



PRESS RELEASE

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

Brussels/Islamabad, 24 September 2021: On 22 September, the Commission has adopted the legislative proposal for the new EU's [Generalised Scheme of Preferences \(GSP\)](#) for the period 2024-2034. The Commission is proposing to improve some of the key features of the scheme to better respond to the evolving needs and challenges of GSP countries as well as reinforce the scheme's social, labour environmental and climate dimension.

The GSP Regulation is a unilateral trade tool that removes or reduces import duties from products coming into the EU from vulnerable low-income countries, supporting poverty eradication, sustainable development, and their participation in the global economy. The proposed regulation covers the standard GSP, GSP+ and "Everything But Arms" (EBA). Pakistan is the largest beneficiary country of GSP+ under the current regulation which will expire in 2023 and to which the new proposal will become the successor.

The Commission's proposal makes the EU's GSP more focused on reducing poverty and increasing export opportunities for low-income countries. It aims to incentivise sustainable economic growth in low-income countries and offers new room for engagement on environmental and good governance issues.

The new GSP framework strengthens the EU's possibilities to use trade preferences to create economic opportunities and to advance sustainable development. The modernised framework also expands the grounds for the withdrawal of EU GSP preferences in case of serious and systematic violations. Beyond the core human rights and labour conventions already covered, the proposal incorporates environmental and good governance conventions.

Focus on those most in need

The GSP has several features to make sure trade preferences go to countries that need them the most and to support their sustainable development. The new proposal further improves the current scheme by, among others:

- Expanding the list of international conventions that need to be complied with by adding two additional human rights instruments on the rights of people with disabilities and the rights of the child, two labour rights conventions on labour inspections and tripartite dialogue, and one governance convention on transnational organised crime;
- Setting up a well-defined framework for the current GSP+ beneficiaries to adapt to the new requirements, offering an adequate transition period and requiring the presentation of implementation plans.

A greener GSP

To reinforce the importance of meeting climate change and environmental protection standards, the new GSP proposal:

- Introduces the possibility to withdraw GSP benefits for serious and systematic violations of the principles of the conventions on climate change and environmental protection;
- Extends the list of international conventions that GSP+ countries must ratify beyond the current seven environmental and climate instruments, now including the Paris Agreement.

A more flexible GSP

Lessons learned through the application of the current GSP are reflected through:

- Improvements to the monitoring of compliance with GSP+ requirements, and increased transparency and involvement of civil society in its application;
- A new urgent withdrawal of preferences procedure when a rapid response is needed in exceptionally grave circumstances in a beneficiary country, such as grave violations of international standards;
- An assessment of the socio-economic effects of any proposed withdrawal, to consider any negative impact on vulnerable populations.

European Union Ambassador to Pakistan, Androulla Kaminara said

- *“Since being granted GSP+ status in 2014, Pakistan’s economy has greatly benefitted from the preferential access to the European Market. Pakistan exports have increased by 60%, making the EU the most important destination for Pakistani goods. The regulation that is proposed now maintains the same principles: Trade with the EU as a driver of sustainable development. It constitutes thus a great opportunity for Pakistan to further increase its exports, boost business and create jobs. But in order to maintain the trade preferences under GSP+ beyond 2023, Pakistan will have to redouble its efforts to turn the international conventions it signed up to into reality on the ground. To make the case to be eligible under the new GSP+ system, Pakistan, like any other potential beneficiary country, will have to demonstrate tangible progress to convince EU parliamentarians and member state governments.”*

Members of the College said

Executive Vice-President and Commissioner for Trade Valdis **Dombrovskis** said: *“For five decades, the EU GSP has supported vulnerable countries to grow in a sustainable manner by giving them preferential access to the EU market. This has helped beneficiary countries to diversify their economies and create jobs. It has also galvanised beneficiary countries into improving human and labour rights, the environment and good governance. Today we are revamping the GSP so that it continues to offer generous trade preferences while spurring more positive change in beneficiary countries.”*

High Representative/Vice-President Josep **Borrell Fontelles** said: *“The EU promotes human rights and sustainable development in all areas of its external action, including responsible*

trade and investment. The new GSP Regulation enhances an instrument that is essential for our joint efforts to promote more prosperous, sustainable and fair societies around the world, building on the experience accumulated throughout years of engagement and cooperation with our partner countries. The new GSP regime will strengthen our capacity to use trade preferences not only to create economic opportunities for people but also to advance sustainable development and universal values around the world”.

Jutta Urpilainen, Commissioner for International Partnerships, said: *“To increase wellbeing and reduce inequalities on the road towards sustainable development, trade is essential. The review of the EU’s GSP is a tangible example of how trade preferences can contribute to the integration of low-income countries into the world economy and thus create decent jobs and reduce poverty. We will also continue to work with EU partner countries with our new financial instrument NDICI-Global Europe to provide support in key areas.”*

Next steps

The European Parliament and the Council will now discuss the proposal. The current GSP Regulation expires on 31 December 2023. Once adopted by the European Parliament and the Council, the new GSP Regulation will apply from 1 January 2024.

Background

The EU’s GSP is a well-established trade and development policy instrument, which has been in place since 1971.

The current GSP framework is based on [Regulation \(EU\) No 978/2012](#) of 25 October 2012. The scheme offers easier access to the EU market for goods exported from low-income countries by eliminating or reducing import tariffs. Lower duties allow these countries to increase their exports to the EU and thus contribute to their economic growth and jobs creation. Preferential access to the EU market also helps low-income countries generate additional revenues, which can be reinvested to diversify their economies. Finally, the EU’s GSP supports sustainable development because tariff preferences in access to the EU’s large market also encourage low-income countries to promote respect for human rights, labour rights, environmental protection and good governance. It also prevents harm to EU industry through the protection system and the safeguards the GSP program provides.

The EU offers three GSP arrangements:

- EBA (Everything But Arms) for least developed countries which benefit from duty-free, quota-free access to the EU market for all products except arms and ammunition;
- 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;
- 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. The vulnerable low and lower-middle-income countries that implement 27 international conventions (32 in the new proposal), related to human rights, labour rights,

protection of the environment and climate and good governance, benefit from this arrangement.

- Pakistan is the largest beneficiary of the GSP+ trade preferences. Since 2014, its exports have increase by two thirds thanks to the duty free access for many products to the European Single Market. The EU is now the most important export destination for Pakistani goods and the EU is the second largest trading partner of Pakistan overall.
- Under the current GSP+ system which will end in 2023, the European Commission is continuously monitoring the progress made by beneficiary countries like Pakistan towards the implementation of 27 international conventions. In the last monitoring reports, some progress has been positively highlighted, while concerns have been raised regarding child labour, torture, media freedom and access to justice, amongst others.

For More Information

[Factsheet – GSP Review](#)

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

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

[GSP Hub](#)

For more information please contact:

Saad Yusuf Mustafa

Press and Information Officer

Delegation of the European Union to Pakistan

Phone: +92-51-227 182 8

Email address: saad-yusuf.mustafa@eeas.europa.eu

Web site: www.delpak.ec.europa.eu