POLICY BRIEFING

BUSINESSEUROPE

27 September 2011

REVISION EU GENERALISED SYSTEM OF PREFERENCES

KEY MESSAGES

1 Exclude high and upper middle income countries from EU preferences, as well as countries using export restrictions on raw materials.

2 Refrain from introducing changes to the product coverage and preference margins.

3 Re-introduce graduation for GSP+ beneficiaries and keep the import-share criterion at 1% for GSP+.

WHAT DOES BUSINESSEUROPE AIM FOR?

- The EU's Generalised System of Preferences (GSP) is a trade arrangement through which the EU provides preferential access to the EU market for 176 developing countries (reduced tariffs for their goods when entering the EU market). In 2009, around €60 billion worth of goods were imported into the EU under GSP preferences, representing 4% of total EU imports and 9.3% of the total EU imports from developing countries.

- On 10 May 2011, the European Commission put forward a proposal for the review of the GSP. This proposal will be debated in the Council of Ministers and European Parliament with a view to having the reformed GSP in place on 1 January 2014.

- BUSINESSEUROPE has welcomed the European Commission proposal, which concentrates GSP preferences on fewer countries, strengthens the effectiveness of the trade concessions for Least Developed Countries and increases predictability, transparency and stability.

- The European Parliament and the Council should concentrate the GSP on the countries that need them most. By excluding high and upper middle income countries from EU preferences, the EU will also give a much-needed trade-boost to least developed and weak and vulnerable countries.

KEY FACTS AND FIGURES

€ 60 bn worth of goods was imported using GSP in 2009	GSP represents 4% of total EU imports	9.3% of total EU import from developing countries falls under GSP

- BUSINESSEUROPE urges more predictability in the GSP to make it more attractive for companies to purchase from beneficiary countries. Decision-makers should refrain from introducing changes to the product coverage (around 90% for GSP), the list of sensitive and non-sensitive products and preference margins. In addition, BUSINESSEUROPE strongly supports that the new system will become open-ended, instead of having a review every three years.

- With regard to the graduation mechanism, BUSINESSEUROPE welcomes the fact that product sections are more detailed, which would favour a more targeted and effective graduation system. However, graduation should continue to apply also for GSP+ beneficiaries. This should ensure that GSP+ preferences are not granted to imports that are already competitive on the EU market without preferences.

- Concerning GSP+, BUSINESSEUROPE supports the reinforced monitoring procedures and more effective withdrawal mechanisms. However, the proposed increase in the import-share criterion (which defines that a country is only eligible if its GSP-covered imports represent less than 1% of EU imports by all GSP beneficiaries) from 1% to 2% is unacceptable. This will allow competitive countries to benefit from GSP+, a move which is contrary to the objective of focusing the GSP on the countries that need them most.

- BUSINESSEUROPE stresses that trade preferences should not be granted to countries that distort the global trade in raw materials. In case of unfair trading practices, including export restrictions on raw materials, preferences should be withdrawn. WTO rules provide clear exceptions to deal with crisis situations (e.g. critical shortage, protection of resources, etc.) on which the EU could also rely to apply this rule fairly.

- Trade preferences alone are not enough to boost trade. BUSINESSEUROPE wants accompanying measures focused on capacity-building (e.g. infrastructure projects, customs facilities, compliance with EU standards) to be put in place to ensure that developing countries can make use of the preferences. This should include capacity-building for business organizations on how to work on trade policy and how to take advantage of trade agreements.

- Concerning the safeguard clause of article 29 (“Safeguards in the Textile, Agriculture and Fisheries Sector”), it should apply to the overall textiles sector (Section XI.a) and not only to clothing (Section XI.b). The thresholds should be respectively kept to 12.5% (share of total GSP imports) and lowered to 10% (annual increase of imports of the same section).

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