

**ECONOMIC AND SOCIAL COMMITTEE**

DOSSIER EXT/24  
GSP for 1980

Brussels, 18 September 1979

R E P O R T

of the Section for External Relations  
on the Commission's Proposals concerning  
the European Community's Generalised Tariff  
Preferences Scheme for 1980

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Rapporteur : Mr Dietmar CREMER

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1. The Commission is now submitting to the Council its tenth series of proposals on generalized tariff preferences. Since 1971 the Community has applied such preferences to imports from developing countries and territories under a unilateral ten-year offer it made to UNCTAD in 1969, which is due to end this year.

2. Origin : Since the mid-sixties, the developing countries have been requesting more and more strongly that their products should be given preferential access to the markets of industrialized countries. In 1967, the Group of 77 advocated (\*) the conclusion of an agreement on a general system of non-discriminatory and non-reciprocal tariff preferences, which would give all manufactured and semi-manufactured articles from all developing countries unlimited duty-free access to the markets of all developed countries.

3. First GSP : On 1 July 1971 the Community introduced the first-ever scheme of generalized tariff preferences for a number of agricultural products falling within Chapters 1 to 24 of the Common Customs Tariff (CCT) and all manufactured and semi-manufactured goods from Chapters 25 to 99 of the CCT.

4. Other GSPs : Other schemes of generalized tariff preferences have been introduced by Japan (August 1971), Norway (October 1971), Sweden, Denmark and the UK (January 1972), Canada (1 July 1974) and the United States (1 January 1975).

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(\*) Algiers Charter, signed by 77 developing countries.

5. Features : The GSPs of the Community and the other countries which have followed the Community's example clearly do not fully meet the wishes of the developing countries, which do not want any restrictions or duties to be imposed on any of their exports to industrialized countries. In general, the preferences granted remain limited, because duty-free entry is not always the case and quotas are applied. Each year the Community makes improvements to its GSP for the benefit of developing countries.

6. Characteristics of the Community GSP

6.1. Agricultural products : More than 300 agricultural products enjoy tariff benefits ranging from reduced rates of duty right through to complete exemption. There are no quotas for most of the products to which the GSP applies. The only protective measure in force at the Community frontier is a selective safeguard clause (which is applied when the volume or price of imports does serious harm to Community producers or threatens to do so).

6.2. Industrial products (almost all basic industrial products are already imported duty-free) : The scheme for manufactures and semi-manufactures is marked by three interconnected features : ceilings, exemptions from duties and non-exclusion. The ceilings limit the volume of the imports but are offset by these imports' total exemption from duties and the non-exclusion of products. There is also no safeguard clause. The ceiling for each product is laid down each calendar year.

6.3. The ceilings are fixed differently, depending on how sensitive the products are from an economic point of view :

- Sensitive products (textiles and some others) : tariff quotas are divided in advance amongst the Member States, with a Community reserve share also being provided;
- Quasi-sensitive products (a good hundred) : there is one single Community quota;
- Semi-sensitive products (1980) : the ceiling comes into operation as a function of the products' sensitivity.

6.4. Utilization : In recent years more and more use of the GSP has been made by the developing countries; the scheme for sensitive products is used 100% while for all products the figure is about 63% on average (1977). The Commission is also devoting more and more publicity to the scheme (seminars, publications, etc.) to make it more effective.

## 7. The Economic and Social Committee and the GSP

7.1. The Committee has been delivering Opinions on the Commission's proposals for the scheme for several years now. It has always endorsed these proposals, while making a number of suggestions, viz. :

- a) The GSP machinery should be geared to benefit the countries most in need first and foremost;
- b) Account should be taken of the level of competitiveness and development reached by the beneficiary countries;

- c) The GSP should be amended to take into account the Community's own balance and employment, particularly in the sectors faced with structural difficulties.

This is why the Committee asked in its last Opinion that the Community GSP scheme should become more selective as regards both countries and products and benefit those countries that are most in need - in accordance with the other policies of the Community.

7.2. The Committee has underlined on several occasions, and notably in its Opinion of 29 November 1978 (\*) "the need to match the Community's external policy with appropriate internal policies and structures" and has always emphasized that "any new commitment of a commercial, financial or any other nature towards third countries should take account of the following requirements :

- Such undertakings should be largely based on the mutual interests of the Community and its partners;
- In their relations with the Community and in the international context the developing countries should behave in a way that is in keeping with the agreements concluded and conducive to healthy competition (this is particularly vital in cases where concessions have been made unilaterally). Such behaviour is particularly necessary with regard to prices (e.g. there should be no dumping), regularity of supply, terms of payment, access to markets, etc.;

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(\*) OJ No. C 105 of 26 April 1979.

- All the countries concerned should recognize fundamental human rights and respect minimum standards laid down for working conditions by the ILO. The Committee considers the Commission's new proposals in this area as a first step that should be followed up."

7.3. In its 1978 Opinion the Committee also said that "the GSP scheme is one of the Community instruments which enable the Community as such to assume its responsibilities towards the developing countries at world level" and that "the Community should do its utmost to make this instrument more effective and, in particular, to give the poor developing countries the best openings."

8. Use made of GSP : Tables compiled by the Commission showing the use made of the Community GSP are appended to this Report (see Appendix 1).

9. 1980 Amendments

A. Agricultural products falling within Chapters 1 - 24 of the CCT

The changes here are few and largely technical, such as the adjustment of the Virginia tobacco quota. It is also proposed to cut the duty on dried bananas from 10% to 6%.

B. Industrial products other than textiles

The changes proposed here are based on new statistics. But for certain products the Commission has not fully applied the new figures because of the economic situation in the Community.

For sensitive products a second adjustment towards the European unit of account will be made on the basis of the latter's value on 1 October 1979.

Overall the Community's offer for industrial products (except textiles and other sensitive products) will be improved by around 15%.

C. Textiles

The Commission is proposing a new GSP for textiles in 1980. It is the same as that proposed in 1978 for 1979, which was only partially approved by the Council on 24 May 1979. The two major innovations are :

- The allocation of zero-duty quotas per LDC supplier for sensitive products; and
- A new method for calculating quotas on a Community basis.

The aim of this GSP is to align the textile scheme on the Multifibres Arrangement (MFA) and the agreements concluded within the framework of the MFA between the Community and a number of non-EEC countries (see CES 883/78 fin 2 and Appendix 4 to this Report).

D. Beneficiary countries

The Commission is proposing that the People's Republic of China be included in the 1980 GSP.

10. GSP Proposals for 1980 - Comments

10.1. As regards the GSP proposals for the last year of the Community's ten-year offer to UNCTAD in 1969 the Section would confirm the remarks it has made in its previous Opinions on the subject, particularly those concerning the need to make the scheme more selective in the light of the products and the degree of development of individual countries.

10.2. The Section is pleased that the Commission has taken note of two things in its GSP proposals for 1980, namely :

- a) The Community's responsibilities towards the developing countries, and
- b) The economic situation in the Community, particularly as regards employment.

10.3. As it does not have sufficient information on China the Section cannot unreservedly support the Commission's proposal to include that country on the list of GSP beneficiaries for 1980.



Some members would underline once again that the Community's relations with non-EEC countries should be firmly based on the principle of reciprocity, where concessions made by one side are matched as far as possible by concessions made by the other, bearing in mind the level of development of the respective partners. They would also point out that the decisions taken by the "Legal Group" (1) at the end of the Tokyo Round allow the contracting parties to apply generalized tariff preferences schemes to developing countries which include rules whereby the latter can progressively return to the obligations of the GATT.

10.4. The Economic and Social Committee will be coming back to the principle of the GSP and the procedures for applying it in practice in the second decade, and to the question of applying minimum standards as regards working conditions.

Done at Brussels, 11 September 1979.

The Chairman  
of the  
Section for External  
Relations

The Rapporteur  
of the  
Section for External  
Relations

Jean de PRECIGOUT

Dietmar CREMER

The Secretary-General  
of the  
Economic and Social Committee

Roger LOUET

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(1) Group basically responsible for taking account of LDC interests in international trade.

USE OF 197 GSP BY MAIN BENEFICIARIES

Values : 1.000 UA

Origines	Total imports - all products				GSP Imports								
	01 - 24	50 - 63	25 - 49 et 64 - 99	01 - 99	01 - 24			25 - 99				01 - 99	
					S (2)	Q.S. (2)	N.S.	S	H	Q.S.	N.S.		
Extra CEE	29.357.143	10.849.929	132.965.525	173.172.597									
Class 2	15.743.606	4.808.979	54.591.427	75.144.012									
A.C.P.	5.268.480	316.771	6.899.502	12.484.753									
Benefi- ciaries(1)	15.572.306	5.031.944	55.267.839	75.871.963	360.371	57.295	645.543	384.504	122.988	1.256.572	1.019.776	3.847.049	
of which:													
Yugoslavia	238.202	336.298	965.756	1.540.256	-	-	11.965	35.893	18.461	184.041	185.414	435.774	
Malaysia	343.619	67.124	919.268	1.330.011	68.407	-	223.075	21.455	275	27.442	19.595	360.249	
Hong Kong	21.057	1.013.816	957.396	1.992.269	-	-	1.686	26.549	46.444	93.124	173.414	341.217	
India	552.213	437.610	650.913	1.640.736	15.175	946	20.870	68.205	3.749	93.596	122.736	325.277	
S. Korea	89.475	507.499	660.860	1.257.834	7.644	-	2.971	76.873	36.147	86.471	95.181	305.287	
Brazil	2.247.154	211.271	996.301	3.454.726	71.843	767	44.536	28.001	4.946	47.954	106.937	304.984	
Roumania	147.707	172.273	683.140	1.003.120	371	-	4.450	-	213	180.851	62.046	247.931	
Philippines	324.688	66.833	171.903	563.424	32.752	-	57.913	17.377	1.004	14.804	10.331	134.181	
Vénézuéla	27.184	435	482.592	510.211	-	-	1.143	209	-	120.348	6.178	127.878	
Singapore	34.772	112.218	481.561	628.551	610	-	5.704	24.168	4.118	32.003	57.314	123.917	
Indonésia	449.855	3.293	403.491	856.639	452	53.097	61.668	574	28	219	4.590	120.628	
Thaïlande	487.564	90.152	173.300	751.016	26.919	-	22.662	19.047	745	32.741	16.768	118.882	
Argentine	1.428.023	134.241	226.748	1.789.012	5.688	-	29.986	13.648	305	16.067	47.699	113.393	
Pakistan	57.401	134.555	81.684	273.640	2.312	-	15.312	22.169	137	68.733	3.821	112.484	
Mexico	163.863	62.298	202.466	428.627	7.010	127	15.463	5.043	2.346	15.978	43.656	89.623	
Colombia	601.041	55.157	56.637	712.835	4.209	2.326	1.245	7.923	32	2.234	2.697	20.666	
Pérou	60.657	41.409	202.013	304.079	39	-	13.246	1.617	29	1.017	1.865	17.813	
17 Countries	7.274.475	3.446.482	8.316.029	19.036.986	243.431	57.263	533.895	368.751	118.979	1.017.623	960.242	3.300.184	
% 17 Coun- tries / beneficiaries	46.7 %	68.5%	15.0%	25.1%	67.6%	99.9%	82.7%	95.9%	96.7%	81.0%	94.2%	85.8%	

(1) For this table, beneficiaries = class 2 - TOM - DOM - Taiwan + Yugoslavia + Roumania

(2) Calculated on the basis of average values.

Source : S.C.E.

UTILIZATION OF THE GSP 1978

EUA 1000

<u>Products subject to tariff quotas</u>	<u>quotas/ceilings</u>	<u>Utilization</u>	<u>%</u>
ECSC products	43,026	12,212	28.4 %
Footwear	33,210	30,041	90.5 %
Textiles (1)	228,844 (2) (=41,561 metric tons)	173,268 (32,296 m.t.)	75.7 %
Other industrial products	210,634 (121,600+89,034 for item 44.15)	202,491 (113,457+89,034)	96.1 %
Agricultural products (3)	475,749 (2) (=173,350 metric tons)	296,300 (131,605 m.t.)	75.9 %
Sub-totals	991,463 (93 % / 77)	714,312 (99.3 % / 77)	72 %
<u>Products subject to ceilings under surveillance</u>			
ECSC products	23,084	4,523	19.6 %
Petroleum products	254,224 (2) (=2,678,500 m.t.)	500,698 (5,534,454 m.t.)	199.2 %
Textiles (1)	551,452 (2) (31,784 m.t.)	409,911 (23,626 m.t.)	74.3 %
Other industrial products	439,513	558,545	127.1 %
Products subject to preferential tariff ceilings (Reg.2704/77)	320,736	163,667	51 %
Ceiling for tobacco (other than Virginia type)	12,450 (2) (=2,500 m.t.)	16,120 (=3,237 m.t.)	129.5 %
Sub-totals	1,601,459 (97.1 % / 77)	1,653,464 (110.3 % / 77)	103 %
<u>Products subject to normal ceilings or no ceilings at all</u>			
Textiles (1)	39,102 (2) (=9,066 m.t.) (4)	19,873 (2) (=4,608 m.t.) (4)	51 %
Jute and coir products	77,976 (4) (2) (=18,400 m.t.)	48,777 (=11,465 m.t.)	62.3 %
Other industrial products	3,040,000 (4)	1,082,326	36 %
Sub-totals	3,157,078	1,150,976	36.5 %
TOTAL	5,750,000 (105 % / 77)	3,518,752 (99.8 % / 77)	61 %
<u>Other agricultural products</u>	1,250,000 (4) (101.6 % / 77)	654,034 (96.2 % / 77)	52.3 %
TOTAL OPENED	7,000,000 Total utilization of the 1978 GSP	4,172,786 (98.4 % / 77)	60 %

(1) Cotton and other than cotton

(2) These quotas and ceilings are expressed in metric tons

(3) Tariff quotas for cocoa butter, soluble coffee, pineapples (in slices, and other than in slices), tobacco.

(4) Estimate.

\* Utilization without item 44.15 : 93.3 %.

GSP OFFER OF NINE 1974-1979

(sensitive and quasi-sensitive products)

in 1,000 UA to 1977 incl.  
in 1,000 EUA from 1978

	1974		1975		1976		1977		1978		1979	
	No.	Offer	No.	Offer	No.	Offer	No.	Offer	No.	Offer	No.	Offer
Agricultural products (trade volume concerned)	187	450	220	600	241	1,000	296	1,240	303	1,300	310	1,350
Industrial products other than ECSC and textiles :												
Sensitive products subject to quotas except block- board	46	359,700	12	124,343	12	136,177	12	151,709	12	154,810	12	159,909
Blockboard	1	23,000	1	210,000 <sup>3</sup>	1	227,000 <sup>3</sup>	1	282,610 <sup>3</sup>	1	282,610 <sup>3</sup>	1	296,741 <sup>3</sup>
"Hybrid" products	-	-	28	231,157	28	262,127	25	288,099	26	320,736	25	333,936
Quasi-sensitive products exc. mineral oils	54	174,991	54	195,096	64	263,853	72	404,392	73	439,191	77	474,118
Mineral oils	3	163,604	3	217,745	3	2,560,000 t	3	2,678,500 t	3	2,678,500 t	3	2,578,500 t
ECSC products :												
Sensitive products subject to quotas	4	39,968	3	40,977	3	43,026	3	43,026	3	43,026	3	43,026
Quasi-sensitive products	2	16,389	3	21,331	3	22,398	3	23,084	3	23,084	3	23,084
Textile products (in tonnes)												
Cottons subject to quotas	7	20,152.96	7	20,937.96	17	21,845.96	-	-	-	-	-	-
Other textiles subject to quotas	9	14,678.84	9	15,379.84	13	15,971.84	-	-	-	-	-	-
Quasi-sensitive cottons	14	3,320	14	3,490	17	3,665	-	-	-	-	-	-
Other quasi-sensitive textiles	12	22,438	12	23,529	12	24,706	-	-	-	-	-	-
Textiles subject to quotas	-	-	-	-	-	-	30	41,719	30	41,728	30	44,901.5
Textiles subject to quotas combined with ceilings	-	-	-	-	-	-	12	3,642	12	3,646	13	4,128.5
Quasi-sensitive textiles	-	-	-	-	-	-	16	29,169	16	29,178	15	31,191.1

Tariff Arrangements Applicable to Textile Products

The major feature of the new arrangements is the differential nature of the privileges granted to developing countries depending on how competitive they are in the textile sector. The poorest countries will receive tax exemptions for all their sales on the common market, whilst the most competitive countries, such as Hong Kong, South Korea, Yugoslavia, Roumania and Brazil will be granted exemptions for only a limited proportion of their sales. In certain cases, they will be granted exemptions of barely 2%. The idea of granting different exemptions depending on circumstances is important both from the economic point of view (98% of Hong Kong's textile exports to the EEC will be subject to customs duties) and as a model for revising the whole of the scheme of generalized preferences, which is currently under review in the Community institutions. One of the fundamental aspects of the change to be made to the generalized preferences is that exemptions are to be reserved for the poorest countries as far as possible. However, in view of the special nature of the textiles sector, and because it is regulated from a quantitative point of view by including the EEC's imports in the Multifibres Arrangement (MFA), the system which has been adopted should not be seen as a precedent which can be introduced in other sectors.

On the technical level, the new tariff arrangements will be based on the following criteria:

1. Classification of products into categories, identical to those used in the context of the MFA and the EEC's bilateral agreements with exporter countries.

2. Each country which has concluded a quantitative agreement with the EEC, will be granted individual share quotas for which exemptions will apply. Each exporter's share quota will be determined in accordance with the degree to which the country is competitive in the textile sector and the general level of development. An arithmetical formula has been worked out for this calculation, with certain corrective elements. For Hong Kong and Roumania, the arithmetical formula will not be used but the EEC will adopt a flat-rate percentage.
  
3. Products which are not covered by the MFA (because they are less "sensitive") will not be included in the individual share quotas, but will be granted an exemption for a volume corresponding to 55% of total Community imports from the countries which are granted generalized preferences as a whole (with no break-down according to country). Cut offs will be applied to prevent any one country using more than 30% of the ceiling for any one product (or in some cases, 50%).
  
4. The less advanced countries will be granted an exemption for all their exports. Those countries which have not negotiated quantitative agreements with the EEC (because their exports have been negligible so far) could be asked to make quantitative commitments if it becomes necessary once their exports expand.

5. The arithmetical formula mentioned in point 2 above has still not been finally fixed. Subject to alterations, the Council and European Commission departments have worked out a classification of recipient countries depending on how competitive they are and the amount of exemption each would receive. This has been done using the 1977 exports to the EEC as a basis:

- Countries which would have a 2% exemption (flat-rate figure) for their sales in the EEC: Hong Kong (2,295.2 tonnes) and Roumania (572.9 tonnes).
- 9% exemption: South Korea (7,354.5 tonnes), Brazil (4,121.3 tonnes) and Yugoslavia (2,760.7 tonnes).
- 15% exemption: Singapore (2,026.9 tonnes).
- 35% exemption: Malaysia (5,456 tonnes), Macao (4,751 tonnes), India (24,818.1 tonnes), Argentina (2,260 tonnes), Thailand (6,965.3 tonnes), Mexico (2,280.2 tonnes), Colombia (3,173.8 tonnes).
- 65% exemption: Peru (2,849.6 tonnes), Pakistan (13,343.2 tonnes), Philippines (3,744 tonnes), Uruguay (439.4 tonnes), Indonesia (380.2 tonnes), Sri Lanka (295.1 tonnes), Guatemala (55.2 tonnes).
- 100% exemption: Haiti (291 tonnes), Bangladesh (324 tonnes).

The total would be 90,559.1 tonnes for MFA products. On top of this there would be 15,441 tonnes from other less advanced exporter countries, totalling 106,000 tonnes of MFA products which the EEC would grant exemptions on. For non-MFA products, exports from countries which receive generalized preferences, would be much less. The total exemption (using the criteria mentioned in point 5) could be about 9,000 tonnes. The general total would therefore be 115,000 tonnes.