


# Procedure file

Basic information		
CNS - Consultation procedure Regulation	<a href="#">1994/0209(CNS)</a>	Procedure completed
Generalized system of preferences: revision of the system 1995-1997 for industrial products		
Subject 3.40 Industrial policy 6.30.01 Generalised scheme of tariff preferences (GSP), rules of origin		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>DEVE</b> Development and Cooperation		25/08/1994
		PPE <a href="#">MAIJ-WEGGEN Hanja</a>	
	Committee for opinion	Rapporteur for opinion	Appointed
	<b>BUDG</b> Budgets		03/11/1994
		PSE <a href="#">SAMLAND Detlev</a>	
	<b>ECON</b> Economic and Monetary Affairs, Industrial Policy		04/11/1994
		PSE <a href="#">RANDZIO-PLATH Christa</a>	
	<b>RELA</b> External Economic Relations		03/11/1994
		PSE <a href="#">MIRANDA DE LAGE Ana</a>	
	<b>JURI</b> Legal Affairs, Citizens' Rights		26/07/1994
		PSE <a href="#">GEBHARDT Evelyne</a>	
Council of the European Union	Council configuration	Meeting	Date
	<a href="#">General Affairs</a>	<a href="#">1820</a>	19/12/1994

Key events			
13/07/1994	Additional information		Summary
19/09/1994	Legislative proposal published	COM(1994)0337	Summary
24/10/1994	Committee referral announced in Parliament		
14/11/1994	Vote in committee		
14/11/1994	Committee report tabled for plenary, 1st reading/single reading	<a href="#">A4-0071/1994</a>	
17/11/1994	Debate in Parliament		

18/11/1994	Decision by Parliament	T4-0153/1994	Summary
19/12/1994	Act adopted by Council after consultation of Parliament		
19/12/1994	End of procedure in Parliament		
31/12/1994	Final act published in Official Journal		

### Technical information

Procedure reference	1994/0209(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	International agreement
Legislative instrument	Regulation
Legal basis	Rules of Procedure EP 163; EC before Amsterdam E 113
Stage reached in procedure	Procedure completed
Committee dossier	DEVE/4/06053

### Documentation gateway

Legislative proposal	COM(1994)0337	19/09/1994	EC	Summary
Economic and Social Committee: opinion, report	<a href="#">CES1159/1994</a> <a href="#">OJ C 397 31.12.1994, p. 0003</a>	20/10/1994	ESC	Summary
Committee report tabled for plenary, 1st reading/single reading	<a href="#">A4-0071/1994</a> <a href="#">OJ C 341 05.12.1994, p. 0014</a>	14/11/1994	EP	
Text adopted by Parliament, 1st reading/single reading	T4-0153/1994 <a href="#">OJ C 341 05.12.1994, p. 0201-0245</a>	18/11/1994	EP	Summary

### Final act

[Regulation 1994/3281](#)  
[OJ L 348 31.12.1994, p. 0001](#) Summary

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

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% for 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 ?

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

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This proposal for a regulation aimed to apply a new scheme of generalised tariff preferences for three years (1995-1997) in respect of certain industrial products originating in developing countries. This new scheme was characterised by the following points: - principle of neutrality: a level of liberalisation which was neutral overall compared with the existing scheme as regards the impact of the preferential margin on the volume of preferential trade. This neutrality was nevertheless "corrected" by special incentive arrangements (social and environmental clauses) which constituted additional preferences with respect to the basic system (20%, or even 30% where 2 clauses were grouped together). These arrangements would enter into force two years after the entry into force of the new system: - simplified tariffs: the tariffs were established according to the sensitivity of the products: . sensitive products: 80% of the CCT, . semi-sensitive products: 40% of the CCT, . non-sensitive products: 0% of the CCT. - a product/country safeguard clause was provided for on the basis of the principle of serious damage; - a GSP sector/country graduation system: this involved transferring the preferential margins from developed countries to less developed countries through a system of industrial specialisation, based on the level of development of the country (combination of two indices: development and specialisation). This system of graduation was supplemented by a solidarity mechanism applicable in exceptional circumstances (from 1996). The graduation and solidarity mechanisms would be applied progressively in order to enable the economic operators to adapt to the new GSP elements. - suspensions were provided for (in cases of fraud, etc.); - special arrangements were established for countries involved in combating the production and trafficking of drugs (Andean countries); - beneficiaries: the current list was maintained for three years with the countries of the former USSR for a transitional period and South Africa. ?

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Parliament approved the Commission proposal subject to 36 amendments. These amendments aimed mainly to: - amend the legal basis by adding a reference to Article 130w; - highlight the shortcomings of the present scheme; - stress that the generalised system of preferences was one form of financial assistance provided by the Union to the beneficiary countries and that when this regulation expired, the overall volume of preferential trade should be reviewed to meet the needs of the poorer developing countries; - ensure that the new offer was not applied to countries that had managed to integrate sufficiently into the world economy and whose per capita gross national product (GNP) was above USD 6 000 in 1991; - include transitional support for the former Soviet Union among the objectives; - include among the criteria the principles of prohibiting child labour and equal treatment of men and women, in order to strengthen support for countries making efforts in this field and for the temporary removal of the advantages of the scheme from those who did not respect these principles; - strengthen administrative cooperation and mutual assistance in customs matters with a view to checking the origin of products benefiting under the Community's generalised system of preferences and combating possible distortions of trade; - call on the Commission to devise criteria for an effective environmental policy for the developing countries; - take account of the financial consequences of the generalised system of preferences with a view to strengthening the principle of budgetary discipline; - stress the need to refer matters concerning the application of the scheme to an advisory committee on generalised preferences; - postpone from 1 January 1996 to 1 January 1997 the 50% reduction in the preferential margin obtained by applying Article 2 to imports of products originating in the countries and falling within the sectors listed in part I of Annex II; - bring forward from 1997 to 1996 the date for the application of the special incentive arrangements provided for in Article 5; - extend the arrangements provided for in Article 5 to countries which respected equal treatment of men and women, in line with International Labour Organisation Conventions Nos 100, 111 and 156 and the UN Convention on the elimination of all forms of discrimination against women; - include the infringement of intellectual property rights and the manufacture of products which were the subject of legally recognised restrictive measures, in cases justifying the removal of the advantages of the scheme; - ensure that Parliament was informed of the decision taken by the Commission with regard to the renewal of Common Customs Tariff duties so that it could refer the decision to the Council, which, in turn and after consultation of the European Parliament, could amend this decision; - ensure that every year, during the presentation of the budget, the Commission informed Parliament of the measures taken to combat fraud. ?

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The Council adopted the proposal for a regulation (which became Regulation (EC) No 3281/94) concerning the multiannual scheme of generalised tariff preferences for the period 1995-1998. This new GSP for four years incorporated substantial improvements, particularly with regard to simplification, transparency and stability. As a replacement for the instrument for quantitative restrictions, it was based on a differentiation of preferential duties (except for less developed countries and "drugs" beneficiaries) based on the sensitivity of the products: \* 85% of the Common Customs Tariff for very sensitive products; \* 70% for sensitive products; \* 35% for semi-sensitive products; \* 0% for non-sensitive products. The new system also provided for the gradual application of a system of graduation aimed at ensuring a fairer

distribution of the preferential benefits by transferring preferential margins from more developed countries to less developed countries: this involved the gradual exclusion of certain industrial sectors for certain countries, according to their level of industrial development. With regard to the special incentive arrangements proposed by the Commission - in accordance with social and environmental criteria - and providing for additional preferential margins, all options remained open. In fact, the Council would in 1997 carry out a review, with a view to implementation of this system from 1998, taking account, in particular, of a Commission report on the results of the studies carried out in international fora such as the ILO, the WTO and the OECD on the relationship between trade and labour rights and the environment. Finally, the new system also contained a clause suspending the scheme, particularly in cases of fraud, as a result of unfair trading practices or forced labour. It also provided for transitional provisions applicable until 15 March 1995 with a view to facilitating the changeover to the new system, which entered into force on 1 January 1995. ?