

Speech delivered by H.E. David Daly, Ambassador of the European Union to Sri Lanka

**"GSP+: A Tale of Three Cities"**



With full apologies to Charles Dickens, I think it is useful to think of the GSP+ issue as A Tale of Three Cities - Geneva, Colombo and Brussels.

I do not say that "It was the best of times, it was the worst of times..." However, it is true to say that because of the position of the new Government under President Sirisena and his commitment to improving the human rights situation here in Sri Lanka, that the time is perhaps more propitious than it used to be to start a conversation with the EU on the GSP+ issue.

**GENEVA**

The Generalised System of Preferences is an international trade mechanism. As such it must be defended before the WTO in Geneva which regulates international trade rules.

As you know, the basic rule of the WTO is that all member countries should treat all others equally - all are, in principle, entitled to "Most Favoured Nation" treatment.

The GSP is an exception to this fundamental principle; obviously it is allowed under international trade rules but it must be justified to the WTO. Among the justifications of the GSP are factors such

as it increases trade generally and it helps countries which are in a particularly difficult or vulnerable position.

Measures taken under the GSP must be taken for objective reasons and not just because we want to help a country for political reasons.

So, what is the GSP and what is the GSP+?

The GSP grants a tariff reduction on around 66% of the products imported into the EU. Currently 34 countries benefit from this reduction, including Sri Lanka. In the clothing sector, for example, the average import duty (MFN) into the EU is around 12% and the GSP gives a reduction of 3% making the effective rate 9% for Sri Lanka.

The GSP+, or, to give it its formal title the "Special Incentive Arrangement for Sustainable Development and Good Governance", gives zero duty rates for roughly the same products. This is for vulnerable developing countries which ratify and effectively implement core international human rights, labour rights and other sustainable development and good governance Conventions. Currently there are 13 countries benefitting - Armenia, Bolivia, Cape Verde, Costa Rica, El Salvador, Georgia, Guatemala, Mongolia, Pakistan, Panama, Paraguay, Peru and the Philippines.

Among the criteria used to determine a country's eligibility is that it must be a lower income, or lower-middle income developing country. This is effectively determined by the annual World Bank classification.

Obviously the GSP+ is designed to give an incentive to countries to improve their performances under these international conventions: to stick with my earlier example, as a clothing exporter I would rather face zero duty rather than pay 9% duty.

The GSP also has a component which is for the poorest least developed countries called "Everything but Arms" - zero duties and quota free access to the EU market for the worst off countries.

In justifying a GSP+ measure it is important to remember that when the UN establishes a new International Convention it gives the responsibility for monitoring compliance with that convention to a specific body e.g. A Labour Convention would be monitored by the ILO, or another Convention would have a Special Rapporteur, assigned to do this. The reports of these international monitoring bodies are important for reasons I will explain in a few minutes.

To sum up: the importance of Geneva is to understand that the EU cannot just do whatever it likes on granting extra trade preferences; we must abide by the international trade rules which we have agreed to in the WTO.

## COLOMBO/SRI LANKA

The most important part of the GSP+ story is played out in Sri Lanka for the very obvious reason that it is through compliance with the 27 International Conventions that merits the granting, or not, of the GSP+.

The various Conventions include the International Covenant on Civil and Political Rights (ICCPR), the Convention Against Torture and the Convention on the Rights of the Child, the Kyoto Protocol on Climate Change, the UN Convention Against Corruption, the Convention on Biodiversity.

You can see the range of the challenges involved for a country embarking on the GSP+ road. Many people want to discuss GSP+ with me but what they have in mind is a discussion about t-shirts or other export products; my idea of a discussion about GSP+ is one about torture or freedom of the media, or about the PTA, or other issues flowing from the 27 Conventions.

Compliance with these Conventions is about concrete situations on the ground; it is not only about sincere commitments from the Government. That is why it is neither easy nor quick.

I repeat: what happens here in Sri Lanka is the most important part of the GSP+ story.

## BRUSSELS

When a country formally applies for the GSP+ the European Commission must give its assessment of the application within 6 months. It sends this assessment to the Council of the EU where the 28 member state governments sit, and also to the European Parliament; if the Commission's assessment is positive then it becomes a legislative proposal to grant the GSP+. The Council and the European Parliament both have to agree and normally they do this within 2 months.

The European Commission in making its own assessment must take into account the most recent reports of the monitoring bodies responsible for the 27 international conventions. This is to help to justify the measure at the WTO, to show that the EU decides the case objectively on its merits. For example, if the latest report of the UN on Sri Lanka's compliance with the ICCPR were very negative, then obviously things would have to improve before the Commission could justify granting the GSP+.

The EU adopted a new GSP regime from last year. Under this new GSP there is an important ongoing monitoring of commitments and compliance after the GSP+ is granted to a country. Every year the European Commission produces a scorecard on compliance and every two years it does a formal report on the country. This work is not done in a vacuum; instead we establish an EU GSP+ monitoring mechanism to ensure a continuous dialogue on all GSP matters; the onus is on the beneficiary country to show a positive record in implementing the conventions.

One of my esteemed Trade colleagues, a key expert on GSP+, put the new monitoring mechanism in the following way: " Before a country gets the GSP+ they love to see me coming to visit; after the country gets the GSP+ they seem to like me coming to visit a lot less."

The work on GSP+ has already started. A few weeks ago we had high level trade talks here in Colombo with EU trade officials. We started a process which may lead to the granting of the GSP+ over time. At the EU-Sri Lanka Joint Commission last month, also in Colombo, we established a new Working Group on Governance, Rule of Law and Human Rights. This new forum shows our commitment to having a regular high level discussion on those sensitive, important issues. This forum will also be vital for our GSP+ discussions.

We could not have started this conversation on GSP+ without the strong commitments made by President Sirisena and his government in terms of improving governance, rule of law and human rights. Over the past few months a number of good measures have been taken and we hope that this continues over the coming months and years.

Some people ask me "Can we rise to this challenge?".

For me the answer is clear; Sri Lanka can certainly do it, but only if it wants to and if it brings about important change.

Even if it is a Tale of three Cities, the most important one is here – Colombo and across Sri Lanka.

Thank you.