

## **Cerame-Unie's contribution to the Public Consultation on the Proposal for the new GSP Regulation**

19 November 2021, Brussels

Cerame-Unie would like to thank the Commission for the opportunity to submit its feedback on the proposal for the new Generalised Scheme of Preferences (GSP) Regulation.

The ceramic industry upholds the Commission's goal to assist developing countries in achieving sustainable development by means of trade through preferential tariffs. In achieving this objective, the Commission should ensure consistency with the other goals listed in the Trade Policy review, such as rules-based cooperation, assertiveness, and competitiveness of the EU industry. To this end, Cerame-Unie believes that the preferences accorded under the GSP Regulation should take into account the need to assure effectiveness of EU legislation, preserve the competitiveness of the EU industry and ensure that GSP preferences are conditioned to precise eligibility criteria.

Cerame-Unie positively welcomes the inclusion of new provisions linking the tariff preferences withdrawal with violations of International Conventions including the Paris Agreement (as listed in the new Annex VI). The extension of negative conditionality to standard GSP countries is crucial to the strengthening of more sustainable practices and contributes to level the global playing field.

Nevertheless, the ceramic industry calls on the Commission to better address the following aspects in the new proposal:

### **1) The withdrawal of preferences granted under the GSP Regulation should better address the harm to EU industry caused by unfair obstacle to trade in GSP beneficiary countries**

Article 19(1)(d) of the GSP Regulation allows the temporary withdrawal of standard GSP preferences in case of serious and systematic unfair trading practices which have an adverse effect on the Union industry and which have not been addressed by the beneficiary country. According to this article, the withdrawal is conditional upon a previous determination by the competent WTO body.

The provision in question has remained unaltered in the new proposal. Since the proceedings leading to a decision by the WTO are generally long and complex, the procedure foreseen by Article 19(1)(d) cannot be sufficient in addressing unfair trading practices.

Although the industry understands the legal obligations under WTO law and strongly promotes a rules-based international trade regime, it is nonetheless disappointing that whenever a GSP beneficiary country adopts unlawful and unjustified trade-restrictive measures, the GSP Regulation does not allow temporary suspension unless after a WTO ruling. The preferential tariffs granted under the GSP schemes are a benefit unilaterally granted by the EU to foster economic development in third countries and, as such, should be conditional upon compliance of international rules. Linking the GSP withdrawal to a WTO ruling entails very long procedures before the tariff preference could be removed, thereby failing to address the injury caused to the EU industry in a timely manner.

Cerame-Unie therefore joins other EU industries in the call for a provision in the GSP regulation allowing the temporary withdrawal of GSP preferences in case of unfair trade practices without prior determination at WTO level, as outlined in the reply to the public consultation submitted by the industry alliance AEGIS Europe. A valuable alternative could be to allow the temporary withdrawal of tariff preferences upon **determination of WTO infringements by a Trade Barrier Regulation (TBR) investigation by the European Commission.**

This would help better achieve the general objectives of the GSP, namely to support poverty eradication without causing harm to EU industry's interests.

**2) The possibility for the Commission to consider the socio-economic effect of the withdrawal, in case of temporary withdrawal of tariff preferences, should be clarified**

Article 15(9) (for GSP+ preferences) and article 19(10) (for standard GSP preferences) of the Proposal for the Regulation allow the Commission to consider the socio-economic effect of the temporary withdrawal of tariff preferences in the beneficiary country when adopting the delegated acts for the withdrawal. The text of the Regulation states that the Commission can do so "where appropriate".

It is not clear whether the assessment is introduced as a standard step for the withdrawal or would only be used in certain circumstances. In the former case, it is important to understand how the assessment would affect the overall timeline of the withdrawal of tariff preferences.

**3) The product graduation mechanism should be further revised to ensure that GSP tariff preferences are not granted to imports that are already competitive in the EU market**

The revision of the product graduation mechanism is essential to make sure that GSP preferences are not granted to imports that are already competitive in the EU market. However, several points concerning this revision still need to be addressed.

Cerame-Unie positively welcomes the reduction of the threshold for product graduation from 57% to 47% for most products. Nevertheless, Cerame-Unie would like to underline that under the current system, the graduation comes into effect with significant delay (minimum two years) after the criteria are met. During this time, beneficiary countries can continue to take advantage of the tariff reduction, exposing EU industry to threat of injury.

In addition, as already stated in its answer to the public consultation held in 2020, Cerame-Unie believes that it is necessary that more detailed sub-sections be designated and applied for graduation purposes. The creation of narrower sections would better encourage export diversification from the beneficiary country and limit the adverse effects on EU industries and beneficiary countries entailed by the current broad sections.

*The European ceramic industry covers a wide range of products including abrasives, bricks & roof tiles, clay pipes, wall & floor tiles, refractories, sanitaryware, table- & ornamentalware, technical ceramics, expanded clay and flower pots. The industry generates over 200,000 direct jobs and a production value of €26 billion in the EU.*

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