

# BUSINESSEUROPE



THE SECRETARY GENERAL

Mr László Kovács  
Member  
European Commission  
200 rue de la Loi  
B-1049 Brussels

10 January 2008

Dear Commissioner Kovacs,

I am writing to express our strong concern with the proposed draft Regulation for an amendment to the Rules of Origin (ROO) under the EU Generalised System of Preferences (GSP). BUSINESSEUROPE and most industrial sectors affected by these rules have expressed their opposition to the proposal for a single criterion based on value-added and a low threshold (35%) over the past year.

BUSINESSEUROPE understands that the Commission's aim with this proposal is to facilitate trade and to encourage developing countries to take advantage of market access opportunities. However, we are not convinced that the rules of origin proposed in the draft GSP legislation will truly facilitate industrialisation in developing countries because of the lack of clarity and predictability for investors in many sectors with the value-added criterion. In addition, we are very concerned with the possible negative impact that these rules could have on manufacturing investors in the EU itself.

The value-added criterion will be difficult to implement for many industrial sectors, whether because of fluctuating raw material prices and other costs or because of the inability to effectively control the calculation of the value-added. Therefore, we are strongly opposed to a single value-added criterion which would rule out the existing and generally accepted criteria (such as the change of tariff heading or transformation rule, which are simpler for companies to implement). We believe that alternative criteria are necessary to ensure practicability and acceptance for business. BUSINESSEUROPE is also very concerned about the impact that the proposed change could have on the EU's existing free trade agreements and current free trade negotiations. Major changes to the current approach to rules of origin could put EU industries at a serious disadvantage in the FTA negotiations.

The proposal is close to the final stages of adoption and there is pressure on the EU to amend the rules in time for the implementation of the new GSP 1 January 2009. Given these constraints, BUSINESSEUROPE would like to make a proposal for compromise. We suggest that the sector organisations which cooperate on this issue with BUSINESSEUROPE be allowed to propose amendments for sectors or specific products for which the added value criterion will present major implementation problems or costly administrative burdens for companies. These amendments could take the form of specific rules of origin for those products or sectors.



We further propose that BUSINESSEUROPE and its sector partners be allowed to participate in a meeting with the Customs Committee to explain the importance of those amendments.

BUSINESSEUROPE national member federations and sector partners will be making these proposals to the national members of the Customs Committee in the hope that we can find an acceptable solution to this problem.

I hope, Commissioner, you can take these industry concerns into account over the coming months.

Yours sincerely,

*Best regards*

Philippe de Buck