Generalized system of preferences: revision of the system 1995-1997 for industrial products

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1. Category of referral Not yet known - possibly regulation. 2. Expected date of referral Second half of 1994. 3. Committee responsible Development and Cooperation. Opinions: Possibly REX and Foreign Affairs. 4. Previous community legislation Council Regulations (EEC) 3831-35/90, Regulation (EEC) 3900/91 and Decision 90/672/ECSC applying generalized tariff preferences in respect of certain industrial agricultural and textile products and to certain iron and steel products originating in developing countries with subsequent amendments (see also consolidated version for 1993, OJ C 169, 19.6.1993). Extended until 31 December 1994 by Council Regulation (EC) 3668/93. The present system has as its basic principle an unlimited duty-free access for products originating in the countries listed in the annex of the basic Regulation. However, a number of products are either completely excluded from duty-free access or the access is subject to quantitative limits in the case of certain products and/or countries. 5. Previous position of the EP Regulation extending the system of generalized tariff preferences into 1993. The legislative resolution adopted by the European Parliament on 19 January 1993 approves, subject to amendments, the Commission proposal for a regulation extending into 1993 the application of Regulations (EEC) Nos 3831/90, 3832/90, 3833/90, 3834/90 and 3835/90 applying generalized tariff preferences for 1991 in respect of certain products originating in developing countries, and adding to the list of beneficiaries of such preferences. The amendments made by Parliament to the Commission proposal are of two types. Firstly Parliament retabled amendments tabled in 1990 which emphasize a number of important aspects it wants to be able to take account during the ten-yearly review of the Community's generalized system of preferences (GSP): There should for instance be an evaluation of the results of the differentiation policy implemented since 1986; likewise, any review of the system should be preceded 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. A second set of amendments adopted by Parliament was drawn up by the Committee on Budgets and, after the committee had delivered its opinion, was included in the draft legislative resolution by the Committee on Development and Cooperation. These new provisions would enable the budgetary authority to quantify the shortfall in the Community budget's own resources caused by application of the GSP by means of an analytical Commission report indicating the volume of customs revenue that cannot be collected. 6. Situation in the Member States Does not apply. 7. Content of the planned legislation No formal proposal has yet been made. However, in a Communication of 1 June 1994 the Commission makes some indications of the principles on which a proposal is likely to be based: a. Simplification Instead of the present quota-system, which operates with zero-duty quota's for a number of sensitive products, the future GSP should operate with a system of tariff modulation reflecting the sensitivity of different sectors (products or groups of products), to be decided when the proposal for the operational scheme is drawn up. Modulation represents the EU's main line of defence against the likelihood of a surge of preferential imports in certain sensitive sectors. Wherever possible the degree of sensitivity should, for ease of administration, be determined by sector, but it could be fine-tuned (down to product level) if necessary. It should be assessed on the basis of objective data relating to the Community market for that sector (import penetration rate, productivity, job losses, prices) irrespective of the source of the imports. This would then make it possible for the purposes of the operational scheme, to draw up lists of sensitive and non-sensitive sectors (products) subject to different rates of preferential duty (e.g. 85% of the MFN rate for sensitive products and 0% or non sensitive products). b. Stability Each operational scheme within the ten-year period 1995-2004 should run for three years. c. GSP graduation Graduation amounts to recognition by the European Union that some third countries are no longer in need of GSP benefits. It will represent a solution to the problem of a few highly-competitive beneficiaries hogging the lion's share of total GSP, partly at the expense of LLDCs. Because of its political implications the graduation machinery would have to be absolutely objective and acceptable to the EU's developing-country partners. 8. Legal basis envisaged by the European

Commission Not yet known. The likely basis will be Articles 113, 130u and 130W of the EC Treaty. 9. Documentation and sources a. Present legislation OJ C 169, 19.6.1993 OJ L 338, 31.12.1993, p. 22 b. Future legislation Communication from the Commission to the Council and the European Parliament: Integration of developing countries into the international trading system - Role of GSP 1995-2004. COM (94)212 final, 1.6.1994. 10. Complementary research Open