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COMMISSION GREEN PAPER ON PREFERENTIAL RULES OF ORIGIN

JOINT POSITION

On December 18th 2003, the European Commission published a Green Paper on the functioning of the rules of origin in the preferential agreements with a view to revising and, if necessary, simplifying these rules.

In their joint position of November 14th 2001, the social partners in the European sugar industry already drew the Commission's attention to the fact that the present rules of origin are inappropriate for the sugar sector.

On the occasion of the consultation by the Commission, and due to the particular sensitivity of the product, they insist once more that it is **absolutely essential to have a specific approach for this sector**.

Such an approach should endeavour in particular to prevent the repeated fraud and dysfunctions which work against fair trade and do not allow the beneficiary countries to create real added value in practice.

In this respect, the creation of an import management system would allow the real development of the developing countries to be promoted taking account of the parameter of the reduction in Community production brought about by imports from third countries. The status of net exporter should be privileged in order to give these countries an incentive to cover needs on their domestic market as a priority, thus avoiding the creation of exclusively export-oriented economies.

To attain the objectives of fair and transparent transactions, it is important in the view of the social partners firstly to develop **an appropriate measurement of the added value** really taking account of this added value and eliminating the possibility of showing a fictitious added value on invoices. Such a measurement should make it possible to resolve some of the present and future difficulties.

In addition, the social partners reiterate their request for **abolition of the rules on regional cumulation of origin** developed for a number of preferential agreements that are at risk, such as the Generalised System of Preferences (GSP), **because they make it even easier to show a fictitious added value.**

The question arises for refining in particular. According to the general rule laid down by the regulation implementing the customs code, refining is not sufficient to confer origin. However, regional cumulation renders this operation sufficient in actual practice, which annuls the general rule. Within the non-preferential framework, the European Union is asking for refining not to be sufficient to confer origin. Abolition of regional cumulation for GSP would allow this logic to be confirmed within the preferential framework.

The problem also exists for intermediate products with a high sugar content intended for industry, which should at the very least be the subject of specific monitoring and for which cumulation should not be permitted (particularly mixtures of sugar and chocolate, fruit juices and other products containing sugar in chapters 18, 19, 20 and 21).

On the occasion of the reflections in course on the necessary revision of the preferential rules of origin, the social partners in the European sugar industry ask the Commission to define a specific approach for the sugar sector which would confer origin only by reason of real added value based on genuinely sufficient processing.

As the only guarantee of fair trade, this approach will favour the application of simple and transparent rules and encourage the genuine development of the beneficiary countries.

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