

COMMISSION
DES
COMMUNAUTÉS EUROPÉENNES

Secrétariat général

COM(78) 100 final.

Bruxelles, 8 March 1978.

*De'classified.
Dt. 2010. 5107
(C/Doc/5250)*

ACCESSION NEGOTIATIONS WITH GREECE

P R O P O S A L S

concerning

Transitional Arrangements
in respect of

Industrial Trade with third countries

(Commission Communication to the Council)

COM(78) 100 final.

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INTRODUCTION

I. The present Communication deals with Greece's application of the Community's acquis concerning trade with third countries in industrial products (excl. of ECSC and EAEC). The specific proposals which the Commission puts forward are to a large extent, but not exclusively based on the Greek demands for transitional arrangements in that context.

In Part I of the Commission's Communication are set out some general remarks concerning the economic justification of transition under this Chapter Heading. In the view of the Commission there can be no doubt that in general transitional arrangements or temporary derogations will have to be envisaged in most of the main areas where Greece has proposed such arrangements.

Transitional arrangements for the application of the Community's acquis in "External Relations" raise some general problems. These are also discussed in Part I and a number of proposals are put forward concerning the principles on which specific solutions should be based, as well as concerning the procedures for the negotiations under this Chapter Heading.

Part II of the Communication contains the Commission's specific proposals concerning transitional arrangements for Greece's application of the Community's acquis as far as industrial trade with third countries is concerned. While representing a positive response to the Greek requests in most of the main areas covered by such request, the Commission does not find that it will be possible for the Community to accept the Greek proposals as they stand. This applies both in the area of non-tariff barriers, notably quantitative import restrictions and in the area of tariff preferences.

The proposals follow closely the Commission's proposals in the field of industrial trade inside the enlarged Community (1). In many cases, what was proposed there will serve to set the parameters in the present proposals, both in general and in some cases in detail.

II. While the limited issue of balanced transition arrangements is referred to in Part I of the present Communication the Commission wishes to stress that the wider issue of the effects which the Community's enlargement will have upon third countries and, consequently, upon the Community's relations with these countries, not least in the field of trade, fall outside the scope of the present Communication.

These wider issues, which concern the Community's relations with developing countries in general, and its relations with the Mediterranean countries in particular, will be taken up in the Commission's Interim Report on the Problems of Enlargement, which will be submitted to the Council shortly.

(1) COM(78) 21 final

PART I - GENERAL CONSIDERATIONS

Characteristics and guidelines which apply to sectoral proposals at the present stage of the negotiations

- a. As a result of the adoption of the sector by sector approach, the Proposals set out in Part II of this Communication are limited to trade with third countries in industrial (EEC) products. EAEC and ECSC products and fresh and processed agricultural products in Annex II of the EEC Treaty as well as outside that Annex (e.g. under Regulations (EEC) N° 1059/69 and (EEC) N° 2682/72 are not covered by the Proposals.
- b. The Proposals respect the general framework of the sectoral approach as defined by the Council on 17 October 1977 (1) and elaborated further by Coreper on 10 November 1977 (2). This framework includes the following three reservations :
- (i) the time has not yet arrived to formulate a position on the duration of transitional measures; and
 - (ii) certain individual sectors, e.g. agriculture, need considerably more thorough treatment before a start can be made on negotiating them. Positions in one sector must not therefore be allowed to prejudice those to be formulated later in others.
 - (iii) any specific or partial agreement which the Community and Greece may reach as regards industrial trade with third countries cannot be regarded as established until the final stage of the negotiations when the overall balance of the negotiations has emerged and can be weighed up.

(1) CONF-GR/49/77

(2) CONF-GR/55/77

B. Definition of the area covered by the Proposals in the present Communication

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a) The Communication only deals with matters of trade policy for industrial EEC products. Any problems which may have to be solved in other areas of the Community's policies towards third countries, e.g. in the transport sector, should be taken up at the appropriate moment under the relevant Chapter Headings.

b) The proposals in the present Communication are based on the Greek demands for transitional arrangements under the present Chapter Heading

It is therefore assumed that in all other respects, the Community's trade policy as it stands at the date of Greece's accession will be applied by Greece from that date as by any other Member State.

Except as regards the Lomé Convention the present Communication is based on the Community's "acquis" in the area of trade policy as it exists to-day. Its proposals are therefore without prejudice to any further development in this "acquis".

Finally it should be mentioned that the several elements of the Community's trade policy "acquis" which Greece, in the course of the negotiations, has declared herself ready to apply from the date of accession are not referred to in the present Communication. As examples can be mentioned the Community's non-preferential agreements; regulation (EEC) No 2603/69 concerning export restrictions; export duties etc(1).

(1) MEMO - GR/1/77 and CONF-GR/16/77

C. From Association to Membership - Economic Effects for Greece of Application of the Community Acquis in External Relations

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a. The Association Agreement, apart from laying down rules for the gradual harmonisation of the Greek tariff with the CCT, did not involve Greece in any obligations as regards her commercial policy towards third countries. Moreover in 1962 the Community acquis in this field was not very substantial. Since 1963 Greece has not in general lowered her protection against imports from third countries at anything like the same rate as she has against imports from the Community, though she has effected a certain degree of liberalization in the context of the GATT.

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Since 1962, and particularly since the last enlargement, the Community's External Relations policies have developed very fast. As a result the Community acquis in this field is now very substantial. On the one hand there has been a significant development of the Common Commercial Policy, in the overall direction of liberalization. On the other hand the Community has concluded 21 preferential agreements with third countries, as well as establishing the system of Generalised Preferences. These developments mean that this sector contains a number of questions which are economically important and technically complicated and which have to be solved in negotiations between Greece and the Community and, in many cases, in negotiations between the Community and the third countries concerned.

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The adoption of the Community acquis to-day will involve Greece in a considerable liberalization, on top of the efforts she must make to complete the customs union with the Community. Most notably Greece will have to abolish many quantitative restrictions and some measures of equivalent effects towards GATT countries, as well as towards state trading countries. She will also have to apply the tariff preferences accorded in the Community's preferential agreements.

About 20% of Greece's imports from third countries were subject to quantitative restrictions in 1975. About 20% of her total imports (including EEC) came from countries with which the Community has preferential agreements and against whom Greece would have to abolish or reduce tariffs. Some products appear in both of these categories. Greece will of course obtain some preferences in return, notably from the EFTA countries, Spain, Israel, Cyprus, Malta and Turkey.

The pattern of Greek industrial foreign trade in 1975 was, in round terms, as follows : she exported 50% to the Community, 4% to EFTA, 5% to the United States, 6% to Eastern Europe excluding Yugoslavia, 3% to Lomé, 12% to the Mediterranean including Spain, and about 12% to the GSP. Her industrial imports were broken down as follows : 60% from the Community, 12% from EFTA, 12% from Japan, 5.5 % from the United States, 4% from Eastern Europe, 3% from Spain, less than 1% from the rest of the Mediterranean, less than 1% from Lomé, and about 3% from the GSP including Yugoslavia. On this basis, Greece will be involved, in addition to the completion of tariff elimination vis-à-vis the Community, in eliminating or lowering tariffs on a further 17-18% of her industrial imports, while she will gain corresponding advantages on only a further 7 - 8% of her industrial exports (1975 figures).

It is difficult to evaluate the effect of this liberalization with any certainty. In general, the process may cause less problems as far as highly industrialized countries are concerned, than in relation to countries whose level of economic development is the same or lower than that of Greece.

There are two reasons for this. First having already substantially reduced tariffs towards one group of highly industrialized countries (the Community) her most advanced industries will already have felt the effect of competition. Secondly, her less advanced but largest exporting industries such as textiles have not been and are unlikely to be affected by competition from advanced countries, but could suffer from imports from the less-developed, once tariff protection is abolished. Existing Greek tariffs towards third countries are still high, and in many cases,

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very high for products of the 22 year list. When to this is added the role played by non-tariff barriers, the loss of protection will be considerable. It is not too far-fetched to say that in adopting the Community acquis in the field of External Relations Greece will provide an example of a country, half way between developing and developed, adopting the commercial policy of a developed country. This will surely be a challenge, and it will come on top of the challenge provided by the completion of the customs union.

In these circumstances the Commission believes that it is wise to foresee problems which may develop and to take the necessary precautions to prevent them becoming serious. In other words, transitional arrangements are generally necessary, in the this area. They are justified on their own merits, even if the position taken by the community in the Chapter Heading of the Customs Union did not make some of them inevitable.

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D.) Maximum duration of transitional arrangements

While specific proposals as regards the maximum duration of transitional arrangements cannot be submitted at the present stage, the Commission has the following general comments on this aspect :

- (i) The duration of individual transitional arrangements must be at least as long as the duration of such arrangements in the framework of the Customs Union, when the same products and the same type of transitional arrangement is involved.
- (ii) In areas where no transitional arrangements are foreseen in the Customs Union the duration of such arrangements towards third countries shall be determined on the basis of their economic justification, as well as on the basis of the need for relatively simple arrangements;
- (iii) As regards preferential agreements, the duration of transition will of course have to be determined in negotiations with the third countries concerned ;
- (iv) The duration of the various arrangements need not be identical but where a particular arrangement is foreseen for a particular group of third countries (e.g. EFTA), the duration should be the same for all members of that group.
As a general rule, transitional arrangements for quantitative import restrictions should only be envisaged in exceptional cases and should not be automatically continued throughout the maximum period of transitional arrangements unless obviously justified and subject to progressivity.

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The Greek requests for transitional arrangements do not meet all the criteria set out above. The maximum duration proposed by Greece is 8 years; this proposal applies to transitional arrangements for the abolition of duties in certain sensitive products from the EFTA countries.

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In all other cases, maybe excluding the GSP, Greece has proposed transitional arrangements of a uniform duration (five years) for the abolition of import duties as well as for the abolition of quantitative import restrictions.

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In its proposal concerning industrial trade in the enlarged Community¹ the Commission considered whether the Greek proposal for a 5 year transitional period was long enough in that sector, and concluded that while it was not possible on the basis of available information to draw any definite conclusions, the evidence tended to point the other way. The available evidence concerning the need for transitional arrangements in respect of industrial trade with third countries, considered on its own merits, leads the Commission to have similar doubts about the duration proposed by Greece under this Chapter Heading.

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The Commission wishes to point out that the Customs Union will not have been completed until all transitional arrangements for import duties "vis-à-vis" the Community's preferential partners have come to an end.

It will not be possible, as proposed by Greece, to envisage that transitional arrangements for import duties for specific products or in specific relationships extend beyond that date.

¹COM(78)21 final.

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E. Liberalization of imports from GATT members (apart from preferential partners) and State Trading countries

The Greek requests in this area raise some questions of procedure and of principle.

In principle, the Community has agreed that transitional arrangements will be possible in respect of the two Common Liberalization Lists for "a limited number of very sensitive products". Greece subsequently has submitted requests for such arrangements in respect of the two Common Liberalization Lists in EEC regulations 1439/74 and 109/70 (1). The Commission's specific proposals concerning these requests are set out in Part II.

As stated by the Community at the third Conference of Deputies (2), it must be ensured that the transitional arrangements concerning the common liberalization lists are not "more favourable" to third countries than the Community in its present composition. It must furthermore be ensured that the transitional arrangements concerning the common liberalization list of regulation 109/70 do not provide for more favourable treatment of State Trading countries than of the third countries covered by regulation 1439/74.

a) General Procedure

To ensure a clear legal basis for the transitional arrangements or temporary derogations in respect of the Treaties and the Community's secondary legislation, such arrangements or derogations must be provided for in the Accession Instruments.

(1) MEMO-GR/8/77 of 19 December 1977

(2) CONF-GR/11/77 ,

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If the Community, as proposed by the Commission in Part II, agrees to transitional arrangements in the form of quotas which are increased progressively over a period of transition, the lists of the products involved as well as their basic quotas, growth percentage rates and the dates for full liberalization in respect of each product should be laid down in the Accession Instruments.

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b. Hypothetical transitional arrangements

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In addition to transitional arrangements in respect of the common liberalization lists, as they stand to-day, Greece has submitted lists of hypothetical requests for such arrangements in case the products in question were to be included in the common liberalization lists, during the "interim period" between signature and entry into force of the Accession Instruments.

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The Commission is of the view however, that it would be inadvisable to provide for hypothetical transitional arrangements in the Accession Instruments. It would constitute a departure from the principles upon which the accession negotiations are based, and it could raise the question whether similar contingency provisions could be envisaged for application after accession. The Commission's proposal how to deal with the underlying problem of substance is set out in Part II.

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c. Deliberalization

The majority of the products for which Greece requests transitional quota arrangements in relation to the application of the common liberalization lists can to-day be imported into Greece free of import restrictions or subject only to automatic licencing

The Greek memorandum of 19 December 1977 does not explain the reasons which have led the Greek delegation to propose such extensive, albeit temporary, deliberalization on the occasion of Greece's accession to the Community. The proposals may be found to reflect a wish for new protection, during a transitional period, in order to compensate for the progressive lowering of other protective measures, notably import duties and the import deposit scheme. However, with a limited number of exceptions (1) the Greek import duties on the products involved are due to be harmonized with the GATT towards all third countries by the end of 1984 under the Association, and the import deposit scheme is being progressively abolished by the same date without exceptions in accordance with Greece's obligations under GATT.

Leaving aside the Greek proposals for deliberalization in respect of textiles and clothing products which are dealt with below under point F) the Commission is of the view that transitional quota arrangements or temporary derogations from the liberalization obligations should not be envisaged for products on the two liberalization lists which to-day are liberalized in Greece, or subject to automatic licencing.

No economic justification can be seen to exist for these proposals which moreover run counter to the basic notions of transition and - as regards regulation 1439/74 - would be difficult to justify in GATT.

- (1) The exceptions are those products which are exempted from tariff harmonisation under Art 20 paragraph 3 of the Association. Towards GATT members only one of the non-textiles products which Greece proposes to deliberalize seems to be covered by this exemption. Towards State trading countries 2, such products seem to be exempted from harmonization at present.

F. Textile and Clothing Products

Greece is re-examining the problems in relation to imports of textile and clothing products on the basis of the Multifibre Agreement and the Community's recent bilateral agreements and autonomous arrangements. The Greek proposals¹ for transitional quota arrangements for these products will therefore not be considered in the present Communication. The Commission, however, wishes to make some general comments on the way in which this sector should be approached.

In the view of the Commission no transitional arrangements should be foreseen as regards imports into Greece after accession of textile and clothing products from third countries with whom the Community has concluded bilateral agreements concerning limitation of imports into the Community, or towards whom autonomous arrangements concerning such limitations have been or will have been established. What will be called for are adjustments of the agreements and arrangements in question in all cases where specific limits are laid down in the agreements and regulations. If Greece should submit justified requests for the limitation of her imports of particular products for which no specific limits are laid down at present, it might be possible to find solutions in the framework of the provisions concerning limitations applying to a specific region of the Community.

The adjustments which will have to be made to all the bilateral agreements must be agreed in negotiations with the third countries concerned before the date of Greece's accession. Any limits to be established for products which are not limited today must also be taken up with the particular third countries in question on the basis of the provisions of their agreements.

The bilateral textile agreements expire by the end of 1982, and it will not be possible to provide for particular import regimes for Greece, even of a temporary nature, beyond that date. The Community should however assure the Greek delegation that Greece will be fully consulted, in due course, if by then she is not already a member of the Community, on any preparations for the period after 1 January 1983.

¹ MEMO-GR/8/77

Greece is not a member of the Multifibre Agreement at the moment, but will have to become a member upon her accession to the Community. Greece has declared her agreement on this point¹.

As soon as Greece has made clear her problems and wishes the Commission will submit specific proposals concerning the adjustments which will have to be made in the bilateral textile agreements as well as in the internal regulations concerning autonomous regimes and in regulations concerning repartitions among Member States.

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¹MEMO-GR/1/77

G. The Community's Preferential Agreements with Third countries

The question of transitional arrangements for Greece's application of the Community's 21 preferential agreements raises a number of problems which apply to the agreements in general.

a) Negotiation Procedures

First of all, agreement on the principle of transitional arrangements, as well as the contents of any such arrangements must be reached in negotiations with the third countries concerned, on the basis of articles 113 and 238, respectively, of the Rome Treaty.

As stated by the Community Delegation at the Third Conference of Deputies, any protocols providing for transitional measures and technical adaptations should be concluded between the date of signature of the Accession Instrument and the date of its entry into force ⁽¹⁾. If such protocols are not concluded, Greece will have an obligation to apply, from the date of accession, all the preferential agreements (or in the case of mixed agreements, the provisions falling under the Community competence).

The need for transitional arrangements for Greece's application of the preferential agreements indicates that the conclusion of the necessary protocols of transition and technical adaptations will involve the Community in a round of quite substantial negotiations with its preferential partners.

Moreover, if the Community were to agree to the Greek wish for a re-equilibration of the EFTA agreements, through new agricultural concessions from the EFTA countries in favour of the enlarged Community (2), the negotiations with this group of third countries would become more complicated.

The Commission will make its view known concerning this Greek demand in a Communication on Agricultural Trade with Third countries, to be submitted at a later stage.

(1) CONF-GR/11/77

(2) MEMO-GR/1/77

But, leaving aside the possibility of any "re-equilibrations" of preferential agreements it remains clear that the preparation of the negotiations of transitional arrangements will have to begin well in advance of Greece's accession if the process towards full application by Greece of the Community's acquis in this area is to begin upon accession, or shortly thereafter.

The Commission understands that the Greek delegation shares this view, and it is therefore proposed, that the Commission should hold exploratory talks with all the preferential partners, (with the exclusion of the ACP countries, see below under point d)) during the accession negotiations with Greece. These talks should be followed by negotiations and by the conclusions of protocols during the "interim period", with the participation of Greece in the Community delegation.

If, in spite of such preparations, the conclusion of protocols of transition were to be impeded by difficulties raised by preferential partners, it might be necessary, for economic reasons, formally to provide for temporary suspension of Greece's integration in this area of the Community's activities (or in part of it, if protocols were concluded with some partners, and not with others)

Thus, agreements would have to be concluded with each partner, providing for the temporary non-application of the relevant preferential agreements as a whole, or possibly of their commercial provisions only, between Greece and the preferential partner concerned. Such agreements should moreover provide for most-favoured nation treatment in these relationships - otherwise Greece, through her application from the date of accession of the Community's acquis in other parts of the present Chapter Heading, might be treating other third countries more favourably than the Community's preferential partners.

b. The contents of the Directives for Negotiations with Preferential Partners

(i) The purpose of the Commission's proposals in Part II of the present Communication is to provide the first elements for Directives which will have to be agreed between Greece and the Community.

It is however evident that the Directives when finally agreed must cover all aspects which are included in the respective preferential agreements, for which transitional arrangements are envisaged.

No meaningful exploratory talks can therefore be initiated before the questions of transitional arrangements concerning agricultural trade, and possibly for the non-trade provisions in the Associations and Cooperations agreements, have been agreed between the Community and Greece.

Moreover, separate directives will have to be agreed in order to conclude separate protocols for the ECSC Agreements with third countries. The Commission's Communication on the Chapter Heading of the ECSC will propose elements for such directives.

As regards the non-trade contents of the Association and Cooperation Agreements, it can be added that Greece does not seem to foresee any difficulties in respect of provisions concerning industrial and financial cooperation(1), which therefore would require no transitional arrangements. A Greek request (2) has, on the other hand, been submitted under the Chapter Heading of Social Affairs for a transitional arrangement in the application of certain provisions in the Community's bilateral agreements in this area. This request is at present being dealt with under the Social Affairs Chapter Heading.

It will therefore not be possible, until a later stage of the negotiations to see if the transitional arrangements to be proposed to each of the preferential partners are reasonably balanced, particularly in the case of agreements with a major agricultural content. The positions on which the Community and Greece will agree, in respect of industrial trade, may conceivably therefore have to be re-examined.

- (ii) It must be ensured that the transitional arrangements for preferential partners do not, on any point, provide for "more favourable" treatment of such partners than that which will apply towards the Community in its present composition.

It must also be ensured that the transitional arrangements for preferential partners are not "less favourable" in general terms than those envisaged for other third countries. Specifically, transitional arrangements in respect of quantitative restrictions cannot be envisaged towards preferential partners in respect of products which are free from such restrictions when imported into Greece from other third countries from the date of accession.

- (1) This attitude is no doubt based on the assumption that Greece will not have to apply any of the existing financial protocols as well as on the assumption that Greece will be fully consulted if she is by then not already a Member State, on the preparations of new financial protocols. The Commission shares these assumptions.

- (2) CONF-GR/26/77 and
MEMO-GR/5/77

c. Portugal and Spain

The Greek proposals cover the question of transitional arrangements in respect of the Community's preferential agreements with Portugal and Spain.

Portugal is one of the EFTA countries and Spain one of the Mediterranean countries, with which the Community has concluded preferential agreements. Therefore, the preceding remarks and the specific proposals in part II apply.

This implies that Protocols fixing the modalities and the necessary transitional measures for the application of the two agreements in the relation between Greece and each of the two countries have to be concluded before Greece's accession, to prevent any delay in the initial steps towards freeing trade between these countries.

Nevertheless it has to be kept in mind that the two countries are also candidates to accession and that as from their accession the original trade agreements between them and the Community and any protocol concluded in order to provide for transitional measures between these countries and Greece will automatically cease to apply. At that time transitional arrangements will most probably still be applied between Greece and the Community in its present composition. If that were to be the case, special transitional arrangements may have to be foreseen between Greece and each of the two other new Member States after their accessions.

These arrangements, concerning the relation among Member States, will not constitute a mere continuation of the above mentioned Protocols. On the contrary, these Protocols cannot in any way prejudice the solution of problems of a transitional nature to be laid down eventually in the framework of the perspective Accession Instruments for Portugal and Spain. However it is not possible at this stage of the accession negotiations with Greece, and of the preparations of Opinions concerning the accessions of Portugal and Spain, to adopt any hypotheses concerning the timing of Portuguese and Spanish accessions in relation to that of Greece.

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The Commission will submit at a later stage of the negotiation with Greece more detailed proposals as to arrangements to be applied among Greece and the two other countries after their respective accessions.

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The Commission therefore proposes that the Instrument of Accession for Greece contain provisions which stipulate that any particular transitional arrangements which might be necessary for the relation between Greece and other States acceding before the end of the transitional period provided for Greece, shall be settled in the framework of the accession negotiations with each State.

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d) The Lomé-Convention

IRRESERVATISSIMO

Irrespective of the date of Greek accession, the Commission is of the opinion that the application by Greece of the present Convention should not be envisaged. The Convention expires on 1 March 1980.

Greece will however have to apply the new Convention from the date of her accession or from the date of its entry into force, if this is the later of the two. On the assumption that in respect of industrial trade the new Convention will not differ significantly from the present Convention (1), the Commission proposes

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(1) see COM(78)47 final

that the Greek requests for transitional arrangements in respect of industrial trade under the present Convention shall be examined as requests for transitional arrangements for Greece's application of the new Convention. The result of these examinations during the accession negotiations will constitute the directives for negotiations, with the ACP countries, of a transitional protocol for Greece in the framework of the new Convention itself.

The Commission's proposals in Part II therefore cover the substance of transitional arrangements in respect of industrial products in the framework of the new Convention with the ACP countries.

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PART II - PROPOSALS

I. Liberalization of imports

A. Imports from GATT members other than preferential partners.

First Greek proposals :

In a memorandum to the Conference, dated 17 January 1977¹ Greece proposed to accept the import arrangements applied by the EEC to third countries² other than state trading countries at the end of the proposed five-year transitional period, while continuing to apply quantitative restrictions based on the provisions in force, before accession, during that period. This position was maintained at the third session of the Conference at Deputy level.

Community Position

In a statement at the third session of the Conference at Deputy Level⁴ the Community drew attention to the fact that a more favourable treatment could not be accorded to third countries than to Greece's Community partners, and that it was first necessary to agree on the regime which Greece should apply after accession vis-à-vis the Community before a definition of the regime towards third countries could be elaborated⁵.

The Community called for immediate application by Greece from accession of the regime and procedures set out in Council Regulation 1439/74 which contains a common liberalization list, and of the

1 MEMO-GR/1/77

2 Presumably Regulation 1439/74

3 CONF-GR/12/77

4 CONF-GR/11/77

5 This equally applies to state trading countries

procedures in Council Decision 455/72 for cases not covered by Regulation 1439/74.

A transitional period for the application of these regulations was not considered possible, but a limited number of very sensitive products could, if needed, be put on lists of exceptions for which different transitional periods could be foreseen. Any other approach would cause considerable problems as regards the free circulation of goods in the Community.

Revised Greek Proposals

At the fourth session of the Conference at Deputy level on March 30th 1977 the Greek delegation stated that the Community position was being examined. As a result, revised proposals were presented in a memorandum of 19 December 1977².

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¹ CONF-GR/16/77

² MEMO-GR/8/77

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According to the revised proposals, Greece agrees to apply Regulation (EEC) 1439/74 from the date of accession and to apply from the same date the regime of the common liberalization list to the products on this list, as it stands at the moment subject to the Community's acceptance of the Greek requests for transitional quota arrangements for about 53 products on the list. (Annex IIa to the Greek memorandum of 19 December 1977). These 53 separate products consist of 27 tariff headings and 26 sub-headings. 35 of these products are at present freely imported into Greece. For all these products Greece proposes to open quotas corresponding to the volume of imports (on a value basis) into Greece during the last year before accession. Quotas should be increased by 10% annually until the products are fully liberalized, five years after accession.

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In addition to these requests, Greece submitted a list of hypothetical requests for transitional quota arrangements in respect of products which are not on the common liberalization list at the moment, in case any of these products should be included in that list during "the interim period". This list contains 30 products consisting of 20 tariff headings and 10 sub-headings. Eight of these products are currently freely imported into Greece.

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The revised Greek proposals made no reference to the procedures established by Council Decision of 19 December 1972 (455/72). The Commission understands, however, that Greece is ready to apply this decision from the date of accession.

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The 53 products for which Greece requests transitional arrangements in the form of quotas include about a dozen textile and clothing products. As announced in the memorandum of 19 December 1977, the Greek delegation is now re-examining the problems concerning the import regimes for these products, on the basis of the Multifibre Agreement, and the Community's recent bilateral textiles agreements and autonomous arrangements. Textiles and clothing products are therefore not covered by the proposals set out below.

Commission Proposals

- (a) In accordance with the principles described in Part I of the present Communication, the Commission proposes first of all that the Community declares itself unable to consider for inclusion in any list of temporary exceptions from the common liberalization list products other
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than textiles products which at present is imported freely into Greece or which is imported from all sources subject to automatic licences.

(b) This leaves for consideration by the Community, the following list of products on the Greek list of requests for transitional arrangements in the form of transitional quota arrangements as temporary exceptions from the common liberalisation list of regulations 1439 (1) :

- ex 31.02 *
- ex 31.03 *engrais chimiques
- ex 31.05 *
 - 44.01 Bois de chauffage ...
 - 69.07 Briques de construction...
- ex 69.04 Tuiles...
- ex 73.37* Chaudières et radiateurs....
- ex 84.01* Chaudières de toutes sortes...
- ex 84.10* Pompes, motopompes...
- ex 84.14* Parties de fours
- ex 84.15 Armoires frigorifiques ...
- 84.20* Appareils et instruments de pesage
- ex 84.24 Charrues
- ex 85.15 * 2) Récepteurs de télévision -- meubles et coffrets ...

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- (1) The list appears as not fully comparable with the Common liberalization list. Doubts exist, inter alia, concerning the exact coverage of ex 31.02.
 - (2) This product is incorrectly included in the Greek list of hypothetical demands, but it is on the Common liberalization list at present.

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The 9 products market with an *) are included (fully or partly) among the products for which Greece has requested transitional quota arrangements towards the rest of the Community. To the extent that such arrangements are agreed in the negotiations under the Chapter Heading of the Customs Union, transitional arrangements will also have to apply in respect of Greece's application of regulation 1439/74 and that for a period which is at least as long as that of the transitional arrangements in the Customs Union. But even if transitional quota arrangements are not agreed for particular products towards the Community there may be a need for such arrangements towards third countries.

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The Commission is of the view that in principle the Greek requests for quota arrangements for the above products towards GATT members (apart from preferential partners) should be accepted, subject to agreement being reached in the negotiations on the modalities and the duration of these arrangements. The Commission is convinced that an abrupt liberalization of those products could cause serious difficulties in Greece. In this context attention is drawn to the fact that the present import regimes for all but the three products in Chapter 31 are very restrictive.

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- (d) The Commission proposes that the transitional arrangements, as proposed by Greece, take the form of quotas, which are increased annually by a fixed percentage to be agreed in negotiations. In the view of the Commission the modalities should however not be those proposed by Greece. Each quota should at least be doubled by the date of full liberalization of the product concerned, and the basic quotas, expressed in volume terms, wherever possible, and applicable during the first year after accession, should also be agreed in the negotiations.
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- (e) A certain amount of technical work should be undertaken without commitment to the common position regarding the Greek requests. Thus, the products listed under (c) above should be transposed into the Community tariff nomenclature.

Moreover, experts should be asked to provide data which can serve as a basis for negotiating the size of the basic quotas. For most of the products retained in the list, this poses a particular problem because no quotas exist for Greek imports of these products today. The Commission proposes that in such cases the basic quotas be determined as a percentage of production in Greece, as was the case in the Community (see Article 33, paragraph 2 of the Rome Treaty).

- (f) As regards the list of "hypothetical" Greek requests¹, the Commission proposes that the Community declares itself ready to enter into substantive consultations with Greece if, during the "interim period", any extension of the common liberalization list were to be considered. Although the Community cannot undertake to enter into any legal commitment as regards the outcome of such consultations, the Community should declare that, in order to be able to take appropriate account of Greek problems, it would be ready to examine carefully, together with Greece, if the inclusion in the common liberalization list of any particular product, which at present is not liberalized in Greece, risks to cause serious difficulties for any sector of Greek industry or in particular regions of Greece. It goes without saying that Greece remains free until the date of signature of the Accession Instruments to submit to the Conference any proposals for transitional arrangements in respect of additions to the common liberalization list, which the Community might decide before that date.

The procedure of consultation should apply in all cases where an extension of the common liberalization list were to be considered by the Community and it should not be limited to the products on the Greek list of hypothetical requests. In the view of the Commission no particular status should be conferred to the products on this list in the accession negotiations. It should be stressed however that it will not be possible

¹Annex IIb to MEMO-GR/8/77

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for Greece to liberalize towards third countries any product which is not on the common liberalization list if such products are subject to transitional quotas when imported from the rest of the Community. Moreover, Greece should be informed that it will not be possible for her to de-liberalize towards GATT members any product which is not on the common liberalization list.

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The products remaining under transitional restrictions towards the Community must of course remain equally under such restrictions towards all third countries. 9 such products are mentioned on page 25.

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The remaining 9 products on the Greek list for transitional restrictions towards the Community are products not liberalized in the Community towards 3rd countries (Reg 1439), and they therefore figure on the hypothetical list vis-à-vis third countries (Annex II b) to memo of 19 December. Since Greece cannot be allowed freedom to liberalize these products towards third countries or to give third countries any advantage over the Community a general stipulation to this effect should go into the Accession Instruments.

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B. Imports from State Trading Countries

The Greek proposals concerning the application of Regulation (EEC) 109/70 follow the same approach as the proposals concerning Regulation (EEC) 1439/74. At first Greece proposed to adopt the Community import regime towards State Trading countries by the end of the transitional period (1). In reply the Community stated that it was premature to express an opinion on the exact modalities of the adoption by Greece of Regulation 109 since the modalities for the abolition of Greek quantitative restrictions vis-à-vis other trade partners had not been defined. However Greece's adoption of Regulation 109/70 should be co-ordinated with the adoption of Regulation 1439/74 in order to avoid Greece granting more favourable treatment to State Trading countries than to other third countries (2).

Greece has declared herself ready to apply, from the date of accession, the provisions of ^{the} Council Decision of 27 March 1975 (210/75) concerning co-ordination of import regimes.

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(1) Mémorandum-GR/1/77

(2) CONF-GR/11/77

Revised Greek proposals

Revised Greek proposals concerning Regulation 109/70 were presented in the memorandum of 19 December 1977 (1). Greece agrees in principle to apply this regulation from the date of accession, subject to Community acceptance of the Greek requests for quantitative restrictions for sensitive products during a 5 year transitional period.

As in the case of Regulation 1439/74 Greece has submitted two lists of sensitive products (Annex III and III b of MEMO of 19 December).

- (i) The first list, containing some 26 products consisting of 11 tariff headings and 16 ex.headings, relates to products on the common liberalization list of Regulation 109/70.

15 of these products are at present imported freely from state trading countries into Greece.

- (ii) A second "contingency" list contains hypothetical requests for transitional arrangements in respect of products which are not on the common liberalization list at present.

It contains 56 products consisting of 24 tariff headings and 22 ex.headings. 24 of these are imported freely into Greece from state trading countries.

If the Community were to liberalise imports of products on the list before the date of Greece's accession, Greece would wish transitional arrangements to apply in accordance with its requests.

(1) MEMO-GR/8/77

As regards the list at (i) above, Greece proposes to open quotas corresponding to imports, on a value-basis, into Greece during the last year before accession. Quotas should be increased by 10% annually over a five year period at the end of which imports would be fully liberalized.

As in the case of Regulation (EEC) 1439/74 the Greek requests in respect of Regulation (EEC) 109/70 comprises a number of textile products. Greece is however reconsidering these requests at the moment and they are therefore not dealt with in the following.

Commission Proposals

(a) In accordance with the principles described in Part I of the present Communication the Commission proposes first of all that the Community declares itself unable to consider for inclusion in any list of **temporary exceptions from the common liberalization list (Reg.109/70) products**, other than textile products, which are at present freely imported into Greece from the state trading countries or which are imported from these countries subject to automatic licences only.

(b) This leaves for the consideration of the Community the following list of products which figure on the Greek list for requests for transitional measures in the form of quotas as temporary exceptions from the common liberalization list of Regulation 109:

ex 39.02	Autres produits de polymérisation
44.01 +	Bois de chauffage
ex 69.05 +	Tuiles
ex 73.37 **	Chaudières et radiateurs
ex 84.01 **	Chaudières de toutes sortes
ex 84.10 **	Pompes et motopompes
ex 84.14 **	Parties des fours à cimentation

* Included on the list of products for which Greece has requested transitional arrangements towards the rest of the Community.

+ Included on the list of products for which Greece has requested transitional arrangements towards GATT members.

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ex 84.15 + Armoires frigorifiques
84.20 *+ Appareils et instruments de pesage
ex 84.24 + Charrues

To this list should be added three products which Greece thought were not liberalized in the Community and which therefore are at present in the hypothetical list (annex IIIb) of their memorandum of 19 January 1977:

ex 31.02 *+ Nitrate de sodium naturel
ex 31.03 *+ Superphosphates
ex 85.15 *+ Meubles et coffrets pour recepteurs de television

Those products marked with an * are included fully or partly among the products for which Greece has requested transitional quota arrangements towards the rest of the Community. Those products marked + are products for which Greece has requested transitional quota arrangements towards the GATT countries. Any products for which quota arrangements vis-à-vis the Community are agreed in the negotiations under the Chapter Heading of the Customs Union will also have to be the subject of quota arrangements towards the state trading countries. Moreover, any products for which quotas are agreed towards GATT countries but not towards the Community would also have to be subject to quotas vis-à-vis state trading countries if they are liberalized in the Community towards the GATT countries. These transitional quotas will have to apply for a period which is at least as long as that of the transitional arrangements for quotas in the Customs Union vis-à-vis the Community and the GATT countries. Even if transitional quota arrangements are not agreed for particular products towards the Community or towards the GATT countries there may still be a need for such arrangements towards state trading countries.

- (c) The Commission is of the view that in principle the Greek requests for quota arrangements for the above products towards the state trading countries should be accepted, subject to agreement being reached in the negotiations on the modalities and duration of these arrangements. The Commission is convinced that an abrupt liberalization of these products could cause serious difficulties in Greece. In this context attention is drawn to the fact that the present regime for most of the products listed in (i) above is very restrictive.
- (d) The Commission proposes that the transitional arrangements, as proposed by Greece, take the form of quotas, which are increased annually by a fixed percentage to be agreed in negotiations. In the view of the Commission the modalities should however not be those proposed by Greece. Each quota should at least be doubled by the date of full liberalization of the product concerned, and the basic quotas, expressed in volume terms, wherever possible, and applicable during the first year after accession, should also be agreed in the negotiations. If during two successive years imports of any product have been less than 90% of the quota opened, and if the product in question is liberalized towards the rest of the Community, Greece should abolish the quota restrictions in question.
- (e) As in the case of GATT quotas, the products listed will have to be transposed into Community tariff nomenclature, and experts should be asked to provide data which should serve as a basis for negotiating the size of the basic quotas. Once again, as for the GATT list, there is a problem because in most cases no quotas exist at the moment for Greek imports of these products today.

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- (f) As regards the hypothetical Greek requests, the Commission proposes that the Community declares itself ready to enter into substantive consultations with Greece if during the interim period any extension of the common liberalization list towards the state trading countries were to be considered. Such consultations would be subject to the same reserves as spelled out in the case of GATT countries at (f) on page 27.
- VERBODEN TOEGANG VERBODEN TOEGANG
- (g) There must, however, be one important difference of approach between the Greek hypothetical list towards state trading countries and that towards GATT. The Community cannot insist that Greece should not de-liberalize towards state trading countries any products which she currently imports from them freely or t.l.a. Existing Member States of the Community are free to de-liberalize towards the state trading countries products which are not liberalized at the Community level.
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- (h) Finally, all products remaining under transitional restrictions towards the Community or towards GATT countries must remain equally under such restriction towards all third countries. These products are referred to in (b) above. The remaining products on the Greek list for transitional restrictions towards the Community or towards the GATT countries which are not included in the list towards the state trading countries are products not liberalized in the Community towards state trading countries and therefore figure on the hypothetical list for those countries at annex IIIb. Since Greece cannot be allowed freedom to liberalise these products towards the state trading countries or give state trading countries any advantage over either the Community or the GATT countries, a general stipulation to this effect must go into the Accession Instruments.
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- FORTROLIGT

II. MEASURES OF EQUIVALENT EFFECT TO QUANTITATIVE RESTRICTIONS

(a) Import deposit and cash payments systems

Background

As already spelled out in the Commission's Proposals concerning the Industrial Customs Union (COM(78)21 final, page 50), Greece demands cash payment on importation for products representing about 24% of total imports. Within this total about 9% are in addition subject to import deposits. The import deposits are gradually being abolished towards the Community under the terms of the Association Agreement in parallel with the abolition of customs duties. Greece is also reducing import deposits towards third countries by the same rhythm as she is reducing them towards the Community; she is not obliged to do this by the terms of the Association Agreement, but has chosen to do so, presumably to avoid charges of discrimination in GATT. The cash payments system, however, remains in full force against imports from all sources.

First Greek position

In a memorandum of January 1977 Greece proposed that import deposits should be gradually abolished towards third countries, as towards the Community, according to the timetable laid down in Protocol 11 of the Association Agreement. A possible acceleration of this rhythm could be envisaged if the five year transitional period came to an end before November 1984. Greece did not at that stage refer to the cash payments system. This position was the same as the Greek position in the context of the Industrial Customs Union.

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First Community position

At the third session at Deputy level the Community stated that Greek import deposits vis-à-vis third countries should be abolished from the date of accession, with the proviso that if the abolition should pose problems of a monetary nature other means might be envisaged to deal with such problems¹. The Community did not at that time take position on the cash payments system.

Revised Greek position

In a memorandum of 19 December 1977 Greece made it clear that her new position on the import deposit scheme in the Customs Union chapter, as set out in her memoranda of September and 17 October 1977² was intended to be valid also in the context of trade with third countries. Greece proposes the gradual elimination of the system during a five year transitional period starting from accession. Greece has not, however, specifically taken position concerning the future of the cash payments system on imports from third countries.

Commission Proposals

The Commission believes that, whatever is decided under the Chapter Heading of the Customs Union about the future of the import deposit scheme and its elimination should be applicable erga omnes. This is the course Greece has hitherto followed. The Commission also believes that this principle should apply to the elimination of the cash payments system. If a situation were to arise, after the expiry of any transitional measures, whereby imports from the Community could be made on any credit terms commercially available while certain imports from third countries were subject to a cash payment requirement, it would be certain to lead to severe criticism in the GATT. It could also encourage deflection of trade.

¹CONF-GR/11/77

²T/TAG/34/77 Corr. 1

The Commission therefore proposes that exactly the same system be applied to the elimination of these two schemes on imports from third countries, as it proposed for their elimination on imports from the rest of the Community in its Customs Union Proposal on page 53. This means Greece being offered a choice. Either she could abolish the import deposit scheme in the first year after accession in four three-monthly stages and the cash payments scheme in the second year after accession in the same manner; or she could abolish both schemes together over two years. Whichever method were chosen by Greece, at the end of the second year both schemes would have to be entirely abolished.

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(b) Public PurchasingBackground

There are currently no Community obligations in the field of public purchasing as regards trade with third countries. As part of the current round of multilateral trade negotiations an agreement on public purchasing is being negotiated amongst members of the GATT. When agreement is reached it will of course have to be adopted and applied by the Community in its trade with third countries and will become part of the *acquis communautaire*.

Initial Greek Proposals

Greece originally suggested that public purchasing in the External relations context should be examined in the framework of the secondary legislation exercise.

First Community position

The Community merely said that any Greek measures in this field must be in accordance with the autonomous Common Commercial Policy as well as the other international obligations of the Community.

Commission Proposal

Greece has taken no further position regarding public purchasing in external relations. The Commission believes that in all the circumstances it is necessary at this stage simply to draw the attention of Greece to the fact that she will have to apply in due course the arrangement being worked out in the framework of the m.t.n., which is likely to become part of the *acquis communautaire* either before her accession or shortly thereafter. Since the GATT negotiations are still continuing it is impossible to be more specific or to see which of the Greek practices set out on page 60 of the Customs Union Proposals might be affected.

(b) MonopoliesInitial Greek Proposals

In her memorandum of 17 January 1977¹ Greece proposed the application of Article 44 of the Treaty of Accession of the three new Member States in the case of national monopolies not covered by international convention or incompatible with the provisions of Article 37 of the same Treaty. Greece seemed to imply that this should apply regarding imports from third countries, as well as in intra-Community trade.

First Community position

At the third session of Deputies² the Community stated merely that measures applied in Greece regarding monopolies should be in accordance with the regulations both of the autonomous Common Commercial Policy and with the international obligations of the Community in this area.

Revised Greek proposals

In a memorandum of 19 December 1977³ Greece stated that as regards the application by Greece of the Community's system relative to exclusive import rights for products subject to national monopolies, quotas for these products and perhaps certain others submitted to a special regime in Greece (including petroleum products) ought to be opened towards third countries as well as towards the Community. Products and quotas should be decided in discussions with the Commission. In a further memorandum dated 16 January 1978 Greece made more specific proposals regarding quotas to be opened vis-à-vis the Community.

¹ MEMO-GR/1/77

² CONF-GR/11/77

³ MEMO-GR/8/77

Commission Proposals

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It must be admitted there is no obligation upon Greece to phase out monopoly import rights as regards imports from third countries, either under the terms of the autonomous Common Commercial Policy or under any of the Community's preferential or non-preferential agreements. Certain provisions of the Common Commercial Policy and of certain of these agreements might touch upon certain aspects of these exclusive import rights but certain existing Member States maintain monopoly import rights for certain important products such as manufactured tobacco or alcohol. Greece has, however, suggested that she should abolish monopoly import rights towards all third countries in the same way as towards the Community. In view of the legal situation the Community should avoid giving formal acceptance to this proposal; it could, however, note it. It will not be necessary to ask Greece which monopolies she intends to abolish in this way towards third countries.

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However, if Greece should embark on a progressive abolition of monopolies towards third countries, it is important to ensure that she does not do so in such a way as to give third countries an effective preference over the Community during the transitional period. An undertaking to this effect ought therefore to be included in the Accession Instruments.

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III. THE COMMUNITY'S PREFERENTIAL AGREEMENTS

Greece has proposed transitional arrangements towards all the preferential partners in respect of import duties in general (1); and in respect of quantitative restrictions for sensitive products in particular (2).

Greece has proposed a 5 year transitional period - from the date of entry into force of the relevant protocols - for all these arrangements with the exception of the abolition of import duties towards the EFTA countries for certain sensitive products, for which 8 years are proposed.

A. Import Duties

The Greek proposals are only in very general terms. The Greek delegation has confirmed however that what is envisaged is a progressive abolition in the course of a transitional period towards all the preferential partners.

In its statement to the third Conference of Deputies the Community stated that it could only agree that a progressive abolition was one possible way of proceeding. The Community reserved its final position in the matter until a later stage of the negotiations (3).

COMMISSION PROPOSALS

As stated above a progressive abolition of all Greek import duties towards all the Community's preferential partners is one possible way of proceeding. Two other possibilities are examined below under points (a) and (c)

- a) One possibility would be that from the date of accession Greece should apply the tariff provisions of the preferential agreements as they stand at that time, subject to respect of the "butoir" rule (4)

(1) Memo-GR/1/77

(2) Memo-GR/8/77

(3) CONF-GR/11/77

(4) The "butoir" rule means that Greece cannot at any time give more favourable tariff treatment to any third country than to the Community in its present composition.

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This would in practice mean that products which enter Greece free of import duties when imported from the Community in its present composition (products on the "12 year list" under the Association) would also, when this is foreseen by the preferential agreements and when fulfilling the criteria of the origin rules, enter Greece free of duty when imported from the preferential partners. In other words : in respect of products for which Customs Union regimes have been completed under the Association Greece would treat imports from preferential partners in the same manner as the other Member States do. Products on the "22-year" list on the other hand would as a general rule be subject to the same import duties in Greece whether imported from the rest of the Community, or from the preferential partners, with the necessary origin criteria fulfilled.

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This approach would have the advantage of excluding all risks of trade deflection. From the point of view of the preferential partners it would have the general advantage of giving their products the same position on the Greek market as that enjoyed by Community products, from the date of Greek accession and not, as proposed by Greece only from the date when the transitional arrangements come to an end.

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A further advantage would be that the same approach could be used towards all the preferential partners without posing the problem of whether Greece, as the present Member State, have done in the past, should abolish import duties towards developing partners in one move instead of progressively. Finally this approach would justify the Community in requesting those preferential partners whose agreements are based on reciprocity that from the date of Greece's accession Greek products which qualify under the origin rules, should be imported by them subject to the same preferences as when imported from the rest of the Community. This would give Greece maximum reciprocal advantage from the beginning.

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There would however be some disadvantages too. For certain sectors of Greek industry the effects of a sudden abolition of import duties on the 12 year list products and of considerable initial tariff reductions on the 22 year list products could present serious difficulties. In particular the considerable tariff reductions for the 22 year list cover products which are in general more sensitive than those on the 12 year list and which to-day enjoy quite high tariff protection towards all third countries (20 percent as an arithmetical average). For those products on the Association's "12 year" list which are not produced in Greece or which are not sensitive there would be no specific economic problems, but a problem of immediate instead of progressive loss of customs revenue. A few products on the 12 year list are however known to be sensitive in relation to some of the Community preferential partners.

On balance the Commission is of the view that in respect of the 22 year list the disadvantages of this approach would be so great that they would outweigh the advantages. It should therefore not be envisaged that Greece applies the tariff regimes of the preferential agreements, subject to respect of the "butoir" rule, to all industrial imports from the preferential partners from the date of accession.

Before reaching this conclusion the Commission has carefully studied the question of trade deflection.

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Due to the lack of Origin Rules in the Association and as a result of the extensive network of preferential agreements which the Community has concluded with other third since the Association was created, the risk of deflection of trade exists in the Association. In certain circumstances products originating in the Community's preferential partners can enter Greece, via the territory of the Community, duty free or at reduced duties. Greek products in the same manner, can enter into the preferential partners via the territory of the Community. A certain risk of trade deflection also exists under the Association in relation to other third countries, due to the lack of parallelism between the rhythms for tariff harmonization and for tariff abolition towards the EEC.

VERTRAULICH

In relation to the preferential partners the risk of trade deflection under the Association is a permanent problem but it is difficult to assess how real the risk is. The geographical position of Greece, and the fact that export documentation to an increasing extent is issued locally or at the factory level and not at the frontier, probably limit the risk considerably.

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So far, no particular difficulties are known to have been caused by trade deflection under the Association. The Commission understands that the Greek Authorities, by means of existing import restrictions towards the Community, ensure against "deflected" imports of sensitive products. Neither the Community exporters, nor the preferential partners have raised the problem.

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In the context of accession, the risk of deflection of trade will, at the most, be a temporary problem which will disappear when Greece will apply the Community's preferential agreements fully. In relation to other third countries, it will be considerably reduced or disappear from accession, because the rythms of tariff abolition and harmonisation will be parallel. If, as proposed by Greece, the transitional arrangements for Greece's application of the preferential agreements are to provide for progressive abolition of import duties, the risk of trade deflection will moreover decrease progressively as these arrangements progress towards expiry.

If the prevention of trade deflection after accession were regarded as having absolute priority, the application by Greece from the date of accession of the trade provisions of the preferential agreements as they stand would be the only possible way of proceeding. For many sectors of Greek industry the economic effects of proceeding in that way would however be considerably more serious than those likely to be caused by a limited degree of trade deflection.

The Commission is therefore of the view that the problem of trade deflection should not be a decisive factor in the determination of the transitional arrangements for Greece's application of the Community's contractual and autonomous tariff preferences. However it ought not to be disregarded altogether as it has been in the Association. From the date of Greece's accession the risk must be considerably reduced so that Greece will no longer be faced with the problem of having to control whether her imports from the rest of the Community are of Community origin.

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(b) The way of proceeding which Greece has proposed has the advantage of technical and administrative simplicity, but it takes no account of the risk of trade deflection. This is true in particular in respect of the products on the 12 year list. Another weakness of the Greek proposals is that for the great number of products on the "12 year list" which are not produced in Greece or which are not sensitive in Greece it is difficult to justify in economic terms a request for transitional arrangements towards the preferential partners, since these products are imported free of duty from the present Community. The main arguments for such a request would be the relatively great importance of customs revenues for the Greek Government budget - as well as the economic interest of the present Community in preserving as long as possible, its preferential position on the Greek market.

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There can be no doubt that at least some of the preferential partners will insist that from the date of Greece's accession - and within the limits of their respective agreements - their exports to Greece should be given the same treatment in respect of import duties as that which exports from the present Community enjoy. Both Austria and Switzerland have approached Greece with a view to concluding interim free trade agreements providing for such regimes in preparation of Greece's accession to the Community.

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The approach proposed by Greece will therefore most likely have as a result that the preferential partners whose agreements are based on reciprocity would request transitional arrangements for their application of all the trade provisions of their agreements towards Greece for as long period as that requested for Greece's application of these agreements.

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The solution which Greece has proposed moreover raises the problem of principle whether the same transitional arrangements should apply towards the developing countries among the preferential partners as towards the industrial partners. As stated above, this would constitute a departure from the Community's past practice.

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As a general rule, it might not make much difference to the developing partners whether Greek import duties on products on the 12 year list are abolished upon accession or eliminated progressively over a period, since their main industrial export products are on the "22 year list". The real question is therefore whether, from the date of accession, Greece should treat products on the 22 year list in the same manner in respect of import duties when they are imported from the preferential developing countries as when they are imported from the rest of the Community. An examination of the lists of sensitive products which Greece has submitted in the context of liberalization and which are practically all included in the "22 year list" leads the Commission to believe that there would be a risk of serious difficulties for some sectors of Greek industry if, upon accession, Greece were to reduce import duties on products on the 22 year list towards developing partners in such a way as to grant these countries immediate parity with the existing Community.

In the view of the Commission the practice of applying full tariff preferences to the developing countries without transition or after very short transitional periods, ought not to be followed in the case of Greece, because the industrial export products of developing countries are among the most sensitive products for Greece.

- (c) The Commission is however of the view that the products on the "12 year list" and the products on the "22 year list" should not be treated in the same manner.

The Commission proposes that the duration of transitional arrangements for the products on the 22 year list should be the same as towards the rest of the Community. The rhythm of tariff dismantlement should also be the same.

However, the arrangement should not be based on respect of the "vetoir" rule. Greece should start the process of dismantlement from the level of the duties effectively applied towards third countries at the same date as that chosen for the Custom Union.

The level of the basic duties for products on the "22 year list" will be at least double as high as towards the Community.

This way of proceeding is justified by the fact that many of the products on the "22 year list" are sensitive for Greece, in relation to the Community's preferential partners, towards whom they are at present enjoying quite high protection.

In a few cases, the transitional arrangements for tariffs will have to take account of existing reciprocal minor tariff preferences between Greece and certain third countries.

As a general approach, the Commission proposes that there should be no transition for products on the "12 year list".

Greece should apply the tariff provisions of the respective agreements for the 12 year list products fully from the date of accession.

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In return the preferential partners whose agreements provide for reciprocity should be requested to apply the tariff provisions of the respective agreements to imports of industrial products from Greece fully from the date of Greece's accession.

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In respect of some of the Community's preferential partners a few of the products on the "12 year" list are however sensitive products for Greece. This is the case f.inst. of certain fertilizers, a few paper products etc. Most of such products are likely to be sensitive only in relation to some of the preferential partners. Such products could be deleted from among the products for which duties should be abolished without transition in respect of particular preferential agreements and be added to the list of products (of the "22 year list") for which Greek import duties should be dismantled over a period.

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By proceeding in the manner described above it should be possible to solve certain problems which Greece seems to foresee and for which she seems to be preparing requests for transitional quota arrangements towards preferential partners (see point B below).

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The Greek proposal for an 8 years' transitional arrangement for tariff abolition on certain sensitive products from the EFTA countries only falls to be considered in substance if the maximum duration for the abolition of Greek import duties is less.

This proposal covers between 3 and 7 percent of Greece's imports from Switzerland, Sweden and Norway but 38 percent of her imports from Portugal and Austria and 44 percent of imports from Finland (1976 figures).

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B. Quantitative Import and Export Restrictions in Preferential Agreements

1. Import Restrictions

Greece has proposed transitional arrangements for the progressive abolition of quantitative restrictions on imports from the preferential partners (1). The products involved are in principle the same as those for which such arrangements are requested vis-à-vis GATT members. The Greek delegation has announced that a specification, country by country, of its proposals in respect of each of the preferential partners will be forthcoming in a near future. Until these specific Greek proposals have been received the Commission is unable to submit concrete proposals in this particular area of the negotiations. However, certain comments can be made now :

In general, but leaving aside in this context the special problems of textile products originating in certain preferential partners, the Commission proposes that the following points be made to the Greek delegation :

- (i) The Community could not accept that products, which at present can be imported into Greece freely, or are subject to TLA only, from a preferential partner should be submitted, even temporarily, to quantitative restrictions from the date of Greece's accession, unless such restrictions are already provided for in the Agreement in question. Any difficulties to which the progressive abolition of Greek import duties may give rise will have to be solved in the framework of the tariff regimes, i.e. through **indicative ceilings or possibly tariff quotas, and not by moves of de-liberalization**.
- (ii) All products which may become subject to transitional arrangements in respect of quantitative restrictions towards the rest of the Community should be subject to such arrangements vis-à-vis all the preferential partners, and that for the same durations.

(1) Memo-GR/8/77

- (iii) In principle it will be difficult to envisage transitional arrangements in respect of quantitative restrictions towards preferential partners for products other than those which might be subject to such arrangements towards the rest of the Community.
- (iv) All products which from the date of accession are liberalized by Greece towards GATT members in general should also be liberalized towards all the preferential partners.
- (v) The transitional arrangements in respect of quantitative restrictions shall take the form of import quotas which are progressively increased over periods to be determined. For each product the basic quota, expressed in volume, the annual percentage increase and the date for full liberalization shall be agreed with the partners concerned and laid down in the protocols of transition and adaptations.
- (vi) Since the obligations which Greece will be undertaking towards the preferential partners are based on the existing provisions of each preferential agreement the hypothetical Greek requests for transitional arrangements concerning products in Annex II b to the Greek memorandum of 19 December are not relevant in relation to the Community's preferential partners.

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IV - GENERALISED PREFERENCES

Initial Greek Position

In a memorandum of 17 January 1977¹ Greece stated that she would apply the Community generalized preferences system from the third year of implementation of the Act of Accession. Greece reserved generally the right to put her views in the preparation of the lists of those products for which generalized preferences are annually granted, so as to avoid any disturbance in certain sensitive areas of her economy.

Community Position

In a statement at the third session of the Conference at Deputy level² the Community took note of the Greek suggestion that Greece should apply the generalized preference scheme only from the third year after accession. At that stage the Community drew attention to the problems that would arise if during a period of two years imports into Greece from the countries benefiting from the Community's generalized preference scheme were to be subject to import duties which were higher than those which would apply to imports into Greece from countries in a comparable economic situation with whom the Community had concluded preferential agreements. The Community furthermore recalled the system of quotas and ceilings which is part of

¹MEMO-GR/1/77

²CONF-GR/11/77

generalized preference scheme and suggested that the problems of sensitive imports into Greece, as into the Community in its present composition, might be mitigated if not solved through these mechanisms.

The Community equally took note of the intention of Greece to put forward its views in the annual preparations of the Community's generalized preference scheme and stressed that as a full member of the Community Greece would participate in the Community preparations and decisions concerning the continued development of Community policies in this as in all other areas. The Community emphasized that it was determined continually and progressively to improve its generalized preference scheme.

Revised Greek Position

At the fourth session of Deputies¹ on 30 March 1977 Greece expressed the desire to align the two points of view after receiving technical explanations concerning the Community position. These explanations were given in a technical meeting between Commission and Greek experts on 31 March 1977. However, in a memorandum of 19 December 1977² Greece stated that she wished "to go back on her initial position on generalized preferences" and reserved the right to advance her own point of view in due course so that certain aspects of this field should be taken into consideration to

¹CONF-GR/16/77

²MEMO-GR/8/77

avoid any disruption of certain sectors of the Greek economy. Greece has not in the event made any new proposals.

Commission Proposals

These proposals are based on the assumption that whatever scheme follows the present GSP scheme after 1980 will be broadly similar to the present scheme. The Commission believes that any transitional measures in the field of generalized preferences should take two principles into account: firstly, Greece should make a certain effort from the beginning. Secondly, as regards tariffs, Greece ought to treat the GSP countries as favourably as the Lomé countries, but not more favourably. It is true that the Lomé scheme is contractual whereas the GSP scheme is autonomous, but both schemes share the basic aim of encouraging industrial development in the developing world through tariff concessions. The Community's GSP scheme now covers all industrial products.

As regards tariffs, therefore, the Commission proposes that Greece should reduce these under the GSP scheme in exactly the same way as towards Lomé countries and the other preferential partners:

- for industrial products on the 12 year list Greece should apply the GSP scheme fully from the date of accession;
- for industrial products on the 22 year list the same timetable as in the context of preferential agreements should be foreseen. This should start on the date of accession and should involve a smooth and even process of elimination.

As regards quotas and ceilings, the Community would have to propose the necessary technical adaptations to the Community's system in the last year before Greek accession when the Community scheme is being prepared for the first year after accession.

V. GREECE'S TRADE AGREEMENTS WITH STATE TRADING COUNTRIES

Background

Greece has commercial agreements with many state trading countries. All of these agreements will have expired by 31 December 1980 or provide the possibility for denunciation by that date. During 1976 around 13% of Greece's total exports went to the state trading countries.

Initial Greek Proposal

In a memorandum of 17 January 1977 Greece stated that her commercial agreements with state trading countries remain in force until 31 December 1980 at which point denunciation was possible. Greece asked to keep open the possibility of extending the agreements for a transitional period of three years after the entry into force of the Act of Accession on the grounds that the volume of trade and the structure of her exports to those countries included certain products which were particularly sensitive for the Greek economy.

Community Position

At the third session of Deputies the Community stated that Greece should ensure that her bilateral agreements with state trading countries came to an end at the date of her accession to the Community. There could be no question of either prolonging the Greek commercial agreements with state trading countries during the transitional period nor a fortiori of prolonging them beyond the end of that period. The Community rejected the Greek arguments in favour of a prolongation on the grounds that the nine Member States had been in the same situation and their trade was developing normally with the state trading countries.

Further Greek Statements

At the fourth session of Deputies on 30 March 1977 Greece took note of the Community position and stated that if a suitable solution could not be found the Agreements in force at the time of accession should remain in force until they expire or are denounced¹. In a memorandum of 19 December 1977² Greece said that she was still awaiting the definitive Community position on its request concerning the possibility of extending for three years during the transitional period those trade agreements between Greece and state trading countries which are in force when the Act of Accession is implemented.

Commission Proposals

The date of Greece's accession to the Community is of course not settled. But it is likely that a transitional period of three years after accession (which in the circumstances of this case means a temporary derogation from the Community acquis) would not expire until towards the mid 1980s. It is to be hoped that the Community will have concluded agreements with the individual state trading countries before then, and even if it has not there is no evidence that the absence of such agreements would adversely affect Greek exports to the state trading countries. In these circumstances the Commission proposes that the Community should make no substantive change in its position that all Greece's bilateral commercial agreements with state trading countries should be brought to an end on the date of her accession to the Community. A slight nuance could, however, be introduced; since 31 December 1980 is the earliest date by which denunciation of all the agreements is possible, and since it is inadvisable to ask Greece to denounce before she may legally do so, it could be envisaged that if Greece joins the Community before 31 December 1980 then any agreements which do not contain provisions allowing denunciation before that date could be continued until that date. In no circumstances, however, could any agreement be continued after that date.

¹CONF-GR/16/77

²MEMO-GR/8/77