

Basic information	
2011/0117(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	Procedure completed
Scheme of generalised tariff preferences (GSP) Repealing Regulation (EC) No 732/2008 2007/0289(CNS) Amended by 2023/0252(COD) See also 2018/2107(INI) Subject 6.30.01 Generalised scheme of tariff preferences (GSP), rules of origin	

Key players				
European Parliament	Committee responsible		Rapporteur	Appointed
	INTA International Trade		FJELLNER Christofer (PPE)	21/06/2011
			Shadow rapporteur MARTIN David (S&D) TAYLOR Keith (Verts/ALE) STURDY Robert (ECR) SCHOLZ Helmut (GUE/NGL) SALVINI Matteo (EFD)	
	Committee for opinion		Rapporteur for opinion	Appointed
	DEVE Development		STRIFFLER Michèle (PPE)	25/05/2011
Council of the European Union	Council configuration		Meetings	Date
	Foreign Affairs		3170	2012-05-31
	Foreign Affairs		3154	2012-03-16
	Foreign Affairs		3086	2011-05-13
	Employment, Social Policy, Health and Consumer Affairs		3188	2012-10-04
European Commission	Commission DG		Commissioner	
	Trade and Economic Security		DE GUCHT Karel	

Key events			
Date	Event	Reference	Summary
10/05/2011	Legislative proposal published	COM(2011)0241 	Summary
13/05/2011	Debate in Council		Summary
07/06/2011	Committee referral announced in Parliament, 1st reading		
01/03/2012	Vote in committee, 1st reading		
09/03/2012	Committee report tabled for plenary, 1st reading	A7-0054/2012	Summary
16/03/2012	Debate in Council		Summary
11/06/2012	Debate in Parliament		
13/06/2012	Decision by Parliament, 1st reading	T7-0241/2012	Summary
13/06/2012	Results of vote in Parliament		
04/10/2012	Act adopted by Council after Parliament's 1st reading		
25/10/2012	Final act signed		
25/10/2012	End of procedure in Parliament		
31/10/2012	Final act published in Official Journal		

Technical information	
Procedure reference	2011/0117(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
Amendments and repeals	Repealing Regulation (EC) No 732/2008 2007/0289(CNS) Amended by 2023/0252(COD) See also 2018/2107(INI)
Legal basis	Treaty on the Functioning of the European Union TFEU 207
Stage reached in procedure	Procedure completed
Committee dossier	INTA/7/06028

Documentation gateway				
European Parliament				
Document type	Committee	Reference	Date	Summary
Committee draft report		PE473.824	12/12/2011	
Amendments tabled in committee		PE480.597	23/01/2012	

Committee opinion	DEVE	PE475.992	31/01/2012	
Committee report tabled for plenary, 1st reading/single reading		A7-0054/2012	09/03/2012	Summary
Text adopted by Parliament, 1st reading/single reading		T7-0241/2012	13/06/2012	Summary

Council of the EU

Document type	Reference	Date	Summary
Draft final act	00026/2012/LEX	25/10/2012	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2011)0241 	10/05/2011	Summary
Document attached to the procedure	SEC(2011)0536 	10/05/2011	
Document attached to the procedure	SEC(2011)0537 	10/05/2011	
Commission response to text adopted in plenary	SP(2012)540	12/07/2012	
Follow-up document	COM(2016)0029 	28/01/2016	Summary
Follow-up document	SWD(2016)0008 	28/01/2016	
Follow-up document	COM(2018)0036 	19/01/2018	Summary
Follow-up document	SWD(2018)0023 	19/01/2018	
Follow-up document	SWD(2018)0024 	19/01/2018	
Follow-up document	SWD(2018)0025 	19/01/2018	
Follow-up document	SWD(2018)0026 	19/01/2018	
Follow-up document	SWD(2018)0027 	19/01/2018	
Follow-up document	SWD(2018)0028 	19/01/2018	
Follow-up document	SWD(2018)0029 	19/01/2018	
Follow-up document	SWD(2018)0030 	19/01/2018	
	SWD(2018)0031		

Follow-up document		19/01/2018	
Follow-up document	SWD(2018)0032 	19/01/2018	
Commission document (COM)	COM(2018)0665 	04/10/2018	Summary
Commission working document (SWD)	SWD(2018)0430 	04/10/2018	
For information	C(2019)0896	11/02/2019	

National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary
Contribution	PT_PARLIAMENT	COM(2011)0241	07/11/2011	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
ECHR	Follow-up document	JOIN(2020)0003	10/02/2020	Summary
ECHR	Follow-up document	SWD(2020)0016 	10/02/2020	
ECHR	Follow-up document	SWD(2020)0017 	10/02/2020	
ECHR	Follow-up document	SWD(2020)0018 	10/02/2020	
ECHR	Follow-up document	SWD(2020)0019 	10/02/2020	
ECHR	Follow-up document	SWD(2020)0020 	10/02/2020	
ECHR	Follow-up document	SWD(2020)0021 	10/02/2020	
ECHR	Follow-up document	SWD(2020)0022 	10/02/2020	
ECHR	Follow-up document	SWD(2020)0023 	10/02/2020	
ECHR	Follow-up document	SWD(2020)0024 	10/02/2020	
ECHR	Follow-up document	SWD(2020)0025 	10/02/2020	
ECHR	Follow-up document	JOIN(2023)0034	21/11/2023	
ECHR	Follow-up document	SWD(2023)0359 	21/11/2023	
		SWD(2023)0360		

ECHR	Follow-up document		21/11/2023	
ECHR	Follow-up document	SWD(2023)0361 	21/11/2023	
ECHR	Follow-up document	SWD(2023)0362 	21/11/2023	
ECHR	Follow-up document	SWD(2023)0363 	21/11/2023	
ECHR	Follow-up document	SWD(2023)0364 	21/11/2023	
ECHR	Follow-up document	SWD(2023)0365 	21/11/2023	
ECHR	Follow-up document	SWD(2023)0366 	21/11/2023	
ECHR	Follow-up document	SWD(2023)0367 	21/11/2023	
ECHR	Follow-up document	SWD(2023)0368 	21/11/2023	

Additional information		
Source	Document	Date
National parliaments	IPEX	
European Commission	EUR-Lex	

Final act
<p>Corrigendum to final act 32012R0978R(02) OJ L 272 16.10.2015, p. 0014</p> <p>Regulation 2012/0978 OJ L 303 31.10.2012, p. 0001</p> <p style="text-align: right;">Summary</p>

Delegated acts	
Reference	Subject
2013/2815(DEA)	Examination of delegated act
2013/2814(DEA)	Examination of delegated act
2013/2783(DEA)	Examination of delegated act
2013/2806(DEA)	Examination of delegated act
2013/2929(DEA)	Examination of delegated act
2013/3000(DEA)	Examination of delegated act

2014/2805(DEA)	Examination of delegated act
2015/2568(DEA)	Examination of delegated act
2015/2830(DEA)	Examination of delegated act
2015/2995(DEA)	Examination of delegated act
2015/2831(DEA)	Examination of delegated act
2014/2771(DEA)	Examination of delegated act
2014/2772(DEA)	Examination of delegated act
2017/3024(DEA)	Examination of delegated act
2019/2942(DEA)	Examination of delegated act
2019/2946(DEA)	Examination of delegated act
2020/2567(DEA)	Examination of delegated act
2016/3021(DEA)	Examination of delegated act
2017/2871(DEA)	Examination of delegated act
2017/2511(DEA)	Examination of delegated act
2020/2900(DEA)	Examination of delegated act
2020/2806(DEA)	Examination of delegated act
2021/2914(DEA)	Examination of delegated act
2024/2972(DEA)	Examination of delegated act
2025/2891(DEA)	Examination of delegated act

Scheme of generalised tariff preferences (GSP)

2011/0117(COD) - 25/10/2012 - Final act

PURPOSE: to put in place new rules on applying a scheme of generalised tariff preferences (GSP).

LEGISLATIVE ACT: Regulation No 978/2012 of the European Parliament and of the Council applying a scheme of generalised tariff preferences and repealing Council Regulation (EC) No 732/2008.

CONTENT: following agreement in first reading, the European Parliament and the Council adopted this Regulation reforming the EU's scheme of generalised tariff preferences (GSP) for developing countries. The EU's GSP has been in force since 1971. Trade preferences granted to developing countries contribute to their integration into the global trade system and to their sustainable development, whilst those provided under the EU's "GSP+" arrangement are used as an incentive to improving governance, the quality of life and the protection of human rights.

This reform is aimed at **adapting the EU's GSP to the changed global landscape and making it more transparent and predictable, and more generous to the countries in greatest need**. Preferences will now be concentrated on least developed, low income and lower middle-income countries, taking account of changing economic and trade patterns and acknowledging that the economic crisis and preference erosion have hit the poorest countries hard. The selection of beneficiaries will henceforth be largely income-based.

The main points are as follows:

Scope: countries that already enjoy preferences under **free trade agreements with the EU**, or under autonomous arrangements, will be excluded from the scheme. To provide a beneficiary country and economic operators with time for an orderly adaptation, the general arrangement should continue to be granted for **two years** as from the date of application of a preferential market access arrangement and this date should be specified in the list of beneficiary countries of the general arrangement.

The EU GSP: the Regulation provides for the following tariff preferences under the scheme:

- **a general arrangement:** this provides for tariff reductions or suspensions for goods imported from developing countries unless (a) it has been classified by the World Bank as a high-income or an upper-middle income country during three consecutive years immediately preceding the update of the list of beneficiary countries; (b) it benefits from a preferential market access arrangement which provides the

same tariff preferences as the scheme, or better, for substantially all trade. The special arrangement for the least-developed countries (LDCs) will continue to be applied without any expiry date as long as they are classified as LDCs in accordance with the criteria established in the Regulation;

· **a special incentive arrangement for sustainable development and good governance (GSP+):** this provides for further tariff reductions for developing countries joining the "flagship" for promoting human rights that sign, ratify and effectively implement a set of 27 core UN and International Labour Organisation conventions on human and labour rights, environmental protection and good governance;

· **a special arrangement for the least-developed countries (Everything But Arms (EBA)):** this provides for full duty-free and quota-free imports of all goods from the least developed countries with the exception of arms. Under this new Regulation, the EBA arrangement is not changed.

Change of status of an EBA country and application of GSP to EBAs: the Commission shall continuously review the list of EBA beneficiary countries on the basis of the most recent available data. Where an EBA beneficiary country changes its status, the Commission shall be empowered to adopt delegated acts to amend Annex IV in order to remove the country from the list of EBA beneficiary countries following a transitional period of three years as from the date on which the delegated act entered into force.

Pending the identification by the UN of a **newly independent country** as a least-developed country, the Commission shall be empowered to adopt delegated acts to amend Annex IV as an interim measure so as to include such a country in the list of EBA beneficiary countries. The Commission shall notify the EBA beneficiary country concerned of any changes in its status under the scheme.

Application and withdrawal of GSP +: as of the date of the granting of the tariff preferences provided under GSP+, the Commission shall **keep under review the status of ratification of the relevant conventions** and shall monitor their effective implementation, as well as cooperation with the relevant monitoring bodies, by examining the conclusions and recommendations of those monitoring bodies. A GSP+ beneficiary country shall cooperate with the Commission and provide all information necessary to assess its respect of binding undertakings.

By 1 January 2016, and every two years thereafter, the Commission shall present to the European Parliament and to the Council a report on the status of ratification of the relevant conventions, the compliance of the GSP+ beneficiary countries with any reporting obligations under those conventions and the status of the effective implementation thereof.

The special incentive arrangement for sustainable development and good governance shall be **withdrawn temporarily**, in respect of all or of certain products originating in a GSP+ beneficiary country, where in practice that country **does not respect its binding undertakings**, or the GSP+ beneficiary country has **formulated a reservation** which is prohibited by any of the relevant conventions or which is incompatible with the object and purpose of that convention. The **burden of proof** for compliance with its obligations resulting from binding undertakings shall be on the GSP+ beneficiary country.

Duties: Common Customs Tariff duties on non-sensitive products will be suspended, while duties on sensitive products will enjoy a tariff reduction, in order to ensure a satisfactory utilisation rate while at the same time taking account of the situation of the corresponding Union industries. Such a tariff reduction should be sufficiently attractive, in order to motivate traders to make use of the opportunities offered by the scheme. Therefore, the ad valorem duties are generally be reduced by a flat rate of 3.5% from the 'most favoured nation' duty rate, while such duties for textiles and textile goods are reduced by 20%. Specific duties are reduced by 30%. Where a minimum duty is specified, that minimum duty will not apply.

Graduation: the Regulation contains provisions on graduation based on criteria related to sections and chapters of the Common Customs Tariff. **Graduation will not apply to the GSP+ beneficiary countries and EBA countries** as they share a very similar economic profile rendering them vulnerable because of a low, non-diversified export base.

Safeguard measures: the Regulation contains a series of safeguard and surveillance measures to protect European producers. Where a product originating in a beneficiary country of any of the preferential arrangements above is imported in volumes and/or at prices which cause, or threaten to cause, serious difficulties to Union producers of like or directly competing products, normal Common Customs Tariff duties on that product may be reintroduced. If an investigation concludes that there are no such difficulties, the decision to reintroduce the CCT shall end and any customs duty collected as a result of those provisional measures shall be refunded.

Safeguards in the textile, agriculture and fisheries sectors: special safeguard measures exist for certain sectors such as textile, agriculture and fisheries. The Regulation states that the scope of special safeguard measures for textiles will cover all textiles and not only clothing. There must be an increase by at least **13.5%** in quantity (by volume), as compared with the previous calendar year for safeguard measures to take effect. This shall not apply to EBA beneficiary countries, nor shall it apply to countries with a share for the relevant products not exceeding **6%** of total European Union imports.

Report: five years after its entry into force, the Commission should report to the European Parliament and to the Council on the application of the Regulation and assess the need to review the scheme, including the special incentive arrangement for sustainable development and good governance and temporary withdrawal provisions of tariff preferences, taking into consideration the fight against terrorism and the field of international standards on transparency and exchange of information in tax matters.

In reporting, the Commission should take into account the implications for development, trade and financial needs of beneficiaries. The report should also include a detailed analysis of the impact of the Regulation on trade and on the Union's tariff income, with particular attention to the effects on beneficiary countries. Where applicable, compliance with Union sanitary and phytosanitary legislation should also be assessed. The report should also include an analysis of the effects of the scheme with regard to imports of biofuels and sustainability aspects.

ENTRY INTO FORCE: 20/11/2012. **Regulation (EC) No 732/2008 is repealed with effect from 1 January 2014.**

APPLICATION: from 20 November 2012. However, the tariff preferences provided under the preferential arrangements described above shall apply from **1 January 2014.**

The scheme shall apply until 31 December 2023. However, the expiry date shall neither apply to the special arrangement for the least-developed countries, nor, to the extent that they are applied in conjunction with that arrangement, to any other provisions of the Regulation.

DELEGATED ACTS: in order to achieve a balance between the need for better targeting, greater coherence and transparency on the one hand, and better promoting sustainable development and good governance through a unilateral trade preference scheme on the other hand, the power to adopt acts in accordance with Article 290 TFEU is delegated to the Commission in respect of:

- amendments to the Annexes;
- temporary withdrawals of tariff preferences due to failure to adhere to the principles of sustainable development and good governance;
- procedural rules regarding the submission of applications for the tariff preferences granted under the special incentive arrangement for sustainable development and good governance,
- the conduct of a temporary withdrawal and safeguard investigations in order to establish uniform and detailed technical arrangements;
- repealing a decision on temporary withdrawal under the urgency procedure before the decision to temporarily withdraw tariff preferences takes effect, where the reasons justifying temporary withdrawal no longer apply.

Scheme of generalised tariff preferences (GSP)

2011/0117(COD) - 28/01/2016 - Follow-up document

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).

Scheme of generalised tariff preferences (GSP)

2011/0117(COD) - 13/05/2011

The Council took note of the initial presentation by Commissioner De Gucht of the proposal for a comprehensive review of the GSP regulation, adopted by the Commission on 10 May 2011, and held a preliminary exchange of views.

Member States welcomed the proposal as a basis for updating the current GSP framework, to make it more efficient and to tailor it more closely to the needs of its beneficiary countries. The Council will begin a detailed technical examination of the proposal in the near future and will work closely with the European Parliament under the ordinary legislative procedure with the aim of putting the new GSP framework in place as quickly as possible.

The EU's system of generalised preferences has been in force since 1971 and plays a crucial role in the EU's overall approach to trade and development. Trade preferences granted to developing countries contribute to their integration into the global trade system, to their sustainable development and to good governance, whilst providing, at the same time, considerable support to improving quality of life and human rights protection in those countries. The system now needs to be adapted to the changed global landscape and made more efficient so that it responds better to the specific needs of the beneficiary countries.

The Commission is proposing a new, open-ended system that would concentrate preferences on the countries in greatest need, taking account of rapidly changing economic and trade patterns and acknowledging that the crisis and preference erosion have been hitting the poorest countries hard.

The selection of beneficiaries will be largely income-based, with countries already enjoying preferences under free-trade agreements or autonomous arrangements being excluded from the scheme.

The EU's current system of generalised preferences is based on Council Regulation (EC) 732/2008, supplemented by Commission Decision 2008/938 /EC setting out the list of beneficiaries of the GSP special incentive for sustainable development and good governance, known as "GSP+".

The EU's GSP consists of a general arrangement and two special arrangements:

- the general arrangement provides for substantial tariff reductions or suspensions for goods imported from developing countries which are not classified by the World Bank as high-income countries and which are not sufficiently diversified in their exports;
- the first special incentive arrangement for sustainable development and good governance, "GSP+", provides for further tariff reductions for developing countries which sign, ratify and effectively implement a set of core UN and International Labour Organisation (ILO) conventions on human and labour rights, environmental protection and good governance;
- the second special arrangement, the Everything But Arms (EBA) arrangement, provides for full duty-free and quota-free imports of all goods from the least-developed countries (LDCs), with the exception of arms. Under the Commission proposal, the EBA arrangement will not be changed.

Regulation (EC) No 732/2008 expires on 31 December 2011 but will be rolled over to 31 December 2013 (or until the new comprehensive regulation enters into force, whichever is sooner).

Scheme of generalised tariff preferences (GSP)

2011/0117(COD) - 10/05/2011 - Legislative proposal

PURPOSE: to revise, adapt and update the Regulation on applying a scheme of generalised tariff preferences (GSP).

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

BACKGROUND: the European Union (EU) has granted trade preferences to developing countries through the Generalised Scheme of Tariff Preferences (GSP scheme) since 1971. It is part of its common commercial policy, in accordance with the general provisions governing the EU's external action. It is one of the key EU trade instruments assisting developing countries in their efforts to ensure core human and labour rights, reduce poverty and promote sustainable development and good governance in developing countries.

The Generalised System of Preferences helps developing countries, and particularly Least Developed Countries (LDCs), to reduce poverty by offering them import preferences in order to generate or boost revenue from international trade. In addition, the scheme provides incentives in the form of additional tariff preferences, to countries that commit themselves to sustainable development and good government.

The scheme grants preferential access to EU markets on a generalised and non-discriminatory basis to 176 eligible countries and territories. It has three arrangements:

1. the general arrangement (often described simply as "GSP");
2. the special incentive arrangement for sustainable development and good governance (described as "GSP+") which offers additional preferences as incentives to support vulnerable developing countries in ratifying and implementing 27 international conventions on human and labour rights, environment and good governance;
3. the Everything But Arms arrangement (EBA), which provides duty-free, quota-free access to LDCs.

The present GSP scheme is implemented through successive regulations, each applying for three years. The current GSP regulation will expire on 31 December 2011. A recently completed [midterm review](#) provides the background for the planned Commission proposal for a revised regulation to replace the existing scheme upon expiry in 2013. Both the EBA arrangement and the rules of origin provisions fall outside the scope of this revision: the former, because it is not subject to periodic reviews; and the latter, because new legislation on rules of origin has entered into force in 2011.

The proposed GSP Regulation herewith revises, adapts and updates the GSP scheme in replacement of the current regulation, so as to better reflect the contemporary global economic and trade landscape which has changed significantly since the original scheme was put into place.

IMPACT ASSESSMENT: the proposal has been drawn up on the basis of a public consultation and of a detailed impact assessment which studied the effects of a number of different policy options:

- **Option A: discontinuation:** preferences are abandoned for GSP and GSP+ beneficiaries. EBA arrangement would remain. The economic and social effects for countries most in need are expected to be negative. LDCs would benefit, but the many other developing countries and economic sectors which are also most in need would suffer as preferential access disappears. This option would however have positive economic and social impacts for certain sectors in certain Member States at a time when so much emphasis is on boosting competitiveness, growth and job creation. And last, at a time of extreme pressure on public finances, it boosts tariff revenues.
- **Option B: no policy change:** there is a natural reduction in the level of import duties (and, therefore, preferences) due to preference erosion under the impact of further bilateral and multilateral trade deals. In the long run, when all multilateral and bilateral agreements are fully implemented, duties are likely to be so low that the idea of preferences becomes largely irrelevant – and so would a generalised system of preferences. Other totally different tools may have to be designed. Until then, the question is what can be done for the countries most in need of preferences.
- **Option C: partial redesign:** this comprises two sub-options (C1 and C2). Preferences are deferred for certain eligible countries: overseas countries and territories; high and upper middle income countries; countries with a preferential trade agreement covering substantially all preferences. The main difference between C2 and C1 concern the graduation of competitive sectors and the vulnerability criteria under GSP+.
- **Option D: full redesign:** in order to simplify the analysis, D sub-options are calculated as increments to C2 only. Three sub-options are assessed. D1 is a far reaching option. It provides full product coverage expansion and elimination of all sensitive products (eg, extending the duty-free, quota-free treatment of EBA countries) to all countries most in need (whether GSP or GSP+). This implies that the remaining beneficiaries are no longer subject to graduation. D2 and D3 are less far-reaching. They take all the parameters of C2 (graduation included) and add partial de-sensitisation (D2) and partial expansion in product coverage (D3).

Drawing on the outcome of the impact assessment, the preferred policy option that determined the substance of the proposed new regulation is **Option C1**.

LEGAL BASIS: Article 207 of the Treaty on the Functioning of the European Union (TFEU).

CONTENT: the draft proposal would focus the GSP preferences on the **countries most in need**. This is achieved by enhancing GSP modalities related to the GSP eligibility criteria and the GSP graduation mechanism, which identifies competitive imports and suspends unwarranted preferences.

The main amendments to the scheme may be summarised as follows:

Modification of the GSP+ mechanism: the scheme also expands its support under the special incentive arrangement for sustainable development and good governance (GSP+) for those countries that commit to embracing core universal values on human, labour rights, environment and governance. While offering further opportunities for potential beneficiaries, the scheme will place more responsibility for countries and require stricter scrutiny of eligibility by the EU.

Vulnerability threshold of GSP+: as regards the criteria of vulnerable of the GSP+, the threshold of imports is increased from 1% to 2%.

Monitoring mechanism: there will be a more effective and transparent mechanism for monitoring and evaluating the implementation of relevant international conventions, whereby the EU seeks noticeable stability and improvement over time in countries' implementation record. **This effectively raises the requirements for beneficiary countries, as they have to provide positive and regular proof that they are indeed implementing conventions.** The current list of GSP+ conventions to be ratified remains the same as those currently applicable.

EBA beneficiary countries: the special arrangement for least developing countries known as 'Everything But Arms', which was added to the GSP scheme in 2004, is unchanged and further supported by new elements in the scheme reflecting the aim of focusing GSP benefits on countries most in need.

Improved withdrawal mechanism system: the reasons which justify the temporary withdrawal of preferences have also been clarified. In particular, it has been made explicit that unfair trading practices include those affecting the supply of raw materials. Furthermore, it has been underlined that **preferences may be temporarily withdrawn if beneficiaries fail to comply with international conventions on antiterrorism.**

Safeguard measures: to ensure a better safeguarding of the EU's financial and economic interests and to enhance legal certainty, stability and predictability, the administrative procedures for safeguard mechanisms are improved by developing clear definitions of key legal concepts.

Unlimited duration: the proposed Regulation will no longer be limited in duration, thus promoting a stable framework both for economic operators and beneficiary countries.

Delegated acts: decision-making procedures reflect the new institutional balance among the European Commission, the Council and the European Parliament in particular with respect to the application of implementing or delegated acts. The new Regulation indicates the instances where the adoption of delegated acts by the Commission is foreseen following a delegation conferred by the European Parliament and the Council, and also the instances where the Commission will be granted implementing powers.

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 2009 figures, the annual loss of customs revenue resulting from the application of the current GSP Regulation was estimated to be EUR 2.97 billion corresponding to a net amount of EUR 2.23 billion after deduction of Member States' collection costs. As a result of the application of the proposed Regulation and on the basis of Annex I in its indicative form, the annual loss of customs revenue is estimated to be EUR 1.87 billion (net amount EUR 1.4 billion).

Scheme of generalised tariff preferences (GSP)

2011/0117(COD) - 09/03/2012 - Committee report tabled for plenary, 1st reading/single reading

The Committee on International Trade adopted the report by Christofer FJELLNER (EPP, SE) on the proposal for a regulation of the European Parliament and of the Council applying a scheme of generalised tariff preferences.

The committee recommends that the position of the European Parliament in first reading following the ordinary legislative procedure should be to amend the Commission proposal, as follows:

Duration of the regulation: the Commission proposes that this should be an open ended regulation, with no end date for when the latter will have to be renewed. In view of the major changes proposed, Members state that the scheme of generalised tariff preferences should continue to apply for a **period of 10 years**, except for the special arrangement for the least-developed countries, which should continue to be applied without any expiry date. The scheme must be reviewed five years after its entry into force. The committee feels that this would still be a period long enough in order to ensure predictability and stability, and would also coincide with the timeframe presently set out for the guidelines for the application of the scheme of generalised tariff preferences. The Everything But Arms scheme should however, as has been the case up to now, be open-ended.

General arrangement: Members clarified that Least Developed Countries (LDCs) will always benefit from the tariff preferences provided under the general arrangement, as long as they are classified as LDCs by the UN.

Eligible countries: the Commission's proposal had stated that the scheme would not apply to a country if it has been classified by the World Bank as a high-income or an upper-middle income country during three consecutive years immediately preceding the update of the list of beneficiary countries. However, the committee specified that **this not apply until two years after the entry into force of the Regulation**, for countries which by the date of its entry into force have concluded the negotiations of a bilateral preferential market access agreement with the Union, which is not yet applied as the ratification process is still ongoing. Members feel that countries in this position should not be excluded from the GSP from the outset. This is in order to avoid re-establishing MFN duties under a transitional period which could lead to possible trade disruptions for a country which has undertaken a commitment to strengthen the trade relations with the European Union.

Members add that in order to facilitate information and increase transparency, the Commission shall also ensure that the relevant statistical data for the GSP sections are regularly available in a public database.

Special incentive arrangement for sustainable development and good governance: Members state that a GSP beneficiary country may benefit from the tariff preferences provided under the special incentive arrangement if it has ratified all the conventions listed in Annex VIII **without any reservations found to be inconsistent with their objectives and purposes by a body set up under the same conventions** and the most recent available conclusions of the relevant monitoring bodies do not identify a serious failure to effectively implement any of these conventions.

The committee amends the text to ensure that the decision on whether a country is admitted to the arrangement is taken **through delegated acts** to establish or to amend Annex III in order to grant a requesting country the special incentive arrangement and to add that country to the list of GSP+ beneficiary countries. Equally, the Commission shall be empowered to adopt a delegated act to amend Annex III in order to remove that country from the list of GSP+ beneficiary countries.

Delegated acts will also be used to amend Annex IV in order to remove a country from the list of EBA beneficiary countries following a transitional period of three years as from the date on which the delegated act entered into force.

The Commission shall keep under review the status of ratification of the conventions listed in Annex VIII and shall monitor their effective implementation, as well as cooperation with the monitoring bodies, by examining the conclusions and recommendations of the relevant monitoring

bodies. The Committee recalls that for the purposes of monitoring and withdrawal of preferences, **reports from monitoring bodies are essential**. However, such reports may be supplemented by other sources of information, as long as they are accurate and reliable. Without prejudice to other sources, this could **include information from civil society and the European Parliament**.

The special incentive arrangement for sustainable development and good governance shall be withdrawn temporarily, in respect of all or of certain products originating in a GSP+ beneficiary country, where in practice a beneficiary country does not respect its binding undertakings or **does not fulfil its obligation to cooperate with the Commission** and provide all information necessary as referred to the Regulation. The Commission's decision not to temporarily withdraw **shall be fully motivated, based on evidence received, and be published immediately**.

Safeguard and surveillance provisions: Members specify that any investigation, including the procedural steps, shall be concluded within six months from its initiation (the Commission had proposed 12 months and the committee considers this too long). In exceptional circumstances, such as an unusually high number of interested parties or complex market situations, this time limit may be extended by a further period of three months. The Commission shall notify all interested parties of any such extension and explain the reasons leading to it.

Members add that the Commission shall present, with due regard to the protection of confidential information within the meaning of the Regulation, a report setting out its findings and reasoned conclusions reached on all pertinent issues of fact and law to the European Parliament. No later than six months after presenting the report to the European Parliament, the Commission shall make the report public.

The text is amended to state that if the conditions for reintroducing normal Common Customs Tariff duties were not met, they should be refunded to the beneficiary.

Safeguards in the textile, agriculture and fisheries sectors: tariff preferences will be removed for certain products originating in a beneficiary country if their **total increase by at least 12.5 % (rather than 15%)** in quantity (by volume), as compared with the previous calendar year. This does not apply to EBA beneficiary countries, nor shall it apply to countries with a share for certain products **not exceeding 6 % (rather than 8%)** of total European Union imports of the same products.

The **advisory procedure** is used for the adoption of surveillance measures given the effects of these measures and their sequential logic in relation to the adoption of definitive safeguard measures.

Information: new provisions state that information received pursuant to the Regulation shall be used only for the purpose for which it was requested. No information of a confidential nature or any information provided on a confidential basis shall be disclosed without specific permission from the supplier of such information. Each request for confidentiality shall state the reasons why the information is confidential. However, if the supplier of the information wishes neither to make it public nor to authorise its disclosure in general terms or in the form of a summary and if it appears that the request for confidentiality is unjustified, the information concerned may be disregarded. Information shall in any case be considered to be confidential if its disclosure is likely to have a significantly adverse effect upon the supplier or the source of such information.

These provisions shall not preclude reference by the Union authorities to general information and in particular to reasons on which decisions taken pursuant to this Regulation are based. Those authorities shall, however, take into account the legitimate interest of natural and legal persons concerned so that their business secrets shall not be divulged.

Report: the Commission shall present an annual report on the application and implementation of this Regulation to the European Parliament. The report shall cover all of the preferential arrangements), including obligations concerning barriers to trade, and present a summary of the statistics and the evolution of trade with the beneficiary countries and territories.

The Generalised Preferences Committee and the European Parliament shall examine the effects of the scheme, on the basis of the report. The European Parliament may invite the Commission to a meeting of its responsible committee to present and explain any issues related to the implementation of this Regulation. No later than six months after presenting the report to the Generalised Preferences Committee and the European Parliament, the Commission shall make the report public.

Annexes: amendments are made to Annexes V and IX. The committee wants to **extend the range of products covered by the GSP** to include some raw metals that are of particular value to countries that would remain in the GSP scheme.

Scheme of generalised tariff preferences (GSP)

2011/0117(COD) - 16/03/2012

The Council endorsed the approach outlined by the presidency **for a comprehensive review of the EU's generalised scheme of tariff preferences (GSP)** for developing countries.

It **agreed on a compromise** focusing on five key areas in the Commission's proposal. On this basis, the presidency will prepare a mandate, to be approved by the Permanent Representatives Committee, for **negotiations with the European Parliament** on the draft regulation establishing the new GSP.

The review of the GSP is aimed at adapting the system to the changed global landscape and making it more efficient so that it responds better to the specific needs of the beneficiary countries. Preferences would be concentrated on the countries in greatest need (least developed, low income and lower middle-income countries), taking account of changing economic and trade patterns and acknowledging that the economic crisis and preference erosion have hit the poorest countries hard.

The selection of beneficiaries would be largely income-based, with countries already enjoying preferences under free trade agreements or autonomous arrangements being excluded from the scheme.

The five main areas covered by the proposal are:

- country coverage;
- preference margins and product coverage;
- product graduation;
- "GSP+" (special incentive for sustainable development and good governance); and
- special safeguards.

Scheme of generalised tariff preferences (GSP)

2011/0117(COD) - 13/06/2012 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 503 votes to 107 with 37 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council applying a scheme of generalised tariff preferences (GSP).

Parliament adopted its position in first reading following the ordinary legislative procedure. The amendments adopted in plenary are the result of a compromise between Parliament and Council. They amend the Commission proposal as follows:

Duration of the Regulation and review clause: the Regulation will apply for a period of 10 years from the date of application of the preferences provided in the text, except for the special arrangement for the least-developed countries ("Everything but Arms" or EBA), which should continue to be applied without any expiry date. The scheme shall be reviewed five years after its entry into force.

Eligible countries: the text clarifies provisions on the granting or withdrawing of certain preferences:

- **application of general arrangement to LDCs:** it is clarified that Least Developed Countries (LDCs) will always benefit from the tariff preferences provided under the general arrangement, as long as they are classified as LDCs in accordance with the criteria established in the Regulation;
- **maintain GSP for certain countries which have concluded agreements on preferential market access with the EU for a transitional period:** the Commission's proposal had stated that the scheme would not apply to a country if it has been classified by the World Bank as a high-income or an upper-middle income country during three consecutive years immediately preceding the update of the list of beneficiary countries. However, the text specified that this not apply until two years after the entry into force of the Regulation, for countries which by the date of the entry into force of the regulation have initialled a bilateral preferential market access agreement with the European Union, providing the same tariff preferences as the scheme, or better, for substantially all trade, which is not yet applied;

Change of status of an EBA country and application of GSP to EBAs: where an EBA beneficiary country changes its status, the Commission shall be empowered to adopt delegated acts to amend Annex IV in order to remove the country from the list of EBA beneficiary countries following a transitional period of three years as from the date on which the delegated act entered into force.

If a **newly independent country** is not identified by the United Nations as a least-developed country during the first available review of the category of LDCs, the Commission shall be empowered to adopt delegated acts forthwith, to amend Annex IV in order to remove such a country from the list, without granting the transitional period.

Application of special incentive arrangement for sustainable development and good governance (GSP+): the proposal states that a GSP beneficiary country may benefit from the tariff preferences provided under the special incentive arrangement for sustainable development and good governance (GSP+) if it has ratified all the conventions listed in Annex VIII. The text adopted in plenary states that the country in question must not have formulated a reservation in relation to any of the conventions listed in Annex VIII, which is prohibited by the convention or which is considered to be incompatible with its object and purpose.

GSP+: reviewing the state of ratification of international conventions: as of the date of the granting of the tariff preferences provided under the special incentive arrangement for sustainable development and good governance, the Commission shall keep under review the status of ratification of the conventions listed in Annex VIII and shall monitor their effective implementation, as well as cooperation with the monitoring bodies, by examining the conclusions and recommendations of the relevant monitoring bodies. In drawing its conclusions concerning effective implementation of the conventions, the Commission shall assess the conclusions and recommendations of the relevant monitoring bodies, as well as, without prejudice to other sources, information submitted by third parties, including civil society, social partners, the European Parliament and the Council.

Withdrawal of GSP+: the special incentive arrangement for sustainable development and good governance shall be withdrawn temporarily, in respect of all or of certain products originating in a GSP+ beneficiary country, where in practice a beneficiary country does not respect its binding undertakings or the beneficiary country has formulated a reservation which is prohibited by the convention or which is incompatible with its object and purpose. Where the Commission considers that the findings do not justify temporary withdrawal, it shall adopt a decision to terminate the temporary withdrawal procedure, which shall be based inter alia on evidence received. Where the Commission considers that the findings justify temporary withdrawal for the reasons, it shall be empowered to adopt delegated acts to amend the list of eligible countries in order to temporarily withdraw the tariff preferences.

Safeguard measures: the proposal contains a series of safeguard and surveillance measures to protect European producers. The latter may call for an investigation where a product originating in a beneficiary country is imported in volumes and/or at prices which cause, or threaten to cause, serious difficulties to European Union producers. Serious difficulties shall exist where European Union producers suffer deterioration in their economic and/or financial situation.

The Commission shall investigate whether the normal Common Customs Tariff duties should be reintroduced if there is sufficient prima facie evidence that serious difficulties exist. If the investigation concludes that there are no such difficulties, the decision to reintroduce the CCT shall end and any customs duty collected as a result of those provisional measures shall be refunded.

Safeguards in the textile, agriculture and fisheries sectors: special safeguard measures exist for certain sectors such as textile, agriculture and fisheries. The text adopted in plenary states that the scope of special safeguard measures for textiles will cover **all textiles** and not only clothing.

The text also amended the thresholds at which safeguards are applicable: there must be an increase by at least 13.5 % in quantity (by volume), as compared with the previous calendar year for safeguard measures to take effect. This shall not apply to EBA beneficiary countries, nor shall it apply to countries with a share for the relevant products not exceeding 6 % of total European Union imports.

Members also voted to extend the range of products covered by the GSP to include some raw metals (aluminium oxide, lead, cadmium and others), that are of particular value to countries (most in Africa) that would remain in the GSP scheme.

Delegated acts: amendments are made to the text in order to conform to the requirements of the Lisbon Treaty with respect to delegated acts and implementing acts. In order to achieve a balance between the need for better targeting, greater coherence and transparency on one hand, and better promoting sustainable development and good governance through a unilateral trade preference scheme on the other hand, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union is delegated to the Commission in respect of amendments to:

- Annexes to the Regulation;
- temporary withdrawals of tariff preferences due to failure to adhere to the principles of sustainable development and good governance,
- procedural rules regarding the submission of applications for the tariff preferences granted under the special incentive arrangement for sustainable development and good governance;
- the conduct of a temporary withdrawal and safeguard investigations in order to establish uniform and detailed technical arrangements;
- repealing a decision on temporary withdrawal under the urgency procedure before that decision to temporarily withdraw tariff preferences takes effect, where the reasons justifying temporary withdrawal no longer apply.

The Commission, when preparing and drawing up delegated acts, should ensure the simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and Council.

It should be noted that the through amendments, **this will be the first time that Parliament has exercised its power**, introduced by the Lisbon Treaty, **to legislate on the GSP**. Members negotiated a rule to ensure that **Parliament will have power of veto over any changes in country coverage, product coverage, import thresholds or temporary withdrawals of GSP preferences** (which currently apply to Belarus and Myanmar).

Transparency of statistical sources: the text states that Member States shall transmit statistical data no later than 40 days after the end of each monthly reference period. In order to facilitate information and increase transparency, the Commission shall also ensure that the relevant statistical data for the GSP sections are regularly available in a public database.

Confidentiality of information: information received pursuant to the Regulation shall be used only for the purpose for which it was requested. Neither information of a confidential nature nor any information provided on a confidential basis received pursuant to the Regulation shall be disclosed without specific permission from the supplier of such information. Each request for confidentiality shall state the reasons why the information is confidential. However, if the supplier of the information wishes neither to make it public nor to authorise its disclosure in general terms or in the form of a summary and if it appears that the request for confidentiality is unjustified, the information concerned may be disregarded. Information shall in any case be considered to be confidential if its disclosure is likely to have a significantly adverse effect upon the supplier or the source of such information.

Report: the text states that the Commission report submitted to the Council and the European Parliament must include a detailed analysis of the impact of the Regulation on trade and on the EU's tariff income, with particular attention to the effects on beneficiary countries.

Entry into force: the main tariff preferences shall apply from 1 January 2014. The scheme shall apply until 31 December 2023. However, the expiry date shall not apply to the special arrangement for the least-developed countries, nor, to the extent that they are applied in conjunction with that arrangement, to any other provisions of the Regulation.

Amendment of the Annex: annexes are amended in order to ensure that certain products are covered by the scheme or to clarify the position of certain countries in the scheme.

Scheme of generalised tariff preferences (GSP)

The Commission presents its mid-term evaluation report on the application of Regulation (EU) No 978/2012 applying a Scheme of Generalised Tariff Preferences (GSP) and repealing Council Regulation (EC) No 732/2008.

An independent external consultant was contracted to carry out a study to support this mid-term evaluation.

The external evaluation used three complementary approaches in the mid-term evaluation to analyse the functioning and impact of the GSP in the beneficiary countries and the EU, namely:

- quantitative and qualitative desk research and data analyses;
- an inclusive and extensive stakeholder consultation process;
- country and sector case studies.

For the economic analyses of the reformed GSP, the most up-to-date economic, trade and tariff data provided by Eurostat for the period 2011-2016 was used. Additionally, indicators were compiled to analyse the social, environmental and human rights impact in the beneficiary countries. Since the reformed GSP has only been in force for three years as of the start of the mid-term evaluation process, the number of readily available and up-to-date social, human rights and environmental impact indicators is limited. To overcome this shortcoming, case studies were undertaken in a number of beneficiary countries. These can, however, only give indications and are not necessarily representative. Therefore, the conclusions drawn at this point in time are indicative.

Main findings

The mid-term evaluation largely focused on an assessment of the results of the major reform that took place in 2012 as embodied in the current GSP Regulation. The evaluation showed that the EU's current GSP is on track in delivering on its objectives. Within the limits set by the WTO's Enabling Clause, it brings clear economic benefits to developing countries, making it relevant to the development needs of beneficiary countries. Moreover, the 2012 reform succeeded in focusing preferences on countries most in need and has contributed to their sustainable development. Finally, the efficiency of the scheme has remained stable during the period of implementation of the current regulation.

Therefore, the report noted that at this stage, there is no need to amend the GSP Regulation before its expiry on 31 December 2023.

The present mid-term evaluation constitutes an important input for the reflection on the next GSP Regulation. The Commission looks forward to discussions with the European Parliament, the Council and civil society in this respect.

Potential improvements

In line with the study's recommendations, the implementation of the GSP Regulation could however be improved in two important aspects:

- ***improving transparency in GSP+ monitoring and better involving civil society both in the EU and in the beneficiary countries***: in line with its commitments in the Trade for All Communication, the Commission is committed to transparency. In this respect, a number of measures are already in place to ensure transparency and inclusiveness in the GSP+ monitoring process. Regular and broad stakeholder consultations are held in order to allow civil society actors, including local civil society, to engage in the process. Additionally, the biennial reports on the implementation of the GSP are a major source of information and are made public immediately upon their transmission to the European Parliament and the Council. It should also be noted that the public UN and ILO reports are the primary source of information for GSP+ monitoring. The Commission will explore practical ways of improving transparency of GSP+ monitoring and to further civil society involvement;
- ***promoting greater awareness of GSP in beneficiary countries***: GSP success largely depends on the uptake of the scheme by exporters in beneficiary countries and the degree of their awareness of the GSP rules. In this respect, there are already actions and programmes financed or undertaken by the EU that have this objective. Even though promoting the scheme is primarily the responsibility of beneficiary countries, the EU could do more to raise awareness not just for businesses, but also for civil society organisations, who have an important role to play in the implementation of the international conventions.

Scheme of generalised tariff preferences (GSP)

2011/0117(COD) - 10/02/2020 - Follow-up document

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 benefitting 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.

Scheme of generalised tariff preferences (GSP)

2011/0117(COD) - 19/01/2018 - Follow-up document

This biennial report assesses the effects of the Generalised Scheme of Preferences ('GSP') during the years 2016-2017, with a focus on the performance of GSP+ beneficiaries.

The GSP has three different trade preference arrangements: (i) the general arrangement (**Standard GSP**) (23 Standard GSP beneficiaries during the reference period); (ii) the special incentive arrangement for Sustainable Development and Good Governance (**GSP+**) (10 GSP+ beneficiaries); (iii) the

special arrangement Everything But Arms (EBA) grants full duty-free, quota free access for all products except arms and ammunition to countries classified by the UN as Least Developed Countries (LDCs) (49 EBA beneficiaries).

In 2016, **EUR 62.6 billion** of imports entered the EU under GSP preferences, divided as follows:

- EUR 31.6 billion from Standard GSP countries;
- around EUR 7.5 billion from GSP+ beneficiaries;
- EUR 23.5 billion from EBA countries.

The two countries that took up the largest part of all EU imports from GSP beneficiaries (including non-GSP imports) are **India and Vietnam** – both Standard GSP beneficiaries. The third largest is Bangladesh, an EBA beneficiary

The GSP+ beneficiaries: GSP+ is one of the EU's primary tools to promote sustainable development in vulnerable developing countries. GSP+ countries benefit from easier trade with the EU, with the condition that they effectively implement the **27 core international conventions** on human and labour rights, environmental protection and good governance.

The 2016-2017 reporting period covers **10 GSP+ beneficiaries:** Armenia, Bolivia, Cabo Verde, Georgia, Kyrgyzstan, Mongolia, Pakistan, Paraguay, the Philippines and Sri Lanka.

Kyrgyzstan became a GSP+ beneficiary shortly after the start of the reporting period (January 2016). **Sri Lanka re-entered GSP+** in May 2017, after having been removed in 2010. Georgia ceased to benefit from GSP+ on 1 January 2017, as it obtained preferential market access under a Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU. Classified for three consecutive years by the World Bank as an upper middle income country, **Paraguay** will leave GSP+ on 1 January 2019.

The GSP+ monitoring missions: GSP+ monitoring uses two inter-related tools. The first is the '**scorecard**', which is a list of the most salient shortcomings identified by the respective international monitoring bodies (or any other accurate and reliable source) for each convention.

The second tool is the '**GSP+ dialogue**' including the GSP+ monitoring missions, through which the EU engages with authorities in a frank and open discussion on identified shortcomings and remedial actions.

During the 2016-2017 reporting period, the Commission and the EEAS performed **monitoring missions** in Armenia, Bolivia, Cabo Verde, Kyrgyzstan, Mongolia, Pakistan, Paraguay, the Philippines and Sri Lanka.

- In **Armenia**, the monitoring mission proved to be a valuable means of involving local civil society.
- In the absence of recent reports to the UN and ILO, the monitoring mission to **Cabo Verde** was crucial to collect the information needed for EU's assessment.
- The monitoring mission to the **Philippines** was an opportunity for the EU to express its concerns on recent human rights developments, while also recognising progress on labour rights and socio-economic policies.
- In **Paraguay and Bolivia**, the issue of child labour was openly discussed with the participation of all relevant stakeholders, including the ILO and UNICEF.
- **Georgia** features for the last time as it has phased out of the GSP+ due to its DCFTA with the EU
- In **Mongolia**, GSP+ dialogue and support provided through an EU-funded ILO project encouraged Mongolia to revise its Labour Law. Mongolia approved a National Program on Gender Equality.
- In **Sri Lanka**, the first monitoring mission found that, overall, the country is making progress in implementing the 27 conventions. However, more efforts are needed to address the prevalent use of torture.
- In **Pakistan**, the EU-funded capacity building initiative has enabled federal and provincial labour departments to improve their reporting on the ratified ILO Conventions. The ILO workshops contributed to strengthening the social dialogue.

Main results: during the present monitoring cycle, GSP+ beneficiaries were urged to increasingly take ownership of the implementation of the 27 conventions and to be more proactive in addressing the issues listed in the scorecards and raised during the GSP+ monitoring missions.

Overall, the **GSP+ monitoring provided a structured approach and a solid basis for the assessment of each GSP+ beneficiary**, building on the findings of UN and ILO monitoring bodies and on information provided by third parties, including civil society, social partners, the European Parliament and the Council.

At the same time, the **Human Rights Dialogues** provided a platform to discuss GSP+ related human rights issues. GSP+ has **improved synergies** and led to a mutually reinforcing leverage of the two tools.

By the end of 2019, the Commission will submit its third biennial report on GSP to the European Parliament and the Council, with a particular focus on evaluating trends in all GSP+ beneficiaries.