

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM (89) 494 final

Brussels, 13 October 1989

Proposal of the Commission to the Council for amendment

to document COM(89) 242 final of 17.5.1989

Generalized tariff preferences for 1990

The purpose of the amendment was to extend GSP benefits to Hungary and Poland.

## EXPLANATORY MEMORANDUM

The purpose of the present proposals from the Commission to the Council is to amend the three proposals for EEC regulations adopted by the Commission on 17 May 1989 (COM(89)242 final), which are intended to provide a legislative basis for opening the Community's generalized tariff preferences for 1990, so that the benefit of these preferences would be extended to Poland and Hungary.

### 1. The Commission's Objectives

The deterioration of the economic situation in Poland and Hungary has considerably accelerated in recent years; this has led to a sharp fall in export earnings, a large reduction in the per capita national income and rapid erosion of the competitiveness of businesses. These elements gravely compromise the development of these two countries.

In response to this situation and this challenge, the Archa Summit, held in Paris on 14 and 15 July, adopted an action plan for providing coordinated aid to Poland and Hungary. One part of this plan is to contribute to the modernisation of the economic fabric of these countries, in particular by increasing their exports.

In fact it is reasonable to imagine that improved access for Polish and Hungarian products to the Community market could generate an increase of export earnings and an acceleration of industrialisation, which would in turn contribute to the process of economic restructuring already started.

As a means for achieving these objectives, the Commission considers that the benefit of the Community's generalized tariff preferences should be extended to Poland and Hungary, precisely during the phase, estimated to last five years, when their economies are first being restructured, without however affecting the annual character of the GSP scheme on this account.

### 2. Details of Application

Consequently the Commission proposes that the benefit of the industrial, textile and agricultural schemes of generalized tariff preferences should be extended to Poland and Hungary.

#### 2.1 Industrial Products

The Commission proposes that the benefit of GSP should be extended to Poland and Hungary for all industrial products covered by the Community's scheme, and that the conditions of application to be used should be the same as those for the other beneficiary countries.

Thus, fixed duty-free amounts should apply to certain sensitive products originating also in Poland and Hungary, without however prejudicing what the 1991 scheme will contain in this respect.

## 2.2 Textile Products

Likewise, the Commission proposes that the benefit of GSP should be extended to Poland and Hungary for textile products covered by the MFA and other textile products; furthermore that the same management mechanisms should be used as for the other beneficiary countries.

Thus, for products covered by the MFA, the Commission proposes that tariff quotas should apply to products originating in Poland and Hungary, covered by Community quantitative limits in the bilateral agreements between the Community and its two partners or by regional quantitative limits in three particularly sensitive cases in those same agreements. The Commission proposes that other textile products covered by quantitative limits in those agreements should be subject to fixed duty-free amounts.

With respect to the size of these quotas and amounts, the Commission proposes that a preferential amount equal to 0.5% of Community imports in 1985 should be opened for Poland and Hungary for each category of MFA products concerned. The preferential amounts which it proposes to grant to these two countries for other textile products are the same as those proposed for 1990 for the other beneficiary countries.

## 2.3 Agricultural Products

The Commission also proposes that the benefit of GSP should be extended to Poland and Hungary for the agricultural products covered by the Community's current scheme.

However, with respect to fishery products the Commission proposes that, pending the conclusion of a fishery agreement, Poland should be granted GSP treatment identical to that of Greenland.

## 3. ECSC Products

As regards the ECSC products, they are presently covered by arrangements concluded with Poland and Hungary on an annual basis. The discussion for their renewal will start soon.

Better access to the Community market will be sought, on the one hand, on the occasion of this renewal and, on the other hand, in the framework of the liberalisation which will result from the internal market unification. Taking into account these perspectives, the Commission does not deem it necessary to propose the extension of the GSP benefit to these countries.

Draft

Proposal for amendments to document COM(89)242 final of 17.5.1989

1. Proposal for a COUNCIL REGULATION (EEC) applying generalized tariff preferences for 1990 in respect of certain industrial products originating in developing countries.

- 1.1 "Whereas" clauses

- Insert after the current 17th (p.9), the following text :

- "Whereas both Poland and Hungary have seen their economic situation decline to the point where their development has been severely compromised; in order to increase the export earnings of these two countries with a view to stimulating their economic development, to promote their industrialization and to accelerate their rate of growth it is agreed that, exceptionally, they should benefit from the system of generalized preferences which are currently accorded to countries which are experiencing difficulties in their development; whereas this benefit should only be accorded to them for the duration of their economic restructuring, estimated at five years, without prejudice to the annual character of the Community's system of preferences;"

- 1.2 Articles

- No change.

- 1.3 Annex I - List of products subject to fixed duty-free amounts and ceilings (p. 15) :

- Insert for the following order numbers the information in columns 3, 4, 5 and 6.

Insérer, en regard des numéros d'ordre ci-dessous, les désignations de marchandises, pays et montants mentionnés dans les colonnes (3), (4) (5) et (6) ci-après

ANNEXE I

LISTE DES PRODUITS FAISANT L'OBJET DE MONTANTS FIXES A DROIT NUL ET DE PLAFONDS

Numéro d'ordre	Code NC	Désignation des marchandises	Montants fixes à droit nul		Plafonds (écus)
			Pays ou territoires bénéficiaires	Montant (écus)	
(1)	(2)	(3)	(4)	(5)	(6)
10.0400	3102 10 10	urée	Pologne	380 000	-
10.0590	4203 29 10	gants de protection	Hongrie Pologne	3 000 000 3 000 000	- -
10.0610	4411	panneaux de fibres	Pologne	4 000 000	-
10.0660	6401 6402	chaussures à dessus en caoutchouc	Hongrie Pologne	1 100 000 1 100 000	- -
10.0670	6403	chaussures à dessus en cuir naturel	Hongrie Pologne	2 738 000 2 738 000	- -
10.0680	6404 6405 90 10	chaussures à semelles en caoutchouc	Hongrie Pologne	1 000 000 1 000 000	- -
10.0720	6911	vaisselle en porcelaine	Hongrie Pologne	550 000 550 000	- -
10.0740	6912 00 50	vaisselle en faïence	Hongrie	550 000	-
-	7005	verre flotté	Hongrie	800 000	-
10.0770	7013	objets en verre	Hongrie Pologne	3 000 000 3 000 000	- -
10.0860	ex7304	tubes et tuyaux en fer, fonte, acier	Hongrie Pologne	7 500 000 7 500 000	- -
10.1090	ex8539	Lampes électriques	Hongrie	1 700 000	-
-	8701 20	tracteurs routiers	Hongrie Pologne	3 300 000 3 300 000	- -
-	8702 10 11 10 19	autocars	Hongrie Pologne	329 000 329 000	- -
10.1120	ex8703	automobiles → 3000 cm <sup>3</sup>	Hongrie Pologne	40 000 000 40 000 000	- -
-	8704 22 91 22 99	camions	Pologne	8 000 000	-
10.1300	9503	jouets	Hongrie Pologne	10 000 000 10 000 000	- -

1.4 Annex III.A - List of developing countries and territories enjoying generalized tariff preferences  
A - Independent countries (p. 50)

Insert (in numerical order) the following : 060 Poland  
064 Hungary

2. Proposal for COUNCIL REGULATION (EEC) applying generalized tariff preferences for 1990 to textile products originating in developing countries.

2.1 "Whereas" clauses

2.1.1 Insert after the current 15th "whereas" (p. 56) the following text :

"Whereas both Poland and Hungary have seen their economic situation decline to the point where their development has been severely compromised; in order to increase the export earnings of these two countries with a view to stimulating their economic development, to promote their industrialization and to accelerate their rate of growth it is agreed that, exceptionally, they should benefit from the system of generalized preferences which are currently accorded to countries which are experiencing difficulties in their development; whereas this benefit should only be accorded to them for the duration of their economic restructuring, estimated at five years, without prejudice to the annual character of the Community's system of preferences;"

2.1.2 Replace the current 20th "whereas" (p. 56) with the following text :

"Whereas, according to this new method of calculation, the quantity opened corresponds in general, for each category of products in question, to 0.2% of total Community imports for each of the most competitive countries, 0.5% for Poland and for Hungary and 1% for each of the other beneficiary countries".

2.2 Articles

No change.

2.3 Annex I - List of textile products subject to Community tariff quotas and ceilings within the generalized tariff preferences in favour of certain developing countries and territories (p. 63) :

Insert own textile tables

Insert, for the order numbers and categories below, the countries and amounts mentioned in columns (5), (6), (7) and (8)

ANNEX I

LIST OF TEXTILE PRODUCTS SUBJECT TO COMMUNITY TARIFF QUOTAS AND CEILINGS WITHIN THE GENERALIZED TARIFF PREFERENCES IN FAVOUR OF CERTAIN DEVELOPING COUNTRIES AND TERRITORIES

(p. 63 till 85 of doc. COM(89) 242 fin.)

Order N°	Category (Unit)	CN code	Description	Beneficiary countries or territories	Tariff quotas		Tariff ceilings
					First tranche	Reserve	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
40.0010	1			HUNGARY POLAND	753,2 -	322,8 -	- 1.076
40.0020	2			HUNGARY POLAND	912,8 912,8	391,2 391,2	- -
40.0030	3			HUNGARY POLAND	210 210	90 90	- -
40.0040	4			HUNGARY POLAND	627,9 627,9	269,1 269,1	- -
40.0050	5			HUNGARY POLAND	502,6 502,6	215,4 215,4	- -
40.0060	6			HUNGARY POLAND	583,1 583,1	249,9 249,9	- -
40.0070	7			HUNGARY POLAND	324,1 324,1	138,9 138,9	- -
40.0080	8			HUNGARY POLAND	639,1 639,1	273,9 273,9	- -
40.0090	9			HUNGARY POLAND	43,4 43,4	18,6 18,6	- -
40.0100	10			HUNGARY POLAND	- -	- -	732 732
40.0120	12			HUNGARY POLAND	1.063,3 1.063,3	455,7 455,7	- -
40.0130	13			HUNGARY POLAND	- 672,7	- 288,3	961 -
40.0140	14			HUNGARY POLAND	- 15,4	- 6,6	22 -
40.0150	15			HUNGARY POLAND	75,6 75,6	32,4 32,4	- -
40.0160	16			HUNGARY POLAND	32,9 32,9	14,1 14,1	- -

Order N°	Category (Unit)	CN code	Description	Beneficiary countries or territories	Tariff quotas		Tariff ceilings
					First tranche	Reserve	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
40.0170	17			HUNGARY POLAND	26,6 -	11,4 -	- 38
40.0180	18			HUNGARY POLAND	- 25,9	- 11,1	37 -
40.0190	19			HUNGARY POLAND	582,4 -	249,6 -	- 832
40.0200	20			HUNGARY POLAND	77,7 77,7	33,3 33,3	- -
40.0210	21			HUNGARY POLAND	- -	- -	267 267
40.0220	22			HUNGARY POLAND	- -	- -	309 309
40.0230	23			HUNGARY POLAND	- -	- -	146 146
40.0240	24			HUNGARY POLAND	165,9 165,9	71,1 71,1	- -
40.0260	26			HUNGARY POLAND	- 131,6	- 56,4	188 -
40.0270	27			HUNGARY POLAND	- -	- -	124 124
40.0280	28			HUNGARY POLAND	- -	- -	52 52
40.0290	29			HUNGARY POLAND	- -	- -	59 59
40.0310	31			HUNGARY POLAND	- -	- -	321 321
40.0320	32			HUNGARY POLAND	- -	- -	43 43
40.0330	33			HUNGARY POLAND	- -	- -	115 115



Order N°	Category (Unit)	CN code	Description	Beneficiary countries or territories	Tariff quotas		Tariff ceilings
					First tranche	Reserve	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
40.0340	34			HUNGARY	-	-	4
				POLAND	-	-	4
40.0350	35			HUNGARY	-	-	125
				POLAND	-	-	125
40.0360	36			HUNGARY	-	-	28
				POLAND	19,6	8,4	-
40.0370	37			HUNGARY	-	-	184
				POLAND	128,8	55,2	-
40.0381	38 A			HUNGARY	-	-	10
				POLAND	7	3	-
40.0385	38 B			HUNGARY	-	-	1
				POLAND	-	-	1
40.0390	39			HUNGARY	33,6	14,4	-
				POLAND	-	-	48
40.0400	40			HUNGARY	-	-	17
				POLAND	-	-	17
40.0410	41			HUNGARY	-	-	357
				POLAND	-	-	357
40.0420	42			HUNGARY	-	-	36
				POLAND	-	-	36
40.0430	43			HUNGARY	-	-	37
				POLAND	-	-	37
40.0470	47			HUNGARY	-	-	8
				POLAND	-	-	8
40.0480	48			HUNGARY	-	-	29
				POLAND	-	-	29
40.0490	49			HUNGARY	-	-	12
				POLAND	-	-	12
40.0500	50			HUNGARY	-	-	29
				POLAND	-	-	29

Order N°	Category (Unit)	CN code	Description	Beneficiary countries or territories	Tariff quotas		Tariff Ceilings
					First tranche	Reserve	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
40.0530	53			HUNGARY	-	-	1
				POLAND	-	-	1
40.0540	54			HUNGARY	-	-	3
				POLAND	-	-	3
40.0550	55			HUNGARY	-	-	29
				POLAND	-	-	29
50.0560	56			HUNGARY	-	-	25
				POLAND	-	-	25
40.0580	58			HUNGARY	-	-	134
				POLAND	-	-	134
40.0590	59			HUNGARY	-	-	148
				POLAND	-	-	148
40.0600	60			HUNGARY	-	-	1
				POLAND	-	-	1
40.0610	61			HUNGARY	-	-	23
				POLAND	-	-	23
40.620	62			HUNGARY	-	-	29
				POLAND	-	-	29
40.0630	63			HUNGARY	-	-	16
				POLAND	-	-	16
40.0650	65			HUNGARY	-	-	79
				POLAND	-	-	79
40.0660	66			HUNGARY	-	-	11
				POLAND	-	-	11
40.0670	67			HUNGARY	28,7	12,3	-
				POLAND	-	-	41
40.0680	68			HUNGARY	-	-	43
				POLAND	-	-	43
40.0690	69			HUNGARY	-	-	48
				POLAND	-	-	48

Order N°	Category (Unit)	CN code	Description	Beneficiary countries or territories	Tariff quotas		Tariff ceilings
					First tranche	Reserve	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
40.0700	70			HUNGARY POLAND	- -	- -	3 205 3 205
40.0720	72			HUNGARY POLAND	- -	- -	90 90
40.0730	73			HUNGARY POLAND	60,2 60,2	25,8 25,8	- -
40.0740	74			HUNGARY POLAND	- -	- -	32 32
40.0750	75			HUNGARY POLAND	- -	- -	4 4
40.0760	76			HUNGARY POLAND	56 -	24 -	- 80
40.0770	77			HUNGARY POLAND	- -	- -	22 22
40.0780	78			HUNGARY POLAND	52,5 -	22,5 -	- 75
40.0830	83			HUNGARY POLAND	20,3 20,3	8,7 8,7	- -
40.0840	84			HUNGARY POLAND	- -	- -	7 7
40.0850	85			HUNGARY POLAND	- -	- -	1 1
40.0860	86			HUNGARY POLAND	- -	- -	66 66
40.0870	87			HUNGARY POLAND	- -	- -	17 17
40.0880	88			HUNGARY POLAND	- -	- -	4 4
40.0900	90			HUNGARY POLAND	- 25,2	- 10,8	36 -

Order N°	Category (Unit)	CN code	Description	Beneficiary countries or territories	Tariff quotas		Tariff ceilings
					First tranche	Reserve	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
40.0910	91			HUNGARY POLAND	23,1 -	9,9 -	- 33
40.0930	93			HUNGARY POLAND	- -	- -	13 13
40.0940	94			HUNGARY POLAND	- -	- -	43 43
40.0950	95			HUNGARY POLAND	- -	- -	30 30
40.0960	96			HUNGARY POLAND	- -	- -	185 185
40.0970	97			HUNGARY POLAND	- -	- -	10 10
40.0980	98			HUNGARY POLAND	- -	- -	6 6
40.0990	99			HUNGARY POLAND	- -	- -	35 35
40.1000	100			HUNGARY POLAND	45,5 -	19,5 -	- 65
40.1010	101			HUNGARY POLAND	- -	- -	4 4
40.1090	109			HUNGARY POLAND	- -	- -	6 6
40.1100	110			HUNGARY POLAND	15,4 -	6,6 -	- 22
40.1110	111			HUNGARY POLAND	1,4 -	0,6 -	- 2
40.1120	112			HUNGARY POLAND	- -	- -	15 15
40.1130	113			HUNGARY POLAND	- -	- -	13 13
40.1140	114			HUNGARY POLAND	- -	- -	30 30

2.4 Annex II - List of textile products subject to Community fixed  
dut-free amounts or ceilings within the generalized tariff  
preferences in favour of certain developing countries and  
territories (p. 86) :

Insert textile tables

Insert, for the order numbers and categories below, the countries and amounts mentioned in columns (5), (6) and (7)

ANNEX II

LIST OF TEXTILE PRODUCTS SUBJECTS TO COMMUNITY FIXED DUTY-FREE AMOUNTS OR CEILINGS WITHIN THE GENERALIZED TARIFF PREFERENCES IN FAVOUR OF CERTAIN DEVELOPING COUNTRIES AND TERRITORIES

(p. 86 till 91 of Doc. COM(89) 242 fin.)

Order N°	Category	CN Code	Description	Beneficiary countries or territories	Fixed duty-free amounts	Tariff ceilings not allocated among Member States
(1)	(2)	(3)	(4)	(5)	(6)	(7)
42.1150	115			POLAND	99	-
42.1170	117			HUNGARY POLAND	31 31	- -
42.1180	118			POLAND	14	-
42.1210	121			POLAND	25	-

- 2.5 Annex IV - List of countries and territories referred to in Annex I, column 5 (p. 92) :

Insert (in alphabetical order) : Hungary  
Poland

- 2.6 Annex V - List of developing countries and territories enjoying generalised tariff preferences.  
A. Independent countries (p. 93) :

Insert (in numerical order) the following : 060 Poland  
064 Hungary

3. Proposal for a COUNCIL REGULATION (EEC) applying generalized tariff preferences for 1990 in respect of certain agricultural products originating in developing countries.

3.1 "Whereas" clauses

Insert, after the current 10th "whereas" (p. 98), the following text :

"Whereas both Poland and Hungary have seen their economic situation decline to the point where their development has been severely compromised; in order to increase the export earnings of these two countries with a view to stimulating their economic development, to promote their industrialization and to accelerate their rate of growth it is agreed that, exceptionally, they should benefit from the system of generalized preferences which are currently accorded to countries which are experiencing difficulties in their development; whereas this benefit should only be accorded to them for the duration of their economic restructuring, estimated at five years, without prejudice to the annual character of the Community's system of preferences;"

3.2 Articles

No change.

- 3.3 Annex II - List of products falling within Chapters 1 to 24 originating in developing countries and territories to which the generalized tariff preferences will apply.

Footnote (c) : after Greenland, add : or Poland.

- 3.4 Annex III - List of developing countries and territories enjoying generalized tariff preferences.  
A. Independent countries (p. 125)

Insert (in numerical order) the following : 060 Poland  
064 Hungary

### Financial Statement

It should be noted that the financial effect of generalized tariff preferences accorded to developing countries is difficult to quantify exactly, as much as a result of the flexible nature of the concessions as to :

- the complexity of the concessions and the differentiation between countries, notably because of the existence of quotas and differing tariff ceilings which are applicable either to certain products or beneficiary countries;
- the production structure in some developing countries does not always satisfy the rules of origin criteria;
- only partial utilisation of the advantages offered due either to a lack of information or only limited economic benefit if the normal duty is already low.

As a result of these elements there is a net disproportion between the global offer opened on 1 January and those imports which actually enter by 31 December of the same year at a preferential rate.

On the basis of a global offer worth 25 billion ECU in 1990, of a weighted average Common Customs Tariff duty rate of between 5.5 and 6% and of an average utilisation rate of some 70%, it is estimated that, under the terms of the proposal, subject of the doc. COM(89)242 final, there will be a loss of between 960 million and 1 billion ECU in customs duties not levied due to the application of the Community's GSP scheme in 1990. In comparison, on the one hand the special commerce of countries, which are already beneficiaries of the GSP with the Community (about 47 billion ECU a year) and on the other hand the yearly commerce between the Community and Poland (about 3 billion ECU) and Hungary (about 2 billion ECU) and in presuming the same rate of utilization, one might estimate the supplementary cost of the extension of the GSP to these two countries to 106 million ECU.



COMPETITIVENESS AND EMPLOYMENT IMPACT STATEMENT

- I. What is the main reason for introducing the measure?  
Support of the restructuration of the economies of Poland and Hungary.
- II. Features of the businesses in question. In particular :  
(a) Are there many SMEs?  
Yes. All SMEs susceptible to import or to buy merchandises under GSP or producing competitive products thereof.  
(b) Are they concentrated in regions which are :  
i. eligible for regional aid in the Member States?  
or  
ii. eligible under the ERDF?  
Not possible to identify. These regulations apply in the whole Community and not specifically in certain areas.
- III. What direct obligations does this measure impose on businesses?  
No direct obligations. It does not involve any additional cost. On the contrary, it should reduce costs of the trading activities since more flexibility is proposed in the management field.
- IV. What indirect obligations are local authorities likely to impose on businesses?  
No. Only the national customs administrations are involved in the implementation of the EC' GSP schemes.
- V. Are there any special measures in respect of SMEs?  
Please specify. No. However, either trading firms or companies using imported components/items in their own production could be stimulated by the proposal.
- VI. What is the likely effect on :  
(a) the competitiveness of businesses?  
Difficult to identify since a wideranging of sectors and activities are covered. Giving preferences may increase external competition slightly but can certainly encourage creation of both new import firms and joint ventures with foreign partners.  
(b) employment?  
For the same reasons, impossible to identify.
- VII. Have both sides of industry been consulted?  
Please indicate their opinions.  
As the GSP scheme is a long-established EC policy - since 1 July 1971 - normal sectoral consultations by DGs III and VI in preparation of these proposals have taken place with the relevant industrial organizations. In addition, the Commission uses to consult the Economic and Social Committee, after its proposals being adopted, without having any formal obligation to do so.