

1 June 2010

RECOMMENDATIONS FOR THE EU GENERALISED SYSTEM OF PREFERENCES

1. Key messages

- BUSINESSEUROPE supports the objectives of the Generalised System of Preferences' (GSP) to contribute to poverty reduction and promote good governance, but urges the EU to address outstanding challenges;
- Several changes should be made to the GSP to ensure that trade preferences are targeted towards developing countries that need them most, in particular Least Developed Countries (LDCs);
- The attractiveness of the GSP must be increased by making it more accessible for weak and vulnerable countries, and more user friendly in its procedures;
- The GSP should be more coherent with the broader EU trade agenda, for example by incorporating provisions concerning the protection of intellectual property rights and rules limiting its use in case of trade distorting measures operated on raw materials;
- Capacity building measures should accompany the GSP, to make it more effective in promoting economic reforms.

2. Introduction

The EU offers preferential access to imports into the EU market from developing countries through the GSP. By facilitating the participation of developing countries in international trade, the GSP aims to contribute to the reduction of poverty and the promotion of sustainable development and good governance. There are however several challenges which need to be addressed:

1. The EU's GSP scheme does not accurately reflect the varying, and changing, trade and developmental needs of partner countries.
2. GSP rules are often complicated and not business friendly, for example because of problems with rules of origin and suspension.
3. Five out of the ten largest GSP users are also negotiating Free Trade Agreements (FTAs) with the EU, which suggests that reciprocal FTAs potentially contribute more to development than unilateral preferences.
4. The effectiveness of GSP preferences in encouraging much needed domestic market liberalization and diversification, business climate improvement and economic reform, has been quite limited.



To address these challenges, BUSINESSEUROPE urges the EU to work in close consultation with business during the revision of the current GSP scheme. BUSINESSEUROPE welcomes the impact assessments that will be carried out on EU proposals in this area.

3. Focus the EU GSP on LDCs

The EU's trade preferences should focus on developing countries that need them most (LDCs and weak and vulnerable developing countries). To this end, the EU should make several changes to the GSP, such as:

- Excluding high-income countries from obtaining GSP preferences;
- Calculating diversification of exports based on the real structure of a country's total exports, instead of only exports covered by the GSP;
- Preventing countries that have concluded an FTA or EPA with the EU from using the GSP, unless the GSP offers specific benefits not covered by the FTA or EPA;
- Simplify Rules of Origin requirements for LDCs to allow for regional accumulation for the countries that are eligible for the Everything But Arms scheme.

4. Make the EU GSP more user-friendly

The attractiveness of the GSP and GSP+ should be further increased by making its rules more business-friendly. Improvements made in recent years to make the GSP simpler, more stable and predictable should be consolidated. To make the GSP more predictable, the EU should consider increasing the validity of preferences to 5 years and announcing changes publicly 1 year in advance.

5. Take broader trade concerns into account

The trade agenda is constantly evolving and new topics, for example undistorted access to raw materials and the protection and enforcement of Intellectual Property Rights (IPR) are becoming increasingly important. The EU GSP should take account of these objectives. In particular, the EU should consider to:

- Suspend preferences for a product when market distorting policies are operated by a country in that product's value chain, for example restrictions on the export of raw materials;
- Incorporate efforts by beneficiary countries to protect intellectual property rights in GSP+ eligibility. The EU could provide assistance for the monitoring and enforcement of IPR rules;
- Address the effects of GSP benefits in the calculation of trade defence duties, for the duration of the measure.



6. Include capacity-building to increase the effectiveness of GSP

Trade preferences are not enough to boost trade. Accompanying measures focused on capacity-building are needed in order to ensure that developing countries can make use of the preferences. The EU should:

- Focus its development assistance on aid-for-trade (e.g. infrastructure projects, customs facilities, compliance with EU standards); as well as private sector involvement in trade related matters, e.g. through capacity development of business intermediary organizations;
- Move ahead with topics such as trade facilitation as part of the World Trade Organisation's Doha Round, including by liaising with third countries;
- Provide assistance for the implementation of international conventions on proliferation, bribery and governance (e.g. UN Anticorruption Convention), to create a more favourable business climate.
