



FTA
Foreign Trade Association

Position Paper

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Public Consultation of the EU Commission on the EU Generalised System of Preferences (GSP)

June 2010

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System of Preferences (GSP)**

Your profile

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3. Are you based in ?

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4. In which country are you based ?

Belgium

5. What is your main sector of activity?

Representing the foreign trade interests of European retail trade

6. Do you make use of preferences under the GSP

Yes our member companies

GSP standard

GSP+

EBA

Objectives of GSP

Q1: Do you consider that the GSP is a valid trade instrument for development and should be continued?

The role of the GSP should not be overestimated. Nevertheless, it should be continued as an instrument for development.

Q2: Do you consider that the stated current objectives of the EU GSP to contribute to the reduction of poverty in developing countries by generating revenue through international trade and giving support to sustainable development and good governance – as set out in the Commission Communication of 2004 and reflected in the current GSP Regulation 732/2008 – remain valid? If not, how should they be modified?

Yes, as part of the EU development policy

Q3: Apart from the objective to contribute to the reduction of poverty by generating revenue through international trade and giving support to sustainable development and enhanced good governance, are there any other specific development, financial and trade needs relevant for developing countries to which the GSP scheme could respond positively? How could these needs be addressed?

GSP is a relatively independent instrument of development policy. Nevertheless, it can be combined with all other instruments promoting developing countries.

Q4: Should the objectives of the GSP be adjusted in the light of the newly adopted Lisbon Treaty?

Apart from the more complicated decision making process there is no connection between the objectives of the GSP and the Lisbon Treaty.

Q5 : Do you consider that GSP could contribute to address the challenges of the 21st century such as climate change and food security? Do you see ways to take account of these challenges in the next GSP regulation?

As already mentioned, the role of GSP should not be overestimated. GSP cannot be an instrument to make a contribution for solving the problems of the 21st century.

Simple and easy access to the GSP

Q6: Does the parallel co-existence of different preferential regimes (for example GSP and a bilateral trade agreement) for imports into the EU from the same developing country support or hinder effective use of the preferences by that country? To what extent does the co-existence of parallel import regimes create other incoherences that need to be addressed?

The co-existence of different preferential regimes is not desirable. Countries benefiting from bi-lateral trade agreements should be excluded from GSP, except where GSP advantages are bigger.

Q7: Should the current architecture of GSP – with three regimes GSP, GSP+ and EBA – be changed? If so, how? Does the existence of three sub-arrangements under the scheme affect the effectiveness or transparency of the EU's GSP scheme?

No, there is no need for change.

Q8: How far in advance of its entry into force should a GSP Regulation be published in order to provide economic operators and other interested parties with enough time to become aware of and adjust to any changes?

With a view to the necessary predictability for traders and exporter all elements of the new GSP including the GSP+ countries must be known one year in advance.

Q9: Are there any aspects of the current GSP Regulation which you consider to be particularly significant as either (a) incentives or (b) obstacles to access to the GSP by beneficiary countries?

No, in principle the current GSP works rather well. Nevertheless, it should be secured in future that the system is easier to apply, as predictable as possible and offers to all parties concerned more legal certainty.

Q10: Under the current standard GSP regime, "non-sensitive" products are given duty-free treatment,. "Sensitive" products are subject to a fixed-rate reduction from MFN rates (in general 3.5 percentage points on ad valorem duties but for products from Sections XI textiles - by 20% and for specific duties -by 30%) but still remain subject to duties and certain other products are excluded from the regime altogether, so remain subject to MFN duties. Should the new Regulation adjust the balance between these three categories? Should the treatment of "sensitive" products be adjusted?

Yes, the treatment of sensitive products should be adjusted. Sensitive products should be subject to a 50 percent reduction from MFN rates

(including textiles). Furthermore, duties should not be levied when preferential treatment results in duties of 3 percent or less.

GSP targeted on countries that most need it

Q11: What could be the major characteristics of countries that "most need GSP preferences" considering that preferences must be "generalized and non-discriminatory"?

Relevant for the question if countries are most in need of GSP should be the objective development of a country. The application of the GDP per capita seems decent. In exceptional cases also the overall economic situation should be taken into consideration.

Q12: Some but not all high-income countries are currently not eligible for GSP. Should this exclusion be extended to all high-income countries? If not, should the current criteria be changed at all?

In principle all high-income countries should be excluded from GSP.

Q13: The current Regulation already establishes the principle that countries that have concluded contractual preferential trade agreements with the EU (eg FTAs) should be removed from the GSP (it can be expected that a reciprocal FTA will incorporate and go beyond the autonomous preferences provided under GSP). . Should this principle be reinforced and made more operational? If so, how?

Countries that have free trade agreements with the EU should be removed from GSP, unless GSP advantages are higher.

Q14: The current Regulation includes a wide range of beneficiaries, including countries that have become major global actors in international trade with very significant and wide-ranging exports to the EU and participation in global markets (eg the emerging economies such as Brazil, China and India). Should GSP continue to be available to such major traders (albeit with their individual benefits under the scheme effectively modulated as a result of the graduation mechanism) or should they be excluded altogether on the grounds that they no longer need preferential access under GSP to support their effective participation in EU markets or their broader development? If the latter, then what general, horizontal indicators should be considered as relevant to determine continued participation in the scheme?

GSP should also continue to be available to major traders. The graduation mechanism will help to remove sectors from GSP.

Q15: Is it appropriate to maintain access to GSP for transition economies that share many of the same characteristics as developing countries but generally do not self-declare themselves as such? If yes, should any such transition economies nonetheless be excluded from GSP and what criteria should be used to determine this?

Transition economies should not be excluded from GSP.

Graduation mechanism

It can be expected that "graduation" (ie the modulation of benefits available under GSP and GSP+ in light of a beneficiary country's relative performance on the EU market for certain groups of products) will remain an important feature of the EU GSP and a key instrument in ensuring that benefits under the scheme are targeted on those countries most in need of them in order to expand their exports to the EU and thereby support their own development.

Q16: Should graduation be linked to any other economic indicators instead of or as well as the current indicator (relative share in GSP covered imports)?

Graduation should not only be linked to the relative share in GSP covered imports. Graduation should also take into consideration the GDP per capita as well as the overall economic situation of a country.

Q17: Should graduation continue to be calculated on the basis of product sections, which typically cover a large group of products and thereby makes qualification for graduation less likely to be achieved, or should it rather be based on a more detailed product grouping, and if so at what level?

Graduation should continue to be calculated on the basis of product sections. A more detailed product grouping would harm the handling of GSP.

Q18: Should the present thresholds for triggering graduation (15% or 12.5% for textiles and clothing) or statistical reference periods (most recent 3-year period before the entry into force of the Regulation) be adjusted? If so, how?

The threshold should be uniformly adjusted to 20 percent. Furthermore, objective development criteria should be applied.

Q19: How frequently should graduation be calculated? Should de-graduation (ie the re-establishment of benefits if a beneficiary's relative share drops below the reference threshold) continue to be possible? If yes, then should there be any adjustment in how that operates?

The classification of goods should not be changed during the entire validity period.

Sustainable Development and Good Governance

Q20: Under the current Regulation benefits can be suspended in the event of "the serious and systematic violation of principles" laid down in 8 ILO core labour rights conventions and 8 UN core human rights conventions. Should any consideration be given to building on this as regards areas beyond labour and human rights such as protection of the environment and promotion of good governance? Should this provision be strengthened eg by introducing appropriate benchmarks in these areas that beneficiary countries of the standard GSP and/or EBA should also be expected to satisfy before GSP/EBA preferences are granted? What form might this take and what would be the added value in terms of promoting support for the implementation of sustainable development standards?

The criteria for suspending benefits should be unchanged.

Special incentive arrangement to encourage sustainable development and good governance (GSP+)

Q21: Should the product coverage (in 2009 - 6336 tariff lines) and associated tariff treatment (currently very largely but not exclusively duty-free) under GSP+ be reviewed? If so, how?

The criteria for suspending benefits should be unchanged.

Q22: Should graduation continue to apply to GSP+ beneficiaries? If yes, should the mechanism apply any differently to them than in the case of beneficiaries of the standard GSP?

Graduation should not be applied to GSP+ beneficiaries.

Q23: Should the list of 27 conventions relevant for GSP+ (those which GSP countries must ratify and effectively implement) be adjusted in any way? If so, for what purpose and how (eg additions, updates, deletions)?

The list of 27 conventions relevant for GSP+ is very ambitious. Efforts for implementing conventions of less importance until a fixed date should be also accepted.

Q24: Should the "Vulnerability" criterion for GSP+ be adjusted –made more stringent or relaxed? Should the exclusion of high-income economies from the possibility to apply for GSP+ be extended to other income groups (eg upper-middle income economies)?

The vulnerability criterion for GSP+ should be applied in a more relaxed way (2% instead of 1% of the respective GSP covered trade share to the EU).

Q25: Should the application windows for GSP+ (currently every 18 months) and the period of time for which GSP+ is granted (currently for either 18 months or 3 years) be adjusted? If so, how?

GSP+ must be granted during the whole validity of the scheme.

Q26: Should the current procedural arrangements for ongoing monitoring of the compliance of GSP+ beneficiaries with the substantive requirements of the special regime be reinforced in any way? How could this be achieved, while not duplicating or undermining the role of international organizations and their monitoring bodies?

The current procedural arrangements must not be reinforced.

Q27: The current eligibility criteria for GSP+ require that beneficiaries have implemented a set of international conventions. What would be the best ways to measure effectively achievements in this domain?

Question must be addressed to diplomatic missions in supplier countries.

Q28: What alternatives or complements, if any, to the criterion of "effective implementation" of international standards in these fields might be relevant for the support of sustainable development and good governance through the GSP+ scheme?

As far as not all criteria are fulfilled serious efforts to reach the goal should be sufficient.

EBA

Q29: Under Everything But Arms (EBA), the EU has fully implemented the goal of full duty-free, quote-free access for all products from all Least-Developed Countries (only 23 tariff lines, covering arms and armaments are excluded). Are there any other ways to enhance the value of this preferential access to the LDCs?

No, since for least developed countries a one-step processing in the textile sector is sufficient.

Q30: Should EBA treatment be extended to any other beneficiaries of the GSP? If so, what general horizontal indicators or criteria should be used to identify those non-LDCs whose developmental needs and situations would be such as to indicate a genuine need to benefit from such improved access?

Yes, in special cases the overall economic situation could be a criterion for EBA treatment.

Temporary withdrawal instruments, safeguard measures, antifraud measures

Q31: Are "safeguard" type instruments relevant for the GSP scheme?

In practice safeguard type instruments were not relevant for the GSP scheme.

Q32: Should any of the current "temporary withdrawal instruments" (eg for cases of fraud, unfair trading practices, goods made by prison labour etc) be reinforced or rather relaxed and if so in which way? Should any new instruments be included?

No.

Q33: Should the criteria for opening an investigation under the Regulation be specified in more detail?

No.

Q34: The European Commission during its administrative procedures observes general principles of EU law including the rights of defence. The rights of defence include the right to be heard, the right of access to the file and the principle of sound administration. Should there be any specific rules, including in the GSP

Regulation, that would allow the country being subject of proceeding for the temporary withdrawal to better exercise its rights of defense?

This is not necessary.

Horizontal aspects

Duration of the Regulation

Q35: Following the entry into force of the Lisbon Treaty, the legislative procedure for the GSP Regulation has changed and will inevitably be more drawn-out than was the case previously. As a result, the current approach based on relatively short-duration (3-year) Regulations within a broad framework lasting 10 years is no longer sustainable. What would be the appropriate duration for the next GSP Regulation?

Inappropriate duration for the next GSP regulation will be five years.

Q36: Are there any other aspects of the current GSP regulation 732/2008 that should be reviewed or changed? If yes, which and in what way?

No further amendments necessary.



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