



## Trade: 2019 Biennial Report on the Generalised Scheme of Preferences

On 10/02/2020, the European Commission released its third biennial report on the Generalised Scheme of Preferences (GSP).

### What is the Generalised Scheme of Preferences?

The Generalised Scheme of Preferences (GSP) is the EU trade policy's main tool to support developing countries and their efforts to pursue sustainable development. The GSP removes import duties from products coming into the EU from developing countries. This helps developing countries to alleviate poverty and create jobs, while at the same time abiding by international values and principles. Considering the diverse needs of the beneficiary countries, the GSP has three different arrangements to give preferential access to the EU market.

### THREE TYPES OF ONE-WAY PREFERENTIAL TRADE SCHEMES

#### 1. Standard GSP

The general arrangement grants duty reductions for around 66% of all EU tariff lines to low-income or lower-middle income countries (according to the World Bank classification), which do not benefit from other preferential trade access to the EU market (currently 15 beneficiaries<sup>1</sup>).

#### 2. GSP+

The special incentive arrangement for Sustainable Development and Good Governance ('GSP+') grants full duty suspension for essentially the same 66% of tariff lines as the Standard GSP to eligible countries that are vulnerable in terms of their economic diversification and export volumes. In return, beneficiary countries (currently 8 of them) must ratify and effectively implement 27 international conventions, which cover human and labour rights, environmental protection and good governance.

#### 3. EBA (Everything But Arms)

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 United Nations as Least Developed Countries (LDCs). Unlike for the beneficiaries of the Standard GSP and GSP+, LDCs benefitting from the EBA (currently 48 of them) do not lose EBA status by entering into a trade agreement with the EU

<sup>1</sup> List of beneficiaries per arrangement: [https://trade.ec.europa.eu/doclib/docs/2019/may/tradoc\\_157889.pdf](https://trade.ec.europa.eu/doclib/docs/2019/may/tradoc_157889.pdf)

## What is the GSP report about?

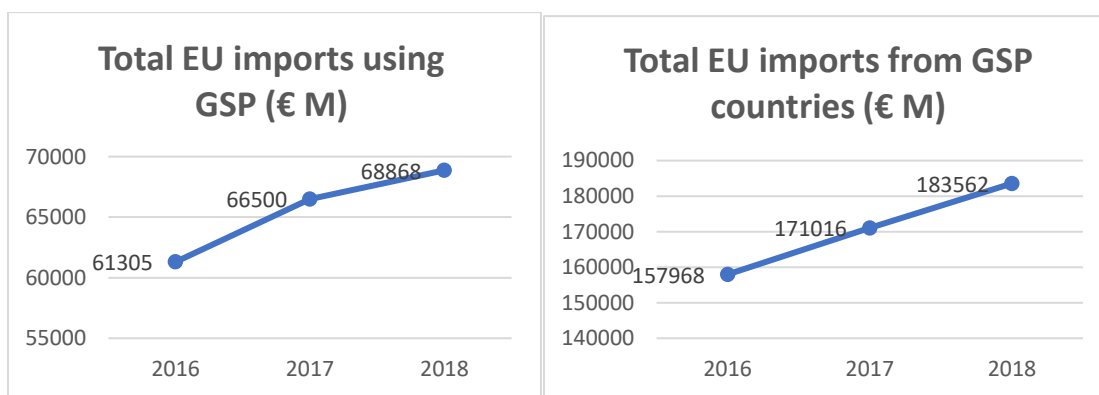
The GSP report documents how the GSP beneficiaries made use of the scheme in the period 2018-2019, and how the EU is working with various stakeholders to support the countries in trading out of poverty while pursuing sustainable development.

The report is accompanied by ten Staff Working Documents: one covering Enhanced Engagement related to the respect of human rights and labour rights with three EBA countries and nine individual reports for GSP+ beneficiaries. The GSP+ individual beneficiaries' reports elaborate on countries' effective implementation of the 27 international conventions covered by the GSP Regulation (human rights, labour rights, environment and good governance). In line with the GSP Regulation, the GSP report must be submitted to the European Parliament and the Council every two years.

## 1. THE EU GSP HELPS COUNTRIES TRADE MORE

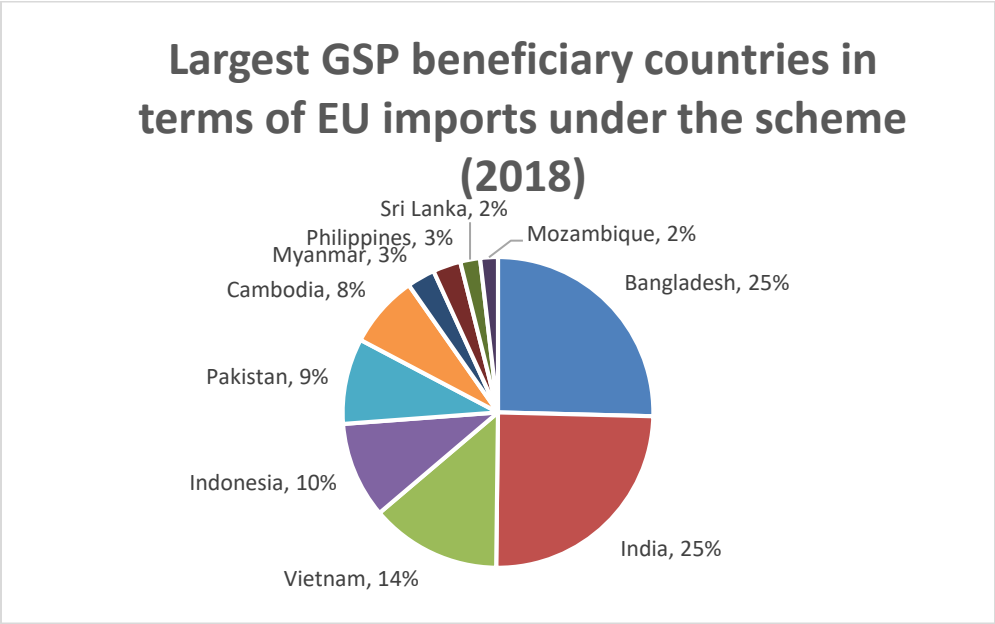
The importance of GSP has increased in absolute and relative numbers. Despite the falling number of beneficiaries, the total value of EU imports from GSP countries grew by 16.2% from 2016 to 2018 (from €158 billion to €183.6 billion) compared to the year before (while global EU imports increased by 13.3%). Of these, €68.9 billion were imported using the GSP.

EU imports from GSP countries reached an all-time high...<sup>2</sup>

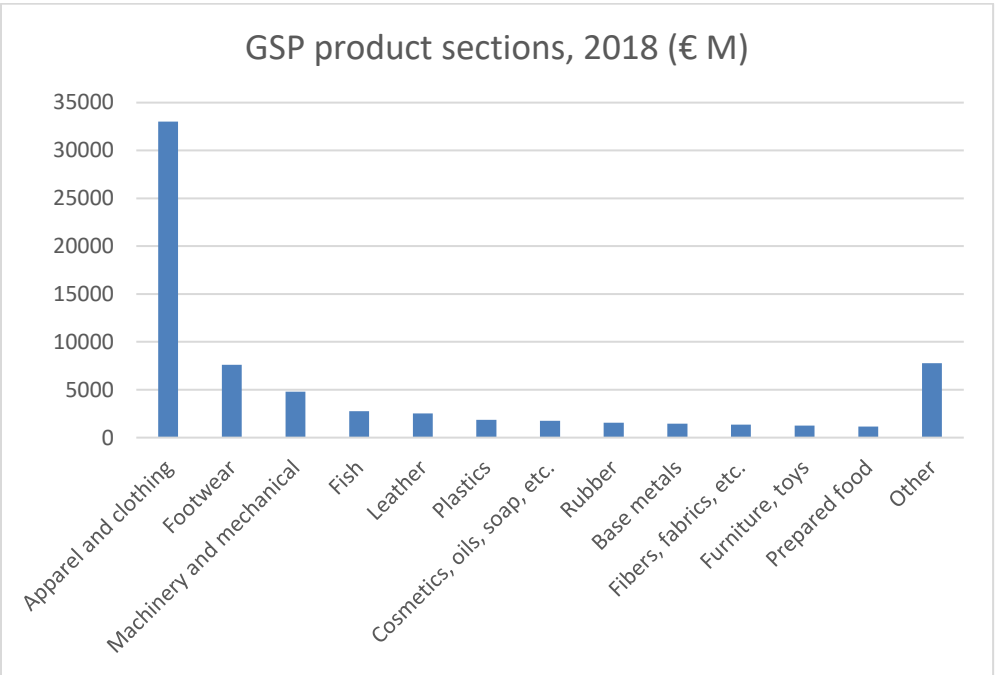


<sup>2</sup> Article 35 of the GSP Regulation specifies the basis for the statistical data of this report. The figures were compiled by DG TRADE on the basis of data available in September 2019 from Eurostat. The analysis considers only the Union's imports under the customs procedure for release for free circulation ("normal trade"), and may thus be lower than total imports. They also exclude Special CN Codes, which are not part of GSP and statistical confidential trade.

Where EU GSP imports come from...



What products the EU is importing under GSP...



## Largest GSP beneficiaries in the context of EU imports...

GSP Beneficiary country	EU imports under GSP (€ M)	EU total imports	GSP imports as % of total	Share of GSP imports from the country as % of total EU GSP imports	Share of imports from the country in total EU imports
Bangladesh	16,776	17,401	96.4%	24.4%	0.96%
India	16,378	43,601	37.6%	23.8%	2.41%
Vietnam	8,994	37,531	24.0%	13.1%	2.07%
Indonesia	6,616	15,557	42.5%	9.6%	0.86%
Pakistan	5,885	6,74	87.3%	8.5%	0.37%
Cambodia	4,987	5,255	94.9%	7.2%	0.29%
Myanmar	1,926	2,189	88.0%	2.8%	0.12%
Philippines	1,915	7,49	25.6%	2.8%	0.41%
Sri Lanka	1,365	2,755	49.5%	2.0%	0.15%
Mozambique	1,219	1,84	66.3%	1.8%	0.10%
Senegal	367	543	67.6%	0.5%	0.03%
Mauritania	353	523	67.4%	0.5%	0.03%
Malawi	260	301	86.6%	0.4%	0.02%
Tanzania	256	473	54.2%	0.4%	0.03%
Ethiopia	236	642	36.8%	0.3%	0.04%
Laos	182	251	72.6%	0.3%	0.01%
Uganda	131	471	27.9%	0.2%	0.03%
Nigeria	115	18,715	0.6%	0.2%	1.03%

## 2. THE GSP SUPPORTS JOBS IN DEVELOPING COUNTRIES

### SOME HIGHLIGHTS IN THE 2018-2019 REPORTING PERIOD

- **Countries are becoming wealthier** and a number of countries left the scheme due to reaching upper-middle income status
- In terms of trade, the **GSP has become more important**, in absolute and relative numbers
- **The share of the total exports by beneficiary countries realised under the scheme** (utilisation rate) has risen to 81.8% in 2018 (from 78.8% in 2016). For EBA, utilisation increased to 93.4%
- The impact of the GSP on job creation is big – for instance, estimates are that **500,000 are employed in Myanmar and 5 million in Bangladesh thanks to the GSP**

### 3. THE GSP IS ESPECIALLY IMPORTANT FOR LEAST DEVELOPED COUNTRIES

- The share of Least Developed Countries (LDCs) in the EU's overall imports reached 2.2% in 2018, more than double of imports from LDCs at the global level
- EBA beneficiaries saw an increase of 15.3% in their exports under preferential conditions
- The value of preferential imports from **African GSP beneficiary countries** to the EU increased by 17.2% and reached €3.3 billion
- **Mauritania** increased its GSP exports by 62% and **Senegal** by 44%

### 4. THE EU'S TRADE AGENDA CONTRIBUTES TO THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS

Out of the three arrangements, GSP+ has the strongest obligations for beneficiary countries. When entering GSP+, countries agree to implement effectively 27 international conventions related to human rights, labour rights, environmental protection and good governance. The EU supports them in their efforts and engages through regular dialogue and monitoring missions to follow their progress.

GSP+ beneficiaries have made progress in the effective implementation of the 27 international conventions listed in the arrangement...

#### PROGRESS ON ERADICATING CHILD LABOUR: SOME EXAMPLES

- **Sri Lanka** was able to reduce child labour to 1% (from 16%), partly through pioneering 'Child Labour Free Zones' and committed to a goal of 0% by 2022
- **Bolivia** raised the minimum working age to the internationally accepted standard of 14 years
- **Paraguay** adopted a national strategy to eradicate child labour by 2024, including through providing a minimum income to vulnerable families
- **Mongolia** agreed to conduct a child labour survey following a recent GSP+ monitoring mission

#### PROGRESS ON ENVIRONMENT AND CLIMATE CHANGE

- All beneficiaries signed the **Paris Agreement** and the **Kigali Amendment to the Montreal Protocol**
- Countries have improved reporting e.g. on the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
- The post 2020 global framework on biodiversity – under the Convention on Biological Diversity – is expected to set stronger targets and review mechanisms on countries' progress and implementation

**Industry** plays an important role too. The largest garment manufacturer in **Lahore, Pakistan**, supplies European brands and markets, while the management and board of the factory are in constant dialogue with the EU on a number of voluntary labour and environmental standards to ensure supply chains are in order. In **Sri Lanka**, a garment factory in **Batticalao** moved to zero-carbon waste production.

## 5. THE EU IS HELPING COUNTRIES TO IMPLEMENT FUNDAMENTAL CONVENTIONS

During the 2018-2019 reporting period, the European Commission services and the European External Action Service (EEAS) conducted monitoring missions in Armenia, Bolivia, the Kyrgyz Republic, Mongolia, Pakistan, the Philippines, Sri Lanka, Cambodia, Bangladesh and Myanmar.

The Commission supported a number of events, back-to-back with monitoring missions, to raise awareness of and interest in the scheme in the countries concerned.

### THE EU IS SUPPORTING SUSTAINABLE DEVELOPMENT: SOME EXAMPLES

- In Bolivia we support the association of local governments in setting up an **observatory of political harassment and violence** in local government
- A May 2019 **opinion survey** done by the project **Promoting Human and Labour Rights under GSP+** gives insight into **Kyrgyz** citizens' perception of human rights and GSP+
- The **INSPIRED+ Pakistan** project focused on enhancing the socio-economic **rights of women working in agriculture in the Punjab**
- The EU supports **Sri Lankan** value chains of several food and spice commodities, as well as the business process outsourcing sector (call centres and data processing). A major milestone achieved in 2018 was the establishment of the **National Export Strategy**
- In **Mongolia**, the EU provides budget support for the country's efforts to strengthen labour standards; it includes a child labour survey and a progress indicator related to ILO Conventions
- In **Armenia**, the Eurasia Partnership Foundation supports regional civil society organisations in producing **evidence-based reports** to complement those of the UN
- In **Cape Verde**, a campaign focusing on the formalisation and regulation of domestic work supported the creation of the first Domestic Workers Association

## 6. GSP+ HAS A WIDER IMPACT

- Countries continue to address GSP+ related issues even **after leaving the scheme**: After it left the GSP on 1 January 2019, in the same year **Paraguay** issued its voluntary mid-term

report on the implementation of the recommendations of the Universal Periodic Review of the United Nations Human Rights Council

- Some countries take commitments even **before applying for GSP+**: on 14 October 2019, **Uzbekistan** adopted a law on accession to the Cartagena Biosafety Protocol, as part of its agenda to apply for GSP+
- On human rights and labour rights, the 2018 **GSP mid-term evaluation** found that GSP+ is effective in creating leverage both through its monitoring mechanism and the prospect of accession (for applicant countries).

## 7. THE EU HAS SERIOUS CONCERNS IN SOME AREAS...

While there has been progress in GSP+ beneficiaries' effective implementation of the 27 conventions, the EU also noted significant challenges during the 2017-2018 monitoring period.

For example, freedom of civil society to operate ('civil society space') is shrinking, notably in **Pakistan** and **the Philippines**, including media freedom. Calls to start re-implementing existing capital punishment laws have become louder, including in **Sri Lanka, Mongolia** and **the Philippines**. Most beneficiaries face challenges when it comes to **freedom of association**.

### DEATH PENALTY

- Most concerning is a renewed call for a vote on a bill on the death penalty in the **Philippines**
- In **Sri Lanka**, statements to the effect that executions would be resumed are a cause for concern. Still, during a recent GSP+ mission, government officials in Sri Lanka were confident that the *de facto* moratorium would stand
- On the other hand, **Mongolia's** own assessment concluded that the re-introduction of the death penalty would be incompatible with its international obligations
- **Pakistan** is debating whether to cut the number of crimes that carry the death penalty. It has meanwhile cut the number of executions and reformed the procedure for mercy petitions.

### SHRINKING OF CIVIL SOCIETY SPACE

- In **Pakistan**, a number of international NGOs are being expelled, with implications also for the freedom of those bodies still in the country. Freedom of expression, including in the media, is under threat
- In **Bolivia**, there are reports of verbal and physical violence against human rights defenders and journalists, and a growing number of criminal proceedings being brought against them
- In **the Philippines**, there is serious concern about the death toll linked to the campaign against illegal drugs and the lack of effective, impartial and transparent investigations of all cases of death; and the impunity related to the killing, harassment and attacks against media personnel
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- **Cambodia**, over the last three years, has seen a deterioration in democracy, respect for human rights, and the rule of law, including less freedom for the political opposition, media and civil society
- **Armenia**, on the other hand, displayed notable improvements in freedom of expression and assembly during the ‘Velvet Revolution’ of 2018

## LABOUR RIGHTS

- Concerns about **freedom of association** remain in **Sri Lanka, Pakistan, Bangladesh, and Myanmar**
- In the **Kyrgyz Republic**, a draft Trade Union Law, if adopted, would drastically limit the independence of trade unions
- The **Philippines** Congress passed a Security of Tenure bill to put an end to the abuse of contract workers, which was vetoed by the President recently

## 8. ...AND IS ENGAGING WITH BENEFICIARIES TO IMPROVE THE SITUATION, INCLUDING IN MOST SERIOUS CASES THROUGH ENHANCED SCRUTINY

Countries that are unwilling to address and engage on issues of concern are being more closely scrutinised. Through enhanced engagement, the EU intensified the dialogue with three EBA beneficiaries – Bangladesh, Cambodia and Myanmar – to press for concrete actions on and sustainable solutions to serious shortcomings in respecting fundamental human and labour rights.

- The lack of results in **Cambodia** on human and labour rights led to the launch of the procedure for temporary withdrawal of tariff preferences.
- The engagement with **Bangladesh** covers among other things the compliance with ILO Conventions. During an EU monitoring mission in October 2019, the Bangladeshi authorities agreed to develop a roadmap with timelines for improving labour rights, notably by amending the Bangladesh Labour Act and the Export Processing Zone Act.
- With **Myanmar**, concerns related to human and labour rights were discussed during high level monitoring missions in October 2018 and February 2019. Discussions continued during the first ever EU-Myanmar Senior Officials Meeting in May 2019 and the EU-Myanmar human rights dialogue co-chaired by the EU Special Representative for Human Rights in June 2019.

## 9. THE EU IS WORKING ON THE FUTURE OF THE GSP

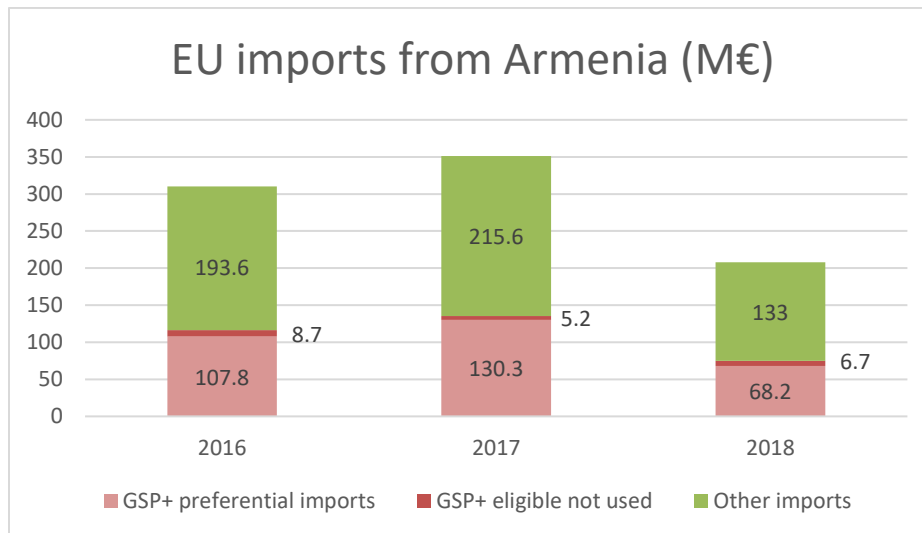


The current GSP Regulation will expire on 31 December 2023. To allow businesses and beneficiaries to adapt to a new regulation, the Commission has already launched the preparations for the new regulation. The new regulation will continue to pursue the same policy objectives of fostering the sustainable economic, social and environmental development of beneficiary countries, including the respect for good governance and human rights, with the primary goal of eradicating poverty. Public consultations will be undertaken in the first quarter of 2020.

## 10. 2018-2019 COUNTRY HIGHLIGHTS GSP+

### Armenia

#### Economic benefits:



90% of EU GSP+ imports from Armenia are base metals; the utilisation rate of GSP+ in 2018 was 91%. Reported figures in 2018 for imports from Armenia decreased significantly compared to 2017. This is largely the result of EU Member States registering a significant share of imports from Armenia as confidential<sup>3</sup>.

#### Progress noted:

- Following the Velvet Revolution in 2018, progress was made on freedom of assembly, legislation on domestic violence, legislation on gender equality, decline in the use of pre-trial detention, and judicial reforms;

<sup>3</sup> Trade flows registered as “confidential” do not show up in the GSP+ usage figures and regime 1 normal trade; but do show up in total trade figures (regime 4).

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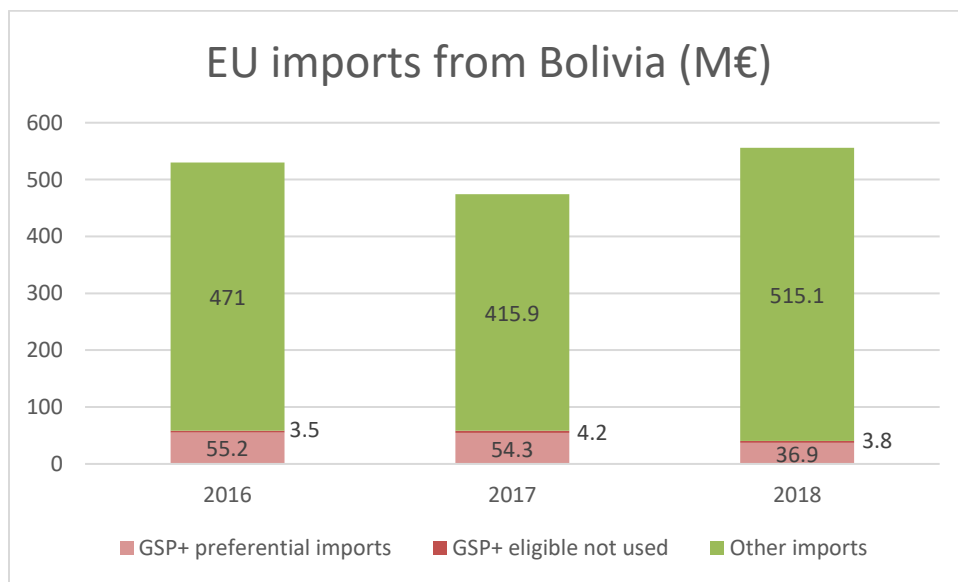
- Ratification of the Kigali Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer signals Armenia’s commitment to environmental standards.

**Priorities for engagement:**

- Continuing judicial and legal reforms necessary to ensure independence of the judiciary;
- Pursuing anti-corruption measures and corruption prosecutions;
- Adopting a new Criminal Code and a stand-alone law on anti-discrimination, as well as the law on National Minorities.

## Bolivia

**Economic benefits:**



Over 50% of EU GSP+ imports from Bolivia are cereals, followed by 21% food preparations, 8% chemicals; the utilisation rate for 2018 was 90.6%.

**Progress noted:**

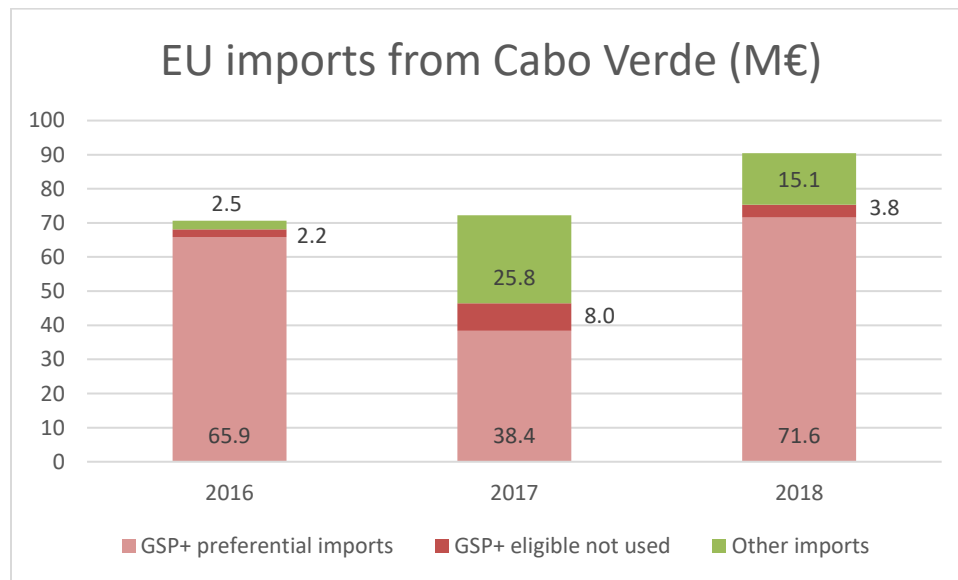
- Continued progress was made in eradicating poverty, improving access to education, health care and housing;
- An important highlight is the return of the minimum working age to 14, in line with international standards;
- Establishment of a certification scheme in the agricultural sector for fighting child labour is a welcome move.

**Priorities for engagement:**

- Tackling overcrowded prisons and the overuse of pre-trial detention;
- Stepping up the implementation of the legislation on gender-based violence, as well as protection and rehabilitation for victims;
- Progress on International Labour Organization requests on freedom of association and collective bargaining.

## Cabo Verde

**Economic benefits:**



Main EU GSP+ imports from Cabo Verde are preparations of meat or fish, accounting for 72% ; the utilisation rate was 95% in 2018.

**Progress noted:**

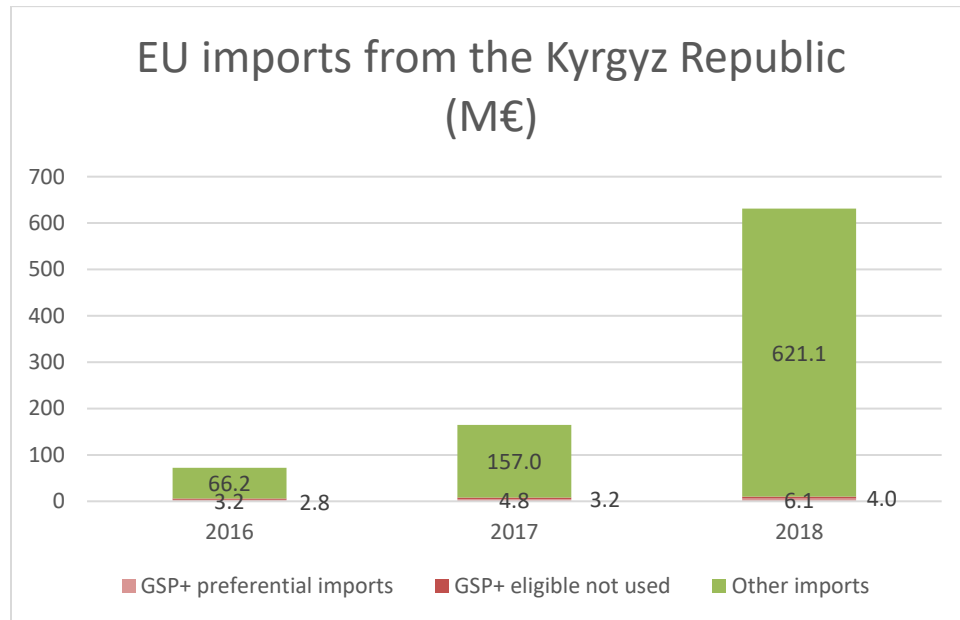
- Continued good record on core human rights;
- Amended legislation to criminalise the use and facilitation of minors under 18 years for prostitution and sexual exploitation and to hold offenders accountable;
- Adoption of a new National Integrated Programme (2018-2023) for the fight against drugs and drug-related crimes.

**Priorities for engagement:**

- Tackling child labour, especially hazardous labour;
- Continuing the elimination of sexual and gender-based violence;
- Improving the implementation of the environmental and the United Nations International Drug Control Conventions.

## Kyrgyzstan

### Economic benefits:



Main EU GSP+ imports from the Kyrgyz Republic are fruits and vegetables, accounting for around 60%; base metals are almost 20% and tobacco 12%. The utilisation rate was 60.7% in 2018.

### Progress noted:

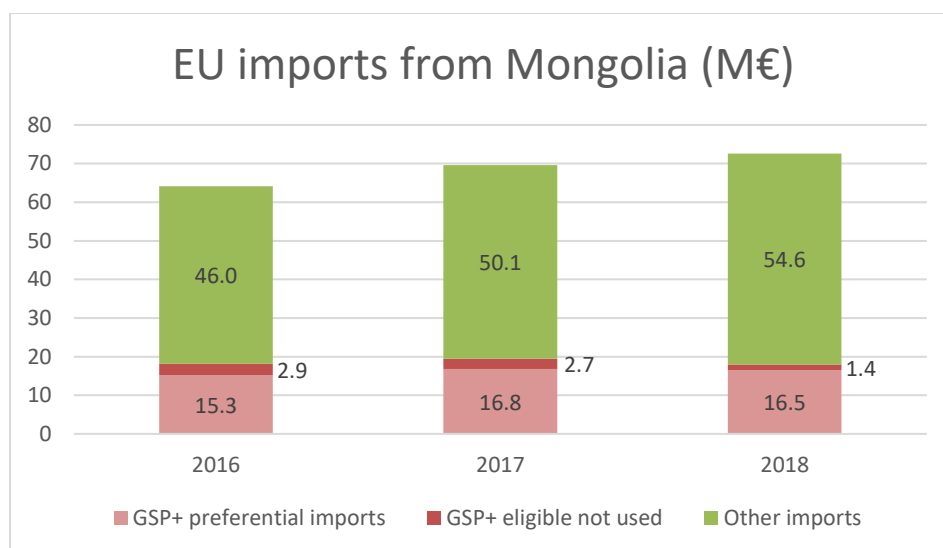
- The Human Rights Action Plan 2019-2021 was adopted as was an action plan on the implementation of 24 recommendations of the Convention on the Elimination of Racial Discrimination (CERD);
- Ratification of the Convention on the Rights of People with Disabilities in 2019;
- Updated list of hazardous occupations and the notable drop in the number of children involved in hazardous work.

### Priorities for engagement:

- Progressing on anti-discrimination legislation and improving inter-ethnic relations;
- Ensuring no further limitations to labour inspections and freedom of association;
- Providing transparency of the criminal justice system and dealing with corruption in the private sector.

## Mongolia

### Economic benefits:



Main EU GSP+ imports from Mongolia are apparel and clothing, accounting for 87%; the utilisation stood at 92.1% in 2018.

### Progress noted:

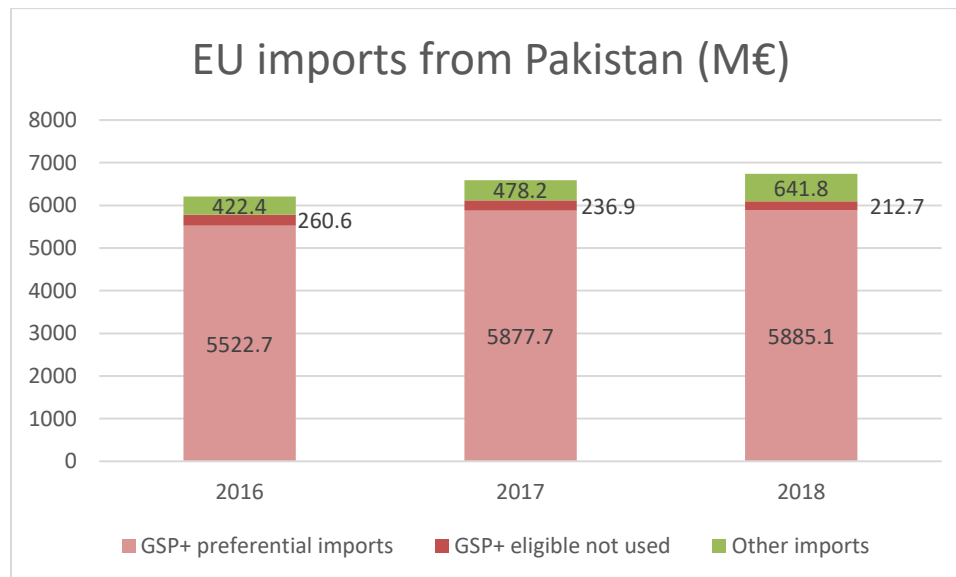
- There was progress on child rights in recent legislation (Child Rights Act and Child Protection Act) and efforts to implement these laws, including a budget increase and a hotline to report abuse;
- The Government concluded that a reintroduction of the death penalty would not be in line with international commitments and has therefore been dismissed the idea;
- Mongolia is showing commitment regarding the implementation of the Conventions of the International Labour Organization and is in the process of strengthening their implementation through the revision of the Labour Code, which is to be discussed in Parliament.

### Priorities for engagement:

- Resolving the threat to the independence of the judiciary, including a series of dismissals of high level members of the judiciary in March and June 2019 following quick changes in the legal framework;
- Addressing the situation of human rights defenders and civil society as well as the lack of a law on Human Rights Defenders, a draft of which remains to be submitted;
- Ensuring that there are no more steps towards a possible restoration of the capital punishment in Mongolia.

## Pakistan

### Economic benefits:



Main EU GSP+ imports from Pakistan are apparel and clothing, accounting for around 71%; the utilisation of trade preferences stood at 96.5% in 2018.

### Progress noted:

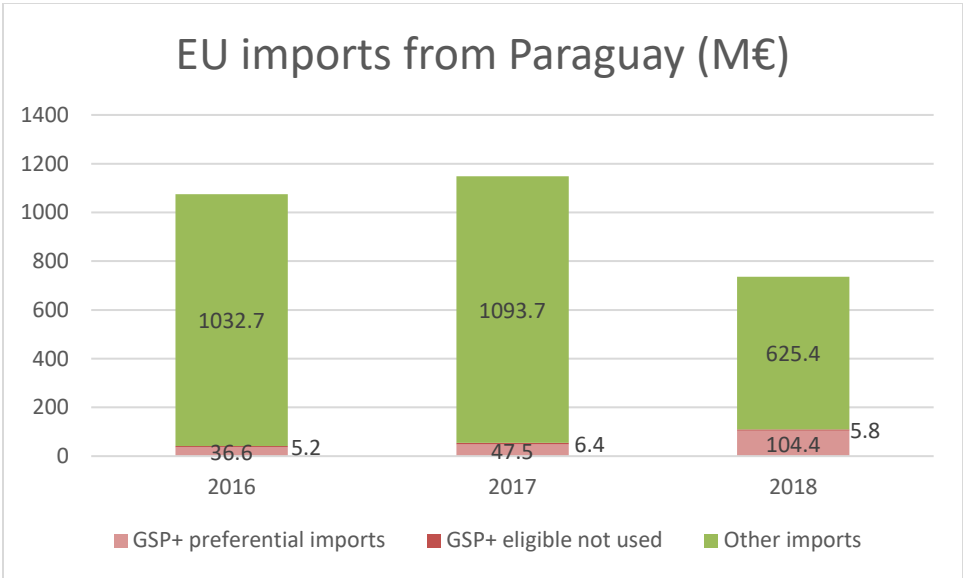
- Pakistan is making some progress on adopting laws on protecting women's and children's rights; eliminating honour killings; protecting transgender persons; protecting the environment; and good governance;
- In the fight on drugs, Pakistan leads a United Nations initiative on education and was removed from the list of countries producing cannabis resin;
- A national Child Labour Survey was launched, and implementation of the National Action Plan on Human Rights has started.

### Priorities for engagement:

- Legislation on enforced disappearances and labour rights;
- It is becoming more difficult for civil society and voices of dissent to operate, and there is a high level of impunity for perpetrators of crimes against journalists;
- Cancellation of the registration of 20 out of 144 international non-governmental organisations remains a serious concern.

# Paraguay

## Economic benefits:



Main EU GSP+ imports from Paraguay are animal and vegetable oils at around 50% and food preparations at 27%; the utilisation rate stood at 94.8% in 2018.

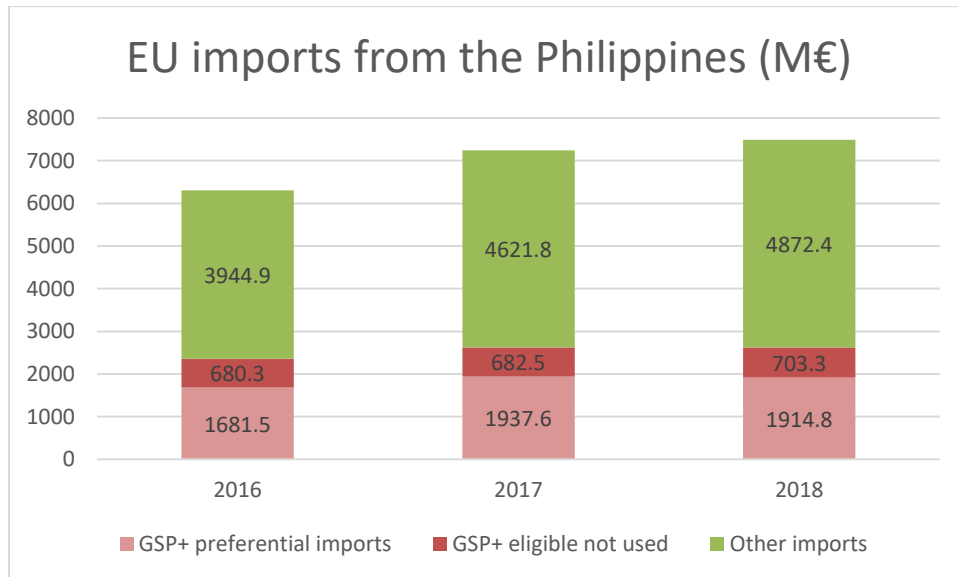
## Progress noted:

- Creation of the Paraguayan monitoring system (SIMORE), which allows assessing and monitoring of the implementation of recommendations made by international human rights mechanisms, is not only being applied in Paraguay, but also being exported to other countries and becoming a reference for survey and monitoring purposes;
- Signature of the Kampala amendments to the Rome Statutes regarding war and aggression crimes; ratification of Escazu regional agreement on environmental rights;
- Legislation on positive discrimination regarding employment of indigenous professionals; legislation on prevention of sexual abuse of children and adolescents.



## The Philippines

### Economic benefits:



Main EU GSP+ imports from the Philippines are animal and vegetable oils at around 24%, electrical equipment at 18% and preparations of meat and fish at 12%. The utilisation rate stood at 73.1% in 2018.

### Progress noted:

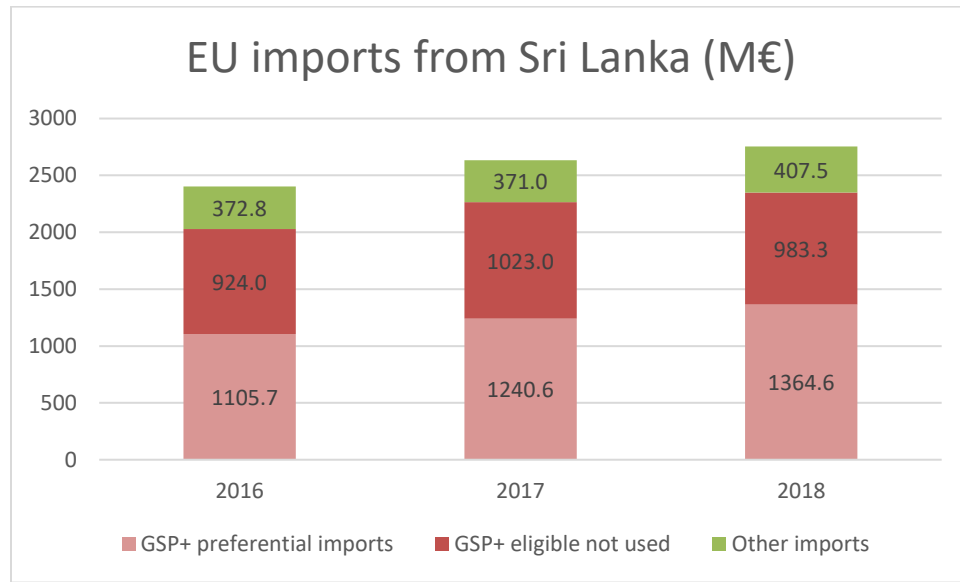
- The Philippines made progress in addressing poverty, hunger, and unemployment, including introducing a Universal Healthcare Act (2019) and Magna Carta for the Poor (2019);
- Further positive measures were taken on environmental protection;
- Creation of an implementation plan for the Children’s Emergency Relief and Protection Act to tackle child trafficking.

### Priorities for engagement:

- The war on drugs and related extra-judicial killings and the possible reintroduction of the death penalty;
- The problematic situation of human rights defenders;
- Respect for collective bargaining and freedom of association; tackling child labour.

## Sri Lanka

### Economic benefits:



Main EU GSP+ imports from Sri Lanka are apparel and clothing at 53% and rubber at 19%. The utilisation rate was 58.1% in 2018.

### Progress noted:

- Substantive progress has been made on the eradication of child labour and the pledge to completely eliminate it by 2022;
- Progress on the prevention of domestic violence;
- A number of positive steps were taken on areas of reconciliation, transitional justice, accountability, prevention of torture.

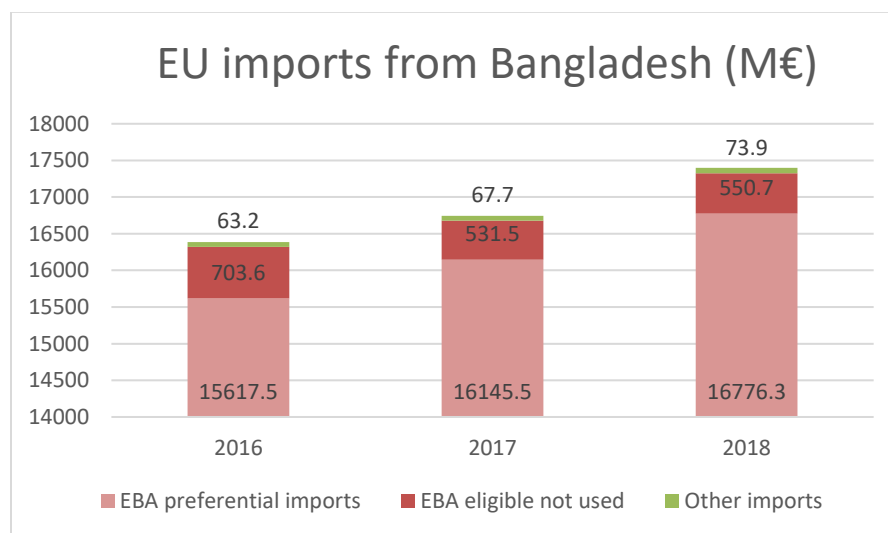
### Priorities for engagement:

- A counter terrorism act that meets international law and standards;
- Continuing the implementation of the United Nations resolutions on reconciliation, accountability and human rights;

## 11. ENHANCED ENGAGEMENT COUNTRIES

### Bangladesh

#### Economic benefits:



Main EU EBA imports from Bangladesh are apparel and clothing, which makes up 94% of its EBA exports. Utilisation was 96.8%.

#### Progress noted:

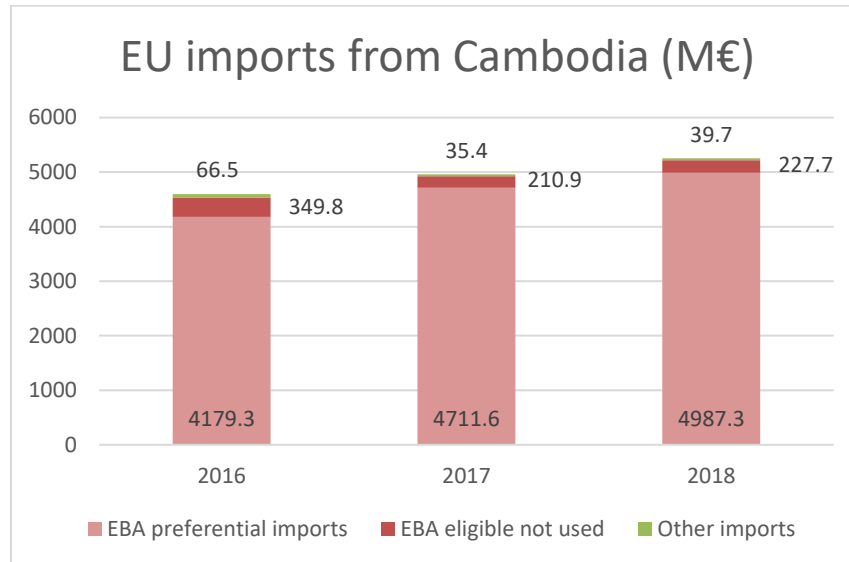
- In 2018 and 2019, Bangladesh started adopting amendments on freedom of association and collective bargaining to its labour law;
- Bangladesh agreed to develop a roadmap with concrete timelines envisaging actions on labour rights, with the involvement of EU experts;
- Bangladesh indicated its intention to adopt a National implementation plan to implement the large number of United Nations Universal Periodic Review recommendations accepted by the country.

#### Priorities for engagement:

- Removing various legal obstacles in the right to establish and organise trade unions, tackling violence and anti-union discrimination, addressing gaps in implementing occupational safety and health and fundamental labour rights in practice through reinforcing capacity to inspect working conditions;
- Making urgent progress on the full elimination of forced and child labour;
- Improving freedom of expression and civil society space and investigating cases of alleged torture, ill-treatment, extra-judicial killings and enforced disappearances.

## Cambodia

### Economic benefits:



Main EU EBA imports from Cambodia are clothing and apparel at 75% and footwear at 13%. Utilisation was 95.6% in 2018.

### Progress noted:

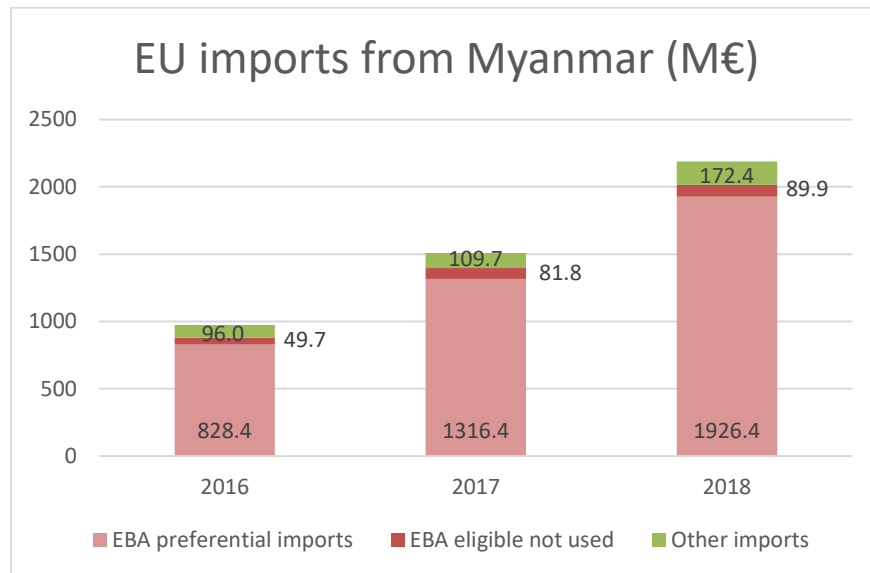
- In labour rights, progress on criminal cases, and civil and labour disputes;
- Progress on land disputes in the sugar sector, indigenous peoples and land titles;
- Cambodia showed a high level of cooperation with the EU at administrative level.

### Priorities for engagement:

- Concluding the Everything But Arms withdrawal procedure in a manner that will promote Cambodia's compliance with its commitments on human and labour rights;
- Ensuring political participation, freedom of expression and freedom of peaceful assembly;
- Taking immediate measures to address problems in the implementation of ILO fundamental conventions on freedom of association and collective bargaining;
- Resolving issues related to non-discrimination, land and housing rights.

## Myanmar

### Economic benefits:



Main EU EBA imports from Myanmar are apparel and clothing at 80%, while the utilisation rate was 89.1% in 2018. Myanmar increased its exports to the EU ten-fold since it was granted EBA preferences in 2013.

### Progress noted:

- The ratification of the Optional Protocol to the Convention on the Rights of the Child on the Involvement of Children in Armed Conflict;
- The adoption of the Child Rights Act;
- The decision to ratify International Labour Organization Convention 138 on the minimum working age.

### Priorities for engagement:

- Enable full humanitarian access to Rakhine, Kachin and Shan States;
- Accountability of individuals who have committed serious and systematic violations of human rights;
- Improve the situation of internally displaced persons (IDPs) in Rakhine, Kachin and Shan States and in the conditions for return of refugees to Rakhine State;
- Align legislation with the fundamental principles and labour rights, in particular eliminating forced and child labour, and ensuring freedom of association both in legislation and in practice.