The Costs to the ACP of Exporting to the EU under the GSP

Final Report

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Executive summary

Main conclusions

This report provides a technical analysis of the costs that would be incurred by African, Caribbean and Pacific (ACP) states if their exports to the EU were subject to the tariffs applicable under the Generalised System of Preferences (GSP) rather than those that apply at the present time. The report does not imply that this will happen, that it should happen, or that the GSP is the only alternative to the *status quo* for those countries that do not join Economic Partnership Agreements (EPAs). [1]

On the contrary, the report concludes that application of the Standard GSP regime does not fulfil the commitment made by the EU in Article 37 (6) of the Cotonou Agreement. It would result in the EU taxing ACP exports, generating revenue that compares unfavourably with aspects of Union-level aid, and is likely to result in the complete cessation of some ACP exports to the EU with significant adverse economic effects.

Another conclusion is that application of the Standard GSP would not put the ACP on a level playing field with other suppliers to the EU. In many cases competitors receive more favourable, non-reciprocal access than would the non-LDC ACP. The ACP would be disadvantaged compared to some other developing countries, increasing the likelihood that exports will slump.

The most plausible way to satisfy Cotonou Article 37 (6) – including the requirement for WTO conformity – is to apply the GSP+ to the ACP from the end of 2007, following the precedent established for the Andean and Central American states, and to make special provisions for the handful of products not covered (which could include extending the GSP+ regime in some cases). This would provide a breathing space – which some ACP states may use to complete EPA negotiations.

Scope of the report

The justification for the subject is that, since there is no doubt about the eligibility of all ACP states for the GSP (provided certain administrative requirements are met), the study reports the ‘maximum cost’ (in terms of increased tariffs) that could arise if current treatment were discontinued (at any point, for any reason). This information may be helpful to clarify what is at stake during these final months before the formal deadline established in the Cotonou Agreement for the establishment of a new trade regime between the EU and ACP.

The report addresses three specific research questions (in Sections 2–4 respectively). They are:

1. What would be **the immediate costs** (in terms of higher import duties) if ACP countries exported to the EU on GSP terms, and which would be the most affected countries and sectors? This question has been answered by analysing 4,688 EU imports from ACP states (at the EU’s Combined Nomenclature (CN) 8-digit level), distinguishing between least developed (LDC) and non-LDC suppliers.

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[1] Nor does it deal with any of the issues other than tariffs and quotas that are very relevant – such as the rules of origin applying to different EU import regimes. As a ‘hypothetical’ exercise, the report does not distinguish between states that might join EPAs and the others – the results apply the GSP to all ACP states. But the reader can undertake with the data provided their own sensitivity analyses of alternative EPA/non-EPA memberships.

2. What would be **the longer-term effects** in terms of trade flows and economic development of the ACP countries? This is a more speculative question and can only be answered definitively through specific studies of product markets followed by modelling of the countries concerned. But the report is able to provide a broad indication based upon the scale of the increased import tax that would be applicable if the GSP were applied and known information on the state of the export industries concerned.

3. What would be the longer-term **effects if the GSP were upgraded** to the Cotonou level? In other words, if all GSP beneficiaries obtained the level of access currently enjoyed by ACP states, how far would this 'erode preferences' to the extent of threatening current trade patterns? Part of the answer to this question is purely factual – which actual competitors of the ACP currently obtain less favourable access to the European market. Part is speculative – how would they, and the ACP, respond to a change in their treatment. As with question 2, the study is able to satisfy the factual element entirely, and to provide broad guidance on the speculative one.

The immediate cost of the GSP

If, instead of exporting under current terms, ACP states paid GSP duties every single non-LDC state would experience a jump in the tariff applied to some of their exports. LDC states, by contrast, would benefit from the Everything but Arms (EBA) regime and, hence, would not experience any tariff jumps.

A mitigating factor is that many of the increases in tariff facing non-LDC ACP would be relatively small: 13 percent of the items they export would be subject to a tariff jump of less than 5 percent, and a further 17 percent to one of over 5 percent but less than 10 percent. But 267 items exported by non-LDC states to the EU will experience a tariff jump of 10 percent or more *ad valorem* and/or the imposition of new or increased specific or compound duties, some of which are very high.

In all cases exports could suffer, but it is not possible to make plausible predictions of the casualties in cases where the tariff jump is small. Consequently, the report has assessed potential 'cost' differently in the case, on the one hand, of goods facing a tariff jump of less than 10 percent and, on the other, those facing more substantial jumps.

- In the case of the smaller tariff jumps it is more likely that many exports will continue and that the cost to the ACP will be the tax they have to pay to the EU on their exports.
- In the case of the larger tariff jumps it is more likely that some exports will decline or cease altogether, and more easy to identify the most vulnerable cases.

If the tariffs of 10 percent or less imposed on non-LDC ACP states were absorbed by exporters in order to avoid any decline in exports compared to 2005, there would be a transfer from the ACP to the European treasuries of some €156 million per year (equivalent, for example, to 2.6 times EuropeAid's commitments to health projects in all ACP states in 2005).

This would be the minimum cost to the ACP on those products facing relatively moderate tariff hikes since it assumes that the EU tax increase can be absorbed without a decline in exports. More probably, at least over the medium term, some exports of some items from some countries will decline as production moves to locations which do not need to pay the import tax and, hence, are more profitable. But the precise pattern of change is not predictable.

It is more plausible to consider specific cases where exports may fall in relation to the larger tariff hikes. In some cases these are sufficiently large that they have the clear potential to reduce sharply or kill entirely ACP exports of the products. The most problematic products are almost exclusively agricultural or processed agricultural goods. They include beef, dairy products, fish, cereals, sugar, processed foods and cigarettes.

The most seriously affected countries will be those that export a high proportion of products for which tariffs will increase. Some 22 states will face a tariff jump on exports that account for more than 26 percent of their current export value. For six states (Guyana, Kenya, Mauritius, Nauru, Seychelles and Tonga) tariff jumps will occur on goods accounting for over 50 percent of total exports. And for three states (Belize, Fiji and Swaziland) it will affect over 75 percent of exports.

Longer-term effects

The impact of increases in import taxes on goods sold by ACP states will depend on three factors:

- the scale of the tariff increase;
- the treatment of competitors;
- the overall competitiveness of the country concerned.

The largest tariff jumps that would arise from the application of the Standard GSP to the exports of the ACP are sugar and rum, bananas, tuna, rice and beef. More moderate, but still significant, tariff jumps would apply to citrus fruit, tobacco, fruit juice, canned fruit, peas, footwear, honey, beans and cherries.

In many cases, these tariff jumps are quite sufficient to undermine ACP exports. The main area of speculation is whether exports will continue even if the current market access conditions were to remain unchanged. Sugar exports from the Caribbean, for example, are problematic because of falling EU prices and might not survive even if the Sugar Protocol were to be considered unaffected by the end-2007 deadline mentioned in Cotonou. But this is not the case with all ACP exporters. For almost every product a plausible argument can be made that at least some non-LDC ACP exporters would continue to supply some of the products (perhaps to niche markets) in the absence of the tariff jump. Given the height of the tariff jumps and the probability of some continued export under the *status quo*, therefore, it is reasonable to conclude that the application of the Standard GSP regime would be solely responsible for the complete cessation of some ACP exports.

Preference erosion

Given the severe effects of applying the Standard GSP regime, attention needs to be given to the impact of improving GSP access – even though such improvements would be available to the ACP's competitors as well. Having established the problematic products, however, it appears that in many cases such 'preference erosion' has already happened to a significant degree and may well continue after 2008/9. The two main sources for the preference erosion are the EBA regime (for which residual tariff quotas lapse in 2009) and the GSP+ scheme, introduced in 2005 and due for renewal (with possibly a larger number of beneficiaries) at the end of 2008.

Of the two, the potential impact of the GSP+ on ACP preference margins is the greater. This is because many of the LDC beneficiaries of EBA are also ACP states and, hence, EBA has changed their access terms only in relation to the small of number of items for which Cotonou does not yet provide duty-free and quota-free (DFQF) access to the EU market.

In about 88 percent of the cases where the Standard GSP applies higher tariffs than does Cotonou, duty-free access is provided under the GSP+. Indeed, every single ACP export that would face a tariff jump of 20 percent or more in its *ad valorem* duty receives duty-free treatment under GSP+. The main 'omission' from duty-free access under GSP+ is those goods in which ACP exports would face new or increased specific or compound duties if subject to the Standard GSP. But in many of these cases GSP+, whilst not duty free, offers the same level of access as does Cotonou at present.

What this means is that if the ACP were to be accorded GSP+ rather than Standard GSP access to the EU (without any hiatus following the end of Cotonou access) the 'costs' noted above would be mitigated substantially. On the other hand, the GSP+ list of beneficiaries is notionally closed until the current regime expires at the end of 2008. If ACP countries are not accorded GSP+ status (either immediately or ever) they will trade at a substantial commercial disadvantage to those countries which do benefit – eleven Andean/Central American states plus Georgia, Sri Lanka, Moldova and Mongolia until 2008 and, in principle, almost all other developing countries thereafter save for 21 countries that appear not to meet the vulnerability criteria of GSP+ (some of which have free trade agreements (FTAs) with the EU).

Evidently, the potential destructive effects noted above of applying the Standard GSP regime apply *a fortiori* if the ACP find that their competitors have more favourable access than their own. This would be the case with most GSP+ items; it would also the case for some goods for which GSP+ terms are less liberal than those of Cotonou as well as some not covered by the GSP+ at all.

The goods that are excluded from GSP+ or given unfavourable treatment are all very sensitive in the EU, but the Terms of Reference include the question of what would happen to ACP preference margins if the GSP were improved to Cotonou levels. Enhancing the GSP+ regime would allow the ACP to avoid a deterioration in their market access and minimise for many of the products concerned the danger that such gains would be offset by increased competition from other, super-competitive developing countries.

1. Introduction

1.1 Scope of the report

The aim of this study is to inform decision makers at a critical period in the negotiation of new trade arrangements between the EU and the ACP.[2] This is the final year before the deadline established in the Cotonou Agreement for the creation of this new regime. The report focuses on just one option – exporting to the EU under its GSP – and just one facet of this option – the changes in tariffs that would result. Other very relevant factors, such as differing rules of origin (especially in relation to cumulation) require additional study.

The justification for this narrow focus is that the information conveyed in the report is very relevant to the current debate. There can be no doubt that ACP countries are entitled to GSP access to the EU (subject to certain administrative hurdles – see below). Hence, GSP access provides the 'minimum safety net' below which ACP market access cannot deteriorate if current Cotonou access were not continued.

Nothing in this report should be taken to imply that the GSP is the only EPA alternative. Indeed, given the findings that the GSP is clearly inferior to Cotonou for some ACP states, it could be used to support an argument that the GSP does not (in its present form) provide the equivalence to current access to which the EU committed itself in the Cotonou Agreement.

1.2 Research objectives

The specific focus of the study is to set out the immediate, direct effects of replacing the current Cotonou regime with one based upon the EU's GSP. This focus leads to two research objectives which are to:

- analyse the short and long term trade and economic consequences for ACP countries of shifting from Cotonou to GSP terms of access to the EU market;
- to explore the consequences of upgrading the GSP so that access (for all eligible countries) is set at the current Cotonou level.

The research objectives arise because the ACP face a dilemma between two options, one of which would produce an absolute and the other a relative deterioration in their competitive position in the EU market.

- The immediate impact on ACP countries of a shift to a GSP-based regime would be a deterioration in their access terms to the European market in all cases where the relevant GSP tariff is higher than the Cotonou level.
- If the GSP tariff were reduced to the Cotonou level then there would be no deterioration in ACP *absolute* access, but if the same, improved, terms where then made available to all beneficiaries of the GSP regime in question there would be *relative* deterioration in ACP access due to preference erosion.

The nature of this dilemma is very clear and all schemes that seek to replace the current Cotonou regime with one based upon the GSP face the challenge of balancing the two effects. The contribution of the current study is to help quantify the two options by providing the empirical information needed to understand:

[2] The report has been prepared by a team led by Dr Christopher Stevens and including Jane Kennan and Dr Mareike Meyn. Comments and questions should be directed to Dr Stevens at C.Stevens@odi.org.uk.

- the products on which the current GSP regime is less favourable than that under Cotonou;
- the ACP countries that export these products;
- and the potential scale of the preference erosion that would result from improving the GSP to Cotonou levels.

1.3 Actual and potential exports

The core of this study, as explained below, is a substantial review of all ACP exports to the EU. In this sense, the report is very comprehensive. But it cannot cover potential future exports that ACP states might make with the benefit of Cotonou preferences. Nor is it practical in the main text to deal with all the minor products that ACP countries export in very small quantities, often erratically, which might be the precursor of significant future exports – but which might, equally, be an aberration, a re-export, or even a data collection error.

It must be borne in mind when reading the report, therefore, that it is based upon a substantial review of all *significant current* ACP exports to the EU but overlooks potential new exports. This is important because the structure of Cotonou provides broader support to potential new exports than does any GSP regime other than the EBA scheme for LDCs. This is because it provides duty- and quota-free access for all exports other than those (mainly Common Agricultural Policy products) that are specifically excluded in the agreement or are subject to tariff quotas (TQs). Unless a GSP for non LDCs were expanded to have the same broad format as EBA (i.e. everything other than a relatively short list of specifically excluded items) then any regime based on the GSP will be less favourable for the potential future exports of non-LDC ACP states than is the Cotonou Agreement.

1.4 GSP regimes

There are three tranches of the GSP:

1. what is called in this report the ‘Standard GSP’ that is available to all developing countries (though some are graduated out for some goods) and which offers the least liberal of the three regimes (in terms of the number of products covered and the extent to which most-favoured-nation (MFN) tariffs are reduced);

2. the GSP+, introduced in 2005 and available to all countries that apply, that meet two criteria of ‘vulnerability’ and that also ratify and implement 27 international conventions on human and labour rights and on the environment and governance; all ACP states appear to meet the vulnerability criteria;

3. EBA, which comes fully into force in 2009 when it will offer DFQF access to all exports from LDCs (apart from armaments).

It is assumed throughout this report that LDC ACP states are eligible for EBA.[3] For non-LDC ACP states, the initial comparison made is between Cotonou and the Standard GSP, which is the regime for which they will automatically be eligible. When considering ‘problem products’ account is taken of the extent to which the GSP+ would ‘solve’ the problem.

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[3] There are two anomalies in the UK Tariff 2007 – the source used in this study for information on eligibility for EU preferences. It states (Volume 1, Section 7.4.1, para. F) that Timor Leste (which is on the UN list of LDCs) is not an LDC and that Seychelles (which is not on the UN list) is. In both cases, the countries concerned are treated in this report as if they were non-LDCs.

In the case of both LDC and non-LDC states it is assumed that any outstanding administrative changes required to obtain GSP benefits are implemented. The following 32 ACP countries have not yet nominated a GSP certificate issuing authority and are therefore not shown in the UK Tariff (2007: Volume 1, Section 7.4.1 F) as eligible for GSP benefits (although whether they in fact receive them is not known):

- *LDCs (according to UK Tariff):* Burkina Faso, Central African Republic, Chad, Comoros, Djibouti, Equatorial Guinea, Guinea, Guinea Bissau, Liberia, Mali, Mauritania, Niger, Rwanda, Sao Tome, Seychelles, Solomon Islands, Somalia, Tuvalu;
- *Non-LDCs (according to the UK tariff):* Antigua and Barbuda, Bahamas, Cameroon, Congo Republic, Dominica, Marshall Islands, Nauru, Palau, St Kitts and Nevis, St Lucia, St Vincent, Suriname, Timor Leste, Tonga.

1.5 Contents of the report and methodology

The research objectives noted in Section 1.1 are broken down in the Terms of Reference into three specific research questions. These are as follows (and dealt with in the report in Sections 2, 3 and 4 respectively).

1. What will be the immediate costs if no EPA is signed by the end of 2007 and countries trade on GSP terms? Which will be the most affected countries and sectors?

2. What will be the longer-term effects in terms of trade flows and economic development of the ACP countries?

3. What will be the longer-term effects in terms of trade flows and economic development if the GSP were upgraded to the Cotonou level?

The core of the study is an objective analysis of EU import and tariff data to answer **Research Question 1** in a purely factual way. We have analysed 4,688 EU imports from ACP countries (at the EU's Combined Nomenclature 8-digit level), distinguishing between LDC and non-LDC suppliers. These have been categorised according to the MFN and Standard GSP duties payable on them in order to identify which countries are exporting which products that would face a higher duty if they were taxed according to the Standard GSP (or MFN, if not covered by the GSP) and not Cotonou. Account is also taken of the products which are imported from LDCs which would, of course, be eligible for duty-free access under EBA in the absence of Cotonou.

Whereas question 1 is purely factual, **Research Question 2** is more speculative because it depends upon the dynamic effects of any tariff increase. If the increase is sufficiently large (given the circumstances of the value chain concerned) then it could lead to a complete cessation of exports with an obvious economic impact on the ACP state concerned. If, by contrast, elements in the value chain are able to absorb any increase in import duty the impact could be much less visible (and would tend, for example, to result in lower profits for producers and/ or a medium-term search by importers for alternative, more preferred, sources of supply).

The report deals with this speculative question by examining the market conditions of the products that would be most affected by the end of Cotonou and cases within the broad context of the challenges facing the ACP countries concerned. The result cannot be more than a 'broad brush' review of those countries more likely, and those less likely, to be affected profoundly by the end of Cotonou preferences. But it provides a starting point for other, country- and product-specific analyses should these be required.

Research Question 3 is partly factual and partly speculative. The factual element arises because it is possible to identify for all the affected products the ACP's 'apparent competitors' in the European market and measure the difference between their current access terms. Only highly detailed commodity studies can identify 'real' as opposed to 'apparent' competitors – since even countries exporting the same eight-digit product may actually be operating in different market niches. But the analysis can focus attention on the most problematic cases. These are the ones in which an ACP country would lose a substantial preferential margin over a major, apparent competitor if the GSP were upgraded to the Cotonou level (but would suffer a serious deterioration in market access if it were not upgraded).

The speculative element is to determine what the competitors will do (and how the ACP country can respond) if preferences are eroded. As with Research Question 2, this report can provide a broad contextual analysis identifying the ACP states for which there is *prima facie* evidence of a potential major effect (and those where this seems to be less certain).

2. The immediate costs of the GSP

For almost two thirds of the *products* exported by the ACP to the EU the end of Cotonou would have no effect on access terms. This is because the EU's MFN duty is zero (26 percent of items) or, if it is not, the Standard GSP tariff is zero (a further 36 percent of items). Only in a little over one-third of cases would the end of Cotonou and its replacement by the Standard GSP result in any change in relative access (see Table 1).

It is important to bear in mind that these figures relate solely to the number of items exported by the ACP – they do not refer to the proportion of ACP exports by value that face zero MFN or Standard GSP tariffs. But these are the data that are important at this stage of the analysis. A figure for the whole ACP group on the share of import value that enters the EU duty free is not particularly useful. At a country level such a figure is very important: a country needs to know the proportion of its exports that will face a change of tariff under the GSP and the proportion that will not. But in order to obtain this information we must first identify which specific products face positive tariffs under the Standard GSP and do not under Cotonou. This is the information that is conveyed in Table 1.

Table 1. Summary of tariff status of EU imports from ACP, 2005

	All ACP		Non-LLDC ACP	
	Number	*Share*	*Number*	*Share*
CN8-digit items imported from ACP countries in 2005	**4,688**	**100%**	**4,031**	**100%**
Of which, number with:				
Zero MFN duty	1,227	26%	1,086	27%
Zero Standard GSP duty	1,691	36%	1,449	36%
Standard GSP rate already lower than ACP rate	18	0%	18	0%
no change in relative access (because no preference)	36	1%	29	1%
change in relative access	1,716	37%	1,449	36%

Sources: Eurostat COMEXT; UNCTAD TRAINS; UK Tariff 2007.

Despite the large proportion of ACP exports that face zero MFN or GSP tariffs, every single non-LDC ACP state would experience a tariff jump on some of their exports if downgraded to the Standard GSP. All will be affected immediately by any cessation of Cotonou preferences at the end of 2007, albeit to very varying degrees (in terms of the share of their exports that will be affected and the extent of the tariff jump that will be experienced).

2.1 Levels of tariff jump

A mitigating factor for some non-LDC ACP is that in many of the exports that will experience a change in relative access if Cotonou comes to an end the tariff jump will not be substantial. Thirteen percent of items exported by all ACP states will face a tariff jump of less than 5 percent *ad valorem.* In other words, non-LDC exports of the product in question would face a tariff of up to 5 percentage points higher than they do at the present time (for example, because an item rated at 0 percent under Cotonou faces a tariff under the GSP of 5 percent, or because one rated at 4 percent under Cotonou faces a tariff of up to 9 percent under the GSP). These proportions are detailed in Table 2, which shows that a further 17 percent of non-LDC ACP exports will face a tariff jump of 5 percent and over but of less than 10 percent.

Table 2. Levels of tariff jump

	All ACP		Non-LLDC ACP	
	Number	*Share*	*Number*	*Share*
Number of CN8-digit items facing no change in relative access	**2,972**	**63%**	**2,582**	**64%**
Number facing maximum change between ACP and Standard GSP rates:[a]				
Less than 5% simple *ad valorem*	611	13%	505	13%
=> 5% but less than 10% simple *ad valorem*	773	16%	677	17%
=> 10% but less than 20% simple *ad valorem*	184	4%	149	4%
20% or more simple *ad valorem*	28	1%	23	1%
Specific or compound duties [b]	120	3%	95	2%

Notes:
(a) Or MFN rate, if not covered by the Standard GSP.
(b) Some of which are believed to have a very low *ad valorem* equivalent (AVE).
Sources: UNCTAD TRAINS; UK Tariff 2007.

The effect of tariff jumps of this scale is impossible to predict – except in one respect. Clearly, there will be a transfer from elements in the supply chain to the European treasuries that will be collecting a new tax on imports. Given that other sources of supply will continue to have zero-duty access to the EU for these goods (see Sections 3 and 4) it must assumed that in most cases the tax will be paid by the ACP exporters (since importers can simply shift to other countries if their tax burden is not offset by the reduction in the price they pay).

The cost to the ACP, therefore, on the assumption that there is no diminution in exports, is the transfer from them to the EU treasuries of the tariffs that they pay. We have calculated the tariff revenue that would accrue to the European treasuries if current Standard GSP tariffs were applied to the 1,182 items exported in 2005 by non-LDC ACP that would face a tariff jump of less than 10 percent (Table 2, column 4, rows 3 and 4). It is €156 million per year. To put this in some kind of perspective, this is 2.6 times greater than EuropeAid's reported commitments to health in all ACP states in 2005 (European Commission 2006: Figure 7.12).

This is the 'minimum economic cost': if these modest tariff jumps result in a medium-term decline in exports (either because of reduced profitability or because importers can get a better deal from more favoured suppliers) then the economic cost will be greater. It is quite plausible that some exports will decline, especially over the medium term, as a result of even modest tariff hikes, but it is not possible to identify the most likely candidates. Moreover, in the main tariff increases of under 5 percent and, arguably, under 10 percent are unlikely in most cases to have major, immediate consequences (since they will alter the price received by exporters by less than the amount that arises from normal fluctuations in exchange rates, energy prices etc.). Indeed, tariffs of 5 percent or less are often considered to be of 'nuisance value' only.

Moreover, should the Doha Development Round come to a conclusion, Standard GSP tariffs on some of these items could be expected to fall since they are set as a proportion of the MFN rate. It is for this reason that some anomalous cases have arisen under which the GSP tariff for a product is lower than the Cotonou rate: the Cotonou rate has remained unchanged, but the GSP rate (originally higher than the Cotonou level) has fallen because MFN tariffs have declined as a consequence of the Uruguay Round.

2.2 The most problematic products

This report has concentrated on goods where the end of Cotonou would result in a tariff jump of 10 percentage points or more, or in which there would be a new (or increased) specific duty. In this general analysis, it has been assumed that all specific duties are 'high' (even though some appear to be quite low). This is because the principal reason for setting a specific duty (instead of, or in addition to, an *ad valorem* one) is to make sure that imports cannot enter the European market below a certain absolute price. This is normally in order to ensure a minimum price support for domestic producers. Attempting to provide *ad valorem* equivalents (AVEs) is outside the scope of this study, and in any case, problematic. Exporters may choose to sell a different quality of product in cases where they face a specific duty (in order to minimise the proportionate impact of the duty) and such changes from the commercial behaviour that would apply under 'normal, non-distorting circumstances' cannot be conveyed through a simple AVEs.

The most problematic of these products (those where there would be a tariff jump of 20 percent or more or the imposition of a new or higher specific duty) are listed in Table 3. In order to keep Table 3 within manageable proportions, these goods have been aggregated to the Harmonised System (HS) 4-digit level (since, as can be seen from Table 2, there are 148 such products that are exported by all ACP and 118 exported by non-LDC ACP). These most problematic goods are almost exclusively agricultural or processed agricultural products, and include beef, dairy products, fish, cereals, sugar, processed foods and beverages, and cigarettes. Further detail on the countries that export these products and terms of access under different regimes is provided in Sections 3 and 4.

Table 3. Most problematic product groups

HS4	Description (sometimes abbreviated)
0201	meat of bovine animals, fresh or chilled
0202	meat of bovine animals, frozen
0207	meat and edible offal of fowls, fresh, chilled or frozen
0302	fish, fresh or chilled (excl. fish fillets and other fish meat of heading 0304)
0303	frozen fish (excl. fish fillets and other fish meat of heading 0304)
0401*	milk and cream, not concentrated nor containing added sugar or other sweetening matter
0402	milk and cream, concentrated or containing added sugar or other sweetening matter
0405	butter, incl. dehydrated butter and ghee, and other fats and oils derived from milk; dairy spreads
0406	cheese and curd
0407	birds' eggs, in shell, fresh, preserved or cooked
0408	birds' eggs, not in shell, and egg yolks
0703	onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled
0709	other vegetables, fresh or chilled
0712	dried vegetables, whole, cut, sliced, broken or in powder, but not further prepared
0714	roots and tubers of manioc, arrowroot, salep, jerusalem artichokes, sweet potatoes and similar roots and tubers
0803	bananas, incl. plantains, fresh or dried
1001	wheat and meslin
1003	Barley

HS4	Description (sometimes abbreviated)
1005	maize or corn
1006	Rice
1007	grain sorghum
1008	buckwheat, millet, canary seed and other cereals
1101	wheat or meslin flour
1102	cereal flours
1103	cereal groats, meal and pellets
1104	cereal grains otherwise worked
1106	flour, meal and powder of peas, beans, lentils, sago, manioc, arrowroot, salep, jerusalem artichoke, sweet potatoes and similar roots and tubers
1108	Starches; inulin
1212	locust beans, seaweeds and other algae, sugar beet and sugar cane, fresh, chilled, frozen or dried, whether or not ground
1604	Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs
1701	cane or beet sugar and chemically pure sucrose, in solid form
1702	other sugars, incl. chemically pure lactose, maltose, glucose and fructose, in solid form
1703	molasses resulting from the extraction or refining of sugar
1806	chocolate and other food preparations containing cocoa
1901	malt extract; food preparations of flour, milk, cream, butter milk, sour milk, sour cream, whey, yoghourt, kefir, and similar goods
1903	tapioca and substitutes therefor prepared from starch, in the form of flakes, grains, pearls, siftings or similar forms
1905	bread, pastry, cakes, biscuits and other bakers' wares
2007	jams, fruit jellies, marmalades, fruit or nut puree and fruit or nut pastes
2008	fruits, nuts and other edible parts of plants, prepared or preserved
2009	fruit juices and vegetable juices, unfermented
2101	extracts, essences and concentrates, of coffee, tea or maté and preparations with a basis of these products or roasted chicory and other roasted coffee substitutes
2106	food preparations, n.e.s.
2205	vermouth and other wine of fresh grapes, flavoured with plants or aromatic substances
2207	undenatured ethyl alcohol, alcoholic strength by volume >= 80%; ethyl alcohol and other spirits, denatured, of any strength
2208	undenatured ethyl alcohol, alcoholic strength by volume < 80%; spirits, liqueurs and other spirituous beverages
2302	bran, sharps and other residues, whether or not in the form of pellets, derived from the sifting, milling or other working of cereals or of leguminous plants
2309	preparations of a kind used in animal feeding
2402	cigars, cheroots, cigarillos and cigarettes of tobacco or of tobacco substitutes
2403	manufactured tobacco and manufactured tobacco substitutes and 'homogenised' or 'reconstituted' tobacco, tobacco extracts and tobacco essences
2501	salt, incl. table salt and denatured salt, and pure sodium chloride, whether or not in aqueous solution; sea water

2.3 Most-affected countries

The countries that will be most affected by the end of Cotonou, because they export a large number of goods that would see a substantial increase in *ad valorem* tariff or more/new specific duties, can be identified from Table 4. As noted above, all non-LDC ACP will be affected to some degree and all except three – all of them tiny (Federation of Micronesia, Niue and Palau) – will face some tariff jumps of 10 percent or more. In addition, 34 LDCs are listed in the table since they export goods that would face a tariff jump of 10 percent or more (or a specific duty) were they not to opt for EBA.

The number of items on which the countries face problems provides only a broad illustration of the distribution of the effects of replacing Cotonou with the Standard GSP. To a certain extent, differences in the numbers may reflect the fact that some products are divided by the EU into a larger number of eight-digit items than are others. More detailed analysis is provided in Section 3.

Table 4. Most-affected countries

Country [a]	Number of items with change of:			
	10<20%	*20%+*	*spec. duty*	*Total*
Senegal	*44*	*16*	*17*	*77*
Ghana	28	6	33	67
Kenya	42	4	16	62
Dominican Rep.	31	3	23	57
Nigeria	32	1	24	57
Côte d'Ivoire	28	9	17	54
Mauritius	21	10	16	47
Suriname	22		20	42
Swaziland	28	1	11	40
Cameroon	23	1	14	38
Zimbabwe	27	2	9	38
Madagascar	*17*	*5*	*15*	*37*
Mauritania	*30*	*6*	*1*	*37*
Jamaica	17	3	15	35
Uganda	*19*	*1*	*11*	*31*
Namibia	15	6	5	26
Tanzania	*12*	*3*	*10*	*25*
Cape Verde	*5*	*8*	*7*	*20*
Seychelles	8	12		20
Trinidad & Tobago	3	2	15	20
Congo Dem. Rep.	*6*		*9*	*15*
Guinea	*8*	*3*	*3*	*14*
Mali	*7*		*7*	*14*
Togo	*6*		*8*	*14*
Fiji	8	2	2	12
Zambia	*7*		*5*	*12*
Ethiopia	*3*		*8*	*11*
Kiribati	*10*		*1*	*11*
Malawi	*7*		*4*	*11*
Mozambique	*6*		*5*	*11*
Barbados	2		8	10
Rwanda	*3*		*7*	*10*
Belize	4	1	4	9
Congo Rep.	5		4	9
Dominica	4	1	4	9
Gambia	*8*	*1*		*9*
Guyana	1		8	9
Antigua & Barbuda	4	1	2	7
Haiti	*4*		*3*	*7*
Bahamas	3		3	6
Burkina Faso	*3*		*3*	*6*
Gabon	5		1	6
Sudan	*2*		*4*	*6*
Eritrea	*4*	*1*		*5*
Lesotho	*3*		*2*	*5*
PNG	2	3		5
Sao Tome	*1*		*4*	*5*
Angola			*4*	*4*
Benin	*2*		*2*	*4*
Botswana	1		3	4
Grenada	3		1	4
St Kitts	1		3	4
St Lucia	2		2	4
St Vincent	1		3	4
Cook Islands	2		1	3
Liberia	*1*		*2*	*3*
Niger	*3*			*3*
Sierra Leone	*3*			*3*
Solomon Islands	*1*	*2*		*3*

For the present, it is important to note that no ACP sub-regions are excluded from the list of those facing a moderate or large tariff jump. There are non-LDC countries from: West Africa (Côte d'Ivoire, Ghana, Nigeria), Central Africa (Cameroon, Congo Republic, Gabon), East and Southern Africa (Mauritius, Kenya, Seychelles), Southern Africa (Botswana, Namibia, Swaziland, Zimbabwe), the Caribbean (Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Jamaica, St Kitts, St Lucia, St Vincent, Suriname, Trinidad and Tobago) and the Pacific (Cook Islands, Fiji, Marshall Islands, Nauru, Papua New Guinea, Tonga).[4]

At the same time, few countries face problems on more than a small number of items that are exported to significant values. It seems probable, therefore, that one can identify a group of 'problem commodities' and the countries that export them, and this is done in Section 3.

3. Longer-term effects

In order to determine the most serious challenges faced by ACP states from a downgrading to the GSP, we have analysed the EU's imports from all 37 non-LDCs to identify all the significant exports that would experience a tariff jump and, from this list, focused attention on those where the jump will be very large (with an increase in *ad valorem* tariff of over 20 percentage points and/or a change in specific duty), and on those where it will be moderately large (with an increase in *ad valorem* tariff of under 20 but more than 10 percentage points).

3.1 Most-affected non-LDC states

We have defined 'significant exports' as any item accounting for 1 percent or more of a country's exports to the EU, and in most

4 Plus Timor Leste (which appears not to be in an EPA region).

cases this covers almost all of the goods traded.[5] Table 5 lists for each of the 37 non-LDC ACP states the proportion of their exports covered by these 'significant exports' (Column 2) and the proportion of the trade analysed that would experience a change in market access from a shift to the Standard GSP. In most cases the figure in Column 2 is very high – over 90 percent in 29 cases – which gives confidence that no major exports have been overlooked.

Table 4 continued

Country [a]	Number of items with change of:			
	10<20%	*20%+*	*spec. duty*	*Total*
Guinea Bissau	*1*		*1*	*2*
Somalia	*1*		*1*	*2*
Eq. Guinea			*1*	*1*
Marshall Islands			1	1
Nauru	1			1
Timor Leste	1			1
Tonga	1			1
Tuvalu	*1*			*1*
Western Samoa	*1*			*1*

Note:
(a) LDC ACP in italics. As noted in Section 1.3 above, both Seychelles and Timor Leste are treated in this report as non-LDC ACP.

The proportion of significant exports that would experience a tariff jump from being shifted to the Standard GSP ranges from a high of 93 percent (Fiji) to a low of 3 percent (for Bahamas and Congo Republic).[6] The countries facing the largest effects as a proportion of exports are:

- over 75 percent: Belize, Fiji, Swaziland;
- over 50 percent: Guyana, Kenya, Mauritius, Nauru, Seychelles, St Kitts, Tonga.

Some 22 states will face a tariff jump for more than 25 percent of their current export value.

Table 5. Share of significant non-LDC ACP country exports that face a tariff jump

Non-LDC ACP country	Proportion of the value of trade in goods in HS 1–97 represented by:	
	items accounting for 1% or more of the total	*items accounting for 1% or more of the total which would experience a change in access*
Fiji	95.7%	92.6%
Swaziland	90.9%	86.6%
Belize	94.8%	75.1%
Guyana	92.1%	72.3%
St Kitts	91.6%	71.5%
Seychelles [b]	92.0%	69.1%
Mauritius	78.8%	61.5%
Kenya	86.0%	56.5%
Tonga	93.1%	52.7%
Nauru	99.2%	52.2%
Jamaica	93.2%	47.6%
Suriname	92.6%	44.8%
Dominica	92.3%	42.0%
Palau	98.8%	36.0%
Zimbabwe	87.1%	35.6%
Côte d'Ivoire	84.5%	31.5%
Dominican Republic	77.8%	30.9%
Namibia	90.5%	30.5%
Fed. Micronesia	98.7%	29.5%
Papua New Guinea	95.3%	28.1%
Cook Islands	92.1%	28.0%

5 The 1 percent threshold has been relaxed in the case of Antigua and Barbuda, Botswana, Marshall Islands and Nigeria. This is because each has one or two exports so large that none of the others reaches 1 percent of the total. These countries will see only a very small share of their exports affected by transfer to the GSP – but it is greater than zero, which is the incorrect figure that would have been returned by application of the 1 percent threshold. Moreover, in two cases – Antigua and Barbuda and the Marshall Islands – the 'large export' is 'ships', which may be re-exports, in which case the real impact of changes to the other items would be greater than Table 5 suggests.

6 And even lower in some cases of the four anomalous states listed in footnote 5. The very lowest share is 0.01% for the Marshall Islands – counting all of their exports that would be affected. Whether this is a large or a small share of 'real exports' depends entirely on the nature of their ship exports.

Non-LDC ACP country	Proportion of the value of trade in goods in HS 1–97 represented by:	
	items accounting for 1% or more of the total	*items accounting for 1% or more of the total which would experience a change in access*
St Lucia	96.3%	27.4%
Barbados	89.5%	21.7%
Trinidad & Tobago	91.2%	17.4%
Ghana	74.2%	16.3%
Cameroon	97.9%	14.0%
Grenada	97.0%	9.1%
Niue	99.1%	8.1%
Timor Leste [c]	93.9%	6.8%
Gabon	90.5%	4.1%
St Vincent	97.6%	3.9%
Bahamas	95.2%	3.4%
Congo Republic	89.9%	3.3%
Nigeria	93.6%	1.7% [a]
Botswana	96.7%	1.5% [a]
Antigua and Barbuda	96.0%	1.4% [a]
Marshall Islands	99.7%	0.01% [a]

Notes:

(a) These figures are the proportion of total trade of **all** exports which would experience a change of access. No single item accounts for more than 0.1% of the country's trade (in the case of Antigua and Barbuda, Botswana and Nigeria), or 0.01% of total trade (in the case of Marshall Islands).

(b) Non-LDC ACP according to the UN, but not according to the EU's GSP.

(c) Non-LDC ACP according to the EU's GSP, but not according to the UN.

Sources: Eurostat COMEXT; UNCTAD TRAINS; UK Tariff 2007.

3.2 The largest tariff jumps

As explained in Section 2, though, not all of these tariff jumps will necessarily be large. Table 6 lists the products and exporters facing the largest jumps.

The list of countries is shorter (25) and the number of products involved is very limited. There are just three main products affecting several countries (sugar – 11 states), bananas (eight) and tuna (six). A further three affect a smaller number of exporting states: rum (three states), plus rice and beef (two). And one affects just Antigua and Barbuda which, as explained in footnote 5, is a special case – so the product has not been analysed.

The dynamics of these six product markets are reasonably well understood. Moreover, in three of them ACP preference erosion has already happened (or is due within the next two years). These are sugar and rice (for which LDCs are potentially large suppliers), rum (subject to the EU–USA 'zero for zero' deal in the aftermath of the Uruguay Round) and bananas (subject to a WTO dispute).

In a sense, it is the potential impact of an EPA rather than a non-EPA that is unclear and, hence, the incremental effect of being downgraded to the GSP. In other words, the imposition of a €33.9/100kg specific duty on sugar exports from Caribbean exporters such as Barbados, St Kitts and Trinidad whilst exports (potentially unlimited) from LDCs enter the EU duty-free can reasonably be expected to result in the complete cessation of exports from the former. What is uncertain is whether or not their exports would continue much after 2009 (when EBA is fully effective and as the EU sugar price falls) even if they joined an EPA. Without knowing both of these, the 'incremental effect' of any GSP downgrading is unclear.

The issue on **sugar** is complicated by the fact that exports under Cotonou are governed by the Sugar Protocol which provides not only free (albeit quota limited) access but also a guaranteed price related to EU levels. Technically, the Sugar Protocol is not part of Cotonou and is of 'indefinite' (which is not the same as 'unlimited') duration. As it is technically a

Table 6. Significant exports [a] facing largest tariff jumps

Non-LDC ACP	CN2005	Description	Maximum change in access [b]
Antigua/Barbuda	16041600	Prepared or preserved anchovies, whole or in pieces	25%
Barbados	17011110	Raw cane sugar, for refining	33.9 €/100kg/net
	22084099	Rum and tafia, of a value <= 2 ecu/l of pure alcohol, in containers holding > 2 l	0.6 €/%vol/hl/alcool
	22084051	Rum with a content of volatile substances (other than ethyl and methyl alcohol) of >= 225 g/hl of pure alcohol 'with a 10% tolerance', in containers holding > 2 l	0.6 €/%vol/hl/alcool
Belize	08030019	bananas, fresh	176 €/1000kg/net
	17011110	Raw cane sugar, for refining	33.9 €/100kg/net
Botswana	02013000	Fresh or chilled bovine meat, boneless	12.8% + 279.2 €/100kg/net
Cameroon	08030019	bananas, fresh	176 €/1000kg/net
Congo Rep.	17011110	Raw cane sugar, for refining	33.9 €/100kg/net
Côte d'Ivoire	16041418	prepared or preserved tunas and skipjack	20.5%
	16041411	tuna and bonito 'sarda spp.', prepared or preserved, whole or in pieces, in vegetable oil	20.5%
	08030019	bananas, fresh	176 €/1000kg/net
Dominica	08030019	bananas, fresh	176 €/1000kg/net
Dominican Rep.	08030019	bananas, fresh	176 €/1000kg/net
	22084039	Rum and tafia, of a value <= 7,9 ecu/l of pure alcohol, in containers holding <= 2 l	3.2 €/hl+0.6 €/%vol/hl/ alcool
	22084099	Rum and tafia, of a value <= 2 ecu/l of pure alcohol, in containers holding > 2 l	0.6 €/%vol/hl/alcool
Fiji	17011110	Raw cane sugar, for refining	33.9 €/100kg/net
Ghana	16041418	prepared or preserved tunas and skipjack	20.5%
	16041411	tuna and bonito 'sarda spp.', prepared or preserved, whole or in pieces, in vegetable oil	20.5%
Guyana	17011110	Raw cane sugar, for refining	33.9 €/100kg/net
	10062098	long grain husked [brown] rice, length/width ratio >= 3	65% of MFN rate + 4.34€/t
	22084099	Rum and tafia, of a value <= 2 ecu/l of pure alcohol, in containers holding > 2 l	0.6 €/%vol/hl/alcool
Jamaica	17011110	Raw cane sugar, for refining	33.9 €/100kg/net
Kenya	16041416	fillets known as 'loins' of tunas or skipjack, prepared or preserved	20.5%
Mauritius	16041418	prepared or preserved tunas and skipjack	20.5%
	16041411	tuna and bonito 'sarda spp.', prepared or preserved, whole or in pieces, in vegetable oil	20.5%
	17011110	Raw cane sugar, for refining	33.9 €/100kg/net
	17011190	Raw cane sugar	41.9 €/100kg/net
Namibia	02013000	fresh or chilled bovine meat, boneless	12.8% + 279.2 €/100kg/net
PNG	16041418	prepared or preserved tunas and skipjack	20.5%
	16041411	tuna and bonito 'sarda spp.', prepared or preserved, whole or in pieces, in vegetable oil	20.5%
Seychelles [c]	16041418	prepared or preserved tunas and skipjack	20.5%
	16041411	tuna and bonito 'sarda spp.', prepared or preserved, whole or in pieces, in vegetable oil	20.5%
	03034290	frozen yellowfin tunas 'thunnus albacares'	22.0%
	03034390	frozen skipjack or stripe-bellied bonito 'euthynnus -katsuwonus-pelamis'	22.0%
St Kitts	17011110	Raw cane sugar, for refining	33.9 €/100kg/net ?
St Lucia	08030019	bananas, fresh	176 €/1000kg/net
St Vincent	08030019	bananas, fresh	176 €/1000kg/net
Suriname	08030019	bananas, fresh	176 €/1000kg/net
	10062098	long grain husked [brown] rice, length/width ratio >= 3	65% of MFN rate + 4.34€/t
Swaziland	17011110	Raw cane sugar, for refining	33.9 €/100kg/net
	22071000	undenatured ethyl alcohol, of actual alcoholic strength of >= 80%	19.2 €/hl
Trinidad/Tobago	17011110	Raw cane sugar, for refining	33.9 €/100kg/net
Zimbabwe	17011110	Raw cane sugar, for refining	33.9 €/100kg/net
	22071000	undenatured ethyl alcohol, of actual alcoholic strength of >= 80%	19.2 €/hl

Notes:
(a) Items comprising 1% or more of a country's total exports and which would face a change in access of =>20% *ad valorem* or a specific duty.
(b) Between Cotonou and Standard GSP rates (or MFN, if item not covered by the GSP). Where a range of tariffs applies to different CN10-digit items within the CN8-digit trade code, the maximum difference is shown here.
(c) Non-LDC ACP according to the UN, but not according to the EU's GSP.
Sources: Eurostat COMEXT; UNCTAD TRAINS; UK Tariff 2007.

separate regime it is questionable whether it is affected by the end-2007 deadline in Cotonou. If it is not, the issue of sugar's coverage under the GSP is irrelevant for those ACP states with quotas under the Protocol.

Putting aside that issue, the main distinction to be made is between the Caribbean exporters (with the possible exceptions of Belize and Guyana) where exports are quite likely to cease in the short to medium term (as a consequence of falling EU prices and, possibly, competition from EBA sources) regardless of what happens on EPAs, and the African producers (with the possible exception of Mauritius) where some degree of exports could be expected to continue if there were no change in market access terms. The countries in which the EPA issue could have the greatest potential impact on production are Congo, Swaziland and Kenya (which has had a small sugar quota restored to it) plus Zimbabwe (although that country's severe economic problems could dominate over any EPA effect).

In the case of **bananas**, Caribbean supplies are already under pressure as the result of EU policy changes both in respect of WTO disputes and of EBA. On the other hand, it appears that some Caribbean exporters are successfully establishing niche markets and so may survive the current challenges. But the re-imposition of tariffs that have not been applied for three decades is likely to obliterate that trade. Whether or not the lower-cost African suppliers could continue to compete successfully when faced with import tariffs is more unclear.

In both cases, though, there exists some doubt (as with the Sugar Protocol) of whether the end 2007 deadline in Cotonou applies or whether provision for a tariff quota of zero-duty bananas from the ACP is included in the EU's WTO schedules. But, as noted in the Introduction, this report does not provide a review of the alternative regimes that might or should apply to countries that have not joined EPAs by end 2007; it provides an analysis of one specific case: of what would happen *if* the GSP regime were applied to ACP exports.

As with bananas there exist ACP **beef** supply problems but it is likely that, for various reasons, exports would remain competitive in the absence of the re-imposition of punitive tariffs that would place these countries in the same position as Brazil and Argentina – or worse (as explained in the next section). In the case of Botswana, where supply is particularly problematic given the buoyancy of other sectors of the economy, there appears to be a strong government commitment to subsidise (in various ways) beef production in order to maintain broadly current levels of supply. In the case of Namibia there seems a reasonable prospect of current levels being maintained. By contrast, if non-preferential tariffs were applied, given the high supply capacity and competitiveness of Latin American producers, it is likely that there would be a cessation of all exports. Hence transfer from Cotonou to GSP might kill the export industry.

In the case of **tuna** countries have the option of negotiating a fisheries partnership agreement (FPA) with the EU even if they do not join EPAs. The terms of these are outside the scope of this study. For those countries not opting for an FPA, much may depend on what happens to the tariff-free quota that the EU has granted to Indonesia, Thailand and Philippines as part of the negotiations concerning the Cotonou waiver. Obviously, if ACP exporters were to trade at a tariff disadvantage to these three Asian suppliers it would be more difficult for them to remain competitive. On the other hand, the rationale for the tariff-free quotas will be removed with the expiry of the Cotonou waiver. If it were abolished, ACP exporters would not face discrimination with respect to these suppliers (although those countries that had negotiated an FPA would continue to have preferential access compared to all others).

For **rice** the current regime provides the ACP with a reduction (within a TQ) of the MFN specific duty from €42.5/tonne to €10.54, i.e. a reduction of about three-quarters. It seems improbable that ACP exporters could cut their prices by such an amount to remain competitive if the full MFN tariff were imposed.

3.3 Moderately large tariff jumps

The list of countries facing moderately large tariff jumps is shorter (11) and the products involved rather longer (Table 7). Of the 11 ACP countries affected, six are also listed in Table 6 and so face the widest range of commercial disruptions. They are Belize, Congo Republic, Kenya, Namibia, Swaziland and Zimbabwe. The product list includes citrus fruit (exported by three countries), fish, tobacco, fruit juice, canned fruit, peas and footwear (exported by two states), plus beans, honey and cherries (exported by one state apiece).

Table 7. Significant exports[a] facing moderately large tariff jumps

Non-LDC ACP	CN2005	Description	Maximum change in access[a]
Belize	08051020	sweet oranges, fresh	12.8%
	08051080	Fresh or dried oranges (excl. fresh sweet oranges)	12.8%
Congo Rep.	24012010	partly or wholly stemmed/stripped flue-cured virginia type tobacco, otherwise unmanufactured	14.9% max 24 €/100 kg/net
Cook Islands	04090000	Natural honey	17.3%
	20098099	Juice of fruit or vegetables, density of =< 1.33 g/ccm at 20.c	14.1%
Grenada	03026999	Fresh or chilled edible saltwater fish, n.e.s.	11.0%
Kenya	07081000	Fresh or chilled peas 'pisum sativum', shelled or unshelled	10.1%
	07082000	fresh or chilled beans 'vigna spp., phaseolus spp.', shelled or unshelled	10.1%
	20055900	unshelled beans 'vigna spp., phaseolus spp.', prepared or preserved otherwise than by vinegar or acetic acid	15.7%
	20082079	pineapples, prepared or preserved, containing added sugar but no added spirit, with sugar content of > 13% but <=19%, in immediate packings of a net content of <= 1 kg	15.7%
	20082090	pineapples, prepared or preserved	14.9%
	20094930	pineapple juice, unfermented, brix value > 20 but <= 67 at 20¬c, value of > 30 _ per 100 kg, containing added sugar	11.7%
Namibia	03026966	fresh or chilled cape hake 'shallow-water hake' 'merluccius capensis' and deepwater hake 'deepwater cape hake' 'merluccius paradoxus'	15.0%
	03037811	frozen cape hake 'shallow-water hake' 'merluccius capensis' and deepwater hake 'deepwater cape hake' 'merluccius paradoxus'	11.5%
	03037981	frozen monkfish 'lophius spp.'	15.0%
Nauru	20086050	cherries, not containing added spirit, exceeding 1 kg	14.1%
Swaziland	08051020	sweet oranges, fresh	12.8%
	20082079	pineapples, prepared or preserved, containing added sugar but no added spirit, with sugar content of > 13% but <=19%, in immediate packings of a net content of <= 1 kg	15.7%
	20082090	pineapples, prepared or preserved	14.9%
	20083071	grapefruit segments, prepared or preserved, containing added sugar but no added spirit, in immediate packings of a net content of <= 1 kg	10.6%
	20083090	citrus fruit, prepared or preserved	14.9%
Timor Leste[c]	64029998	footwear with outer soles of rubber or of plastics and uppers of plastics, with in-soles of a length of >= 24 cm, for women	11.9%
Tonga	64041990	footwear with outer soles of rubber or plastics and uppers of textile materials	11.9%
Zimbabwe	07081000	Fresh or chilled peas 'pisum sativum', shelled or unshelled	10.1%
	08051020	sweet oranges, fresh	12.8%
	24012010	partly or wholly stemmed/stripped flue-cured virginia type tobacco, otherwise unmanufactured	14.9% max 24 €/100 kg/net

Notes:

(a) Items comprising 1% or more of a country's total exports and which would face a change in access of 10–<20% *ad valorem*.

(b) Between Cotonou and Standard GSP rates (or MFN, if item not covered by the GSP). Where a range of tariffs applies to different CN10-digit items within the CN8-digit trade code, the maximum difference is shown here.

(c) Non-LDC ACP according to the EU's GSP, but not according to the UN.

Sources: Eurostat COMEXT; UNCTAD TRAINS; UK Tariff 2007.

Given the severe production problems of Zimbabwe for tobacco and the changes being wrought in the clothing industry by the end of the Multifibre Arrangement and the emergence of China, plus the similarity of the situation for the fish listed in Table 7 with that of tuna noted above, the key 'new' problematic commodities are:

- horticultural products;
- citrus;
- processed fruits.

In the first two cases, the tariffs that would be applied to countries trading under the GSP are not extremely high – but the markets are fiercely competitive. The EU market is not supplied on a sustained basis by any country which does not receive preferences. The working assumption must be, therefore, that the horticultural exports of Kenya and the citrus exports of Belize and Swaziland will cease if tariffs are re-imposed.

In the case of processed fruit, the key issue is the inclusion of sugar in the final product. Given that all competitors except LDCs face a sugar levy it is possible that exports could continue (albeit at reduce profitability) were tariffs to be re-imposed – even though the tariffs are generally higher than those applicable for horticulture and citrus.

4. Preference erosion

As explained in Section 1, the ACP face a dilemma in relation to any GSP-based option: if the GSP remains unchanged they will face new tariffs imposed on some exports; if it is improved to the current Cotonou level (assuming that any improvement applies equally to other GSP beneficiaries) they will experience preference erosion. In reality the dilemma is less marked than it would have been at the start of the decade. This is because a significant degree of actual or potential preference erosion has already taken place. The main vehicle for actual erosion is EBA; for potential erosion it is the GSP+ scheme introduced in 2005.

The effect of EBA is well understood. By providing DFQF access for almost all exports it puts all LDCs in a position that is equivalent to, or superior to, that of the ACP. The only 'mitigating effect' is that most LDCs are also ACP and so the non-LDC ACP have experienced preference erosion in practice only in relation to those goods where Cotonou does not yet offer DFQF and also in relation to non-ACP LDCs.

The potential impact of GSP+ is much greater. Although it does not provide DFQF on as many goods as Cotonou, it is *potentially* available to a very large number of developing countries, many of which are internationally competitive. The list of countries eligible for GSP+ to 2008 has been fixed[7] but the possibility exists of a larger number applying and being accepted in the post-2008 scheme. Only 21 developing countries appear to be ruled out as ineligible *a priori* because they fail to meet the two vulnerability criteria.[8] How many of the rest become eligible will depend on whether they apply and whether they fulfil the various EU requirements on standards, but in principle they have it in their power to make themselves eligible, so it is reasonable to make the simplifying assumption that there is, or could be, at least one supplier to the EU that trades on GSP+ terms for every ACP export that is covered. The ACP also have it is their power to make themselves eligible.

7 Eleven Andean/Central American states plus Georgia, Sri Lanka, Moldova and Mongolia.

8 The 21 countries are: Argentina, Brazil, China, Egypt, India, Indonesia, Jordan, Lebanon, Malaysia, Mexico, Morocco, Pakistan, Philippines, Russian Federation, Saudi Arabia, South Africa, Thailand, Tunisia, Ukraine, United Arab Emirates and Vietnam. Some of these have favourable market access under FTAs with the EU.

4.1 The GSP+

4.1.1 Overlap with Cotonou

A first step in the analysis, therefore, is to compare the coverage of the GSP+ with the list of ACP exports for which tariffs would jump if they were treated on Standard GSP terms. This is done in Table 8, which takes each of the five levels of tariff jump analysed above and shows for each the number of ACP export items and the number of these that are eligible for duty-free access under GSP+. In a few cases, GSP+ provides zero-duty access only for some 10-digit product categories and so it is not clear whether or not they are the same as the ones covering the exports of the ACP, but in the majority of cases where there is a zero-duty preference it applies to all of an 8-digit item.

Table 8. Duty-free GSP+ coverage of ACP exports

Maximum change in ACP access [a]	Number of all-ACP exports	GSP+ duty-free	GSP+ duty-free at some times of year
Less than 5% simple *ad valorem*	611	558	1
=> 5% but less than 10% simple *ad valorem*	773	744	1
=> 10% but less than 20% simple *ad valorem*	184	170	7
20% or more simple *ad valorem*	28	28	-
Specific or compound duties [b]	120	7	1
Total	**1,711**	**1,507**	**10**

Notes:
(a) i.e. between Cotonou and Standard GSP rates (or MFN rate, if not covered by the Standard GSP).
(b) Some of which are believed to have a very low *ad valorem* equivalent (AVE).
Sources: Eurostat COMEXT; UNCTAD TRAINS; UK Tariff 2007; EC 2005.

In about 88 percent of cases duty-free access is available under GSP+. Importantly, every single ACP export that would face a tariff jump of 20 percent or more in its *ad valorem* duty is available duty-free under GSP+. The smaller *ad valorem* tariff jump categories are also well covered, with 91 percent, 96 percent and 92 percent of ACP exports eligible for duty-free access in the less than 5 percent, 5–<10 percent and 10–<20 percent bands respectively.

The main ‘omission’ from zero-duty access under GSP+ are products in which ACP exports will face new or increased specific or compound duties. Only seven (or eight) of the 120 such products exported by the ACP (6 percent) receive duty-free treatment under GSP+. But the inferiority of GSP+ compared to Cotonou is not as marked as might appear from Table 8, since there are 45 products in this category that receive the same reduced (but not zero) tariffs under both GSP+ and Cotonou.

These goods, exclusively agricultural or processed agricultural items, are listed in Table 9. The ‘cost’ for the ACP of not joining an EPA, therefore, and trading only on GSP+ terms would be forgoing any improvement in access that will result from EPA membership. There is a widespread view that the EU may be willing to offer duty-free, quota-free access to all EPA members – in which case the tariff on the products listed in Table 9 would be reduced to zero. But this is obviously speculative.

4.1.2 What does this mean in practice?

On the one hand, since no ACP country appears to be ruled out from GSP+ on either of the vulnerability criteria, the message to be derived from Table 8 is very positive. For a very large proportion of problematic exports, ACP countries could retain access that is equivalent to current levels by being accorded GSP+ status.

Table 9. ACP exports for which the Cotonou and GSP+ tariffs are the same

CN8	Description	Cotonou/GSP+ tariff [a]
07104000	sweetcorn, uncooked or cooked by steaming or by boiling in water, frozen	0 + 9.4 €/100kg/net
08119011	guavas, mangoes, mangosteens, papaws 'papayas', tamarinds, cashew apples, lychees, jackfruit, sapodillo plums, passion fruit, carambola, pitahaya, coconuts, cashew nuts, brazil nuts, areca 'betel' nuts, cola nuts and macadamia nuts	0 + 5.3 €/100kg/net
15171010	margarine containing > 10% but <= 15% milkfats (excl. liquid)	0 + 28.4 €/100kg/net
17049051	Pastes, incl. marzipan, in immediate packings of >= 1 kg	0 + AC max 18.7%
17049055	throat pastilles and cough drops	0 + AC
17049061	sugar-coated 'panned' goods, not containing cocoa	0 + AC
17049071	boiled sweets, whether or not filled	0 + AC
17049075	Toffees, caramels and similar sweets	0 + AC
17049081	compressed tablets of sugar confectionery, whether or not manufactured with binding agents, not containing cocoa	0 + AC
17049099	pastes, marzipan, nougat and other prepared sugar confectionery, not containing cocoa	0 + AC max 18.7%
18061020	cocoa powder, containing added sugar or other sweetening matter, containing >= 5% but < 65% by weight of sucrose, incl. inverted sugar expressed as sucrose or isoglucose expressed as sucrose	0 + 25.2 €/100kg/net
18069070	preparations containing cocoa, for making beverages	0 + AC max 18.7%
18069090	preparations containing cocoa, in containers or immediate packings of <= 2 kg preparations containing	0 + AC max 18.7%
19019011	malt extract with a dry extract content of >= 90%	0 + 18 €/100kg net
19021100	uncooked pasta, not stuffed or otherwise prepared, containing eggs	0 + 24.6 €/100kg net
19021910	uncooked pasta, neither stuffed nor otherwise prepared	0 + 24.6 €/100kg net
19021990	uncooked pasta, neither stuffed nor otherwise prepared, containing common wheat meal or flour	0 + 21.1 €/100kg net
19022091	cooked pasta, stuffed with meat or other substances	0 + 6.1 €/100kg net
19023010	dried, prepared pasta	0 + 24.6 €/100kg net
19023090	pasta, cooked or otherwise prepared	0 + 9.7 €/100kg net
19024010	couscous unprepared	0 + 24.6 €/100kg net
19024090	couscous, cooked or otherwise prepared	0 + 9.7 €/100kg net
19041030	prepared foods obtained by swelling or roasting cereals or cereal products based on rice	0 + 46 €/100kg net
19041090	prepared foods obtained by swelling or roasting cereals or cereal products	0 + 33.6 €/100kg net
19042099	prepared foods obtained from unroasted cereal flakes or from mixtures of unroasted and roasted cereal flakes or swelled cereals	0 + 33.6 €/100kg net
19049080	cereals in grain or flake form or other worked grains, pre-cooked or otherwise prepared, n.e.s.	0 + 25.7 €/100kg net
19052010	gingerbread and the like, whether or not containing cocoa, containing < 30% sucrose, incl. invert sugar expressed as sucrose	0 + 18.3 €/100kg net
19052090	gingerbread and the like, whether or not containing cocoa, containing >= 50% sucrose, incl. invert sugar expressed as sucrose	0 + 31.4 €/100kg net
19053219	waffles and wafers, whether or not containing cocoa, coated or covered with chocolate or cocoa preparations, in immediate packings of > 85 g	0 + AC max 24.2%
19053299	Waffles and wafers, whether or not containing cocoa, whether or not filled	0 + AC max 24.2%
19059045	biscuits (excl. sweet biscuits)	0 + AC max 20.7%
19059055	extruded or expanded products, savoury or salted	0 + AC max 20.7%
19059060	fruit tarts, currant bread, panettone, meringues, christmas stollen, croissants and other bakers' wares with added sweetener	0 + AC max 24.2%
19059090	Pizzas, quiches and other unsweetened bakers' wares	0 + AC max 20.7%
20019040	yams, sweet potatoes and similar parts of plants containing >= 5% starch, prepared or preserved by vinegar or acetic acid	0 + 3.8 €/t
20079110	citrus fruit jams, jellies, marmalades, purees or pastes, obtained by cooking, with sugar content of > 30% by weight (excl. homogenised preparations of subheading 2007.10)	0 + 23 €/100kg/net
20079130	citrus fruit jams, jellies, marmalades, purees or pastes, obtained by cooking, with sugar content of > 13% but <= 30% by weight (excl. homogenised preparations of subheading 2007.10)	0 + 4.2 €/100kg/net
20089991	yams, sweet potatoes and similar edible parts of plants, containing >= 5% starch, prepared or preserved, not containing added spirit or added sugar (excl. frozen or dried)	0 + 3.8 €/100kg/net
20098032	juice of passionfruit or guavas, unfermented, brix value > 67 at 20¬c, value of <= 30 _ per 100 kg, whether or not containing added sugar or other sweetening matter (not containing added spirit)	0 + 12.9 €/100kg/net

CN8	Description	Cotonou/GSP+ tariff [a]
20098086	juice of fruit or vegetables, unfermented, brix value <= 67 at 20¬c, value of <= _ 30 per 100 kg, containing > 30% added sugar (excl. mixtures or containing spirit, and juice of citrus fruits, guavas, mangoes, mangosteens, papaws 'papayas', tamarinds, cas	0 + 20.6 €/100kg/net
21069098	food preparations n.e.s., containing not less than 1.5 % milkfat, not less than 5% sucrose or isoglucose, not less than 5% glucose or not less than 5% starch	0 + AC
22029091	non-alcoholic beverages containing < 0,2% fats derived from milk or milk products	0 + 13.7 €/100kg/net
22029095	non-alcoholic beverages containing >= 0,2% but < 2% fats derived from milk or milk products	0 +12.1 €/100kg/net
22029099	non-alcoholic beverages containing >= 2% fats derived from milk or milk products	0 +21.2 €/100kg/net
33021029	preparations based on odoriferous substances, containing all flavouring agents characterizing a beverage, containing, by weight, >= 1,5% milkfat, >= 5% sucrose or isoglucose, > 5% glucose or > 5% starch, of a kind used in the drink industries (excl. of an	0 + AC

Note:
(a) 'AC' = agricultural component.
Sources: UK Tariff 2007; EC 2005.

On the other hand, the list of beneficiaries appears to be closed until the new GSP is launched after 2008 (and given all the precedents, there could be a hiatus). So it is far from clear that GSP+ would be available immediately after any cessation of Cotonou treatment, if at all. If the ACP are not accorded this status immediately following the end of Cotonou preferences they will export at a commercial disadvantage to all of the existing beneficiaries. If they are not accorded it at all, they will trade at a disadvantage to future beneficiaries as well. Both groups will include developing countries that equally do not have FTAs with the EU (given the EU's stated intention to remove FTA signatories over time from the GSP). And, as can be seen from footnote 7, the existing list of beneficiaries includes some highly competitive states.

It is important, therefore, that there is no gap between the end of Cotonou treatment and the application of GSP+ treatment (if this is what is decided). It can be recalled that when GSP+ was introduced, the beneficiaries of the EU's previous, favourable GSP regimes (for anti-narcotics crops) were deemed automatically to fulfil all of the labour, human rights and environmental conditions in order that GSP treatment could be applied to their exports immediately, pending detailed country-by-country scrutiny in due course. This has set a precedent that it would be appropriate for the treatment of non-EPA ACP states to follow.

4.2 Other regimes

Even if GSP+ were applied immediately to the ACP it would not provide Cotonou-equivalence for all their exports. One group of exports (Table 10) is covered by GSP+ but treated less favourably than under Cotonou. A second group (Table 11) is not covered by GSP+. In both cases, some supplying countries, though, have better than standard MFN access.

This section identifies the nature of the regimes applicable to imports of the products covered in Tables 10 and 11 to determine whether:

- there are suppliers to the EU that would be treated more favourably than the ACP if their exports were subject to the GSP;
- the extension of the GSP to provide Cotonou level access for these goods would erode ACP preferences.

4.2.1 Products with relatively unfavourable GSP+ treatment

The goods listed in Table 10 are subject to GSP+ tariff reductions, but they are not as substantial as those under Cotonou. These are exclusively goods covered by the Common Agricultural Policy that face an agricultural levy or additional specific duty as well as an *ad valorem* tariff.

In every case except tapioca and prepared maize there is already one or more major supplier that has duty-free access to the EU. If the Standard GSP is applied to them, the ACP will export at a commercial disadvantage to these suppliers. In most cases the same applies even if they receive the GSP+, which provides only a modest improvement on the Standard GSP.

Given the substantial scale of these additional duties it must be assumed that ACP exports will cease completely should GSP tariffs be imposed. In all cases except one category of chocolate and grape juice, there is at least one 'main supplier' that does not receive duty-free entry, and so it is clearly possible commercially to access the EU market. But in most cases the suppliers are developed or the most highly competitive developing countries – and there are not many of them. It is implausible to suppose that most ACP states could surmount these barriers.

There are 14 non-LDC states that export goods listed in Table 10 to the EU. They are: Dominican Republic (with 7 of the items in Table 10), Côte d'Ivoire (six), Ghana and Trinidad and Tobago (five items each), Jamaica, Mauritius, Nigeria and Zimbabwe (four items each), Cameroon, Congo Republic and Kenya (three), and Barbados, Suriname and Swaziland (one).

The question posed in the Terms of Reference is what might happen if the GSP were improved to Cotonou levels for these products; it is not whether or not this is politically feasible! The short answer is that if the improvement were to be effected through changes to the GSP+ rather than the Standard GSP, the impact is hard to determine. This is because none of the main suppliers listed in Table 10 appears to be eligible on grounds of vulnerability for GSP+. Any supply response would need to come, therefore, from other developing countries that are, or could become, GSP+ beneficiaries but which do not currently export at all or on a significant scale. If, by contrast, the Standard GSP were to be improved one could expect Argentina, Brazil, China, Egypt, India, Russian Federation, South Africa, Thailand, Ukraine and Vietnam to increase their market share at least for the goods they currently export.

It is plausible, therefore, but not provable, that some ACP exports would continue if the GSP+ were extended to offer Cotonou equivalence on these items and they were made beneficiaries of the scheme. It is much less plausible that ACP exports would continue if the Standard GSP were extended to offer Cotonou equivalence, given that in all cases this would result in a significant improvement in access for developing countries that are already major suppliers of the market.

Table 10. Non-LDC ACP exports for which the Cotonou tariff is lower (or potentially lower) than the GSP+ tariff

CN8	Description	Cotonou tariff [a]	GSP tariff [a]		Main non-ACP suppliers [b]	
			GSP+	*Standard*	*Name (share)*	*Tariff*
18062010	Chocolate and other food preparations containing cocoa, in blocks, slabs or bars weighing > 2 kg or in liquid, paste, powder, granular or other bulk form, in containers or immediate packings of a content > 2 kg, containing >= 31%, by weight, of cocoa butt	0	0 + AC max 18.7% + ADSZ	4.8% + AC max 18.7% + ADSZ	 Switzerland (30%) New Zealand (11%) USA (6%)	Global TQ 43% 22/6 to 31/12 0 8.3% + AC max 18.7% + ADSZ 8.3% + AC max 18.7% + ADSZ
18062050	Chocolate and other food preparations containing cocoa, in blocks, slabs or bars weighing > 2 kg or in liquid, paste, powder, granular or other bulk form, in containers or immediate packings of a content > 2 kg, containing >= 18% by weight but < 31% by we	0	0 + AC max 18.7% + ADSZ	4.8% + AC max 18.7% + ADSZ	Croatia (21%) Switzerland (19%)	0 0
18062095	Chocolate and other food preparations containing cocoa, in blocks, slabs or bars weighing > 2 kg or in liquid, paste, powder, granular or other bulk form, in containers or immediate packings of a content > 2 kg, containing < 18% by weight of cocoa butter	0	0 + AC max 18.7% + ADSZ	4.8% + AC max 18.7% + ADSZ	 Aruba (56%) Switzerland (24%) NL Antilles (6%) USA (2%)	Global TQ 43% 22/6 to 31/12 0 0 0 8.3% + AC max 18.7% + ADSZ
18063210	Chocolate and other preparations containing cocoa, in blocks, slabs or bars of <= 2 kg, with added cereal, fruit or nuts	0	0 + AC max 18.7% + ADSZ	4.8% + AC max 18.7% + ADSZ	 Switzerland (90%) Norway (2%) USA (2%) Croatia (1%) South Africa (1%)	Global TQ 43% 22/6 to 31/12 0 0 + AC max 18.7% + ADSZ 8.3% + AC max 18.7% + ADSZ 0 5.8% + AC max 18.7% + ADSZ
18063290	Chocolate and other preparations containing cocoa, in blocks, slabs or bars of <= 2 kg	0	0 + AC max 18.7% + ADSZ	4.8% + AC max 18.7% + ADSZ	 Switzerland (74%) Ukraine (11%) Norway (4%) Croatia (3%) Israel (2%)	Global TQ 43% 22/6 to 31/12 0 4.8% + AC max 18.7% + ADSZ 0 + AC max 18.7% + ADSZ 0 0 + AC max 18.7% + ADSZ
18069019	chocolates and chocolate products in the form of pralines, whether or not filled, not containing alcohol	0	0 + AC max 18.7% + ADSZ	4.8% + AC max 18.7% + ADSZ	 Switzerland (67%) Norway (11%) Israel (7%) Russian Fed. (5%) Turkey (2%)	Global TQ 43% 22/6 to 31/12 0 0 + AC max 18.7% + ADSZ 0 + AC max 18.7% + ADSZ 4.8%+AC max 18.7% + ADSZ 0 + AC max 18.7% + ADSZ
18069031	chocolates and chocolate products, filled	0	0 + AC max 18.7% + ADSZ	4.8% + AC max 18.7% + ADSZ	 Switzerland (39%) Turkey (15%) Croatia (9%) Argentina (7%) Russian Fed. (6%)	Global TQ 43% 22/6 to 31/12 0 0 + AC max 18.7% + ADSZ 0 4.8%+AC max 18.7% + ADSZ 4.8%+AC max 18.7% + ADSZ
18069039	chocolates and chocolate products	0	0 + AC max 18.7% + ADSZ	4.8% + AC max 18.7% + ADSZ	 Switzerland (54%) Norway (13%) Turkey (9%) China (6%) USA (3%)	Global TQ 43% 22/6 to 31/12 0 0 + AC max 18.7% + ADSZ 0 + AC max 18.7% + ADSZ 4.8%+AC max 18.7% + ADSZ 8.3%+AC max 18.7% + ADSZ

CN8	Description	Cotonou tariff [a]	GSP tariff [a]		Main non-ACP suppliers [b]	
			GSP+	*Standard*	*Name (share)*	*Tariff*
19011000	food preparations for infant use, put up for retail sale, of flour, groats, meal, starch or malt extract, not containing cocoa or containing < 40% by weight of cocoa calculated on a totally defatted basis, n.e.s. and of milk, sour cream, whey, yoghourt, k	free or 0 + AC	0 + AC	4.1% + AC	Switzerland (53%) Croatia (32%) New Zealand (9%) Israel (2%) USA (1%)	0 0 7.6% + AC 0 + AC 7.6% + AC
19012000	mixes and doughs of flour, groats, meal, starch or malt extract, not containing cocoa or containing < 40% by weight of cocoa calculated on a totally defatted basis, n.e.s. and of mixes and doughs of milk, cream, butter milk, sour milk, sour cream, whey, y	free or 0 + AC	0 + AC	0 + AC	Switzerland (67%) USA (7%) China (5%) Singapore (4%) India (4%)	0 7.6% + AC 0 + AC 7.6% + AC 0 + AC
19019099	food preparations of flour, groats, meal, starch or malt extract, not containing cocoa or containing cocoa in a proportion by weight of < 40%, calculated on a totally defatted basis, and food preparations of milk, cream, butter milk, sour milk, sour cream	free or 0 + AC	0 + AC	4.1% + AC	Switzerland (54%) USA (13%) China (3%) Croatia (2%) Thailand (1%)	0 7.6% + AC 4.1% + AC 0 4.1% + AC
19030000	tapioca and substitutes therefor prepared from starch, in the form of flakes, grains, pearls, siftings or similar forms	0	0 + 15.1 €/100kg net	2.9% + 15.1 €/100kg net	China (48%) Thailand (37%) Vietnam (3%) Singapore (3%) Brazil (2%)	2.9% + 15.1 €/100kg net 2.9% + 15.1 €/100kg net 2.9% + 15.1 €/100kg net 6.4% + 15.1 €/100kg net 6.4% + 15.1 €/100kg net
19053111	sweet biscuits, whether or not containing cocoa, coated or covered with chocolate or cocoa preparations, in immediate packings of <= 85 g	0	0 + AC max 24.2% + ADSZ	5.5% + AC max 24.2% + ADSZ	Switzerland (41%) Turkey (22%) Russian Fed. (11%) USA (3%) Australia (2%)	0 0 + AC max 24.2% + ADSZ 5.5% + AC max 24.2% + ADSZ 9% + AC max 24.2% + ADSZ 9% + AC max 24.2% + ADSZ
19053119	sweet biscuits, whether or not containing cocoa, coated or covered with chocolate or cocoa preparations, in immediate packings of > 85 g	0	0 + AC max 24.2% + ADSZ	5.5% + AC max 24.2% + ADSZ	Switzerland (78%) Croatia (4%) Serbia (3%) Turkey (2%) Israel (2%)	0 0 0 0 + AC max 24.2% + ADSZ 70% of AC/ADSZ (TQ) or 0 + AC max 24.2% + ADSZ
19053130	sweet biscuits, whether or not containing cocoa, containing >= 8% milkfats	0	0 + AC max 24.2% + ADSZ	5.5% + AC max 24.2% + ADSZ	Australia (55%) Switzerland (23%) Israel (3%) South Africa (3%) USA (2%)	9% + AC max 24.2% + ADSZ 0 70% of AC/ADSZ (TQ) or 0 + AC max 24.2% + ADSZ 0 + AC max 24.2% + ADSZ 9% + AC max 24.2% + ADSZ
19053191	sweet sandwich biscuits, whether or not containing cocoa, containing < 8% milkfats	0	0 + AC max 24.2% + ADSZ	5.5% + AC max 24.2% + ADSZ	Turkey (45%) Switzerland (11%) South Africa (5%) Egypt (4%) Croatia (4%)	0 + AC max 24.2% + ADSZ 0 0 + AC max 24.2% + ADSZ 0 + AC max 16.9% + reduced ADSZ (TQ) or 0 + AC max 24.2% + ADSZ 0

CN8	Description	Cotonou tariff [a]	GSP tariff [a]		Main non-ACP suppliers [b]	
			GSP+	*Standard*	*Name (share)*	*Tariff*
19053199	sweet biscuits, whether or not containing cocoa, containing < 8% milkfats	0	0 + AC max 24.2% + ADSZ	5.5% + AC max 24.2% + ADSZ	Switzerland (41%) Turkey (14%) USA (7%) Croatia (5%) Ukraine (3%)	0 0 + AC max 24.2% + ADSZ 9% + AC max 24.2% + ADSZ 0 5.5% + AC max 24.2% + ADSZ
20071010	homogenised preparations of jams, fruit jellies, marmalades, fruit or nut puree and pastes, obtained by cooking, put up for retail sale as infant food or for dietetic purposes, in containers of <= 250 g, with sugar content of > 13% by weight	0	0 + 4.2 €/100kg net	20.4% + 4.2 €/100kg net	Turkey (22%) Switzerland (18%) Canada (10%) Norway (6%) Argentina (4%)	0 + 4.2 €/100kg net 0 24% + 4.2 €/100kg net 13.98% + 4.07 €/100kg net 20.4% + 4.2 €/100kg net
20079939	jams, jellies, marmalades, fruit purees or pastes, obtained by cooking, with sugar content of > 30% by weight (excl. raspberries, strawberries, cherries and citrus fruits, chestnut puree and paste, homogenised preparations of subheading 2007.10, and plum	0	0 + 23 €/100kg/net	20.5% + 23 €/100kg/net	Turkey (21%) Switzerland (12%) Croatia (12%) Brazil (11%) Bosnia/Herzegovina (7%)	0 (TQ) or 0 + 7.59 €/100kg/net (TQ) or 0 + 23 €/100kg/net 0 0 24% + 23 €/100kg/net 0
20079957	jams, fruit jellies, marmalades, fruit purée and fruit pastes, obtained by cooking, with a sugar content of > 13 to 30% by weight	0	0 + 4.2 €/100kg net	20.5% + 4.2 €/100kg net	Japan (21%) Switzerland (21%) Turkey (20%) USA (9%) Croatia (7%)	24% + 4.2 €/100kg/net 0 0 + 4.2 €/100kg/net 24% + 4.2 €/100kg/net 0
20089985	maize 'corn', prepared or preserved, not containing added spirit or added sugar	0	0 + 9.4 €/100kg/net	1.6% + 9.4 €/100kg/net	USA (78%) Thailand (15%) Vietnam (5%)	5.1% + 9.4 €/100kg/net 1.6% + 9.4 €/100kg/net 1.6% + 9.4 €/100kg/net
20096979	grape juice, incl. grape must, unfermented, brix value > 30 but <= 67 at 20¬c, value of <= 18 _ per 100 kg, containing > 30% added sugar	0	0 + 27 €/hl+20.6 €/100kg/net	18.9% + 27 €/hl + 20.6 €/100kg/net	FYR Macedonia (89%)	0
21012098	preparations with a basis of tea or maté	0	0 + AC	0 + AC	Switzerland (47%) China (29%) India (7%) South Korea (5%) USA (2%)	0 0 + AC 0 + AC 6.5% + AC 6.5% + AC

Note:
(a) 'AC' = agricultural component.; 'ADSZ' = additional duty on sugar.
(b) Top five non-ACP suppliers accounting for 1% or more of extra-EU25 imports in 2005.
Sources: UK Tariff 2007; EC 2005; Eurostat COMEXT.

4.2.2 Products not covered by GSP+

Table 11 lists the ACP exports that are not covered by the GSP+. There are 20 non-LDC ACP countries that export these goods to the EU.[9]

The fact that none of the goods is covered by the GSP scheme does not mean that all suppliers export to the EU on equal terms. In half of the ten products covered by the table, some countries pay less than the full MFN tariff. In most cases this occurs because they have access to a reduced-duty TQ that the EU has established in its WTO schedules. In others (beef from one of the five listed suppliers – Chile – and oranges from the Mediterranean and South Africa) it appears to be covered by an FTA. And for sugar from India and Nepal it is, presumably, the Sugar Protocol that provides the legal basis.

These distinctions are important because the EU might reasonably respond to ACP complaints over citrus that they, too, could have reduced-duty access if they entered EPAs. But on beef and rice (and also sugar – but see earlier note on the Sugar Protocol) the beneficiaries have favourable access despite not having entered into any FTA.

Would the ACP, too, be given reduced-duty TQs? If not, they will trade at a commercial disadvantage on beef and rice to the highly competitive countries listed in column 5. In other cases (except citrus) they would face the same terms as their competitors.

What about the effects of improving GSP access to Cotonou levels? All of the products in Table 11 are among ‘the usual suspects’ about which a lot is known concerning the relative competitiveness of ACP and non-ACP suppliers. The ‘extend GSP+ option’ described in the preceding sub-section would provide a degree of protection from preference erosion for some products. For bananas there would be no such protection as all save one of the main suppliers is already a GSP+ beneficiary, but for all of the others some or all main suppliers appear not to meet the vulnerability criteria.

If it were the Standard GSP that is improved, it seems unlikely that the ACP could sustain full competition with some of these major suppliers. In some cases, exports could be expected to cease altogether. In others, ACP exporters might find niche markets and retain exports at lower profitability and, probably, lower volume than at present.

5. Conclusions

5.1 The Standard GSP…

… does not fulfil Cotonou Article 37 (6)

The conclusions from this study are deeply worrying. They show, for example, that application of the Standard GSP regime to all non-LDC ACP states could not, by any stretch of the imagination, be deemed to fulfil the commitment made by the EU in Article 37 (6) of

[9] Barbados, Belize, Cameroon, Congo Republic, Côte d'Ivoire, Dominica, Dominican Republic, Fiji, Guyana, Jamaica, Mauritius, Namibia, St Kitts, St Lucia, St Vincent, Suriname, Swaziland, Tonga, Trinidad and Tobago and Zimbabwe.

Table 11. Significant non-LDC ACP exports for which there is no GSP preference

CN8	Description	Cotonou tariff	MFN tariff	Main non-ACP suppliers [b]	
				Name (share)	*Tariff*
02013000	fresh or chilled bovine meat, boneless	0%+303.4 €/100kg/net (ACP) 0%+24.2 €/100kg/net (Beef Protocol)	12.8%+303.4 €/100kg/net	Argentina (39%) Brazil (39%) Uruguay (8%) Australia (4%) Chile (1%)	)) 20% (TQ) for 'high-quality',) MFN for 'other') 0% (TQ)
08030019	bananas, fresh	0% (in quota)	176 €/1000kg/net	Ecuador (27%) Colombia (24%) Costa Rica (17%) Panama (8%) Brazil (1%)	))) MFN))
08051020	sweet oranges, fresh	Free to 3.2%+7.1 €/100kg/net [d]	3.2% to 16%+7.1 €/100kg/net [d]	South Africa (39%) Morocco (14%) Egypt (11%) Uruguay (8%) Argentina (%)	2.1% to 16%+7.1 €/100kg/net [d] Free to 3.2%+7.1 €/100kg/net [d,e] 1.2% to 6.4%+7.1 €/100kg/net [d] MFN MFN
08051080	fresh or dried oranges (excl. fresh sweet oranges)	0% [f], 2.4% or 3.2%	12% or 16%	Morocco (36%) Egypt (28%) Israel (7%) Turkey (7%) Cuba (6%)	0%, 2.4% or 3.2% (fresh), MFN (dried) 4.8% or 6.4% 4.8% or 6.4% (fresh), MFN (dried) 0% MFN
10062098	long grain husked [brown] rice, length/width ratio >= 3	10.54 €/1000kg [c]	42.5 €/1000kg [c]	India (44%) Pakistan (16%) Thailand (14%) USA (10%) Vietnam (1%)	'Reduced import duty' [g] 'Reduced import duty' [g] 15% [h] or MFN 15% [h] or MFN 15% [h] or MFN
17011110	raw cane sugar, for refining	0% (in quota)	33.9 €100kg/net	Brazil (2%) Cuba (2%) India (1%) Nepal (1%)	98 €/1000kg (TQ) 98 €/1000kg (TQ) 0% (TQ) 0% (TQ)
17011190	raw cane sugar	0% (in quota)	41.9 €100kg/net	Brazil (17%) Paraguay (3%) Argentina (2%) Cuba (1%) Costa Rica (1%)	))) MFN))
22084039	rum and tafia, of a value <= 7,9 ecu/l of pure alcohol, in containers holding <= 2 l	Free	0.6 €/% vol/hl+3.2 €/hl	Brazil (6%) Cuba (4%) USA (3%) Venezuela (2%) Nicaragua (2%)	))) MFN))
22084051	rum with a content of volatile substances (other than ethyl and methyl alcohol) of >= 225 g/hl of pure alcohol 'with a 10% tolerance', in containers holding > 2 l	Free	0.6 €/% vol/hl	None	

CN8	Description	Cotonou tariff	MFN tariff	Main non-ACP suppliers [b]	
				Name (share)	*Tariff*
22084099	rum and tafia, of a value <= 2 ecu/l of pure alcohol, in containers holding > 2 l	Free	0.6 €/% vol/hl	Cuba (18%) Venezuela (10%) Brazil (1%)	)) MFN)

Notes:

(a) i.e. the items listed in Tables 6 and 7.
(b) Top five non-ACP suppliers accounting for 1% or more of extra-EU25 imports in 2005.
(c) Neither MFN nor preferential rates (other than LDCs) are shown in the UK Tariff. The rates shown here were obtained from the EU's Taric Consultation website on 1 March 2007.
(d) c. 25 different rates apply, according to date and entry price. Only the lowest and highest are shown here.
(e) Although the range of tariffs payable is the same as those for the ACP the dates do not coincide exactly, so imports from Morocco sometimes attract a higher and sometimes a lower tariff than those from the ACP.
(f) 15 May to 30 September, subject to a reference quantity.
(g) India and Pakistan are eligible to benefit from a 'reduced import duty' according to the UK Tariff, but it is unclear what the duty is.
(h) Within a global quota of 1,634 tonnes for rice in HS 100620.

Sources: UK Tariff 2007; Eurostat COMEXT; EU's Taric Consultation website ((http://ec.europa.eu/taxation_customs/dds/cgi-bin/tarchap?Lang=EN).

the Cotonou Agreement to provide states that do not join an EPA with a ‘new framework for trade which is equivalent to their existing situation…’. At the very least, it would result in the EU taxing ACP exports, generating revenue that compares unfavourably with aspects of Union-level aid. At worst, it is likely to result in the complete cessation of some ACP exports to the EU with significant adverse economic effects.

The problems are not limited to a small sub-group of non-LDC ACP states, even though the most extreme cases involve the handful of well-known problem commodities. This will be hard to square with Europe’s other ambitions in relation to Africa and the rest of the ACP group.

Every single non-ACP state would experience tariffs becoming payable on some of its exports to the EU. Even in cases where the tariff hike is sufficiently small that it can be absorbed by the exporter so that export volumes do not suffer, the EU will still be seen to be taxing countries’ exports, in many cases for the first time in three decades.

Hence the broad conclusions remain unchanged even though the GSP issue is irrelevant to any ACP state that joins an EPA. But the scale of the gross impact will be affected by the precise composition of the country group to which the GSP would apply. Readers can make their own assessments from the data in Tables 5 onwards of the effects of alternative assumptions about which countries might join EPAs by the end of 2007 or thereabouts.

The countries that are most vulnerable are the nearly two-thirds of non-LDC ACP states for which the tariff jumps will apply to over 25 percent by value of their current exports to the EU; for just over one-quarter the proportion affected will be over 50 percent. The most seriously affected countries will be those with a relatively high proportion of exports in products that will face the steepest tariff jumps. There are 20 states with over 25 percent of their exports affected which will face very or moderately high tariff jumps. Among such countries with the widest range of affected exports are Belize, Kenya, Namibia, Suriname and Swaziland.

…is not a level playing field

One important finding from the report is that applying the Standard GSP will not result in the ACP being treated ‘the same as everyone else’; it will result in them being treated worse than many competitors. Often the competitors are not countries with which the EU has a reciprocal FTA; they are countries that receive either completely non-reciprocal access to the EU or have an established position as a result of earlier EU commitments in the WTO.

Hence, Standard GSP treatment cannot be justified simply on the grounds that the ACP states concerned have decided not to join EPAs. Other developing countries do not belong to FTAs with the EU but receive access that on many products is equivalent to Cotonou.

Moreover, it is unclear whether or not it is only ACP states that have decided against joining an EPA that would be affected. There could be circumstances when one or more members of a regional negotiating group wish to join an EPA but their neighbours do not. Unless the EU alters its current position that it will not accept single-country EPAs, it is possible that a country that wishes to negotiate an EPA is refused by the EU and finds its access terms downgraded to the GSP.

5.2 The GSP+ as an alternative

One (but not the only) regime other than FTAs under which the ACP's competitors obtain favourable access to the EU market is the GSP+. The EU's position is that this is fully WTO compatible. Hence, the application to non-LDC ACP states of the GSP+ regime would satisfy the last part of Cotonou Article 37 (6) which says that the 'new framework' must be 'in conformity with WTO rules'. By itself, GSP+ would not satisfy the first part of Article 37 (6) as it does not provide Cotonou equivalence on all ACP exports. But it would go a long way.

The principal constraint to using GSP+ as a way to resolve the two parts of Article 37 (6) is that the list of beneficiaries was closed by the EU at the end of 2005 and is not due to be re-opened before 2009. If there were a gap between the end of Cotonou treatment and the application of GSP+, non-LDC ACP states would export at a disadvantage (substantial in some cases) to some of their competitors. It is reasonable to assume that some exports would not survive.

For GSP+ to resolve the problem, two things must happen.

1. The EU must indicate a willingness to add non-LDC ACP states to the list of beneficiaries before the end of 2007, following the precedent established for the Andean and Central American states in 2005. This is that they were deemed provisionally to meet the requirements from the outset of the regime in order not to disrupt trade, with their actual situation being studied in detail on a country-by-country basis thereafter.

2. Provision needs to be made for the products exported by the non-LDC ACP that do not obtain Cotonou equivalence under GSP+. There are relatively few of these and they are well known cases. In accordance with the Terms of Reference, the report considers the preference-eroding potential of improving GSP access to Cotonou levels. It finds that, probably, this potential is quite small (except for bananas) if the GSP improvement were limited to GSP+. And there exists some possibility that bananas (and sugar) are not subject to the end-2007 deadline in Cotonou.

The advantage of a GSP+ approach is that it also covers countries that are seriously considering entering an EPA but for which time is now too short successfully to negotiate a sensible, detailed regime, and/or that have neighbours that do not wish to join an EPA. If the Andean/Central American precedent is followed, it will avoid a short-term disruption to trade whilst giving all parties a breathing space (before the detailed examination of eligibility is completed) either to finalise an EPA or to introduce and start to implement the relevant conventions to establish permanent GSP+ eligibility (or both!).

Sources

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