

Scheme of generalised tariff preferences GSP: implementing guidelines for the period 2006-2015 from 1st July 2005 to 31st December 2008

2004/0242(CNS) - 20/10/2004 - Legislative proposal

PURPOSE : to apply a scheme of generalised tariff preferences.

PROPOSED ACT : Council Regulation.

CONTENT : the Commission is proposing a new Generalised Tariff Preferences Regulation based on guidelines adopted in July 2004. It builds upon and incorporates many of the provisions included in the previous GSP Regulation, which is set to expire on 31 December 2005. New measures have, however, been incorporated into the proposed Regulation based on best practice and past experience. In addition, some elements of the old Regulation have been streamlined in a bid to create a more efficient system for preferential trading.

For example, the Commission proposes reducing the number of arrangements from the current five to three. The three arrangements would refer to – a general arrangement, a special incentive arrangement for sustainable development and good governance and a special arrangement for least developed countries (in other words "everything but arms" or EBA). As under the current scheme, preferences for products will continue being differentiated depending on a product's sensitivity. Thus, the current flat rate reduction of 3.5% for sensitive products and 100% rate for non-sensitive products will be maintained. At the same time, however, the products range in the general arrangement is enlarged and will apply mostly to agricultural and some fishery products. Moreover, a new generous special incentive scheme is being introduced. The special arrangement for sustainable development and good governance targets those developing countries most in need. Any country to have ratified and effectively implemented the 16 core conventions on human labour rights and seven of the Conventions related to good governance and the protection of the environment, will be immediately granted additional preferences.

Further changes include adjustments to the graduation mechanism in a bid to make it simpler. The existing criterion has been replaced with a single straightforward criterion – share of the Community market, expressed as a share of preferential imports. Graduation should play an important role in regulating trade flows for textile products and clothing, following the abolition of MFA quotas on 31 December 2004.

FINANCIAL IMPLICATIONS: The regulation does not incur costs charged to the EC budget. Its application does, however, entail loss of customs revenue. The annual loss of customs revenue for the draft regulation is estimated to be EUR 2,2 billion (based on GSP statistics for the year 2003).