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

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The Committee on International Trade unanimously adopted a report drafted by Helmuth **MARKOV** (GUE/NGL, D) amending, in the framework of the consultation procedure, the proposal for a Council regulation applying a scheme of generalised tariff preferences for the period from 1 January 2009 to 31 December 2011 and amending Regulations (EC) No 552/97, No 1933/2006 and Commission Regulations (EC) No 964/2007 and No 1100/2006.

The main amendments are as follows:

Impact-assessment study: a new Article 26a is introduced, which governs the assessment procedure, and provides for the inclusion of remarks by the beneficiary countries. It states that the Commission shall keep the European Parliament regularly informed with regard to: (a) trade statistics between the European Union and GSP beneficiary countries; (b) the status of ratification and implementation of the conventions included in Annex III by each country benefiting from the special incentive arrangement. Where appropriate, the Commission will include recommendations on whether additional steps for the effective implementation of a convention should be taken by a specific country; (c) relevant information on progress towards the achievement of the Millennium Development Goals (MDGs), especially in LDCs. The Commission must prepare an impact assessment study of the effects of the GSP covering the period from 1 January 2006 to 31 December 2009. The study will be transmitted to the Committee, the European Parliament and the European Economic and Social Committee by 1 March 2010. The Commission, after consulting the Committee, will set the contents of the impact-assessment study, which must include the views of the beneficiary countries and in any event shall contain at least the following elements:

-an in-depth statistical analysis of GSP utilisation rates per country and section including a comparison with previous years;

-an evaluation of the social and trade-related effects of graduation on graduated countries;

-a preliminary assessment of the effects of future graduation on the countries likely to be graduated under the next regulation;

-an analysis of the potential effects of extending the system of preferences by increasing the preferential margin accorded to sensitive products and/or transferring 'sensitive' products to the 'non-sensitive' category;

-an evaluation of the contribution of this regulation to the achievement of the MDGs, in particular in relation to LDCs.

The Commission will submit a special report to the European Parliament at the time of the conclusion of the Doha Round, examining the impact of the negotiations on the scheme established in the Regulation

and considering the measures to be adopted to ensure the effectiveness of the generalised system of preferences. The Committee shall examine the effects of the scheme, on the basis of the impact assessment study.

Transparency and predictability: on the basis of the latest comparable and adjusted data available at the time of adoption of the Regulation, the Commission shall establish which beneficiary countries meet the criteria set out in Article 3(1) i.e when a beneficiary country is removed from the scheme when it has been classified by the World Bank as a high-income country. Each year the Commission shall publish a notice in the Official Journal of the European Union listing the beneficiary countries which meet the criteria as above.

Precedence of commercial agreement: when a beneficiary country benefits from a preferential commercial agreement with the Community, the application of the commercial agreement shall take precedence over the application of the scheme provided that the agreement effectively implements and, where appropriate, consolidates at least all of the preferences provided for by the scheme to that country. A commercial agreement with the Community shall not preclude eligibility for the special incentive arrangement set out in the Regulation.

Technical assistance: in order to improve the impact of the scheme, the Commission shall provide developing countries and especially LDCs with adequate technical assistance for building the institutional and regulatory capacity required to reap the benefits of international trade and the GSP. Technical assistance shall also be provided to help eligible developing countries comply with the ratification and effective implementation requirements of the new special incentive arrangement for sustainable development and good governance.

Rules of origin: a new recital states that the rules of origin should be reviewed to take account of inter-regional and global cumulation and the possibility of a country benefiting from preferential treatment under the GSP, the GSP+ and the 'Everything But Arms' (EBA) initiative, even if it is not the final destination of the export, provided that substantial value is added to the products in the country in question. In the course of this review, the 'double transformation' requirement for certain products should also be eliminated. A new clause stipulates that the form, substance and procedures of the system of rules of origin shall be subject to regular revision in order to evaluate its effect on GSP utilisation rates and to better serve the purpose of promoting economic development. Furthermore, the Commission shall give priority within the WTO to harmonising rules of origin which introduce preferential treatment for developing countries and LDCs. The Committee stated that as part of the efforts to harmonise rules of origin undertaken within the WTO, the EU should make clear its desire to focus on the GSP.

Revision of special arrangements: the Commission shall present, to the European Parliament and to the Council, a report on the status of ratification and implementation of conventions listed in Annex III, by each country benefiting from the special incentive arrangement. Where appropriate, the Commission shall include recommendations by monitoring bodies on whether additional steps for the effective implementation of a convention should be taken by a specific country. In its report the Commission shall also evaluate the effectiveness of the special incentive arrangement in fulfilling its aim and recommend, where appropriate, the revision of Annex III.

The Committee also makes provision for a country which complies with the relevant criteria after 31 October 2008 to request the granting of special incentive arrangements. To ensure that the special incentive arrangement retains its incentive nature, it is essential to keep open the possibility of making new requests. The frequency proposed is once per year.

Fundamental labour standards: in the light of the reasons set out in the text, the Commission shall automatically open an inquiry in any case where the ILO Committee on the Application of Standards devotes a 'special paragraph' to a beneficiary country which does not comply with fundamental labour standards.

Parliamentary oversight: the Committee introduced several clauses to ensure that Parliament should be notified of matters under the Regulation. Where a beneficiary country is removed from the list of beneficiary countries, the Commission shall notify the country in question and the European Parliament. Where a requesting country is not granted the special incentive arrangement, the Commission shall give the reasons and inform the requesting country, and the European Parliament, thereof. The Commission shall regularly check that the commitments of beneficiary countries are being honoured and that none of the reasons set out in the Regulation for the temporary withdrawal of preferential arrangements applies. It shall publish an annual report on temporary withdrawals and send it to the European Parliament, the Council, and the Member States. The Committee made several amendments reinforcing the role of other institutions, particularly the European Parliament. It introduced the option of consulting representatives of civil society.

Revision of the Regulation: the proposal for a revised regulation covering the period 1 January 2012 to 31 December 2014 shall be transmitted by the Commission to the European Parliament, the Council and the European Economic and Social Committee by 1 June 2010. The new proposal shall duly take into consideration the results of the impact-assessment study.