



External Trade

The EU Scheme of Generalised Tariff Preferences

**Informal presentation
to WTO Delegations
12 March 2009**

What is the GSP?

The GSP is a scheme of generalised tariff preferences that offers preferential access to imports into the EU market from developing countries.

The GSP 2009-2011

- Applies from 1 January 2009 to 31 December 2011
- EC Regulation No 732/2008 of 22 July 2008 (EU Official Journal L211 of 6 August 2008)
- Guidelines for the period 2006-2015 set out in EC Communication COM(2004)461 of 7 July 2004

The Regulation for 2009-2011

- Commission proposal December 2007
- EP opinion (advisory)
- COREPER (MS)
- GAERC – General Affairs and External Relations Council 22/07: formal agreement
- New EC Reg. No 732/2008, published in OJ L 211/2008 of 06.08.2008
- entry into force 1 January 2009

The New Regulation: main elements

- **no substantive changes** (objective of stability during 10-year period 2005-15)
- 1 Graduation and 6 De-graduations (net impact on value preferences +€160m)
- New mid-term window for GSP+ applications
- GSP+ criteria now include all 27 conventions
- EBA sugar full liberalisation delayed 3 months to 1 October 2009 (change in EU marketing year)
- some technical modifications and updating

The Three Arrangements

- General arrangement
- Special incentive arrangement for sustainable development and good governance ("GSP+")
- Special arrangement for LDCs ("EBA")

General arrangement

PURPOSE:

standard preferential treatment to beneficiary countries

BENEFICIARY COUNTRIES:

176 countries and territories
(see Annex I of the Regulation)

General Arrangement: Product Coverage & Treatment

- 6244 products
- split into "non-sensitive" and "sensitive"
 - "non-sensitive" = duty-free (just over half, about 3200 tariff lines)
 - "sensitive" = tariff reduction by specified amounts below normal MFN tariff rates (in case of ad valorem duties: by 3.5% points or 20% for Section XI; in case of specific duties : by 30%)

GSP +

**Additional preferences for
vulnerable countries
which ratify and implement
international standards
in the fields of human rights,
core labour standards,
sustainable development and
good governance**

GSP+ Criteria (I)

“Vulnerable” =

1. not classified by WB as a high-income country and where 5 largest sections of its GSP-covered imports are more than 75% of its total GSP-covered imports, and
2. where its GSP-covered imports are less than 1% of the total GSP-covered imports

A list of countries considered “vulnerable” in the sense of Art 8 of the Regulation was published on the EU webpage

[http://trade.ec.europa.eu/doclib/ht
ml/139963.htm](http://trade.ec.europa.eu/doclib/html/139963.htm)

GSP+: Criteria (II)

Ratification and effective implementation of (Annex III of the Regulation):

1. 16 core human and labour rights UN/ILO conventions
2. 11 environment and good governance conventions

GSP+: Application procedure

- Deadline for applications: 31 October 2008 (also for previous beneficiaries)
- Criteria now require ratification and effective implementation of all 27 conventions
- Commission Decision of 9 December 2008 on list of beneficiaries (OJ L 334 of 12.12.2008)

GSP+: Current Beneficiaries

- Currently **16 countries**
(Armenia, Azerbaijan, Bolivia, Colombia, Costa Rica, Ecuador, El Salvador, Georgia, Guatemala, Honduras, Mongolia, Nicaragua, Paraguay, Peru, Sri Lanka & Venezuela)
- Further mid-term 'entry' point: 1 July 2010
(deadline for requests: 30 April 2010)
- GSP+ status will lapse on 31 December 2011 –
beneficiary countries will have to re-apply

GSP + Product Coverage & Treatment

- 6336 products
- essentially duty-free

Everything But Arms (EBA)

- for the 49 LDCs recognised by UN
(+ 3 y transition period for Cape Verde – graduated from LDC status)
- 7140 products
- all duty-free (except arms and armaments: Chapter 93 of the Harmonised System)
- transitional provisions for rice and sugar (up to end Sep 2009); annual expansions in zero-duty TRQs until then

Rules of Origin

EEC Regulation No 2454/93 as subsequently amended (most recently by Regulation 214/2007).
Reform under preparation (led by DG TAXUD)

http://europa.eu.int/comm/traxation_customs

Covered Products (2009 tariff)

| | Standard | GSP+ | EBA |
|------------------|-----------------|-------------|------------|
| Covered products | 6244 | 6336 | 7140 |
| MFN zero | 2405 | 2405 | 2405 |
| MFN > 0 | 919 | 827 | 23 |

Graduation

- Reason: level of competitiveness and import penetration likely to ensure further growth, even without preferential access to the EU market
- Ensures that the GSP benefits continue to be targeted in particular towards those beneficiaries most in need of preferential market access
- Calculated on the basis of HS **Sections** and trade data for most recent 3-year period
- Graduated sections lose GSP and any GSP+ preferences for these product sections (LDCs cannot be graduated)

How is graduation applied?

- average GSP-covered imports of a given section from a country exceed 15 % of GSP-covered imports of the same products from all beneficiary countries - over three years
- threshold for textiles and clothing (sections XI(a) and XI(b)) is 12.5%
- graduation applies on a product section basis for whole period of Regulation

Results for the 2009-2011 period

- Changes compared to previous period:
1 new graduation and 6 de-graduations
- De-graduations: Algeria, India, Indonesia, Russia, S Africa, Thailand
- Graduation of Vietnam/Footwear
- net impact on value preferences
estimated at +€160m (duty foregone)

Temporary withdrawal

- Any arrangement may be temporarily withdrawn for serious and systematic violations of core human and labour rights conventions and on a number of other potential grounds identified in the Regulation
- Exceptional measure (two cases so far) - due investigative process required

Temporary withdrawal – GSP+

- GSP+ benefits may be temporarily withdrawn if national legislation no longer incorporates the relevant conventions or if that legislation is not effectively implemented.
- Due investigative process required – investigation on El Salvador and Sri Lanka underway (non-incorporation of ILO or UN core standards)

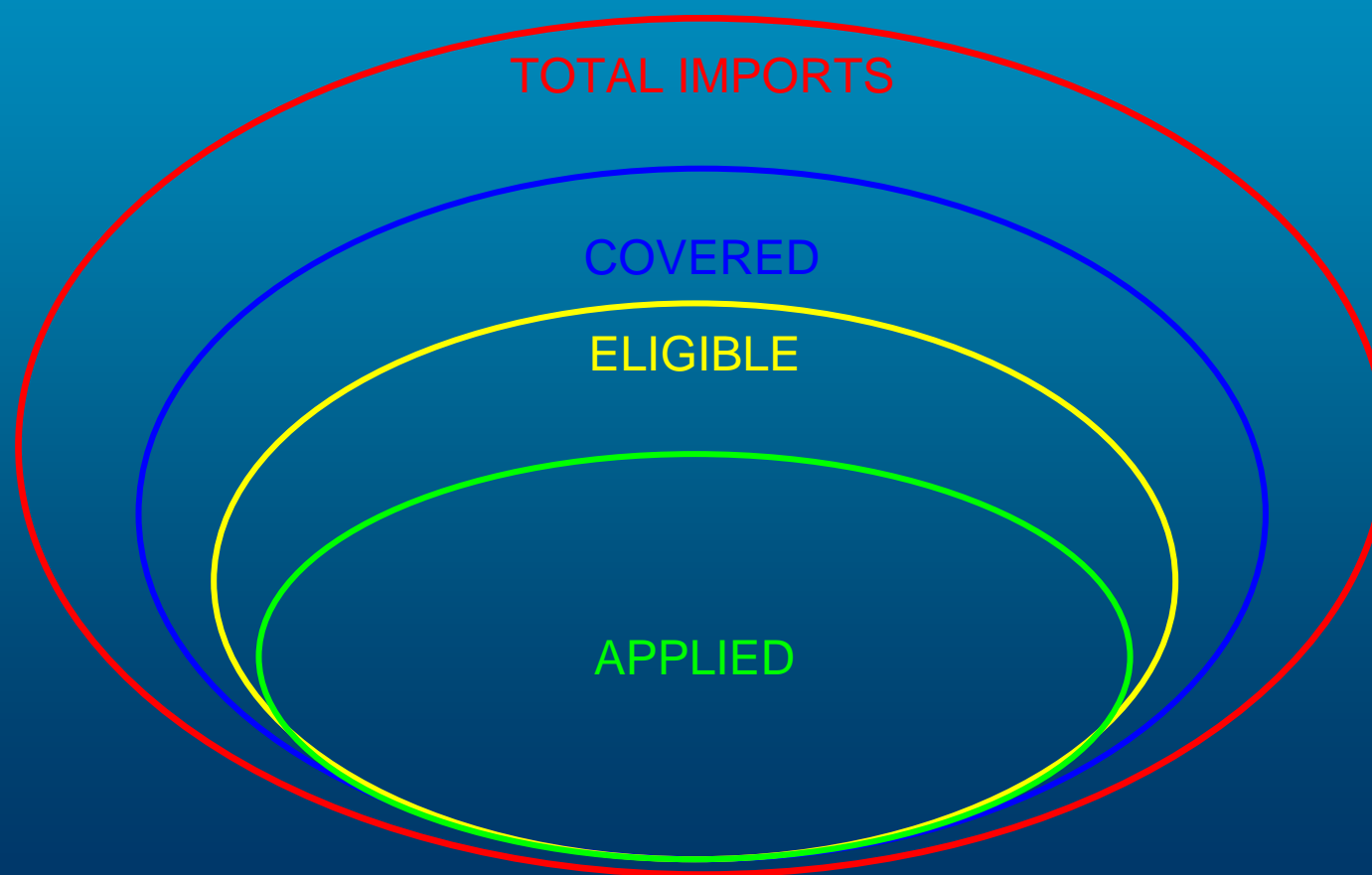
Recent statistics (I)

- Total GSP preferential imports (2007) = €58.6 billion
- Largest Users:
 - India (€11.7b), Brazil (€4.4b), Thailand (€4.2b), Bangladesh (€3.6b), Vietnam (€3.2b), Indonesia (€3.0b), Malaysia (€2.7b), Pakistan (€2.6b), Ukraine (€2.2b)

Recent statistics (II)

- General arrangement:
 - **€49.4 bio under GSP (utilisation rate of 45%)**
 - **€542.4 bio under GSP, PREFER or MFN=0**
(72,7% of total imports from GSP beneficiaries)
- GSP+:
 - **€4.9 bio under GSP+ (utilisation rate of 78%)**
 - **€19.4 bio under GSP+, PREFER or MFN=0**
(85,5% of total imports from GSP+ countries)
- EBA:
 - **€4.3 bio under EBA (utilisation rate of 47%)**
 - **€17.2 bio under EBA, PREFER or MFN=0**
(91,3% of total imports from EBA countries)

Covered versus applied imports



Recent statistics (III)

- Total GSP preferential Imports (2007) = €58.6 billion
- Largest Sections:
 - Textiles and Clothing (€13.1b), Machinery (€5.8b), Mineral Products (€5.1b), Plastics and Rubber (€4.5b), Base Metals (€3.8b), Footwear (€3.6b), Animals & Animal Products (€3.5b)

Recent statistics (IV)

- Nominal EU duty loss (2007) = estimated at over €2.5 billion
- Largest Beneficiaries in terms of MFN duties otherwise due:
 - Bangladesh (€417m), India (€343m), Thailand (€145m), Brazil (€142m), Ecuador (€121m), Vietnam (€110m), Sri Lanka (€107m)

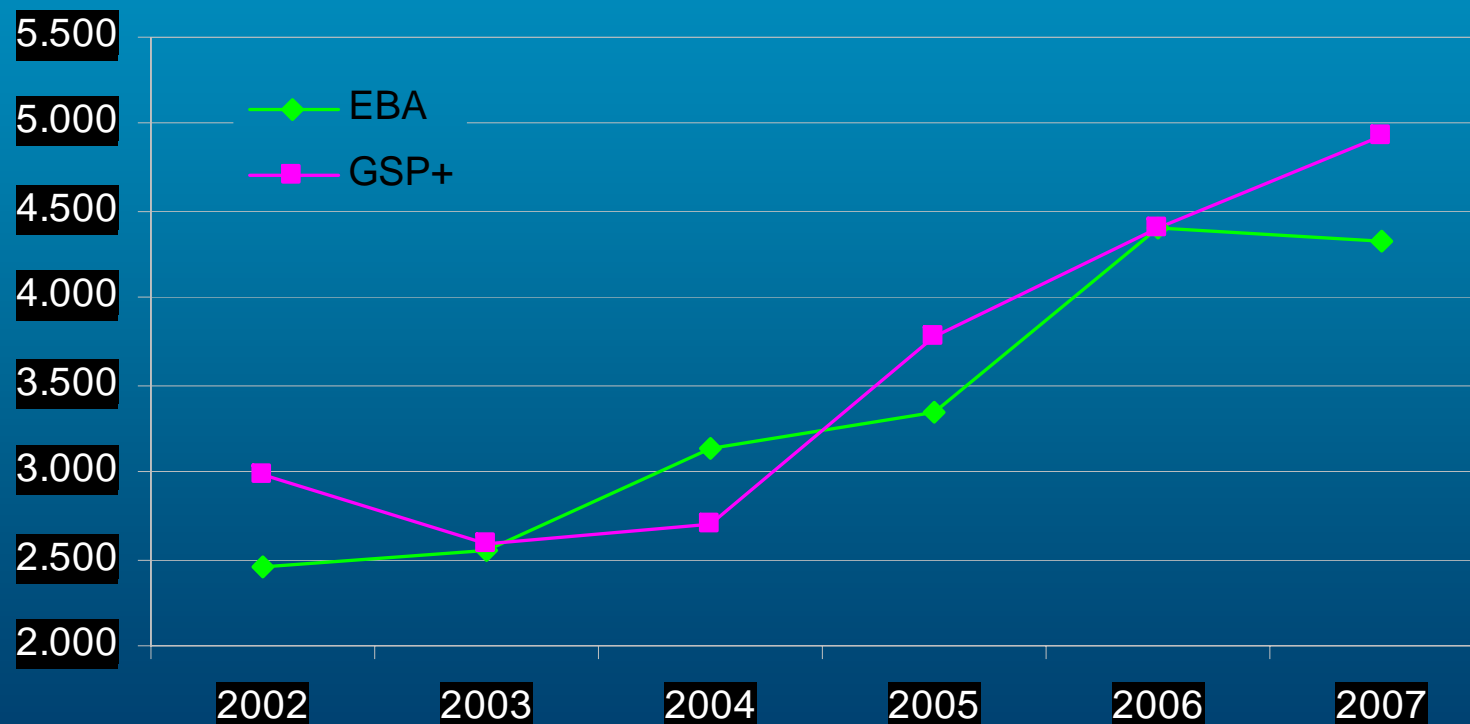
Recent statistics (V): EBA

- Total imports €4.3 bio
 - Top 5 beneficiary countries (measured by volume of imports under EBA) are non ACP LDCs: Bangladesh, Cambodia, Lao, Nepal, Maldives
 - Top 5 products (per section): Textiles, Live animals, Footwear, Skins and leather, Transport equipment

Recent statistics (VI): GSP+

- Total imports €4.9 bio
 - Top 5 beneficiary countries (measured by volume of imports under GSP+) are Sri Lanka, Ecuador, Peru, Colombia, Costa Rica
 - Top 5 products (per section): Prepared foodstuffs, vegetable products, textiles, live animals, plastics and rubber

Imports under EBA and GSP+



Data in € mio

GSP+ data before 2006 refer to the 3 separate regimes in place at the time

Sources of Information

- DG Trade D1
- DG Taxud C5 (rules of origin)

DG Trade web-pages:

<http://ec.europa.eu/trade>

Export Helpdesk:

<http://exporthelp.europa.eu/>

Guide to internet resources (I)

Reference page on the EU GSP on the EU website

http://ec.europa.eu/trade/issues/global/gsp/index_en.htm

EU Export Helpdesk and user guide

<http://exporthelp.europa.eu/>

http://exporthelp.europa.eu/userguides/userguide_en.pdf

Guide to internet resources (II)

2009 version of the Combined Nomenclature
(entry into force: 1 January 2009)

<http://eur-lex.europa.eu/JOHtml.do?uri=OJ:L:2008:291:SOM:en:HTML>

Database with downloadable tariff data:

http://circa.europa.eu/Public/irc/taxud/taric_data/home

http://circa.europa.eu/Public/irc/taxud/taric_data/library?l=/duties_related_files/2009/03_march_2009&vm=detailed&sb=Title

Guide to internet resources (III)

Guide for traders on GSP rules of origin:

http://ec.europa.eu/taxation_customs/resources/documents/guide-contents_annex_1-en.pdf

Link to the TAXUD website

http://ec.europa.eu/taxation_customs/customs/policy_issues/customs_strategy/index_en.htm

Guide to internet resources (IV)

Statistics on EU trade with its main trading partners

<http://ec.europa.eu/trade/issues/bilateral/data.htm>

EUROSTAT External Trade webpage

http://epp.eurostat.ec.europa.eu/portal/page?_pageid=0,1136217,0_45571464&dad=portal&schemata=PORTAL

User Guide on Statistics on Trading of Goods

http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-BM-06-001/EN/KS-BM-06-001-EN.PDF

Guide to internet resources (V)

Eurostat Data Explorer (with demo tool):

[http://epp.eurostat.ec.europa.eu/portal/page?
_pageid=0,1136217,0_45571467&_dad=portal&
_schema=PORTAL](http://epp.eurostat.ec.europa.eu/portal/page?_pageid=0,1136217,0_45571467&_dad=portal&_schema=PORTAL)

Eurostat COMEXT database

<http://epp.eurostat.ec.europa.eu/newxtweb/>