

Review of generalised scheme of tariff preferences (GSP)

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Commission proposes to extend existing GSP until 2027

[Proposal](#) for a Regulation of the European Parliament and of the Council on applying a generalised scheme of tariff preferences and repealing Regulation (EU) No 978/2012 of the European Parliament and of the Council

Update

On 28 June 2023 the European Parliament paused negotiations on a European Commission proposal to establish a new generalised scheme of tariff preferences (GSP) ([European Parliament 2023](#)). The existing GSP was subsequently extended until **31 December 2027** [see [Extension of scheme of generalised tariff preferences \(GSP\)](#)].

Attempts by the Council of the EU in early 2024 to re-initiate talks to find agreement were not successful. As a result, further discussion of the Commission proposal will have to await the new European Parliament elected after June 2024.

What is changing?

Simpler withdrawal of GSP/EBA tariff preferences

The current GSP scheme allows the Commission to reinstate full Common Customs Tariffs (CCT) when imports from the beneficiary country “cause, or threaten to cause, serious difficulties to Union producers” (Regulation [978/2012](#), Art. 22(1)). The Commission must determine, following an investigation, whether imports are having this effect. The investigation, generally concluded within 12 months, follows strict procedures set out in Commission Delegated Regulation (EU) No [1083/2013](#). An additional safeguard specific to textiles, agriculture, and fisheries allows the Commission to reinstate full tariffs for products that “cause, or threaten to cause, serious disturbance” to EU markets (Art. 30). There is also a “special surveillance mechanism” in the current legislation that allows closer and quicker scrutiny of imports with a view to identifying “disturbances to Union markets” (Art. 32). The Commission did not include significant changes to the safeguard mechanisms and the special surveillance mechanism in its original proposal, which was then submitted to the Council and European Parliament.

Ongoing institutional discussions:

The Council has proposed a “stronger special surveillance mechanism” ([Council of the EU 2022](#)). This mechanism is stronger in the sense that it changes the conditions in which the EU may reinstate tariffs. This may currently only occur where imports “cause, or threaten to cause, serious disturbance” to EU markets. The Council has proposed that tariffs may be reinstated where the Commission establishes “disturbance” to the market (see “Implications”). That disturbance does not have to be caused by the imports. This would make it simpler for the European Commission to immediately reinstate full CCT. The European Parliament proposes amendments specifically to protect the European rice sector.

EBA arrangement

The Everything But Arms (EBA) arrangement is generally viewed to be working effectively. The new proposal does not introduce significant changes for EBA countries.

GSP arrangement

The GSP arrangement is also considered to be working effectively, but a number of changes are proposed.

Rules on cumulation

EU rules of origin require products to “originate in the beneficiary country” in order to benefit from lower import tariffs. These rules can limit the market access gains that GSP countries can make, in particular where supply chains cross borders. The new proposal opens the door to less strict EU rules of origin by allowing beneficiary countries to submit requests to the European Commission for “regional cumulation” (allowing beneficiary countries to treat materials originating in the region as if they originated in their own country) and “extended cumulation” (allowing beneficiary countries to treat materials originating in countries with which the EU has a free trade agreement as if they originated in their own country). Such cumulation will be granted where:

- the beneficiary country provides evidence that such cumulation is necessary in view of specific trade, development and financing needs
- cumulation does not create undue trade difficulties for other eligible countries
- the beneficiary country provides evidence that it cannot comply with the rules of origin applicable to the goods in question without such cumulation being granted (Proposal, Art. 33).

The conditions for regional and extended cumulation are set out in Arts. 55 and 56 of Commission Delegated Regulation (EU) [2015/2446](#).

Sector graduation

In the GSP Regulation, multiple products (and chapters of the customs codes) are grouped into sections. Where sectors (at section level) have grown to become competitive on the EU market,

they are considered to have graduated and no longer qualify for preferential treatment. The Commission proposes to change rules on sector graduation to offer more countries the opportunity to compete in a given market, and in response to concerns among EU stakeholders that the more competitive countries currently benefit from tariff preferences for too long. Today, where the average value of imports of a group of products (section) from a given partner country over a 3-year period exceeds 57% of the total value of EU imports of the same group of products from all Standard GSP countries, the tariff preferences that countries enjoy under the GSP scheme are suspended. For certain groups of products, including live trees/plants and animal/vegetable fats, that threshold is set at 17.5%. In the revised text, the Commission proposes that:

- the general percentage share at which tariffs are lowered drops from 57% to 47%
- for live trees and for animal/vegetable fats, the specific share established for these sectors remains 17.5%.

This type of sector graduation applies only to Standard GSP beneficiary countries, not to GSP+ or EBA countries (Art. 8).

Ongoing institutional discussions:

The European Parliament proposes that Standard GSP beneficiaries, not just GSP+ beneficiaries, must ratify all human rights and the environmental conventions listed in Annex VI within 5 years to benefit from preferential tariffs.

GSP+ arrangement

The proposal's most significant changes concern GSP+ countries.

New conditions to qualify for GSP+ treatment

The proposal establishes new conditions for securing GSP+ treatment. A country can benefit from tariff preferences under the GSP+ arrangement if it:

- is a vulnerable country due to lack of trade diversification (see below)
- has ratified relevant human rights/ environmental conventions (see below)
- has not formulated reservations to relevant conventions
- gives a binding undertaking to maintain ratification/ implement relevant conventions
- gives a binding undertaking to participate in EU reporting and monitoring procedures.

Additional criteria for vulnerable countries

A country is considered vulnerable where its exports to the EU of its seven largest export categories (based on GSP sections of products listed in Annex III of the proposed Regulation) represent >75% of its total exports, taking an average of the past 3 consecutive years.

The Commission's proposal simplifies the existing conditions for countries graduating from EBA status. An additional "export competition" criterion (that countries whose exports represent >7.4% of exports from all EBA countries are excluded from GSP+ status) is removed.

New human rights commitments

Today, in order to benefit from GSP+ tariff preferences, a country must have ratified a list of 27 conventions. The new proposal adds the following conventions, bringing the total to 33:

- 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 Tripartite Consultations No 144 (1976)
- Convention on Labour Inspection No 81 (1947)
- Paris Agreement on Climate Change (2015)
- United Nations Convention against Transnational Organised Crime (2000).

According to the new proposal, GSP+ beneficiary countries must also provide a plan of action for implementing the relevant conventions.

Ongoing institutional discussions:

The European Parliament proposes to add three conventions to the list proposed by the European Commission: the Rome Statute of the International Criminal Court; and the First and Second Optional Protocols to the International Covenant on Civil and Political Rights (introducing an individual complaint mechanism for breaches of rights under the Convention, and on the abolition of the death penalty, respectively). The Council proposes to establish "enhanced engagement" with GSP+ beneficiary countries to discuss and monitor effective implementation of the relevant conventions. It also proposes to hold regular dialogues with civil society to discuss implementation of relevant conventions and actions taken to improve compliance.

Maintaining current GSP+ status

Countries currently with GSP+ status (Bolivia, Cabo Verde, Kyrgyzstan, Mongolia, Pakistan, Philippines, Sri Lanka, Uzbekistan), provided they had that status on 31 January 2024, can apply until 31 December 2025 for GSP+ status under the new regulation. The current GSP+ status will be maintained while that request is being considered by EU institutions (Art. 10(8)).

Monitoring GSP+ country compliance

By 1 January 2027, and then every 3 years, the Commission will report to the European Parliament and the Council of the EU on the status of ratification and implementation of the listed conventions, and compliance with reporting obligations (Art. 14).

Implications of failing to maintain sustainable development and good governance

As under the existing GSP scheme, where the Commission has evidence that a GSP+ beneficiary country is not meeting its convention-related obligations, it may initiate a procedure to temporarily withdraw tariff preferences specific to the GSP+ arrangement (Art. 15 (3)). Under the new scheme, when making such a decision the Commission may consider any socio-economic effect that temporary withdrawal would have on the beneficiary country.

Temporary withdrawal

The current GSP scheme allows the Commission to temporarily withdraw tariff preferences under any of the arrangements in certain circumstances. These include where countries have committed serious and systematic violation of principles laid down in international conventions, have exported goods made from prohibited child labour, or have committed serious systematic unfair trade practices (Art. 19).

The proposed Regulation:

- extends the number of areas in which systematic violation could be identified
- adds to the grounds for withdrawal a failure by beneficiary countries to meet obligations to readmit their own nationals (Art. 19 (1)(c))
- introduces greater flexibility for the Commission to introduce a temporary withdrawal “in exceptional circumstances, such as a global health or sanitary emergency, natural disaster or other unforeseen events” (Art. 19(14))
- allows the Commission to take quicker decisions in cases of “exceptional gravity” by reducing the normal monitoring and evaluation period from 6 to 2 months (Art. 19(16)).

Ongoing institutional discussions:

The European Parliament rejects the Commission's proposal (which is supported by the Council of the EU) to link trade preferences to migration and the re-admission of rejected asylum seekers. This proposal is not seen favourably by NGOs ([Francavilla 2023](#)).

Why?

The Standard GSP/GSP+ arrangements were due to expire on 31 December 2023. In order to continue to provide preferential access to more than just least developed countries, the GSP scheme must be reviewed. (There is no time limit on the EBA arrangement.) The review process has provided an opportunity for the EU to analyse and revise the existing schemes.

Timeline

The new European Parliament, to be elected in June 2024, will have to decide how to proceed with the Commission's proposal for a new GSP.

What are the major implications for exporting countries?

Opportunities/gains

Under the Commission's proposal, the existing GSP system, which is generally considered to be beneficial to developing countries and sustainable development goals, will remain largely intact, with only some minor changes to existing rules. EBA countries do not face any changes to market access. However, proposals under the Council's negotiating position may undermine GSP beneficiary partners' confidence in long-term preferential market access.

EBA countries on the verge of graduating out of EBA status would find it easier to meet GSP+ criteria under the Commission's proposal, due to the removal of the current ("export competition") criterion that excludes EBA countries from graduating to GSP+ where they are too competitive compared to other EBA countries.

Standard GSP countries competing in a sector dominated by one GSP beneficiary may see new openings to the EU market, as tariff preferences for that dominant country will be removed more rapidly than currently (at a 10% lower percentage share of the market). This will not apply to GSP+ or EBA countries.

The proposal creates new opportunities for GSP beneficiaries to negotiate additional flexibility on rules of origin by requesting extended or regional cumulation. But there is a risk that the evidence needed to secure regional/ extended cumulation will be complicated to meet.

Potential concerns

The European Parliament's proposal for a specific safeguard on rice could severely limit the capacity of EBA countries to export rice to the EU.

The Council's proposal for a "stronger special surveillance mechanism" potentially provides a significantly less secure legal basis for long-term preferential access to the EU market.

- It establishes a lower threshold for Commission action: preferential tariffs can be withdrawn on the basis of "disturbance" to the market rather than the demonstration of "imports [that] cause, or threaten to cause, serious disturbance" to the EU market (Regulation 978/2012, Art. 30).

- It also takes away the obligation to show that it is imports that “cause” the disturbance to the market. Instead, under the Council proposal, the Commission has to “take into consideration all relevant market developments, including the impact of the total imports”. In other words, imports would not have to be shown to be the cause of the disturbance.
- Tariffs could be reintroduced suddenly: the intention of the special surveillance mechanism is to allow the EU to “take immediate action” [Council negotiating position, (28b)].
- Unlike the case of general safeguards, there are no procedures foreseen that permit beneficiary countries to provide information or be heard by the Commission.
- In the absence of a definition of “disturbance” or established procedures, there are limited legal grounds for a partner beneficiary to challenge a Commission assessment that the reintroduction of tariffs is legitimate. This differs from safeguards that have been successfully challenged in the past (e.g. Case T-246/19 initiated by Cambodia in response to a safeguard on rice).

Given the disruption to operators caused by sudden changes to tariffs, increasing uncertainty around long-term guarantees of preferences may discourage investment in, and orientation towards, the EU market.

- The increased number of relevant conventions could leave many beneficiary countries exposed. For example, many GSP beneficiaries have not yet ratified Convention on Labour Inspection No. 81.
- Current GSP+ beneficiaries will have to reapply for access to the GSP+ arrangement and demonstrate their adherence to the additional obligations.
- The addition of commitments regarding readmission of nationals may be a challenge for certain GSP beneficiaries due to weak administrative capacities. Given the political sensitivities around migration, and its untypical inclusion in preferential trade arrangements, there may be concerns about this issue disrupting the future operation of the GSP scheme. (The European Parliament proposes to remove this obligation.)

Recommended Actions

Eligible beneficiary partner countries seeking to gain or retain **GSP+** status should start preparing the process of ratification and implementation of human/labour rights conventions that have been added to the existing list under this proposal.

Eligible beneficiary partner countries currently benefiting from **preferential market access** should evaluate the potential implications on their long-term trading strategies with the EU of the Council’s December 2022 proposal to make it easier for the EU to reinstate full tariffs.

Standard GSP beneficiary partners may also have to ratify all human/labour rights conventions within 5 years (a Parliament proposal still under discussion).

Background

The Generalised Scheme of Tariff Preferences (GSP) scheme aims to assist lower-income countries to integrate into the world economy, reduce poverty, and support sustainable development by protecting core human rights and the environment.

The current GSP scheme has three trading arrangements:

- Standard GSP: for lower- and lower-middle-income countries, providing removal or reduction of import tariffs on approximately two-thirds of EU tariff lines.
- GSP+: establishes 0% import tariffs for broadly the same tariff lines as the Standard GSP. This improved preferential access is granted to vulnerable lower- and lower-middle-income countries that implement international conventions related to human rights/labour rights.
- Everything But Arms (EBA): special arrangement for least developed countries – 0% import tariffs and zero quotas for all products except arms and ammunition.

The eligible beneficiary countries are listed in Table 1.

Resources

Council of the EU (2022) [Press release: Council approves reinforced rules on granting trade preferences to developing countries](#).

European Commission: [Generalised scheme of preferences](#).

European Commission (2018) [Impact Assessment Report](#) (on GSP).

European Commission (2021) [Study in support of an impact assessment to prepare the review of GSP Regulation No 978/2012: Final report](#).

European Parliament (2022) [Report on the proposal for a regulation of the European Parliament and of the Council on applying a generalised scheme of tariff preferences and repealing Regulation \(EU\) No 978/2012 of the European Parliament and of the Council](#). Committee on International Trade.

European Parliament (2023) [MEPs pause GSP negotiations as Council hijacks scheme for migration agenda](#). Press release.

Francavilla, C. (2023) [Migration paranoia jeopardizes EU trade and development scheme](#). Human Rights Watch, 6 June.

Sources

[Proposal](#) for a Regulation on applying a generalised scheme of tariff preferences

Regulation on applying a generalised scheme of tariff preferences – [Mandate for negotiations](#) with the European Parliament

[Report](#) on the proposal for a regulation on applying a generalised scheme of tariff preferences

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Table & Figures

Table 1 Eligible and beneficiary countries of the generalised scheme of tariff preferences (GSP)			
GSP Standard	GSP+*	Everything But Arms (EBA)	
Congo	Bolivia	Afghanistan	Mali
Cook Islands	Cabo Verde	Angola	Mauritania
India	Kyrgyzstan	Bangladesh	Mozambique
Indonesia	Mongolia	Benin	Myanmar
Kenya	Pakistan	Bhutan	Nepal
Micronesia	Philippines	Burkina Faso	Niger
Nigeria	Sri Lanka	Burundi	Rwanda
Niue	Uzbekistan	Cambodia	Sao Tome and Principe
Syria		Central African Republic	Senegal
Tajikistan		Chad	Sierra Leone
		Comoros	Solomon Islands
		Democratic Republic of the Congo	Somalia
		Djibouti	South Sudan
		Eritrea	Sudan
		Ethiopia	Tanzania
		Guinea	The Gambia
		Guinea-Bissau	Timor Leste
		Haiti	Togo
		Kiribati	Tuvalu
		Laos	Uganda
		Lesotho	Vanuatu
		Liberia	Yemen
		Madagascar	Zambia
		Malawi	
<p>* GSP+ beneficiary countries at the date of entry and application of the new Regulation will continue to benefit from GSP+ status until 31 December 2025.</p> <p style="text-align: center;">  www.agrininfo.eu </p>			

Source: AGRINFO

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