

## **Non-paper on the Commission Proposal for the GSP Renewal**

**Signatory member states: Austria, Denmark, Estonia, Finland, Germany, Ireland, Latvia, Luxembourg, the Netherlands, Malta, Slovenia, and Sweden.**

*The Generalised System of Preferences (GSP) was created over fifty years ago with the objectives of contributing to poverty reduction by expanding exports from vulnerable countries and promoting sustainable development and good governance. Throughout the years the system has significantly contributed to these goals. The signatories of this paper are firmly attached to ensuring these goals remain at the center of the revised GSP. We, the signatories want to maintain an open and generous GSP. A system which truly puts the developmental needs of the beneficiary countries first is one that is most likely to support sustainable development. The signatories of this paper believe that beneficiary countries will gain most from a system that provides them with ample opportunities for growth and market access while also encouraging them to implement certain key conventions with regard to sustainable development. We recall that Sustainable Development Goal 17 foresaw a doubling of the least developed countries' share of global exports by 2020. It is our understanding that this is unlikely to be achieved and it would be important that the new GSP continues to support this goal.*

In its proposal the Commission has introduced a number of changes which seem to reflect a more restrictive and EU-focused approach to the GSP. Additionally, no suggestions have been made to further open up the system. This stricter approach includes a 10% reduction of the product graduation threshold, which we consider to run counter to the general goal of the GSP. While we understand the argument for promoting diversification, we are not convinced that a full 10% reduction is warranted. We therefore request the Commission to look into the possibility of not reducing the thresholds, or doing so with a lower number of percentage points. However, to show flexibility, it could be acceptable in the end within a final, overall balanced, package.

The Commission's decision not to expand the automatic safeguard mechanism or the product graduation mechanism to GSP+ and EBA countries is fully supported by this group of Member States. Therefore, we do not support Presidency's proposed expansion of the automatic safeguards to cover rice, sugar, and shoe products, especially to EBA countries. Subjecting the Least Developed Countries (LDCs) to these mechanisms would not aid their development or reduce poverty. In this regard, we share our position with the Commission and the EP Rapporteur. Like the EP Rapporteur, we believe this would be a drastic signal causing reputational damage to the EU. The EBA instrument of the EU is highly esteemed as the most attractive preference scheme for LDCs. We want to continue this substantial contribution to poverty reduction and sustainable development. This is especially pertinent given the far-reaching social and economic impact of Covid-19, an impact which will last for years, not least for LDCs.

We also note that there are practical limitations to the use of GSP preferences that lie outside of the scope of this revision, e.g. the rules of origin for the products covered. These have not been changed or liberalized since 2011 and no changes are foreseen in the near future. It is our understanding that this hindrance, in combination with the Commission proposal that further limits GSP, would make it difficult for beneficiaries to make full use of the trade preferences. In light of this, we are of the view that a new division of the sensitive and non-sensitive goods could benefit the beneficiary countries and promote export diversification and this likelihood should be examined. Consequently, we request that the Commission research and report back on which sensitive products could be re-listed as non-sensitive to better benefit the beneficiary countries and promote sustainable development.

Certain changes have been made that contribute to the goals of poverty reduction and sustainable development e.g. the extension of the list of conventions and the extension of negative conditionalities. Both changes underline the importance of sustainable development and will further incentivize beneficiary countries to adhere to the linked conventions. Additionally, by limiting the extension of the conventions, the balance between the demands and the incentives is maintained.

The signatory Member States advocate a Council position that does not further restrict the GSP compared to the restrictions already proposed by the Commission. Further restricting the GSP should be avoided to maintain the core objective of the GSP of reducing poverty and promoting sustainable development and good governance.