

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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PURPOSE: to set out the rules for the application of the scheme of generalised tariff preferences for the period from 1 January 2009 to 31 December 2011.

LEGISLATIVE ACT: Council Regulation (EC) No 732/2008 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, (EC) No 1933/2006 and Commission Regulations (EC) No 1100/2006 and (EC) No 964/2007

BACKGROUND: the generalised system of preferences (GSP) allows access to the Community market for manufactured products and certain agricultural products from developing countries, with a full or partial exemption from customs duties. The system enables the EU to assist those countries in their struggle against poverty, by helping them obtain an income through international trade. The GSP for 2009 to 2011 is focused mainly on **encouraging sustainable development and good governance** in the countries which need them most. This update is in the framework of the guidelines adopted by the Commission in 2004, which established the main principles of the GSP for 2006 to 2015.

Introduced in the 1970s, the GSP is part of the overall framework of the priorities of Community trade policy, particularly those established by the World Trade Organisation (WTO). Thus the GSP is an instrument both of EU trade policy and of EU development policy. Some 180 countries and territories currently appear on the list of beneficiaries of the Community system of generalised tariff preferences.

CONTENT: the Council adopted a Regulation updating the EU system of generalised tariff preferences for 2009 to 2011.

The Regulation provides for three tariff preferences:

1. **A general arrangement:** this is granted to all those beneficiary countries which are not classified by the World Bank as high-income countries and which are not sufficiently diversified in their exports. A beneficiary country shall be removed from the scheme when it has been classified by the World Bank as a high-income country during three consecutive years, and when the value of imports for the five largest sections of 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. In addition, when a beneficiary country benefits from a preferential trade agreement with the Community which covers all the preferences provided for by the scheme to that country, it shall be removed from the list of beneficiary countries. Furthermore, there should be continued differentiation of the preferences between 'non-sensitive' products and 'sensitive' products, to take account of the situation of the sectors manufacturing the same products in the Community. Tariff duties on non-sensitive products should continue to be suspended, while duties on sensitive products should enjoy a tariff reduction, in order to ensure a satisfactory utilisation rate while at the same time taking account of the situation of the corresponding Community industries. Such a tariff reduction should be sufficiently attractive, in order to motivate traders to make use of the opportunities offered by the scheme.

2. **A special incentive arrangement for sustainable development and good governance:** additional tariff preferences will 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 resulting from the ratification and effective implementation of core international conventions on human and labour rights, environmental protection and good governance. Under this arrangement, the ad valorem tariffs is suspended for the beneficiary countries concerned, as well as the specific duties, unless combined with an ad valorem duty. Developing countries which fulfil the criteria for being eligible for the special incentive arrangement will be able to benefit from the additional tariff preferences if, upon their application, the Commission confirms their qualification by 15 December 2008. The countries which already benefit from the special arrangement for sustainable development and good governance must renew their applications.
3. **A special arrangement for the least-developed countries.** This will continue to grant duty-free access to the Community market for products originating in the least-developed countries, as recognised and classified by the UN. For a country no longer classified by the UN as a least-developed country, a transitional period is established, to alleviate any adverse effects caused by removal of the tariff preferences granted under this arrangement.

The Commission should monitor the effective implementation of the international conventions in accordance with their respective mechanisms and should assess the relationship between the additional tariff preferences and the promotion of sustainable development.

The list of products concerned by the revised GSP is set out in Annex II of the Regulation.

Technical amendments concerning the implementation of the GSP:

- **“Sugar” measures:** to ensure coherence with the market access provisions for sugar in the Economic Partnership Agreements, the duty free access for sugar should apply from 1 October 2009.
- **Graduation mechanism:** whenever an individual country's performance on the EU market over a three-year period exceeds or falls below a set threshold, preferential tariffs are either suspended or re-established. 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.
- **Temporary withdrawal:** the reasons for temporary withdrawal should include 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, so as to promote the objectives of those conventions and to ensure that no beneficiary country receives unfair advantage through continuous violation of those conventions. Due to the political situation in Myanmar and in Belarus, the temporary withdrawal of all tariff preferences in respect of imports of products originating in Myanmar or Belarus should be maintained.

ENTRY INTO FORCE: 26/08/2008.

APPLICATION: it shall apply from 1 January 2009 until 31 December 2011. However, the expiry date shall not apply to the special arrangement for the least-developed countries.