

Procedure file

Basic information		
CNS - Consultation procedure Regulation	2004/0242(CNS)	Procedure completed
Scheme of generalised tariff preferences GSP: implementing guidelines for the period 2006-2015 from 1st July 2005 to 31st December 2008		
Subject 6.30.01 Generalised scheme of tariff preferences (GSP), rules of origin		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	INTA International Trade		25/10/2004
		PSE SÁNCHEZ PRESEDO Antolín	
	Committee for opinion	Rapporteur for opinion	Appointed
	DEVE Development (Associated committee)		02/12/2004
		PSE VAN DEN BERG Margrietus	
	PECH Fisheries	The committee decided not to give an opinion.	
ENVI Environment, Public Health and Food Safety	The committee decided not to give an opinion.		
BUDG Budgets	The committee decided not to give an opinion.		
AGRI Agriculture and Rural Development	The committee decided not to give an opinion.		
Council of the European Union	Council configuration	Meeting	Date
	Transport, Telecommunications and Energy General Affairs	2671 2650	27/06/2005 16/03/2005
European Commission	Commission DG Trade	Commissioner	

Key events			
19/10/2004	Legislative proposal published	COM(2004)0699	Summary
11/01/2005	Committee referral announced in Parliament		
13/01/2005	Referral to associated committees announced in Parliament		
09/02/2005	Modified legislative proposal published	COM(2005)0043	Summary

22/02/2005	Vote in committee		Summary
24/02/2005	Committee report tabled for plenary, 1st reading/single reading	A6-0045/2005	
08/03/2005	Debate in Parliament		
09/03/2005	Results of vote in Parliament		
09/03/2005	Decision by Parliament	T6-0066/2005	Summary
16/03/2005	Debate in Council	2650	Summary
27/06/2005	Act adopted by Council after consultation of Parliament		
27/06/2005	End of procedure in Parliament		
30/06/2005	Final act published in Official Journal		

Technical information

Procedure reference	2004/0242(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
Legal basis	EC Treaty (after Amsterdam) EC 133
Stage reached in procedure	Procedure completed
Committee dossier	INTA/6/24642

Documentation gateway

Legislative proposal		COM(2004)0699	20/10/2004	EC	Summary
Committee opinion	DEVE	PE353.394	19/01/2005	EP	
Economic and Social Committee: opinion, report		CES0132/2005 OJ C 221 08.09.2005, p. 0071-0075	09/02/2005	ESC	
Modified legislative proposal		COM(2005)0043	10/02/2005	EC	Summary
Committee report tabled for plenary, 1st reading/single reading		A6-0045/2005	24/02/2005	EP	
Text adopted by Parliament, 1st reading/single reading		T6-0066/2005 OJ C 320 15.12.2005, p. 0072-0145 E	09/03/2005	EP	Summary
Commission response to text adopted in plenary		SP(2005)1475	06/04/2005	EC	
Follow-up document		COM(2008)0656	21/10/2008	EC	Summary
Follow-up document		SEC(2008)2647	21/10/2008	EC	

Additional information

European Commission	EUR-Lex
---------------------	-------------------------

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

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).

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

Due to the tsunami disaster, which occurred on 26 December 2004, the new GSP system should enter into force as quickly as possible. However, in the interest of a smooth transition from the current GSP scheme to the new GSP scheme it is appropriate to provide for a transitional period until 30 June 2005 until when preferences under the Regulation 2501/2001/EC shall continue to apply if they provide for a more favourable treatment to products than the new GSP scheme.

This new regime provides for better market access for all developing countries including the tsunami-hit countries. They benefit from the new regulation through the reinsertion of tariff preferences for several of their products as well as inclusion of new products in the GSP. Sri Lanka will also benefit by

inclusion in the special incentive arrangement for sustainable development and good governance. The entry into force of the regulation should therefore be advanced to 1 April 2005. The procedure for the special incentive arrangement for sustainable development and good governance has been changed accordingly by provisionally incorporating the countries that already qualify for the arrangement. These beneficiary countries, like any other developing countries, shall submit a request for a definitive selection as beneficiary by 31 May 2005. The Commission will assess all the requests. A final list of countries qualifying on 1 July 2005 will be published. Finally, due to the advanced entry into force of the new GSP it appears necessary to provide for a transition period from the current GSP system under

Council Regulation 2501/2001/EC to the new GSP scheme.

It should be noted that some technical details in the regulation have also been fine-tuned.

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

The committee adopted the report by Antolín SÁNCHEZ PRESEDO (PES, ES) amending the proposal under the consultation procedure:

- Article 3 (the "exclusion" clause): to ensure greater transparency and legal certainty, the Commission should take any decision to remove beneficiary countries from the scheme under Article 3(1) "on the basis of the latest comparable and adjusted data available at the time of adoption of this Regulation". Moreover, to make the scheme more predictable, the committee reinstated a clause from the original proposal stipulating that the Commission should publish a list each year in the EU Official Journal of the beneficiary countries to be removed from the scheme;
- the Commission should provide developing countries and especially LDCs with adequate technical assistance "for the purpose of

building the institutional and regulatory capacity required to capture the benefits of international trade and the GSP". Technical assistance should also be provided to developing countries for the ratification and effective implementation of the international conventions required by the new special incentive arrangement for sustainable development and good governance;

- when assessing the implementation of many of these international conventions, the views of civil society representatives, including members of national parliaments, should be taken into account;
- both the European Parliament and the beneficiary states should be kept informed at all times of the implementation, progress and results of the GSP;
- Article 13 (the "graduation" clause): MEPs pointed out that loss of preferences due to graduation was not a punishment but a result of increased competitiveness, showing that preferences were no longer needed to encourage exports. They wanted the threshold for imports of textile products to be reduced to 10%, arguing that, after the end of MFA-based quotas, the European textile industry would be seriously harmed by the proposed 12.5% threshold, which would include countries with a highly competitive textile industry;
- as the new GSP was now open to all fishing products, these must comply with the demanding health and hygiene standards applicable to the EU's own products;
- lastly, MEPs called for the Commission to draw up an impact assessment study by 1 March 2007 on the effects of the GSP during the period from 1 July 2005 to 1 January 2007. Among other things, the study should analyse GSP utilisation rates per country and section, including a comparison with previous years, evaluate the social and trade-related effects of graduation on graduated countries and make a preliminary assessment of the effects of future graduation on the countries likely to be graduated under the next regulation. On the basis of this study, the Commission should draw up a revised regulation by 1 June 2007 covering the period 1 January 2009 to 31 December 2011.

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

The European Parliament adopted the report by Antolín SÁNCHEZ PRESEDO (PES, ES). (Please refer to the summary dated 22/02/2005).

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

The Council examined a draft Regulation applying a scheme of generalised tariff preferences (GSP) for trade with developing countries over the period 1 April 2005 to 31 December 2008. It agreed to mandate the Permanent Representatives Committee to pursue the outstanding issues at its next meeting on 24 March 2005, so that the Regulation could be adopted by 1 April 2005.

The main question considered by the Council concerned treatment of the textiles sector and in particular the implications for trade in that sector with India. Discussions focused in particular on the problem of the graduation threshold, i.e. the percentage of total imports of the product concerned from all beneficiary countries above which a particular country ceases to benefit from the GSP. The difficult situation of the European textiles industry was emphasised by many delegations.

The main innovations proposed by the Council were the following:

- ? a more generous offer, introducing in particular some 300 extra products, most in the area of agriculture and fisheries;
- ? a special incentive arrangement for sustainable development and good governance in beneficiary countries that ratify and implement a certain number of international conventions on the subject.

The "Everything but Arms" regime, which provides for zero duties on imports of products from the least developed countries, would remain unchanged.

In addition, the draft Regulation envisages bringing forward the entry into force of the new GSP to 1 April 2005, to take account of the action plan adopted for countries affected by the December 2004 tsunami in the Indian Ocean.

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

PURPOSE : to apply a scheme of generalised preferences for trade with developing countries during the period 1 January 2006 to 31 December 2008.

LEGISLATIVE ACT : Council Regulation 980/2005/EC applying a scheme of generalised tariff preferences.

CONTENT : the Council adopted this Regulation applying a scheme of generalised preferences for trade with developing countries during the period 1 January 2006 to 31 December 2008. The German

delegation abstained.

This Regulation provides for:

- a) a general arrangement;
- b) a special incentive arrangement for sustainable development and good governance;
- c) a special arrangement for least developed countries.

As regards the general arrangement, the Regulation states that Common Customs Tariff duties on products listed in Annex II of the Regulation as non-sensitive products shall be entirely suspended, except for agricultural components. Common Customs Tariff ad valorem duties on

products

listed in Annex II as sensitive products shall be reduced by 3,5 percentage points. For products of sections XI(a) and XI(b), this reduction shall be 20 %.

On the issue of the special incentive arrangement for sustainable development and good governance, the Regulation states that Common Customs Tariff ad valorem duties on all products listed in Annex II which originate in a country included in the special incentive arrangement for sustainable development and good governance shall also be suspended.

The special incentive arrangement for sustainable development and good governance of Section 2 of Chapter II of this Regulation as well as the provisions applied in conjunction with that arrangement shall enter into force on 1 July 2005. That arrangement repeals with effect from its entry into force the special arrangements to combat drug production and trafficking of Title IV of Regulation 2501/2001/EC and the provisions of Regulation 2501/2001/EC applied in conjunction with those arrangements. The other provisions of this Regulation shall enter into force on 1 January 2006 and repeal with effect from that date those provisions of Regulation 2501/2001/EC then still in force. This Regulation shall apply until 31 December 2008. However, this date shall not apply to the special arrangements for least developed countries, nor, to the extent that they are applied in conjunction with those arrangements, to any other provisions of this Regulation.

ENTRY INTO FORCE : 1 January 2006.

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

In accordance with Council Regulation (EC) No 980/2005 applying a scheme of generalised tariff preferences (the GSP regulation), the Commission presents a report on the current status (April 2008) of ratification and effective implementation of the Conventions listed in Annex III of the GSP Regulation by the 15 countries that were granted the special incentive arrangement for sustainable development and good governance (GSP+) by Commission Decision of 21 December 2005.

The 15 beneficiary countries of the GSP+ arrangement are as follows:

- Latin America: four Andean Community countries (Bolivia, Colombia, Ecuador and Peru); six Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) and Venezuela;
- Eastern Europe: Republic of Moldova and Georgia;
- Asia: Sri Lanka and Mongolia.

Almost three years after these countries began to benefit from the GSP+, all the beneficiaries have now ratified all conventions listed in part A of Annex III. Some countries which had not ratified the conventions of part B of Annex III are doing so.

In July 2005 none of the 15 GSP+ beneficiary countries had ratified all of the 11 part B conventions; by April 2008 ten countries (Bolivia, Costa Rica, Ecuador, Sri Lanka, Mongolia, Nicaragua, Panama, Peru, El Salvador and Moldova) ratified all part B conventions; four countries (Colombia, Guatemala, Honduras, and Venezuela) have ratified all but one convention, while Georgia has yet to ratify two conventions.

As far as effective implementation is concerned, the report notes that the recommendations of the ILO and UN monitoring bodies, as presented in Annex IV of the Commission Staff Working Document accompanying this GSP+ Report, reveal various shortcomings in the implementation process but in general demonstrate a satisfactory state of play.