

Generalised scheme of tariff preferences

2021/0297(COD) - 23/09/2021 - Legislative proposal

PURPOSE: to propose a new EU Generalised System of Preferences (GSP) to promote sustainable development in low-income countries.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the GSP is one of the EU's main trade instruments to help developing countries integrate into the global economy, reduce poverty and foster sustainable development by promoting fundamental human and labour rights, environmental protection and good governance.

The EU offers three GSP arrangements:

(1) **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;

(2) **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;

(3) **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;

The current GSP framework is based on Regulation (EU) No 978/2012 of 25 October 2012. The current scheme applies until 31 December 2023. Unless a new regulation is adopted, the standard GSP and the GSP+ schemes shall cease to apply on 1 January 2024.

CONTENT: the proposal for a new GSP regulation aims to **renew the GSP for a further ten years** from 2024 to 2034.

While maintaining the current architecture of three schemes and the key features of the current regulation, namely poverty eradication and support for sustainable development and good governance, the proposed new regulation aims to improve the overall efficiency and effectiveness of the GSP to meet future challenges:

(1) **facilitate access to the GSP+ arrangement to the growing number of LDCs that lose access to the EBA initiative:** the proposal modifies the vulnerability (eligibility) criteria for GSP+ to allow countries that graduate from the LDC category to benefit from this arrangement;

(2) **adjust product graduation thresholds** to better focus preferences on less competitive products and countries: the Commission proposes to maintain product graduation only for the standard GSP, but to revise the product graduation thresholds. It also proposes to

maintain the current graduation method by section and decrease the product graduation thresholds by 10 percentage points;

(3) **reflect the evolving priorities** such as those underpinning the European Green Deal by extending negative conditionality also to environmental and good governance conventions: the proposal introduces the possibility of withdrawing GSP preferences in the event of serious and systematic violations of the principles enshrined in the climate change and environmental protection conventions;

(4) update the list of **international conventions** that must be respected by adding two additional human rights instruments, namely on the rights of persons with disabilities and on the rights of the child, two conventions on workers' rights, and a convention on governance relating to transnational organised crime;

(5) introduce a faster **withdrawal procedure** to provide for a specific instrument to address specific circumstances characterised by exceptionally grave violations and a need to react urgently. This also increases the effectiveness of the withdrawal by increasing pressure on beneficiaries to respond to identified concerns;

(6) enhance 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 related complaints.

Budgetary implications

The proposed Regulation does not incur costs charged to the EU budget. Its application does, however, entail loss of customs revenue. Based on the last available data (2019), these preferences represent under the proposed GSP Regulation a loss of revenue for the EU of EUR 2 977.6 million.