

Focusing on needs: the EU reshapes its import scheme for developing countries

The European Commission plans to concentrate its import preferences on those developing countries most in need. It will limit its Generalised System of Preferences (GSP), with which it grants specific tariff preferences to developing countries in the form of reduced or zero tariff rates or quotas, to approximately 80 countries to take into account the emergence of more advanced developing countries which are now globally competitive. At the same time the Commission seeks to encourage more countries to respect core international conventions on human rights, labour standards, environment and good governance in the GSP+ scheme which grants additional trade concessions for trade-vulnerable countries.

"Global economic balances have shifted tremendously in the last decades. World tariffs are at all-time lows. If we grant tariff preferences in this competitive environment, those countries most in need must reap the most benefits. Trade and development go hand in hand and tariff preferences are a small part of our wider agenda to help poorer economies scale up their presence in global markets", said EU Trade Commissioner Karel De Gucht.

Key elements of the proposal include:

1. **Concentrating GSP preferences on fewer countries.** Whilst the generous product coverage and preference margins would remain unchanged, a number of countries would no longer be eligible to benefit, including:
 - Countries which have achieved a high or upper middle income per capita, according to the internationally accepted World Bank classification (such as Kuwait, Russia, Saudi Arabia and Qatar).
 - Countries that have preferential access to the EU which is at least as good as under GSP - for example, under a Free Trade Agreement or a special autonomous trade regime.
 - A number of overseas countries and territories which have an alternative market access arrangement for developed markets.
 - The final list of beneficiary countries will only be identified at the end of the ordinary legislative procedure, based on data of the last three years.

2. **Reinforcing the incentives for the respect of core human and labour rights, environmental and good governance standards** through trade by facilitating access to the GSP+ scheme which grants additional, mostly duty-free preference to vulnerable countries.
 - The vulnerability criterion is one of two economic conditions a country needs to fulfil in order to be eligible for GSP+. Under the current proposal, it will be opened to allow more countries to benefit. By joining GSP+ they will be required to respect core international standards. Countries will be able to apply for GSP+ at any time, instead of once every 1.5 years.

- Potential GSP+ beneficiaries are obliged to commit to effective and full cooperation with international organisations regarding the respect of international conventions, which is the second economic criterion required in order for GSP+ to apply. The burden of proof for the implementation of international conventions will now be with the countries concerned. GSP+ will have strengthened controls and monitoring, and more robust procedures for the temporary suspension from the scheme.
3. **Strengthen the effectiveness of the trade concessions for Least Developed Countries (LDCs)** through the "Everything but Arms" (EBA) scheme. Reducing GSP to fewer beneficiaries will reduce competitive pressure and make the preferences for LDCs more meaningful. The EU's EBA scheme is already unmatched by any other developed country.
 4. **Increasing predictability, transparency and stability.** The system will become open-ended, while it is currently subject to review every three years. This will make it easier and more attractive for EU importers to purchase from GSP beneficiary countries. In addition, procedures will become even more transparent, with clear, better defined legal principles and objective criteria.

The proposals will be debated in the Council and European Parliament with a view to having the reformed GSP in place on 1 January 2014 at the latest.

Background

Trade has been a powerful engine of growth for many countries, lifting hundreds of millions out of poverty. EU trade policy has been designed to help this process. Since 1971, the EU schemes such as the GSP have allowed developing countries to pay lower import tariffs on some or all of their exports to the EU.

In 2009, imports that received GSP preferences were worth €60 billion, which represents 4% of total EU imports and 9.3% of the total EU imports from developing countries. Under the revised scheme, imports that will receive GSP preferences are estimated at €37.7 billion.

The current GSP scheme covers three elements:

- the general GSP arrangement which provides import tariff reductions for 176 developing countries and territories.
- the special incentive arrangement for sustainable development and good governance (known as GSP+). This arrangement offers additional preferences to support vulnerable developing countries in their ratification and implementation of international conventions in the field of human and labour rights, sustainable development and good economic governance. The current GSP+ scheme covers 15 beneficiaries¹.
- the Everything But Arms arrangement which provides for complete access (duty-free and quota-free) to the EU market save for arms and armaments for the 49 Least-Developed Countries as defined by the UN.

The GSP scheme is implemented over cycles of ten years in order to take into account changing trade patterns. The present cycle began in 2006 and will expire in 2015. The scheme is implemented through successive Regulations applying for 3 years. The current GSP scheme is established by Council Regulation (EC) No 732/2008, which entered into force on 1 January 2009 and will expire on 31 December 2011. In 2010 the Commission adopted a roll-over proposal of the

¹ Armenia, Azerbaijan, Bolivia, Colombia, Costa Rica, Ecuador, El Salvador, Georgia, Guatemala, Honduras, Mongolia, Nicaragua, Peru, Paraguay, and Panama.

existing GSP regulation to ensure continuity after 2011. It is expected that the current system will be extended until the end of 2013.

For more information:

See the memo on the new proposed GSP regulation

<http://trade.ec.europa.eu/doclib/html/147892.htm>

Complete text of the proposal of the new GSP regulation

<http://trade.ec.europa.eu/doclib/html/147893.htm>

Background on the current GSP scheme:

<http://ec.europa.eu/trade/wider-agenda/development/generalised-system-of-preferences/>