

Scheme of generalised tariff preferences (GSP)

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The Commission presented a report on the Generalised Scheme of Preferences covering the period 2014-2015.

Since 1971, the EU Generalised Scheme of Preferences ('GSP') has assisted developing countries in their efforts to reduce poverty, promote good governance and sustainable development. By providing preferential access to the EU market, the GSP helps developing countries generate additional revenue through international trade. Regulation (EU) No 978/2012 of the European Parliament and the Council on applying a scheme of generalised tariff preferences ('the GSP Regulation') is the legal framework for the GSP. The scheme is in line with WTO law, having been introduced under the so-called 'Enabling Clause', which allows an exception to the WTO 'Most Favoured Nation' principle.

The GSP provides three different preference arrangements: a general GSP arrangement and two special arrangements:

- the general arrangement ('Standard GSP') grants duty reductions for ca. 66% of all EU tariff lines to countries of low or lower-middle income, which do not benefit from other preferential trade access to the EU market. There are currently 30 Standard GSP beneficiaries;
- the Special Incentive Arrangement for Sustainable Development and Good Governance, ('GSP+') grants complete duty suspension for essentially the same 66% tariff lines, as the Standard GSP, for countries especially vulnerable in terms of their economies' diversification and import volumes. In return, beneficiary countries must ratify and effectively implement 27 core international conventions, as listed in Annex VIII of the GSP Regulation. These conventions cover human and labour rights, environmental protection, and good governance. There are currently 13 GSP+ beneficiaries;
- the special arrangement Everything But Arms ('EBA') grants full duty-free, quota free access for all products except arms and ammunition, for countries classified by the UN as LDCs. There are currently 49 EBA beneficiaries.

In 2014, almost **EUR 50.83 billion of imports** received GSP preferences as follows:

- EUR 27.3 billion of imports from countries under the Standard GSP,
- around EUR 6.5 billion of imports from GSP+ beneficiaries,
- EUR 17 billion of imports from EBA countries.

Effects of the GSP+: the report is required to cover the effects of all three preferential arrangements of the GSP over the previous two years. However, the GSP Regulation requires that the report take a particular focus on the GSP+. The report should detail beneficiary countries' ratification, reporting, and effective implementation of the relevant conventions. Thus, this report covers all three elements of the GSP: the Standard GSP scheme, the EBA scheme, with a particular focus on the GSP+ scheme.

Monitoring begins upon each beneficiary's entry to the GSP+ scheme. An overview of shortcomings for each of the GSP+ conventions, as presented by the international monitoring bodies, sets the baseline for the on-going monitoring of each beneficiary.

Monitoring covers all aspects of the implementation of the 27 conventions, including discussions on capacity constraints or on progress. Furthermore, GSP+ monitoring takes into account the pre-existing legal and administrative framework in beneficiary countries, as part of the baseline.

All beneficiaries have shown strong commitment to the GSP+ process, both in terms of political will and in introducing institutional and legislative reforms. In particular, beneficiaries have demonstrated a genuine level of engagement with the Commission by responding in time to the annual scorecard documents, by allowing specific GSP+ monitoring visits, and by setting up specific GSP+ governance structures. Moreover, all beneficiaries have taken steps – albeit sometimes incremental – towards improving implementation of their commitments under the GSP+ conventions on the ground, including by submitting several overdue country reports.

Main conclusions: given the diverse nature of the 27 GSP+ core conventions and the short timeframe of the first reporting period (18 months), **it was not considered appropriate or realistic to quantify progress beyond obvious benchmarks** (e.g. timely submission of national reports). Trying to attach a standardised, quantifiable value to beneficiaries' performance could be misleading and, to some extent, arbitrary.

Monitoring tools will, however, continue to be refined. In particular, over the next reporting period it will be important that beneficiaries take ownership of the process and are more proactive in addressing the issues in the scorecards. The Commission will pay more attention to beneficiaries' own priorities for action, their timelines for addressing shortcomings, and to the resources made available for implementation. In this respect, the Commission will enhance its engagement with beneficiaries, with a view to identifying priorities for action.

GSP+ beneficiaries are, therefore, expected to continuously **improve their track record**. Nonetheless, the individual circumstances and constraints of beneficiaries will be taken into account. In this respect, the GSP Regulation provides that if a beneficiary does not respect its binding undertaking, preferences may be temporarily withdrawn.

Next reporting period for the GSP+ surveillance system: over the next reporting period (2016-2017), the Commission will continue to monitor beneficiaries in a structured way. By the next review, it will consider response actions, if required, including the **possibility to open an investigation should a beneficiary fail to comply with its GSP+ undertaking**. The next report will also reflect on the whole GSP scheme over the five-year period, from 2012 to 2017. It will take into account the implications of the scheme for the development, trade and financial needs of its beneficiaries.

The Commission will also assess the need to review the scheme, including the GSP+ and temporary withdrawal provisions of tariff preferences, where appropriate accompanied by a legislative proposal. Furthermore, the report will also include a detailed analysis of the impact of the GSP Regulation on trade and on the EU's tariff income, with particular attention to the effects on beneficiary countries. Lastly, this report, published by November 2017, will also cover specific developments during the second GSP+ reporting cycle (2016-2017).