



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 11.2.2003
COM(2003) 43 final

2003/0017 (ACC)

Proposal for a

COUNCIL REGULATION

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

(presented by the Commission)

EXPLANATORY MEMORANDUM

Article 7(8) of Council Regulation (EC) No 2501/2001 of 10 December 2001 applying a scheme of generalised tariff preferences for the period from 1 January 2002 to 31 December 2004¹ states that the tariff preferences referred to in paragraphs 1 to 4 of that Article shall not apply to products of sectors in respect of which they have been removed, according to column D of Annex I or a decision taken subsequently in accordance with Article 12. Article 12 also applies to the preferences referred to in Article 10, i.e. those granted under the special arrangements to combat drug production and trafficking. In order to clarify this, a provision similar to Article 7(8) should be added to Article 10.

Article 12 provides for detailed rules governing graduation in the framework of the GSP. According to Article 12(1), the tariff preferences granted under the general arrangements as well as those under the special arrangements to combat drug production and trafficking shall be removed in respect of products originating in a beneficiary country, of a sector which has met, during three consecutive years, either of the two criteria laid down in that paragraph. According to Article 12(2), the tariff preferences shall be re-established where a sector which had previously been graduated has not met the same criteria during three consecutive years.

These criteria refer to past performance. They do not take into account sudden changes of the economic and financial situation of beneficiary countries which occur after the reference period. The present proposal is intended to amend the GSP Council Regulation in order to introduce a specific provision which would allow any beneficiary country which faces a grave financial and economic crisis to be exempted from a graduation of new sectors.

Various provisions of the regulation refer to sectors. These provisions cannot apply to products for which it is not determined to which sector they belong. It is therefore proposed to add a new sector, in Annex III, for all products which are not included in one of the existing sectors.

¹ OJ L 346 of 31.12.2001, p. 1

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 133 thereof,

Having regard to the proposal from the Commission²,

Whereas:

- (1) Since its entry into force on 1 January 2002, Council Regulation (EC) No 2501/2001 of 10 December 2001 applying a scheme of generalised tariff preferences for the period from 1 January 2002 to 31 December 2004³ has been found to require certain amendments.
- (2) In particular, a specific provision should be introduced in order to allow any beneficiary country which would face a grave economic and financial crisis to be exempted from the graduation of new sectors. Furthermore, since the provisions of Regulation (EC) No 2501/2001 referring to sectors cannot apply to products to which no specific sector has been assigned, Annex III of the Regulation should be amended so as to specify a sector for every product covered by any of the different arrangements.
- (3) It has been impossible to adopt the first decision envisaged in paragraph 5 of Article 12 before 1 January 2003; it is therefore appropriate to provide that the graduation decision shall take effect from 1.6.2003.
- (4) Regulation (EC) No 2501/2001 should therefore be amended accordingly.

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EC) 2501/2001 is hereby amended as follows:

- (1) The following paragraph is added to Article 10:

² OJ C ..., ..., p. ...

³ OJ L 346, 31.12.2001, p 1.

“3. The tariff preferences referred to in paragraphs 1 and 2 shall not apply to products of sectors in respect of which those tariff preferences have been removed, for the country of origin concerned, according to column D of Annex I or a decision taken subsequently in accordance with Article 12.”

(2) Paragraph 6 of Article 12 is replaced as follows :

“The first decision taken in accordance with paragraph 5 shall take effect on 1.6.2003 with respect to the removal of tariff preferences in accordance with paragraph 1 and on 1st January 2003 with respect to the re-establishment of tariff preferences in accordance with paragraph 2. Subsequently, decisions taken in accordance with paragraph 5 shall enter into force on 1 January of the second year following the one during which they were taken”.

(3) The following paragraph is added to Article 12:

“8. Where a beneficiary country faces a decrease of at least 10 per cent of its real Gross Domestic Product, expressed in its national currency and in respect of the most recent 12-month period for which data are available, paragraphs 1 and 2 shall not apply to the decisions taken in accordance with paragraph 5.”

(4) In Annex I, the explanatory matter at the beginning is amended as follows:

In the reference to "Column D", the parenthesis “(Article 7(8))” is replaced by “(Articles 7(8) and 10(3))”.

(5) In Annex II, the text under Section 4 ("Statistical sources") is replaced by the following:

“The statistical source for per capita income is the World Bank's World Development Report, for quarterly gross domestic product the IMF International Financial Statistics, for manufactured exports the UN COMTRADE statistics, and for Community imports the COMEXT statistics.”

(6) In Annex III a further sector, as set out in the Annex to this Regulation, is added.

Article 2

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

ANNEX

(Sector referred to in point (5) of Article 1)

XXXIV	Other base metals and articles of base metal	7202 19; 7202 29; 7202 30 00; 7202 92 00; 7207 11 90; 7207 12 90; 7207 19 19; 7207 19 39; 7207 19 90; 7207 20 19; 7207 20 59; 7207 20 79; 7208 90 90; 7209 90 90; 7210 11 90; 7210 12 90; 7210 20 90; 7210 30 90; 7210 41 90; 7210 49 90; 7210 50 90; 7210 61 90; 7210 69 90; 7210 70 90; 7210 90 10; 7210 90 90; 7211 23 91; 7211 23 99; 7211 29 50; 7211 29 90; 7211 90 19; 7211 90 90; 7212 10 93; 7212 10 99; 7212 20 19; 7212 20 90; 7212 30 19; 7212 30 90; 7212 40 95; 7212 40 98; 7212 50 10; 7212 50 58; 7212 50 75; 7212 50 91; 7212 50 93; 7212 50 97; 7212 50 99; 7212 60 19; 7212 60 93; 7212 60 99; 7215 10 00; 7215 50; 7215 90 90; 7216 61; 7216 69 00; 7216 91; 7216 99 90; 7218 91 90; 7218 99 19; 7218 99 91; 7218 99 99; 7219 90 90; 7220 20 31; 7220 20 39; 7220 20 51; 7220 20 59; 7220 20 91; 7220 20 99; 7220 90 19; 7220 90 39; 7220 90 90; 7222 20; 7222 30 51; 7222 30 91; 7222 30 98; 7222 40 91; 7222 40 93; 7222 40 99; 7224 90 19; 7224 90 91; 7224 90 99; 7225 20 90; 7225 91 90; 7225 92 90; 7225 99 90; 7226 11 90; 7226 19 90; 7226 20 80; 7226 92 90; 7226 93 80; 7226 94 80; 7226 99 80; 7228 10 50; 7228 10 90; 7228 20 60; 7228 40; 7228 50; 7228 60 81; 7228 60 89; 7228 70 91; 7228 70 99; 7229; 7301 20 00; 7302 10 10; 7302 40 90; 7302 90 30; 7302 90 90.
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LEGISLATIVE FINANCIAL STATEMENT

Policy area(s): TRADE

Activit(y/ies): Activity: EU's scheme of generalised tariff preferences

TITLE OF ACTION: 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

1. LEGAL BASIS

Article 133 of Treaty

2. DESCRIPTION

2.1. Objectives pursued

The purpose of the regulation is to amend Council Regulation (EC) No 2501/2001 of 10 December 2001 applying a scheme of generalised tariff preferences for the period from 1 January 2002 to 31 December 2004

3. FINANCIAL IMPACT

Implementing a scheme of generalised preferences does not entail any expenditure to be entered in the Community budget. It may result in a loss or gain of customs revenue, depending on the number of sectors and the volume of trade which qualify for graduation and de-graduation.

The objective of the proposal is to amend the Regulation so as to introduce a specific provision which would allow any beneficiary country which faces a financial and economic crisis to be exempted from a graduation of new sectors.

According to present statistics, this provision would be applied for Argentinean fishery products. Argentinean exports of fishery products towards Europe amount annually to EUR 600 million. The average tariff rate for these products is 10%. The current preferential tariff rate is 6.5 % (preferential margin of 3,5 percentage points). Accordingly, not applying the graduation mechanism for this sector will lead to an annual revenue loss of EUR 21 million (600.000.000 x 3,5 %). As the measure is intended to enter into force 1 April 2003, the final revenue loss could be EUR 36,75 million (15,75 for 2003 + 21 million for 2004).