The Generalised System of Preferences (GSP) 2009-2011 - Brussels, 22 July 2008

The GSP scheme

The GSP is an autonomous trade arrangement through which the EU provides non-reciprocal preferential access to the EU market to 176 developing countries and territories, in the form of reduced tariffs for their goods when entering the EU market. It is implemented by a Council Regulation applicable for a period of three years at a time. GSP covers three separate preference regimes:

(i) the **standard GSP**, which provides preferences to 176 Developing Countries and Territories on over 6300 tariff lines;

(ii) the special incentive arrangement for Sustainable Development and Good Governance, known as **GSP+**, which offers additional tariff reductions to support vulnerable developing countries in their ratification and implementation of relevant international conventions in these fields; and

(iii) the **Everything But Arms (EBA)** arrangement, which provides Duty-Free, Quota-Free access for the 50 Least-Developed Countries (LDCs).

The primary objective of the GSP is to contribute to the reduction of poverty and the promotion of sustainable development and good governance. Tariff preferences on the EU market enable Developing Countries to participate more fully in international trade and generate additional export revenue to support implementation of their own sustainable development and poverty reduction policy strategies.

There has been a significant increase in recent years in the value of preferential imports under GSP. Imports under the scheme totalled €51 billion in 2006 (an increase of 10% over 2005) and €57 billion in 2007 (an increase of 12% over 2006). The current Regulation especially focused preferences on those countries most in need of the benefits from trade. In this regard, imports from LDCs increased by 35% in 2006 and then remained broadly stable in 2007, while GSP+ beneficiaries saw a rise in their exports to the EU of 15% in 2006 and a further 10% in 2007.

The new GSP Regulation for 2009-11

With the current three-year phase of GSP set to expire at the end of 2008, the Commission made a proposal for a successor regulation on 21 December 2007. Following the opinion of the European Parliament, the EU General Affairs and External Relations Council adopted a regulation on 22 July 2008 applying a new GSP scheme for the period from 1 January 2009 to 31 December 2011.

In response to desires expressed by users of GSP to ensure continued stability, predictability and transparency, the scheme remains broadly unchanged. However, it does implement some technical changes, in particularly taking account of evolutions in trade flows.

- Graduation and De-graduation

Whenever an individual country's performance on the EU market over a three-year period exceeds or falls below a set threshold, preferential tariffs are either suspended or re-established. These calculations are made on the basis of Product Sections established in the Harmonised System for classification of goods for trade. This graduation mechanism is only relevant for GSP and GSP+ preferences: LDC access under EBA is not at all affected. Graduation is triggered when a country becomes competitive in one or more product groups and is therefore considered no longer to be in need of the preferential tariff rates.

As a result of the re-calculations made on trade data for the period 2004-06, GSP preferences will be re-established for six countries and suspended for one, in the following beneficiary country and product group combinations:

De-graduation (re-establishment of preferences):

- Algeria, Section V *(Mineral products)*
- India, Section XIV *(Jewellery, pearls, precious metals and stones)*
- Indonesia, Section IX *(Wood and articles of wood)*
- Russia, Section VI *(Products of the chemical or allied industries)* and Section XV *(Base metals)*
- South Africa, Section XVII *(Transport equipment)*
- Thailand, Section XVII *(Transport equipment)*

Graduation (suspension of preferences):

- Vietnam, Section XII (*Footwear, headgear, umbrellas, sun umbrellas, artificial flowers, etc….)*

The net effect of these adjustments is worth at least €160 million to beneficiary countries in terms of import duties that would otherwise be imposed.

- GSP+

At present, 14 beneficiary countries have qualified to receive the additional preferences offered under the GSP+ incentive arrangement. These lapse at the end of 2008. Any country, including current GSP+ beneficiaries, which wishes to receive GSP+ preferences from January 2009, will have to submit an application before 31 October.

According to the qualifying criteria, any GSP+ beneficiary country must be considered "vulnerable" and have ratified and effectively implemented 27 specified international conventions in the fields of human rights, core labour standards, sustainable development and good governance. The Commission will prepare a separate information notice for potential GSP+ applicants on the applicable criteria and the procedures to follow. (to be available shortly).

For countries that do not yet meet the GSP+ qualifying criteria this year, the new Regulation provides an additional opportunity for applications in mid-2010. This is an added advantage under the new rules, so that potential applicants which do not yet meet all the criteria are not obliged to wait three years before being able to re-apply.

- EBA

A small adjustment is made in the liberalisation timetable for sugar. In order to ensure coherence with the EU marketing year (which now begins on 1 October every year rather than 1 July) and the results of recent Economic Partnership Agreements (EPA) negotiations with ACP countries (many of which are also LDCs), full liberalisation of sugar imports from LDCs will now take place on 1 October 2009 instead of 1 July as previously intended. The new Regulation also incorporates a minimum price arrangement for sugar, again so as to ensure coherence with the results of EPA negotiations. This minimum price arrangement will apply from 1 October 2009 to 30 September 2012.

- Beneficiary countries list:

Two countries (Myanmar and Belarus) remain temporarily withdrawn from GSP preferences on the basis of Council Regulations (EC) No 552/97 and No 1933/2006 respectively, as the reasons for their withdrawals still persist.

Moldova was already removed from the beneficiary list of the current GSP Regulation at the same time as the EC granted it more far-reaching autonomous preferences under a separate legal instrument in March 2008. This removal is confirmed in the listing of beneficiary countries of the new Regulation.

Trade Volumes under GSP and Value of Preferences

On the basis of trade data for 2007, the overall volumes of EU imports under each of the three GSP regimes and the rough value of the preferences provided in terms of nominal duty loss if the same products had been imported and duties paid under the EU's standard MFN conditions of access were as follows:

2007	GSP Preferential Imports (€ millions)	Nominal Duty Loss (€ millions)
standard GSP	47,848	1.542
GSP+	4,900	0.501
EBA	4,302	0.505
Total	57,050	2.548

These figures in fact slightly under-estimate the value of GSP for developing countries, since they do not factor in all reductions in tariff preferences applied to specific duty rates.