Pasty.

O P I N I O N

(Rule 120 of the Rules of Procedure)

of the Committee on Economic and Monetary Affairs and Industrial Policy
for the Committee on Development and Cooperation

Draftsman : Mr Bryan CASSIDY

At its meeting of 3 December 1990, the Committee on Economic and Monetary Affairs and Industrial Policy appointed Mr Cassidy draftsman.

At its meeting of 4 December 1990 it considered the draft opinion.

At the latter meeting it adopted the conclusions unanimously.

The following were present for the vote : Mr Beumer, chairman,
Mr Fuchs vice-chairman, Mr Brian M.D. CASSIDY, draftsman, Mr Barton, Mr
Donnelly, Mrs Lulling, Mr Mattina, Mr Siso Cruellas and Mrs Tongue.

Introduction

It is advisable to prolong the 1990 General System of Preferences (GSP) to the 1991 for two reasons. First, the GSP is under review¹ and shall not be ready until mid-1991 since it has to be revised in the light of the outcome of the final phase of the Uruguay Round held on 3-7 December 1990 in Brussels. Second, the three proposals for Council regulations and the draft for an ECSC revision are meant to establish the legislative basis for the 1991 GSP taking into account the political changes in Eastern Europe and elsewhere, such as Namibia and Mongolia.

Given the complexity of the concessions, the production structure of some developing countries and limited utilisation of the advantages offered by some countries, it is difficult to identify the likely effects on the competitiveness of Community enterprises or on employment.

Nature of the 1991 GSP

It should be noted that there is a difference between the 1990 scheme and the one proposed for the 1991. Bulgaria and Czechoslovakia are now included in three of the four GSP cases : industrial, textiles and agricultural products. Extending the preference system to Bulgaria and Czechoslovakia is an act of consistency on the part of the Community both in terms of equal treatment of Eastern European countries (eg. Poland and Hungary have been GSP beneficiaries since 1.1.1990) and in terms of policy for extending the GSP to other countries.

The recent and rapidly worsening economic situations in Czechoslovakia and Bulgaria due to falling export earnings, declining capital income and closures of uncompetitive firms could be partly remedied if better access to Community and other countries market is granted. The GSP would offer to Czechoslovakia and Bulgaria prospects to export more of their industrial, agricultural and textiles products and thus increase their export earnings. In turn, this would help further the economic restructuring of these countries.

The case of Romania is more complicated. In recent years, Romania has been granted limited coverage for MFA textile products and excluded from a large number of industrial products. Following the decision of 16 February 1990 to extend to Romania the action plan for coordinated aid to Poland and Hungary, the Commission proposed a trade and cooperation agreement between the Community and Romania². If this agreement is signed and implemented, then the industrial and textiles products will be fully integrated in the 1991 GSP scheme.

¹ see communication from the Commission on "Generalized System of Preferences : Guidelines for the 1990s" (COM(90) 329 and Parliament's position as stated in the Christiansen report on the same matter (PE 144.240)

² See Commission's two proposals to Council for concluding an Agreement on trade and commercial and economic cooperation between the Community and Roumania (SEC(90)1872 final, 8.10.1990)

Most of the GSP beneficiaries have had access to the ex-GDR market. As a result of German unification, the Commission for the 1991 GSP proposes a 5 % flat-rate increase in the quotas, zero-duty fixed amounts and ceilings for the industrial, textiles and steel products. However, for the agricultural products, the Commission does not propose the same increase in the flat-rate.

Two more countries : Namibia and Mongolia have been added to the list of GSP beneficiaries for all four products : industrial, textiles agricultural and steel. According to the Commission such an inclusion would have no impact on the economic scheme of GSP.

For a limited number of industrial and textiles products that have to do with patents and other kinds of protection for which South Korea discriminates against products originating in the Community, the Commission proposes the continuation of the suspension of the scheme of preferences for that country.

Conclusions

The Committee on Economic and Monetary Affairs and Industrial policy, after examining the three proposals for Council regulation and one draft decision, arrived at the following :

- a) Welcomes the extension of the GSP to Bulgaria and Czechoslovakia as well as to Mongolia and Namibia and believes that the preference scheme would enable these countries in their efforts of economic reconstruction.
- b) Expresses its satisfaction as regards the signing of the Agreement on trade and commercial and economic cooperation between the Community and Romania but calls on the Commission to be vigilant in implementing the Agreement as regards the human rights record of the Romanian government.
- c) Supports the Commission's decision, as a result of German unification, to propose a 5 % flat-rate increase in quotas, zero-duty fixed amounts and ceilings for industrial and textiles products.
- d) Believes that, following the German unification and proposal of the Commission to exclude, in part, agricultural products from the 5 % flat-rate increase in quotas, zero-duty fixed amounts and ceilings, the 1991 GSP should not lead to a fall in volume of agricultural trade originating in ex-COMECON countries.