Scheme of generalised tariff preferences (GSP)

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This third biennial report on the Generalised Scheme of Preferences (GSP) for the period 2018-2019 covers in particular:

- the extent to which beneficiary countries benefit from the GSP;

- a number of general themes, including the death penalty, civil society space, child labour and the environment;

- partnerships: examples of how the EU is working with its partners to enhance the effectiveness of the GSP.

The report is based on EU monitoring missions, the mid-term evaluation of the GSP as well as EU cooperation with partner countries (including human rights dialogues), international organisations, civil society and industry.

Economic benefits of the GSP for developing countries

GSP beneficiaries are progressing. In the period 2018-2019, several countries graduated out of the scheme due to reaching upper middle-income economy status. In addition, EU's successful negotiating agenda contributed to countries leaving GSP due to entering bilateral preferential arrangements with the EU. At the end of 2019, there were 71 beneficiaries, i.e. 11 less than in the last report.

Despite the falling number of beneficiaries, value of imports to the EU from GSP countries grew by 16.2% i.e. from EUR 158 billion in 2016 to EUR 183.6 billion in 2018 (overall EU imports increased by 13.3%). Of these, EUR 68.9 billion were imported using GSP. EUR 32.3 billion came from the countries benefitting from the general GSP arrangement, around EUR 9.5 billion from GSP+ beneficiaries and EUR 27.1 billion from the countries benefiting from the Everything But Arms (EBA) initiative.

GSP is particularly important for the poorest countries: in 2018, the least developed countries (LDCs) accounted for 2.2% of all EU imports, more than double their share of world imports (0.98% in 2017). EBA beneficiaries have seen their preferential exports to the EU increase by 15.3%.

The majority of GSP imports (47.9% of 33 billion) are clothing and clothing accessories, followed by footwear (11%), mechanical appliances (7%), fish products (4%), leather (3.7%) and plastics (2.7%).

Utilisation of GSP trade preferences increased to 81.8% in 2018 (up from 78.8% in 2016). For the EBA initiative, the figure was 93.4%. The EU's unilateral trade preferences thus help countries to trade their way out of poverty by creating a value-based economy. By facilitating exports to the EU, the GSP attracts investment, which promotes integration into global value chains. This creates jobs and income.

GSP contributes to sustainable development

GSP brings incentives to invest in beneficiary countries. While the proportion of preferential imports in overall EU imports is limited – 3.8% in 2018 - it encouraged companies and governments to link business with sustainable development. Promoting good governance and human rights provides a more predictable business environment. All GSP+ beneficiary countries have signed the Paris Agreement.

EU importers and industry in GSP beneficiary countries can play a positive role, in particular by promoting labour law reforms and health and safety at work. In the garment sector, EU buyers are introducing new business models applying (higher) environmental and labour standards. These international values strengthen the competitiveness of companies.

With regard to children's rights, progress has been made in Mongolia, Paraguay, Sri Lanka, Bolivia, Pakistan and Cape Verde. However, challenges in meeting GSP requirements remain: the space for civil society is diminishing, notably in Pakistan and the Philippines. Calls to reintroduce the death penalty are worrisome, notably in Sri Lanka, Mongolia and the Philippines. Most of the beneficiaries face difficulties in terms of freedom of association.

Countries that are unwilling to address and resolve situations of concern are subject to scrutiny.

Development and partnerships

The report stresses that the GSP:

- must remain relevant for development: as preferences are eroded due to trade deals, it is even more important to ensure coherence with other policies so that beneficiaries can benefit from the GSP. This includes support for the diversification of economies, attracting new investors, trade facilitation and awareness raising;

- requires strong partnerships: the EU will continue to work closely with beneficiaries and stakeholders. These partners, including the European Parliament and the EU Member States, are essential for bringing the 2030 Sustainable Development Agenda forward. EU industry is at the forefront of high standards in terms of labour, production processes and the environment and can support countries' sustainable development through their business plans.

Future GSP regulation

The current GSP Regulation will expire on 31 December 2023. In order to allow economic operators and beneficiaries to adapt to a new regulation, the Commission has launched the preparations for the new regulation. It is intended that the new regulation will continue to pursue the same policy of fostering sustainable economic, social and environmental development of beneficiary countries, including the respect for good governance and human rights, with the primary goal of eradicating poverty.

The European Parliament adopted a non-legislative resolution on the implementation of the GSP Regulation on 14 March 2019. Parliament acknowledges the positive impact of the GSP Regulation and makes a number of recommendations in view of the preparation of the future GSP regulation. In particular, the future regulation should encourage diversification, place more emphasis on improving environmental standards and enhance monitoring.