



European Economic and Social Committee

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SPG 2002-2005

Brussels, 10 December 2003

OPINION

of the European Economic and Social Committee

on the

Proposal for a Council Regulation amending Regulation (EC) No. 2501/2001 applying a scheme of generalised tariff preferences for the period from 1 January 2002 to 31 December 2004 and extending it to 31 December 2005

COM(2003) 634 final – 2003/0259ACC

On 13 November 2003, the Council decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Proposal for a Council Regulation amending Regulation (EC) No. 2501/2001 applying a scheme of generalised tariff preferences for the period from 1 January 2002 to 31 December 2004 and extending it to 31 December 2005
COM(2003) 634 final – 2003/0259ACC.

The Economic and Social Committee decided to appoint **Mr Pezzini** as its rapporteur-general to prepare its opinion.

At its 404th plenary session on 10 and 11 December 2003 (session of 10 December 2003) the European Economic and Social Committee adopted the following opinion by 78 votes in favour with two abstentions.

1. Introduction

1.1 Over the last few decades, the EU has consistently adjusted and updated its policy on trade preferences for developing countries in the light of changing circumstances. The latest major revision of the General System of Preferences (GSP) came into force on 1 January 1995 to cover the ten-year period starting on that date. It is, therefore, due to expire on 31 December 2004 and this necessitates a further revision.

1.2 The Commission originally envisaged publishing a document in September 2003 to set out its proposals for the new regime to come into effect on 1 January 2005. Subsequently, it decided to delay the introduction of the new system for a period of one year and to put forward a proposal for an interim arrangement in the intervening period, which would continue the existing guidelines with some relatively minor modifications, primarily of a technical nature. The ten-year period for the new regime is now expected to commence on 1 January 2006.

1.2.1 The decision to delay the introduction of fundamental changes to the system has been attributed *inter alia* to a wish to await the results of the Doha round of WTO negotiations and a desire not to prejudice the outcome of these talks. An additional factor was the complaint brought against the EU at the WTO by India. It is considered that, while this complaint relates directly only to the “drug” regime, it would, if upheld, impact all of the special incentive arrangements.

2. The Commission proposals

2.1 The Commission proposals for the interim period introduce two changes to the existing regime, while maintaining compatibility with the 1994 guidelines. The main proposed change is to the annual adjustment of the offer by graduation. Graduation has existed since 1996 but has not previously been applied on an annual basis. The Commission feels that, in order to avoid any adverse impact on countries with a low volume of GSP-related trade, it is desirable to concentrate the graduation mechanism on the major beneficiary nations and exclude the smallest countries. It

therefore proposes that graduation should not apply to any beneficiary countries whose exports to the EC account for less than 1% of total Community imports of products covered by the Community preference scheme in at least one of the reference years. Similarly, tariff preferences removed pursuant to column D of Annex 1 to Regulation (EEC) No. 2658/87 will be restored.

2.1.1 It is also proposed to abandon the annual publication of an opinion on the impending annual graduation in the Official Journal, on the grounds that it generates uncertainty and confusion.

2.2 The second change relates to the special incentive arrangements for the protection of labour rights. The Commission considers that these need to be strengthened in order to give more encouragement to the gradual adoption of the standards set out in the International Labour Organisation (ILO) declaration. Accordingly, it proposes that Article 14(2) should be reworded as follows:

"2. *The special incentive arrangements for the protection of labour rights may be granted to a country:*

a) the national legislation of which incorporates the substance of the standards laid down in ILO Conventions Nos. 29 and 105 on forced labour, 87 and 98 on the freedom of association and the right to collective bargaining, 100 and 111 on non-discrimination in respect of employment and occupation and 138 and 182 on child labour, and which effectively applies that legislation; or

b) which is engaged in significant ongoing efforts to incorporate and apply the substance of these standards."

2.3 The evaluation of the arrangements for drugs, initially planned for 2004, has been postponed until the new last year of the current procedure (2005).

3. **Comments**

3.1 The ESC accepts the rationale of the Commission's decision to postpone the introduction of a new definitive GSP system and to extend the existing regime until 31 December 2005 at least.

3.2 The ESC approves the exclusion from the graduation process of countries whose exports to the Community account for less than 1% of total Community imports of products covered by the Community preference scheme, as this constitutes a return to the basic principles of graduation set out in the 1994 guidelines. The ESC is pleased to note that this new mechanism does not prejudice the question of whether further amendments will be necessary within the new GSP regime which is now due to come into force in 2006.

3.2.1 The ESC also accepts that there is no point in continuing to publish an opinion on the impending annual graduation in the Official Journal if it serves no useful purpose.

3.3 The ESC welcomes the Commission's intention to strengthen the special incentive arrangements for the protection of labour rights and gives its approval to this change.

3.4 The ESC notes that the evaluation of the special arrangements for drugs is to be postponed until the new last year of the present regime and accepts the logic of this proposal.

3.5 The EESC hopes that the GSP's incentive arrangements for the protection of the environment, consumers, the climate and animals will be applied more effectively and further developed in future.

3.6 The ESC is currently engaged in drawing up an exploratory opinion¹ on the subject of the GSP, at the request of **Mr Pascal Lamy**, Member of the Commission, and will address the issues arising from the introduction of a new definitive system in that opinion.

Brussels, 10 December 2003

The President
of the
European Economic and Social Committee

The Secretary-General
of the
European Economic and Social Committee

Roger Briesch

Patrick Venturini

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