Generalised scheme of tariff preferences (GSP): rules for the application of the GSP scheme for the period from 1 January 2009 to 31 December 2011

2007/0289(CNS) - 21/12/2007 - Legislative proposal

PURPOSE: to apply a scheme of generalised tariff preferences (2009-2011).

PROPOSED ACT: Council Regulation.

BACKGROUND: since 1971 the Community has granted trade preferences to developing countries in the framework of the "Generalised System of Preferences" (GSP) as part of its on-going development policy. The key objective of GSP is to help developing countries benefit from globalisation by linking trade with sustainable development.

To recall, in July 2004 the Commission adopted a set of guidelines on the role of the GSP for a ten year period lasting from 2006 to 2013. The guidelines introduced a number of new objectives that involved certain changes to the scheme including: targeting those countries most in need; enlarging the product coverage of the GSP products; making the graduation system more transparent and stable; and introducing a new special incentive scheme to encourage sustainable development and good governance. These guidelines are put into operation via implementing Regulations. The first of these implementing Regulations entered into force on 1 January 2006 and will expire on 31 December 2008. (See: CNS/2004/0242).

CONTENT: the purpose of this proposal is to propose a second implementing GSP Regulation that will enter into force on 1 January 2009 and expire on 31 December 2011. The Regulation will set out provisions on how the GSP is to be applied. These provisions remain strictly within the remits of the guidelines and the substance of the scheme remains unchanged. The following tariff preferences are listed:

- a general arrangement;
- a special incentive arrangement for sustainable development and good governance (additional tariff preferences should be granted to those developing countries which, due to a lack of diversification and insufficient integration into the international trading system, are vulnerable while assuming the special burdens and responsibilities due to the ratification and effective implementation of core international conventions on human and labour rights, environmental protection and good governance); and
- a special arrangement for the least-developed countries (duty-free access to products originating in the least-developed countries, as recognised and classified by the United Nations).

The proposal states that a beneficiary country can be removed from the scheme when it has been classified as a high-income country. Similarly it may be removed from the scheme when: its imports covered by the GSP into the Community represents less than 75% of the total GSP-covered imports from that beneficiary country into the Community and in cases where the country already benefits from a preferential commercial agreement. The products to which the scheme applies are listed in Annex II.

Although based largely on the previous implementing Regulation, the Commission is proposing some additional new provisions. They include:

- modifications to Annex I (graduation): graduation involves the exclusion of countries/sectors whose competitiveness no longer requires the granting of preferences or their re-inclusion, in the contrary case. The proposal provides that graduation should be based on criteria related to sections of the Common Customs Tariff. The graduation of a section for a beneficiary country should be applied when the section meets the criteria for graduation during three consecutive years, in order to increase predictability and fairness of graduation by eliminating the effect of large and exceptional variations in the import statistics
- the criteria for ratification and implementation of all Conventions listed in Annex III;
- extending the period for the Council to adopt a GSP withdrawal Regulation (when a beneficiary country commits serious and systematic violations of the principles laid down in certain international conventions concerning core human rights and labour rights or related to the environment or good governance, the Council may decide to remove it from the list of beneficiary countries);

- extending the tariff quota for products under the subheading “raw can sugar for refining” for three months until end September 2009 with a pro rate increase of its volume under the EBA arrangement (2008/2009).

On a final point, the proposal will not incur any costs charged to the EC budget. Its application will, however, entail a loss of customs revenue. Based on 2005 figures, the annual loss of customs revenue (total loss income minus the cost of the de-graduation) resulting from the application of the GSP Regulation was estimated to be EUR 3.6 billion. As a result of the application of the graduation mechanism under the proposed Regulation, the annual loss of customs revenue is estimated to be EUR 3.4 billion.