



EUROPEAN UNION

GENERAL SYSTEM OF PREFERENCES +



ENHANCING GEORGIAN EXPORTS
Diversifying Georgian Foreign Trade

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GENERAL SYSTEM OF PREFERENCES +

GSP+

Enhancing Georgian Exports
Diversifying Georgian Foreign Trade

Benefits and Advantages of GSP +
Practical Modalities and Requirements

1) Trade between the European Union and developing countries

The European Union (EU) is one of the most important actors in world trade accounting for 19% of total trade in 2006: it is the lead exporter and the second largest importer in the world.

The EU is the largest importer of agricultural products from developing countries, absorbing more than the United States, Japan and Canada put together.

Since 1971, the European Union has implemented its General System of Preferences (GSP) to promote the export from developing countries. The latest EU GSP Regulation¹, includes three main arrangements granting these countries preferential access to the EU market:

1. General arrangement
2. Special incentive arrangement for sustainable development and good governance and
3. Special arrangement for least developed countries.

Preferential arrangements have proved an effective tool to promote the exports of developing countries: between 1999 and 2003 countries benefiting from the GSP arrangements have increased

1 Council Regulation (EC) No 980/2005, 27 June 2005



their exports to the EU by more than 50% (from €172 to 264 billion expanding their share of world imports into the EU from 23% to 28%)².

2) Trade between Georgia and the European Union

In 2006, Georgia's external trade (including imports and exports) with the European Union accounted for 24% with a trade deficit with the European Union of € 200 million. More specifically, Germany, the United Kingdom, France and Italy were the most important European trading partners of Georgia.

In 2006 the main export items from Georgia to the European Union were: mineral fuels and lubricants, crude materials inedible except fuels, food and live animals, beverages and tobacco, chemicals and related products.

The main import items from the European Union are: machinery and transport equipment, chemicals and related products, manufactured articles, crude materials inedible except fuels, food and live animals, mineral fuels and lubricants.³

3) Trade Agreements between Georgia and the European Union

Since 1999, Georgia has been a beneficiary of the EU General System of Preferences (GSP) that removed customs duties for some Georgian exports to the European Union market.

In 2005 Georgia became a beneficiary of the second arrangement under the EU General System of Preferences known as Special Incentive Arrangement for Sustainable Development and Good Governance (GSP+). Out of the post-Soviet countries, only Georgia and Moldova have been granted this arrangement which is valid until the end of 2008. As this arrangement is granted for ensuring sustainable development and good governance, it will be renewed only if Georgia ratifies and effectively implements core human and

2 European Commission, Directorate – General for Trade, Opening the Door to Development, Developing Country Access to EU Markets 1999– 2003 http://trade.ec.europa.eu/doclib/docs/2005/august/tradoc_123305.pdf

3 “crude material inedible, except fuel” means raw materials other than oil, gaz and coal, which means in particular metals, precious stones, wood, hides and skins, etc



labour rights, good governance and environmental conventions before the deadline. As of August 2007, out of the 27 conventions to be ratified and implemented in order to continue benefiting from GSP+ arrangement, 2 have yet to be ratified (see annex 1).

4) GSP+ and Georgia

The GSP+ (Special Incentive Arrangement for Sustainable Development and Good Governance) is a special arrangement accorded by the European Union to promote good governance and support sustainable development in Georgia by granting non reciprocal tariff reduction or duty free access to Georgian exports to the European Union. It brings to Georgian exporters:

- Cost advantage and higher comparative competitiveness by means of tariff reduction
- Greater opportunities for export market penetration
- Greater ability to fulfill export potential
- Greater profit opportunities as a result of cost reduction
- Further investment and growth opportunities
- Increased potential for foreign direct investments
- Economic benefits passed onto business and local community at large (companies, workers, employees and consumers)

5) How does GSP+ work?

The EU GSP+ scheme covers 7200 products. Georgian exports of these products to the EU are subject to no or reduced custom duties.

There are several types of import duties for goods and products entering the European Union:

Ad valorem tariff

An ad valorem tariff is a duty paid as a percentage of the import price. If for a certain product the ad valorem tariff is 10%, to import



€100 worth of this product, one will have to pay €10 to import this product into the European Union.

Specific tariff

A specific tariff is a duty paid per physical unit: e.g. kilo, litre, percentage of alcohol content. If for a certain product the specific duty is €1 per kilo, to import 100 kg of this product into the European Union, one will have to pay €100.

In many instances both ad valorem and specific tariffs are applied in a combined manner.

GSP+ provides:

For goods and products liable to pay only the ad valorem tariff, the GSP+ provides for the suspension of such duty.

For goods and products liable to pay only the specific tariff, GSP+ provides for the suspension of such duty.

For goods and products liable to pay both ad valorem and specific duties, GSP+ provides for the suspension of the ad valorem duty only.

Examples relevant to Georgia's current and potential exports to the European Union

DESCRIPTION	IMPORT DUTIES WITHOUT GSP+	IMPORT DUTIES UNDER GSP+
Mineral water	0 (exempt)	0%
Nuts	3,2%	0%
Beer	0 (exempt)	0%
Men's and boys' shirts (all fabrics)	12%	0%
Leather suitcase and brief-case	3%	0%
Mattress (all kinds)	3,7%	0%
Ammonium sulphate	6,5%	0%



Certain products are not covered by the GSP+ and are therefore liable to pay full duties when entering the European Union.

Examples relevant to the Georgian economy:

Sparkling wine: €32 per 100 litres (equal to €0.32cent per litre).

Wine (red and white; % vol. less than 13%): €13,1 per 100 litres (equal to €0.131cent per litre).

6) Important notices

It is important to note that, as the European Union is a Customs Union, there are no duties or customs formalities applicable to trade between its member states, and a common custom tariff is applied on import into the EU. Therefore, once formalities have been completed and duties have been paid in one of the European Union member states, goods are considered to be in free circulation in the EU and can move freely from one member state to another.

However, it is important to note that GSP+ does not remove the necessity for Georgian products to comply with technical and phytosanitary criteria established by the European Union.

7) How to use the GSP+

To benefit from the GSP+ scheme, three conditions must be fulfilled for entry into the European Union:

As provided by the GSP+ rules of origin, the Georgian goods exported to the European Union must originate from Georgia as provided by European regulations.

A product originates from Georgia when:

- It has been wholly obtained in Georgia
- If it has not been wholly obtained in Georgia, the product must have gone sufficient working or processing in Georgia. Depending on the products, European regulations set different criteria⁴.

The goods must be directly transported from Georgia to the European Union.

4 http://ec.europa.eu/taxation_customs/resources/documents/guide-annex_3-en.pdf





Compliance with the European Union transport rules is a condition for obtaining preferential tariff treatment. These rules aim at ensuring that goods exported from Georgia genuinely originate from there and arrive at their destination in the European Union without having in any way been substituted, altered or manipulated.



Valid proof of origin must be submitted

There are three principal forms of proof used in the context of the GSP+ scheme:

- * The Certificate of Origin Form A
- * The Invoice Declaration, which can be used for low value
- * GSP+ exports
- * The Movement Certificate EUR1



8) GSP+ checklist

Establish the right 8 digit Combined Nomenclature code product classification according to the EU Customs Code and the product's preferential rate duty using the EU Export Help Desk's website:



Website: <http://exporthelp.europa.eu>

E-mail: exporthelp@ec.europa.eu

Check the origin criteria: ensure that the product complies with the origin criteria set by EU regulations.

Check the consignment conditions: ensure that the modalities governing the transport of goods from Georgia to the European Union market comply with the relevant EU rules of origin.

Prepare documentary evidence: correctly fill-in the certificate of Origin Form A or the invoice declaration; these are the official documents on which EU customs authorities rely to grant GSP+ benefits to imported products.

Ship product and submit documents to customs authorities in

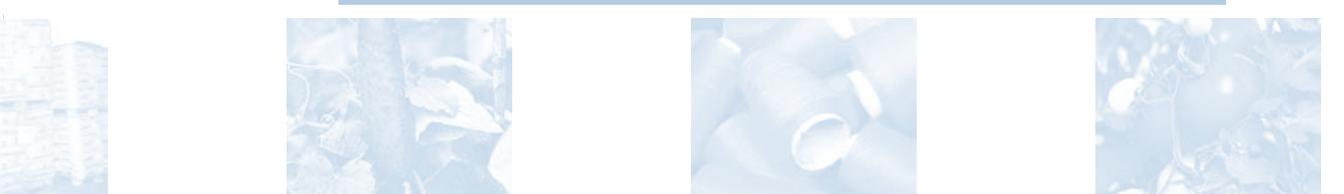




the EU: comply with the direct transport modalities and customs formalities at EU point of entry.

Annex 1

Conventions	Ratification
1) Covenant on Civil and Political Rights	1994
2) Covenant on Economic, Social and Cultural rights	1994
3) Convention on the Elimination of All Forms of Racial Discrimination	1999
4) Convention on the Elimination of All Forms of Discrimination Against Women	1994
5) Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment	1994
6) Convention on the Rights of the Child	1994
7) Convention on the Prevention and Punishment of the Crime of Genocide	1993
8) Convention Concerning Minimum age for Admission to Employment	1996
9) Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour	2002
10) Convention concerning the Abolition of Forced Labour	1996
11) Convention concerning Forced or Compulsory Labour	1997
12) Convention concerning Equal Remuneration of Men and Women Workers for Work of Equal Value	1993
13) Convention concerning Discrimination in Respect of Employment and Occupation	1993
14) Convention concerning the Freedom of Association and Protection of the Right to Organise	1999



15) Convention concerning the Application of the Principles of the Right to Organise and to Bargain Collectively	1993
16) International Convention on the Suppression and Punishment of the Crime of Apartheid	2005
17) Montreal Protocol on Substances that Deplete the Ozone Layer	1996
18) Basel convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal	1999
19) Stockholm Convention on Persistent Organic Pollutants	2006
20) Convention on International Trade in Endangered Species of Wild Fauna and Flora	1996
21) Convention on Biological Diversity	1994
22) Cartagena Protocol on Bio-Safety	-
23) Kyoto Protocol to the United Nations Framework Convention on Climate Change	1999
24) United Nations single Convention on Narcotic Drugs	2000
25) United Nations Convention on Psychotropic Substances	1998
26) United Nations Convention against Illicit traffic in Narcotic drugs and Psychotropic Substances	1998
27) United Nations Convention against Corruption (Mexico)	-



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