



Foreign Trade Association

A new system of general customs preferences: radical simplification is required

The modifications made on 1 July 1999 and 1 January 2002 to the Community's system of general customs preferences, the main aim of which was to distinguish more clearly between the product- and country-related preferential treatment, have made it more difficult to cope with the preference system, without bringing the intended effects in terms of development policy. With a view to ensuring that preferences are granted on the fairest and most balanced basis possible, in principle there is no objection to differentiation depending on product-specific competitiveness or other criteria. However, in view of the downward trend in customs duties, the question must arise as to whether such differentiation is justified and, moreover, likely to actually promote the economic development of the beneficiary countries.

In the view of the FTA, the answer to this question is clearly no. This does not in any way mean that trade rejects the development policy aims of the Doha Development Agenda. Typically, however, in the context of this agenda, customs preferences only play a small role. References to the importance of technical assistance ('Capacity Building') when creating competitive export structures are considerably more frequent.

Proposal for the establishment of a system of general customs preferences as of 1 January 2005

The expiry of the current preference system on 31 December 2004 offers the EU the opportunity to eliminate handed-down ideas when developing a new, multi-annual system. Only the classification of developing countries adopted until now – normally developed and least-developed countries - should be retained, along with the two levels of product sensitivity – sensitive and non-sensitive. Moreover, there should be no further differentiation resulting in the levying of a duty of 50% of the most favoured nation rate on imports of sensitive agricultural and industrial products from developing countries without exception. If this leads to a customs duty of less than 2 percent, then it is abandoned completely. Imports of all agricultural and industrial products from the least developed countries are made as hitherto irrespective of their level of sensitivity, without the levying of duties and taxes having the same effect – albeit on the basis of simplified rules of origin.

Disqualifications from the preference system

The existing regulations, under which countries which have exceeded a particular level of development are removed from the list of favoured nations entirely, should be retained. However, there should no longer be sector- or product-specific disqualifications which, under the term 'graduation', led to considerable uncertainty among importers during the period under review. However, the temporary withdrawal of preferences owing to serious failures on the part of the favoured nation should also

be retained. Such withdrawals should be based on extensive consultation with the country concerned aimed at overcoming the grievances concerned.

No special regulations

The FTA opposes not only the special regulations for countries that have undertaken to comply with certain workers' rights, which were designed as an incentive and are still disputed, but also against thoughts of granting special customs preferences to goods that are produced under particularly advanced social and environmental conditions. In practice these properties are almost impossible to check, as the appearance of a product does not give any indication of the conditions under which it was produced or of the origin of the components and auxiliary materials used. In plain words, the member firms of the FTA consider the upholding of environmental and social standards a high priority. Trade declares that companies have a social responsibility and takes appropriate measures to improve the social performance of its suppliers. There is no need for an additional incentive in the form of marginal customs preferences, which simply complicate the system and increase the imponderables for developing countries and importers alike.

We are awaiting the initial reactions of a corresponding position paper with interest. Unfortunately, with the trend towards falling customs duties pragmatic solutions in the field of customs and trade policy are becoming increasingly rare. Perhaps with a new preference system the exception will prove the rule.