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## EUROPEAN COMMUNITY TO BOOST GENERALIZED TARIFF PREFERENCES

Despite continued difficulties among some sectors of its own economies, the Commission of the nine-nation European Community has proposed a generalized tariff preferences system (GSP) for 1979 that would increase preferential trade opportunities to developing nations by about 15 percent above the 1978 figure.

Industrial imports would be increased to about \$8.2 billion (6.6 billion EUA) and agricultural imports would climb to about \$1.6 billion (1.3 billion EUA), for a combined total of about \$9.9 billion (7.9 billion EUA).

A liberalized GSP, as recommended by the United Nations Conference on Trade and Development (UNCTAD), should encourage developing nations to accelerate their exports to the markets of the nine-nation Community. Leaders of the European Community agreed at the Bremen European Council in July that its member states should increase the access to EC markets for developing nations, a view that was also supported by other industrialized nations' leaders at the Western economic summit in Bonn. In presenting its proposal for a broader GSP, the Commission also said the preferential trade policy was intended to make a contribution to the multilateral trade negotiations under way in Geneva through the General Agreement on Tariffs and Trade.

The main feature of the GSP for 1979 is a new policy on textile imports that takes into account the Community's bilateral agreements with several textile suppliers negotiated under the framework of the new Multifiber Agreement. In 1978 the GSP allowed a duty-free volume of 84,000 metric tons (calculated from a 1968 reference basis); the 1979 policy would double the allowed textile imports to about 162,000 metric tons, including about 140,000 metric tons for products covered by the MFA.

The objective of the new GSP in the textile area is to ensure not only a greater volume of duty-free imports from the developing countries but also to guarantee each beneficiary country, and particularly the least competitive countries, a fair share of preferential imports so that they may obtain a real increase in export earnings through the reduction of customs duties.

In agricultural products, the Commission proposal includes 13 new products (Morello cherries, concentrated grapefruit juices and Hilsa fish, for example), bringing the total list to 320. Reductions in the level of preferential duties on 14 products, such as some crustaceans, soluble coffee, cocoa butter, honey and cigars, is expected to increase the total trade value to some 155 million EUA (about \$194 million).

In industrial semi-manufactures and manufactures, the Commission proposed no radical changes. All ceilings have been recalculated from 1976, a more recent reference year. In several sensitive product areas, notably footwear and steel, the proposal states that "no increase can be risked in 1979" because of the "precarious economic situation" in the EC in those industrial sectors. In addition, the increased quota for plywood has been limited to 5 percent to protect the 55 Atlantic, Caribbean and Pacific countries that are members of the Lome Convention. On non-sensitive products a normal increase of 15 percent will be applied.

Special measures for the 28 least developed countries include an exemption from any customs duties for most agricultural products, a suspension of the reintroduction of duties on industrial products after maximum country amounts have been reached, and the non-application of individual limits on textile products under member state ceilings.

The table below indicates the progressive increase in GSP offers since 1974, the first year in which the GSP was applied by the Community.

<u>Value of offer</u>		
<u>(in million \$)</u>	<u>(in million units of account)</u>	<u>rate of use</u>
1974 \$4,062	3,250 MUA	65%
1975 4,600	3,680	50%
1976 7,000	5,600	67%
1977 8,400	6,720 <sup>1</sup>	63.1%
1978 8,500	6,800 <sup>1</sup>	
1979 9,875	7,900	

<sup>1</sup>revised figure