

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

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GENERALIZED SYSTEM OF PREFERENCES

Notification by the European Communities

Addendum

In a communication dated 17 February 1988, the delegation of the Commission of the European Communities has provided the following information on the changes made in the EEC GSP scheme for 1988.¹

¹The text of the EC Council regulations and decisions concerning the EC GSP scheme for 1988 will be circulated as L/5116/Add.8.

The implementation on 1.1.1988 of the Harmonised System involves complex operations of nomenclature transpositions in order to define the categories of sensitive products and to calculate corresponding preferential amounts so as to ensure a neutral result. In view of this task, in the 1988 scheme of generalized preferences there are limited economic or administrative changes and improvements, except for the textile sector (for which HS transpositions had been completed for the negotiation of the bilateral agreements under the new MFA).

In the industrial sector the 1988 scheme develops the policies defined in the Mid-Term Review of 1985 and which have been progressively implemented since 1986. It concerns in particular the differentiation in the allocation of benefits on sensitive products which led for the first time in 1987 to 6 product/country exclusions of fully competitive suppliers, namely Hong Kong (4 products) and South Korea (2 products). As regards the exclusion of new products in 1988, there were only 2 cases concerning South Korea (1).

A 50% reduction of one preferential quota, as a first step towards differentiation, affects Hong Kong and Romania (without mentioning 3 quotas for South Korea). In counterpart, less competitive suppliers benefit from a further liberalisation of their terms of access.

The reference base in respect of non-sensitive products is set at 5% of extra EC total imports in 1986 thus including for the first time import trade of Spain and Portugal; in some exceptional cases the percentage is reduced to 1%.

In the agricultural field, the GSP preferential rate is reduced for 4 products and the LLDC are granted a new product on their special list.

Completely overhauled, the scheme for MFA textile products presents a structure somewhat parallel to that for industrial products : more objective, simpler, and providing for a differentiation based on objective criteria.

The preferential amounts are no longer calculated in relation to the performance of individual countries. They are fixed as a percentage of extra EEC 1985 imports per category : 0.2% for state-trading (China, Romania) or dominant countries (Hong Kong, Macao, South Korea), 1% for the other suppliers (2).

(1) The EEC has decided to suspend the generalized tariff preferences for 1988 for products originating in the Republic of Korea (see Council Regulation (EEC) No 3912/87). This measure is a consequence of South Korea's refusal to remove discriminatory measures applied to the Community in the field of intellectual property protection.

(2) For some exceptional cases, such as countries depending heavily on certain exports (India, Pakistan in the case of cotton cloth, Peru and Uruguay for wool yarn or wool fabrics respectively) or exporting artisanal products (India and Pakistan for handknotted carpets) higher percentages are allowed.

The differentiation applies to major suppliers - Brazil, China, Hong Kong, Macao, Romania, South Korea which have reached at least 10% of EC imports of a particular MFA category over a 3 year average (1983/1985).

The implementation of the new scheme which provided a much greater access for small and medium-sized exporters is spread over 2 years. In 1988, a 50% reduction of the quota is a first step towards exclusion, changes from the 1987 individual differentiated amounts towards the unified 1989 volumes are introduced by means of 50% of the difference. Globally the 1988 offer is approximately trebled in comparison with 1987.

For jute and coir products the offer remains unchanged, but for the other non-MFA textile items, the offer per category is fixed as 5% of 1% of 1985 extra EEC imports according to the sensitivity of products.

The changes in the list of beneficiaries consist in 2 new countries eligible for MFA products, Iran and Venezuela, and the entry of Burma as the 10th non-ACP Least developed country on the EEC's list.