

EU's Generalised Scheme of Preferences

June 16, 2021

In news- A resolution has been adopted by the European Parliament, urging the EU Commission to consider temporary withdrawal of the **GSP+ status given to Sri Lanka**.

Key updates-

- Sri Lanka regained the **EU's 'Generalised Scheme of Preferences' in 2017** on its commitment to implement 27 international conventions on human rights, labour conditions, protection of the environment and good governance.
- The status effectively **removes import duties on goods from Sri Lanka entering the EU**.
- EU parliament on June 10 adopted a resolution expressing deep concern over Sri Lanka's alarming path towards the recurrence of grave human rights violations, mainly in reference to the use of the Prevention of Terrorism Act (PTA).
- The resolution highlighted the **"accelerating militarisation" of civilian government functions in Sri Lanka**.
- The resolution came ahead of a periodic review of the 'GSP +' concessions accorded to the country.

Generalized Scheme of Preferences (GSP)-

- The GSP was **instituted in 1971 under the aegis of UNCTAD** to create an enabling trading environment for developing countries.
- The following **13 countries grant GSP preferences:** *Australia, Belarus, Canada, the European Union, Iceland, Japan, Kazakhstan, New Zealand, Norway, the Russian Federation, Switzerland, Turkey and the United States of*

America.

- Following the **WTO Hong Kong Ministerial Decision in 2005**, improvements were made to various GSP schemes and new schemes for LDCs were launched.
- The provision and utilization of trade preferences is a key goal of the **Istanbul Program of Actions adopted at the UN LDC IV in 2013**, and further reaffirmed in SDGs Goal 17.
- The **objective of UNCTAD's support on GSP** and other preferential arrangements is to help developing countries, particularly LDCs, to increase utilization of GSP and other trade preferences and in turn promote productive capacity development and increased trade.
- **The EU's GSP removes import duties from products coming into the EU market from vulnerable developing countries.**
- This helps developing countries to alleviate poverty and create jobs based on international values and principles, including labour and human rights.
- The **EU offers 3 types of GSP:**

Standard GSP: It is for low and lower-middle income countries. This means a partial or full removal of customs duties on two thirds of tariff lines.

GSP+: the special incentive arrangement for sustainable development and good governance. It slashes these same tariffs to 0% for vulnerable low and lower-middle income countries that implement 27 international conventions related to human rights, labour rights, protection of the environment and good governance.

EBA (Everything But Arms): the special arrangement for least developed countries, providing them with duty-free, quota-free access for all products except arms and ammunition. They are automatically granted the benefits of the EBA even if they have another arrangement in place.

- **Developing countries are automatically granted GSP if they:**
- Are classified as having an **income level below “upper middle income”** by the World Bank.
- Do not benefit from another arrangement (like a Free Trade Agreement) granting them preferential access to the EU market.