

TOWARDS A STRONGER EU GENERALISED SCHEME OF PREFERENCES

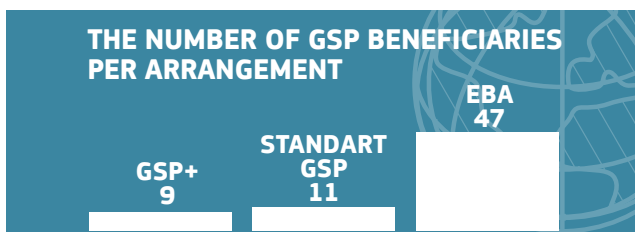
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WHAT IS THE GENERALISED SCHEME OF PREFERENCES?

The Generalised Scheme of Preferences (GSP) is the EU's main trade policy tool to support **developing countries** and their efforts to pursue **sustainable development**. To respond to the diverse needs of the beneficiary countries, the GSP has three different arrangements:

Standard GSP	GSP+	Everything But Arms (EBA)
<ul style="list-style-type: none">For low and lower-middle income countries with no Free Trade Agreements (FTAs)It covers 66% of tariff lines26% of these are duty-free as they are for non-sensitive products; the remaining 40% are for sensitive products and have reduced tariffsAutomatic for eligible countries	<ul style="list-style-type: none">Special incentive arrangement for sustainable development and good governanceFor Standard GSP beneficiariesNo tariffs for 66% of tariff linesUpon application; no automaticity	<ul style="list-style-type: none">For least developed countries (LDCs)No tariffs for any product except arms and ammunitionAutomatic for countries on the United Nations LDC list

GSP PROMOTES RESPECT FOR INTERNATIONAL STANDARDS



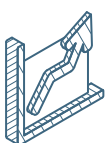
Standard GSP and EBA countries need to comply with the principles laid down in the relevant international conventions. GSP+ beneficiaries have to ratify and commit to effectively implementing the 27 conventions/agreements (now 32 in the new proposal).

All GSP+ beneficiaries have signed the **Paris Agreement** and the Kigali Amendment to the Montreal Protocol, showing additional commitment to tackling **climate change**.

Sri Lanka committed to fully eliminating **child labour** by 2022. In part through the new 'Child Labour Free Zones', the country was able to reduce child labour to 1% in 2019.

GSP HELPS DEVELOPING COUNTRIES TRADE MORE

GSP covers 67 countries, with GDP amounting to €6.1 trillion and 1.4 billion workers.



EU **imports** from **all GSP beneficiaries** increased by 25% during the period 2014-2019 (compared to 16% increase in imports from all third countries). Imports under **EBA** outperformed others, increasing with **47%** (from €17.1 billion in 2014 to €25.2 billion in 2019). In 2019, total imports under GSP amounted to **€62 billion** and constituted **39%** of all EU imports from GSP beneficiary countries (compared to 32% in 2014).



Imports from **LDCs** accounted for 2% of total EU imports in 2019; **67%** of these imports benefitted from EBA preferences. The share of EU imports under EBA in total imports from LDCs increased **from less than half to over two thirds** during the period 2014-2019. This suggests **diversification away from fuels** and other items not receiving EBA preferences.

THE EU SUPPORTS GSP COUNTRIES THROUGH DEVELOPMENT COOPERATION

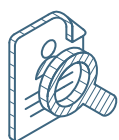
The EU, with its Member States, is responsible for one-third of all global **"Aid for Trade"** which seeks to strengthen the integration of developing countries in the world economy. Relevant programmes and projects in GSP beneficiary countries also supported them in designing and implementing policies and reforms in **education, health, human and labour rights, environmental management**, and more.

The EU provided **€20 billion in support to GSP beneficiary countries** in 2014-2020, in addition to regional and global programmes.

Through the new Neighbourhood, Development and International Cooperation Instrument (NDICI) - Global Europe - **€79.5 billion go to cooperation with third countries, including GSP beneficiaries - a 12% increase compared to the previous seven-year period.**

PROPOSAL FOR THE NEW GSP REGULATION

The current Generalised Scheme of Preferences (GSP) Regulation expires at the end of 2023. The revised GSP Regulation (2024-2034) proposal builds on the achievements of the GSP so far and its continued contribution to the EU's development and sustainability agenda.



FOCUS ON THOSE MOST IN NEED

The proposal for the new GSP framework continues to support exports from developing countries by offering tariff preferences for an **extensive list of products** and focusing those preferences on the **countries and products most in need**.

- ✓ The new GSP proposal removes the import-share criterion from the GSP+ vulnerability criteria to ensure a **smoother transition** and continued **access to GSP+** status for the large number of Least Developed Countries (LDC) that will soon rise up from the LDC category
- ✓ A product can lose tariff preferences if the share of its imports from a specific country exceeds a certain threshold. This threshold will now be **lowered by ten** percentage points in order to exclude large, competitive industrialised producers in GSP countries. This in turn will leave more **space for poorer developing countries**.

The import-share criterion - the average share of EU GSP imports from a country in overall imports from all GSP beneficiaries . over last three years is lower than 7.4%

General threshold: 57% → 47%
Textile threshold: 47,2% → 37%

The diversification criterion - the country's exports into the EU are concentrated just in a few products.

- ✓ Through the new provisions on rules of origin, the reviewed GSP (2024-2034) also ties further the advantages of the scheme to products that respond to the **country's trade and development needs**.



A MORE SUSTAINABLE GSP

Sustainable development stays at the heart of the EU's GSP. The EU grants GSP preferences only to countries that respect international standards and principles related to **human rights, including labour rights, as well as environmental protection and good governance**. The new proposal strengthens this key feature of the GSP in the following ways:

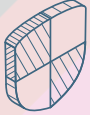
- ✓ The EU's GSP sustainable development principles are currently based on a list of 27 relevant international conventions. The revised GSP updates this list and adds six new international instruments.
- ✓ A well-defined framework makes sure the current GSP+ beneficiaries can adapt to the new requirements, offering an adequate transition period and requiring the presentation of implementation plans.
- ✓ All GSP beneficiaries are expected to respect the principles of GSP-relevant international conventions and agreements. The possibility to withdraw GSP preferences in case of serious and systematic violations of such principles now includes climate and environment, and good governance conventions, in addition to human and labour rights.
- ✓ Withdrawal of GSP benefits remains a measure of last resort under the new GSP proposal. Procedural improvements ensure the assessment of the socio-economic impacts of the product scope proposed for withdrawal, notably on jobs and vulnerable populations.
- ✓ An urgent withdrawal procedure will be available when a rapid response is needed, such as in cases of grave violations of international standards.

GSP withdrawal procedure:

- Socio-economic impact assessment
- Possibility of faster procedure

International conventions and agreements added to the GSP list:

- The Paris Agreement on climate change (2015) – replacing the Kyoto Protocol;
- The Convention on the Rights of Persons with Disabilities (CRPD);
- The Optional Protocol to the Convention on the Rights of the Child on the Involvement of Children in Armed Conflict (OP-CRC-AC);
- ILO Convention No 81 on Labour Inspection;
- ILO Convention No 144 on Tripartite Consultation;
- The UN Convention against Transnational Organized Crime

**SAFEGUARDING EU INDUSTRY**

The GSP framework also makes sure **that EU producers are protected** in cases of serious market difficulties caused by imports under GSP. The dedicated safeguard mechanisms offer **exceptional measures** to tackle surges in preferential imports by allowing for the re-introduction of normal tariff duties.

- ✓ The GP proposal **maintains the structure and coverage of the two safeguard mechanisms** (general safeguards for all products and automatic safeguards for specific product groups).
- ✓ The conditions triggering automatic safeguards are improved: import surges are now calculated on import value rather than volume, in order to **better respond to potential harm**.
- ✓ The thresholds for triggering automatic safeguards are now aligned with thresholds for product graduation, which ensures **consistency and complementarity**.