



EUROPEAN COMMISSION

## QUESTIONS AND ANSWERS

22 September 2021

### **Questions and Answers - Trade and sustainability: Commission proposes new EU Generalised Scheme of Preferences to promote sustainable development in low- income countries**

#### **What is the Generalised Scheme of Preferences (GSP) and why is it important?**

The EU's GSP is a well-established trade and development policy instrument, which has been in place since 1971. The current GSP framework, which expires by the end of 2023, is based on Regulation (EU) No 978/2012 of 25 October 2012. By eliminating or reducing import tariffs the scheme offers easier access to the EU market for goods exported from developing countries. Lower duties enable these countries to increase their exports to the EU and thus contribute to their economic growth and jobs creation, including diversifying their economies. The EU's GSP supports sustainable development, as tariff preferences are conditional on the respect for human rights, labour rights, environmental protection and good governance.

The EU offers three GSP arrangements covering a total of 67 countries:

1. **EBA (Everything But Arms)** for *least developed countries* (LDCs) which benefit from duty-free (0% duties), quota-free access to the EU market for all products except arms and ammunition.
2. **Standard GSP** for low and *lower-middle income countries* which are granted a partial or full removal of customs duties on two thirds of tariff lines.
3. **GSP+**, the special incentive arrangement for sustainable development and good governance which slashes tariffs to 0% for the same tariff lines as in the case of Standard GSP for Standard GSP

beneficiaries which accept additional sustainability requirements (it is based on application).

### **What is the objective of the new GSP Regulation proposal?**

The EU's overarching objective in the revised GSP Regulation is to maintain the essential features and goals of the current framework, which has proved successful for the past half-century namely poverty eradication, support for sustainable development and good governance, while not jeopardising EU interests. However, the GSP is now being updated to improve its overall efficiency and effectiveness to respond to future challenges for beneficiary countries. The aim is also to bring the scheme closer in line with our trade sustainability principles.

### **What are the main changes that the new framework will introduce?**

The 2018 Mid-Term Evaluation (MTE) of GSP, the External Study supporting the Impact Assessment and the 2020 Open Public Consultation confirmed the achievements of the EU GSP, while indicating several areas of improvement.

In particular, the GSP review aims to:

- a) Reflect the evolving priorities, such as those underpinning the European Green Deal, by extending negative conditionality (that is, no serious and systematic violations) for all beneficiaries to environmental and good governance conventions in addition to core human and labour rights conventions;
- b) Facilitate access to the GSP+ arrangement to the growing number of least developed countries (LDCs) graduating from EBA arrangement of GSP;
- c) Provide transitional arrangements for current GSP+ beneficiaries, which would have to reapply to fulfil new requirements for GSP+ such as ratifying the additional conventions, and add a requirement for countries applying for GSP+ status to submit a plan of action to demonstrate their effective implementation of the relevant conventions;
- d) Amend the GSP reporting period, from two to three years, to align it with monitoring reports of United Nations international bodies and organisations;

- e) Add new international conventions to the list;
- f) Make the preferences withdrawal process faster and more responsive in exceptionally grave cases of violations;
- g) When proposing a temporary withdrawal of GSP preferences, the Commission will consider the socio-economic impact of the withdrawal in the GSP beneficiary country;
- h) Introduce a withdrawal criterion related to readmission of own nationals by beneficiary countries;
- i) Change calculation method of safeguard thresholds to use import values (rather than volumes) to align it with the calculation of graduation threshold;
- j) Introduces a specific process to make sure that the cumulation of rules of origin responds to the requesting country's development, financing and trade needs;
- k) Adjust product graduation (that is, the temporary suspension of tariff preferences for highly competitive products) thresholds for the Standard GSP arrangement to better focus preferences on less competitive products and create more opportunities for other GSP beneficiaries, in particular the LDCs;
- l) Improve the monitoring and implementation of GSP+ commitments; for instance, through increased transparency and participation of relevant stakeholders, including through the recently created Single Entry Point (SEP) mechanism for non-compliance complaints.

### **What does the new proposal do in terms of human and labour rights?**

The GSP proposal covers a wider range of human rights and aims at their better implementation in beneficiary countries.

The proposal includes two new international instruments on human rights (the Convention on the Rights of People with Disabilities and the Optional Protocol to the Convention on the Rights of the Child on the Involvement of Children in Armed Conflict), in addition to the previously listed ones. It also proposes two new labour rights conventions (ILO Conventions No. 81 on Labour

Inspection and No. 144 on Tripartite Consultation), in addition to the current 15 core human and labour rights UN/ILO conventions.

The proposal also includes an urgent procedure for temporary withdrawal of preferences for exceptionally grave violations, where a rapid response is needed. This will allow to shorten the withdrawal process from 18 to 7 months. It is important to highlight that such a rapid procedure would suppress the monitoring and evaluation period of six months embedded in the normal procedure; hence, it will be used with caution in cases of blatant violations.

### **What about forced labour and child labour?**

The GSP Regulation includes the ILO Convention No. 29 concerning Forced or Compulsory Labour, and ILO Convention no 105 concerning the Abolition of Forced Labour.

The EU's 'zero tolerance approach' regarding child labour is also firmly anchored in the GSP. The GSP Regulation includes obligations regarding the ILO Convention No. 182 on the Worst Forms of Child Labour and the UN Convention on the Rights of the Child.

The EU can withdraw preferences from any GSP country in cases of serious and systematic violations of the principles of those conventions. And GSP+ countries have to ratify and effectively implement those conventions to benefit from the more generous preferences.

We are also adding export of goods made by internationally prohibited child labour and by forced labour, including slavery and prison labour, as a ground to withdraw the preferences.

The 2018-2019 Biennial Report of the European Commission indicates that the GSP+ contributes to effective implementation of the human rights conventions, noting in particular progress in eradicating child labour

### **How does GSP support wider environmental and climate objectives in line with the European Green Deal?**

The GSP relevant conventions already include eight environmental and climate international instruments, including the Kyoto Protocol, the Convention on Biological Diversity, and the UN Framework Convention on Climate Change.

The new GSP further contributes to the European Green Deal objectives by extending negative conditionality to environmental and good governance international conventions. Moreover, the list of relevant international conventions will also include the Paris Agreement on climate change.

The preparatory work also looked at a list of 34 environmentally friendly products that are presently treated as sensitive under the GSP (versus duty-free status under EBA). The study concluded that the benefits stemming from changing the tariffs in those products is modest and it would flow mostly to the largest and most diversified economies, with minimum impact on the vulnerable, less diversified countries – minimal impact in terms of advancing the diversification objective for the less-diversified, such as Central Asian and African economies.

### **What new international conventions are you proposing to add to the list?**

The following international conventions/agreements are proposed for inclusion in the list:

- Optional Protocol to the Convention on the Rights of the Child on the Involvement of Children in Armed Conflict (2000)
- Convention on the Rights of Persons with Disabilities (2007)
- Convention on Labour Inspection No. 81 (1947)
- Convention on Tripartite Consultations No. 144 (1976)
- The Paris Agreement on climate change (2015) [Note: it replaces the Kyoto Protocol]
- United Nations Convention against Transnational Organised Crime (2000)

### **Are there any changes to the list of products? What do the changes in the Annexes with products mean?**

There are no changes to the list of products; only to their presentation. The new product Annexes outline clearly the products applicable to both standard GSP and GSP+ and, separately, the additional products covered in the GSP+ arrangement.

### **Is there a complaint mechanism under the new proposal?**

In July 2020, the Commission appointed the Chief Trade Enforcement Officer (CTEO) to strengthen the implementation and enforcement of trade rules and commitments. As part of these increased efforts, in November 2020, the Commission launched a new complaints mechanism: the Single Entry Point (SEP).

Through the SEP, the Commission receives complaints on various matters related to trade policy, including non-compliance with GSP commitments. This new system of complaints is integrated within the framework of the new GSP Regulation.

### **How is civil society involved in GSP monitoring? What about the United Nations?**

EU GSP monitoring of countries compliance with the international conventions is principally based on the reports and recommendations of the United Nations and the International Labour Organization monitoring bodies. The comprehensive GSP+ monitoring includes information and exchanges with European and local civil society, beneficiary countries' authorities, and international organisations. The EU engages regularly with the civil society either in Europe or in the GSP countries territories.

### **How are the interests of EU producers protected?**

The GSP Regulation provides for several mechanisms to ensure that the interests of European industries are adequately protected, while also responding to the development needs of GSP beneficiaries:

- GSP beneficiaries that become 'upper-middle income' countries, are removed from the GSP framework, as they reached a level of economic development that does not require support through EU GSP tariff preferences;
- GSP beneficiaries can lose preferences for specific product categories which are deemed to have become sufficiently competitive;
- Safeguards measures can be requested by the EU industry, based on evidence that increased imports from a GSP beneficiary country have caused or threaten to cause serious economic difficulties for that industry.

The contribution of the newly established CTEO and SEP will also be important, as a single complaint mechanism that will allow stakeholders to submit their

concerns in a structured way. This it will also enhance pressure on the countries concerned to further sustainability-related reforms.

### **How can the safeguard measures be activated?**

Safeguards respond to the imperative grounds of urgency relating to the deterioration of the economic and/or financial situation of Union producers. There are two safeguard mechanisms available under the GSP framework: general safeguards, for all products (triggered by a well-evidenced complaint); and the automatic safeguards, applied to the textile, agriculture, and fisheries sectors (triggered when a specific threshold is met or exceeded).

### **When will the new GSP be in place? Are there transition periods to ensure continuity and predictability?**

The proposal will be final when adopted by the European Parliament and the Council. Adoption could take place in the last quarter of 2022. The new GSP Regulation is expected to enter into force on 1 January 2024.

The new Regulation provides transitional arrangements for current GSP+ beneficiaries, which would have to reapply to fulfil new requirements for GSP, that is, ratify six additional conventions that are proposed to be added to the list of GSP+ relevant conventions.

### **For more information**

[Factsheet – GSP Review](#)

[Press release – GSP Review](#)

[Commission Proposal for a revised GSP Regulation](#)

[Impact Assessment Report](#)

[External Study on the GSP Review](#)

[The EU's Generalised Scheme of Preferences](#)

[GSP Hub](#)