

The EU Generalized System of Preferences Granted to Sri Lanka

BRIEF OVERVIEW of EC GSP Scheme

GSP PLUS SCHEME

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What is the Generalized System of Preferences (GSP)

GSP 1968 Origin - Recommended by UNCTAD under which industrialized countries grant Autonomous Trade Preferences to all developing Countries;

The individual countries which have implemented the proposal are;

- **EU, USA, Australia, Canada, Japan, Switzerland, Norway, New Zealand, Poland, Belarus, Bulgaria, Czech Republic and Slovakia, Hungary, Poland and Russian Federation.**

EC-GSP SCHEME

- **European Community first to implement GSP Scheme in 1971;**
- **Current EU GSP Scheme to end in 2005;**
- **Total customs lines in the EU 11,000(Approx)**
- **Already Duty Free under MFN (2000)**
- **Total product coverage approx. 7000 items;**
- **Non sensitive product 3300 (duty free);**
- **Sensitive products 3700 (flat rate reduction of 3.5 percentage);**
- **Textile & Clothing - 20%;**



EU GSP SCHEME

Beneficiary Countries

- **Duty Preferences under EU GSP scheme are received by 178 developing countries and least developed countries (LDC's)**

Tariff Preferences Under the General Arrangements

- Non-sensitive products - duty free;
- Sensitive products - flat rate reduction of 3.5 percentage point of MFN rate, except textiles and clothing (Sri Lanka receives different rates at present);
- Textile and clothing - enjoy a reduction by 20% (Sri Lanka receives a different rate)

GSP Eligibility



Conformity to EU Rules of Origin (Origin Criteria)

- **Wholly obtained goods;**
- **Sufficiently worked or processed goods;**
- **Products manufactured from inputs from other country.**

Criteria That Determine Sufficient Working / Processing



- **Value added criteria;**
- **Change of heading criteria;**
- **Specific process criteria;**
- **Bilateral Cumulation (Donor country contents);**
- **Regional Cumulation;**
- **Super Regional Cumulation (?)**

The Rules of Origin



- The products have to originate in beneficiary countries according to EU GSP ROO.

- Proof of originating status.
- Goods must be transported direct from the beneficiary country to the EU. (Transportation via third country is only acceptable where the beneficiary country is landlocked)

Special Incentive Arrangement for the Protection of labour rights – Granting of Benefits to Sri Lanka.



Special Incentive Arrangement for the Protection of labour rights – Granting of Benefits to Sri Lanka;

- **Effective from 1st February 2004-2005;**
- **Process of Application / Negotiations;**
- **commenced in Jan 2002;**
- **Ended in Dec 2003 – Council Regulations (EC) No.2342/2003**

Conditions for Claiming the Special Incentive Rates of Duty

- **GSP Eligibility;**
- **Procedural Application;**
- **GSP Certificate of Origin Form A;**
- **box 4 Endorsement;**
- **“ILO Conventions No: 29, No: 87, No: 98, No:100, No: 105, No:111, No: 138, No:182 – Title 3, of Section I of Council Regulation (EC) No: 2501/2001”**



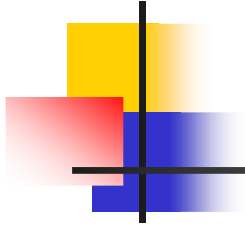
Entitlement to the Special Incentive Arrangement

**National Legislation must
incorporate substance of specified
ILO conventions**

Sri Lanka Qualifies for the Grant of EC Special Incentive Arrangements



- **Sri Lanka ratified all eight (8) core labour standards.**
- **The substances of all core labour standards have been incorporated in the national legislation in Sri Lanka .**



NEW GSP+ SCHEME

Special Incentive

Arrangement for

Sustainable Development &

Good Governance



MAIN FEATURES OF THE NEW GSP SCHEME TO BE INTRODUCED

- (A) STANDARD GSP;**
- (B) GSP DUTY FREE FOR LDCs
UNDER SPECIAL
ARRANGEMENT;**
- (C) GSP + - QUALIFY FOR
DUTY FREE ACCESS (for
7200 GSP eligible products
under R.00)**



New GSP +

- Enters into force on provisional basis on 1st July 2005 and will remain until end 2008.
- At end 2008 allocation of preferences will be reviewed to better meet evolving development needs of each beneficiary
- New GSP Scheme as a whole including General GSP and Everything But Arms Scheme will enter into force on 01.01.06.until 2008.



OBJECTIVE OF GSP+

- BASED ON INTEGRAL CONCEPT OF SUSTAINABLE DEVELOPMENT
- TO PROMOTE FURTHER ECONOMIC GROWTH IN BENEFICIARY COUNTRIES AND ENABLE THEM TO RESPOND TO THE NEED FOR SUSTAINABLE DEVELOPMENT



CRITERIA TO QUALIFY FOR GSP PLUS: ("Vulnerability")

- 05 LARGEST SECTIONS OF GSP COVERED IMPORTS MUST BE MORE THAN 75% OF TOTAL GSP COVERED IMPORTS. (poor diversification & dependence)
- GSP covered imports of beneficiary must represent less than 1% of total EU imports



Vulnerability Defined:

- Beneficiary not classified as a high income country by the World Bank for three consecutive years
- Base period would be 01/09/2004 as an average over 03 years.



HOW TO BE ELIGIBLE for GSP+

- **Ratification/effective implementation of 16 core conventions on human & labour rights**
- **Ratification/implementation of 7/11 of conventions on good governance & environment**
- **All 27 prescribed conventions have to be ratified by the beneficiary countries by 31 December 2008**
- **Deadlines for application 31/10/05 for countries receiving provisional application. Chosen countries to be listed by 15 December 2005.**

	TITLE OF THE CONVENTION	S ,A ,R ,E
1	International Covenant on Civil and Political Rights.	11-Jun-80 (A)
2	International Covenant on Economic, Social and Cultural Rights	11- Jun-80 (A)
3	International Convention on the Elimination of All Forms of Racial Discrimination	18-Feb-82(A)
4	Convention on the Elimination of All Forms of Discrimination Against Women	17-Jul-80(S) 05-Oct-81(R)
5	Convention Against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment	03-Jan(94)(A)
6	Convention on Rights of the Child	26-Jan-90(S) 12-Jul-91(R)

	TITLE OF THE CONVENTION	S ,A ,R ,E
7.	Convention on the Prevention and Punishment of the Crime of Genocide	12-Oct-50(A)
8.	Convention Concerning Minimum Age for Admission to Employment (C138)	11-Feb-00(R) 11-Feb-01(E)
9.	Convention Concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour (C182)	01-Mar-01 (R)
10.	Abolition of Forced Labour Convention (C105)	07-Jan-03(R) 07-Jan-04(E)
11.	Convention Concerning Forced or Compulsory Labour (C29)	05-Apr-50(R) 05-Apr-51(E)

	TITLE OF THE CONVENTION	S ,A ,R ,E
12	Convention Concerning Equal Remuneration for Men and Women Workers for Work of Equal Value (C100)	01-Apr-93(R) 01-Apr-94(E)
13	Convention Concerning Discrimination in Respect of Employment and Occupation (C111)	27-Nov-98(R)
14	The General Conference of the International Labour Organization's Convention Concerning the Freedom of Association and the Protection of the Right to Organize (Convention No.87)	15-Sep-95(R)
15.	Convention Concerning the Application of the Principles of the Right to Organize and Collective Bargaining (No.98)	15/9/95 (R)

	TITLE OF THE CONVENTION	S ,A ,R ,E
16.	International Convention on the Suppression and Punishment of the Crime of Apartheid	18-Feb-82(A)
17.	Montreal Protocol on Substances that Deplete the Ozone Layer 1987	14-Dec-89(A)
18.	Basel Convention on the Control of Trans-boundary Movements of Hazardous Wastes and their Disposal	28-Aug92(A) 26-Nov-92(E)
19.	Stockholm Convention Persistent Organic Pollutants	05-Sept-01(S)
20.	Convention on International Trade in Endangered Species of Wild Fauna and Flora (1973)-CITES	04-May-79(A) 02-Aug-79(E)

	TITLE OF THE CONVENTION	S ,A ,R ,E
21.	Convention on Biological Diversity	10-Jun-92(S) 23-Mar-94(R)
22.	Cartagena Protocol on Bio-Safety to the Convention on Biological Diversity	28-Apr-04(R) 26-Jul-04(E)
23.	Kyoto Protocol to the United Nations Framework Convention on Climate Change	03-Sep-02(A)
24.	Single Convention on Narcotic Drugs	11-Jul-63(A) 13-Dec-64(E)
	Single Convention on Narcotic Drugs 1961 as Amended by Protocol of 25 March 1972 amending the Single Convention on Narcotic Drugs 1961.	29-June-81(A)

	TITLE OF THE CONVENTION	S ,A ,R ,E
25.	Convention on Psychotropic Substances Concluded at Vienna on 21.02.1971	15-Mar-93(A) 13-Jun-93(E)
26.	UN Convention Against illicit Traffic in Narcotic drugs & Psychotropic Substances	06-Jun-91(A)
27.	United Nations Convention against Corruption	15-Marc- 04(S) 31-Mar-04(R)



SRI LANKA HAS ACCEDED/RATIFIED ALL CONVENTION

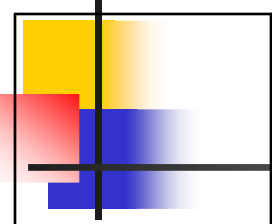
- Sri Lanka's Status Report on Ratification & Implementation of Conventions already prepared and submitted to Mission in Brussels as at 15/03/05.
- Inter-Ministerial Committee chaired by Secretary /Trade & Commerce has completed all work needed for application for GSP+

(B) FIVE LARGEST SECTION OF GSP COVERED

IMPORTS

	2001	2002	2003	Average over 3 consecutive years
XI Textiles and Textiles Articles	798,825	759,014	702,592	753,477
<u>VII</u> Plastics and Articles thereof; rubber and Articles thereof	112,515	119,661	126,334	119,504
<u>XX</u> Miscellaneous manufactured articles	42,805	35,794	30,339	36,312
<u>IV</u> Prepared foodstuffs; beverages, spirits and vinegar; tobacco, and manufactured tobacco substitutes.	36,829	35,218	33,428	35,158
<u>XVI</u> Machinery and mechanical appliances; electrical equipment, parts thereof; sound Recorders and Reproducers, Television image and sound Recorders and Reproducers, and Parts and Accessories of such Articles	29,571	38,040	29,440	32,350
Total	1,020,544	987,727	922,133	976,801

The Total Value of GSP Covered Imports From Sri Lanka



	2001	2002	2003	AVG over 3 consecutive years
Total	1,136,105	1,093,071	1,017,821	1,082,332

(I) Percentage of 5 Largest Sections of Sri Lanka's GSP Covered Imports to Its Total GSP Covered Imports > 75%

	2001	2002	2003	AVG over 3 consecutive years
%	89.80%	90.40%	90.60%	90.20%

(II) The percentage of Sri Lanka's GSP covered imports to the Community in relation to the total GSP covered imports to the Community < 1%

	2001	2002	2003
(i) Total value of GSP covered imports to the Community	147,532,603	148,191,816	151,355,011
(ii) Total value of GSP covered imports from Sri Lanka	1,136,105	1,093,071	1,017,821
(iii) Percentage	0.80%	0.70%	0.70%

Import Duty Structure on major Sri Lankan exports to the EU under the GSP Scheme *(Duty to become zero where applicable under GSP +

HS No.	Description	MFN Duty	Standard GSP rate	GSP +
03011090	Saltwater Fish	7.5%	0%	0%
030611	Crustaceans, Frozen	12.5%	4.3%	0%
0602409090	Other live plants	8.3%	4.8%	0%
06031020	Carnations (other)	8.5%	5%	0%
06031030	Orchids	12%	8.5%	0%
09021001	Tea	0%	0%	0%

HS NO.	Description	MFN Duty	Standar d GSP	GSP +
24039910	Chewing Tobacco and snuff	41.6%	38.1%	0%
240210	Cigars cheroots cigarettes containing tobacco	26%	22.5%	0%
24011010	Unmanufactured tobacco (Tobacco & other	18.4%	14.9%	0%
2001100011	Vegetables, fruits nuts etc. Parts of plants (not containing added sugar	17.6%	14.1%	0%
2001100	Gherkins	17.6%	14.1%	0%

64011010	Footwear with uppers of rubber	17%	14.5%	0%
87120010	Bicycles and other cycles (without ball bearings)	15%	11.5%	0%
87120030	Bicycles	15%	11.5%	0%
87120080	Other	15%	11.5%	0%
610520	Men shirts	12%	9.6%	0%
392410	Tableware & kitchenware	6.5%	3%	0%
39249019	Other	6.5%	3%	0%
660110	Umbrellas/garden umbrella	4.7%	1.2%	0%
39249019	Other	6.5%	3%	0%
401110	New Pneumatic tyres	4.5%	0%	0%

711711	Imitation jewellery	4%	0%	0%
960310	Brooms and Brushes	3.7%	0%	0%
3802100020	Activated carbon	3.2%	0%	0%
3802100090	Other	3.2%	0%	0%
4202111090	Trunks, suits-cases, vanity-cases, brief cases etc. - other	3%	0%	0%
40151910	Household Gloves	2.7%	0%	0%

HS NO.	Description	MFN Duty	Standard Duty	GSP +
40121920	Solid or cushion tyres	2.5%	0%	0%
401150	New pneumatic tyres of a kind used on bicycles	4.5%	0%	0%
401511	Surgical Gloves	2%	0%	0%
6901	Ceramic products	2%	0%	0%

HS No.	Description	MFN Duty	Standard GSP	GSP +
610711	Mens or Boys Underpants, Briefs, Night shirts, Pyjamas, Bathrobes, Dressing gowns (cotton)	12%	9.6%	7.2%
610821	Women or Girls Slips, Petticoats, Briefs, Panties, Night dress, Pyjamas, Bathrobes, Dressing Gowns (cotton)	12%	9.6%	7.2%
610910	T-Shirts of Cotton	12%	9.6%	7.2%



INFORMATION ON EU TARIFFS AND OTHER DATA

- **EUROPEAN UNION ON-LINE HELP
DESK**
- **WEB ADDRESS OF THE HELP DESK
IS**
- <http://export-help.cec.eu.int>



GSP Graduation Mechanism

- Why Graduate countries out of GSP?
- Beneficiary countries with more than 15% of EU imports from GSP countries are graduated out
- Graduation threshold is 12.5% for Textiles & Clothing.
- Graduation will be assessed at the end 2008 except in the case of textiles & clothing where annual evaluation will take place



Graduation Mechanism:

- China will be graduated under the General Scheme for 80% of its exports
- Indian textiles will continue not to benefit from GSP but Indian clothing exports will benefit

EC PROPOSALS FOR REVISED **R.OO OF NEW GSP+**



- **Single across-the-board criteria based on value added test for determining basic origin of non-wholly obtained goods.**
- **Threshold of value added will be a minimum local or regional value content as a % of the net production cost of the final product.**
- **% of value added to be determined on production capacity of developing countries & special needs of LDC & supplemented with other conditions supporting development**
- **Present processing criteria and “negative list” of insufficient operations & use of tolerance in value will become null & void.**



Highlights of simplified rules cont.....

- Wholly obtained fisheries exports: Origin based on flag, registration & simplified conditions on property, proposal to remove crew condition in relaxing determination of origin through nationality of vessel
- Improved clarity and understanding of rules due to simplified concepts and methods in determining R.OO
- New R.OO to enter into force only from 1.1.2006.

WIDER SCOPE & APPLICATION OF CUMULATION OF ORIGIN



- SAARC/ASEAN Super Regional Cumulation: EC ready to consider wider groups /new merged ASEAN/SAARC
- Single condition of value added test to replace current double conditions of more than insufficient operation & highest value added of present GSP regional cumulation
- Value added by final processing on materials originating in countries of the regional group to be higher than a standard percentage.

TOWARDS MORE EFFICIENT PROCEDURES & IMPLEMENTATION?



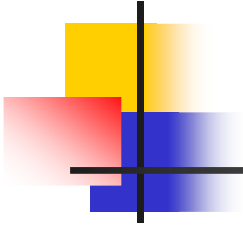
- Re-balancing responsibilities between public administrative authorities and operators(exporters)
- Prior registration of exporters entitled to export under GSP by administrative authority.
- Registered exporters solely responsible for making the statement of origin of goods-
relaxation of the current certification system.

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- **Importers in the EU also held responsible for authenticity and accuracy of declaration of origin.**
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- **Competent authority of exporting country to maintain updated list of registered exporters and liaise with EC customs authorities.**

- **Enforcement of Rules by Competent Authorities of Beneficiary countries viz. anti-fraud action, administrative co-operation with the European Commission, providing data, training and technical capacity on preferential rules of origin to the trade etc.**

- **EC to impose punitive measures on recipient countries in the event of fraud or circumvention practices.**



■ Thank You