



# EU's Generalised Scheme of Preferences

## Why in News

Recently, a resolution was adopted by the European Parliament, urging the [European Union](#) (EU) Commission to **consider the temporary withdrawal of the Generalised Scheme of Preferences Plus (GSP+) status given to Sri Lanka.**

- Sri Lanka regained the GSP +, or the EU's Generalised Scheme of Preferences in 2017.
- The EU is **Sri Lanka's second-largest trading partner after China and its second main export destination.**

## Key Points

### ▪ About:

- The Generalised Scheme of Preferences (GSP) is **a set of EU rules allowing exporters from developing countries to pay less or no duties on their exports** to the European Union.
  - It **helps developing countries to alleviate poverty and create jobs** based on international values and principles, including labour and human rights.
- The EU's GSP is **widely recognised as the most progressive in terms of coverage and benefits.**

### ▪ Types:

- **Standard GSP:**
  - For **low and lower-middle income countries.** This means a **partial or full removal of customs duties on two thirds of tariff lines.**
  - **Developing countries** are automatically granted GSP if they are **classified as having an income level below "upper middle income" by the [World Bank](#)** and do not benefit from another arrangement (like a [Free Trade Agreement](#)) granting them preferential access to the EU market.
  - **Beneficiaries:** Bangladesh, Cambodia and Myanmar.
- **GSP+:**
  - The **special incentive arrangement for sustainable development and good governance.**
  - It **slashes these same tariffs (that under standard GSP) to 0% for vulnerable low and lower-middle income countries** that implement international conventions related to [human rights](#), [labour rights](#), protection of the environment and good governance.
  - **Beneficiaries:** Armenia, Bolivia, Cabo Verde, Kyrgyzstan, Mongolia, Pakistan, The Philippines and Sri Lanka.
- **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.**

▪ **Monitoring Beneficiaries:**

- The EU **continuously monitors and reviews GSP+ beneficiary countries'** effective implementation of the **international conventions on human rights, labour rights, environmental protection, and good governance.**
- This monitoring includes exchanges of information, dialogue and visits and involves various stakeholders, including civil society.

## **Generalised System of Preferences**

▪ **About:**

- **Generalized System of Preferences** is an umbrella that comprises the bulk of **preferential schemes granted by industrialized nations to developing countries.**
- It involves reduced **Most Favored Nations (MFN)** Tariffs or duty-free entry of eligible products exported by beneficiary countries to the markets of donor countries.
- The idea of granting developing countries preferential tariff rates in the markets of industrialized countries was originally presented at the first **United Nations Conference on Trade and Development (UNCTAD)** conference in **1964.**
- The GSP was adopted at **UNCTAD** in New Delhi in 1968 and was instituted in 1971.

- There are currently **13 national GSP schemes notified to the UNCTAD secretariat.**

▪ **Countries which Grant Generalized System of Preferences:**

- Australia, Belarus, Canada, EU, Iceland, Japan, Kazakhstan, New Zealand, Norway, Russian Federation, Switzerland, Turkey and the United States of America.
- In **2019, US terminated India's designation as a beneficiary developing nation under its GSP trade programme.** This was done after determining that India has not assured the US that it will provide "equitable and reasonable access" to its markets.

▪ **Benefits:**

◦ **Improves Growth:**

- **Improves Economic growth and development** in the developing world by helping beneficiary countries to increase and diversify their trade with the developed nations.

◦ **Provides Employment:**

- Moving GSP imports from the docks to consumers, farmers, and manufacturers supports tens of thousands of jobs in the developed nation.

◦ **Boosts Company Competitiveness:**

- It is boosted by the GSP as it reduces costs of imported inputs used by companies to manufacture goods.

◦ **Promotes Global Values:**

- It **promotes Global values by supporting beneficiary countries** in affording worker rights to their people, enforcing intellectual property rights, and supporting the rule of law.

## **UNCTAD**

- It is a **permanent intergovernmental body** established by the United Nations General Assembly in 1964. It is headquartered at **Geneva in Switzerland.**
- It **supports developing countries to access the benefits of a globalized economy** more

fairly and effectively.

- It has 194 member nations. **India is a member.**
- Some of the reports published by it are:
  - [Trade and Development Report](#)
  - [Investment Trends Monitor Report](#)
  - [World Investment Report](#)
  - The Least Developed Countries Report
  - Information and Economy Report
  - [Technology and Innovation Report](#)
  - Commodities and Development Report

### **Most Favored Nations (MFN)**

- As per the [World Trade Organisation's \(WTO\)](#) General Agreement on Tariffs and Trade MFN principle, each of the WTO member countries should “treat all the other members equally as ‘most-favoured’ trading partners.”
- According to the WTO, though the term ‘MFN’ “suggests special treatment, it actually means nondiscrimination.”

**[Source: TH](#)**

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