



# GENERALIZED SYSTEM OF PREFERENCES PLUS (GSP+)

## ADVANCING LABOUR AND HUMAN RIGHTS THROUGH TRADE

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Human and labour rights are taking a more prominent role in European Union (EU) trade policies. Promoting democracy and human rights while opening trade in itself holds many promises.

This brief gives a short summary of GSP+ and indicates how CSOs can engage with the framework to improve labour and human rights on the ground and indicates how to improve its implementation.

A first round of review of GSP+ beneficiaries will take place in January 2016 which provides an opportunity for CSOs to engage with the scheme.

### WHAT IS GSP+?

GSP is the unilateral extension of preferential tariffs aimed at increasing trade capacity among developing nations. The scheme aims to facilitate economic development by providing the world's poorest countries preferential access to the EU's market of 500 million consumers<sup>1</sup>.

The EU GSP is extended through three arrangements: GSP, **GSP+** and Everything But Arms<sup>2</sup>;

**GSP+** is an extension of GSP as it includes developing countries which have proved their commitment to **implementation of international conventions relating to human and labour rights, environment and good governance.**

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<sup>1</sup> See WTO regulation: *Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries*

<sup>2</sup> An initiative of the European Union under which all imports to the EU from the Least Developed Countries are duty-free and quota-free, with the exception of armaments.

Preferential access is provided through tariffs reduction for goods when entering the EU market<sup>3</sup>. It specifically targets the most vulnerable and least-developed countries and other lower-middle income countries<sup>4</sup>. Which aims to be an incentive for economic growth and development for beneficiary countries.

Indirectly it encourages Foreign Direct Investment as industrial production shifts to GSP+ beneficiaries due to the benefits of the duty reductions to the EU market.

GSP+ has been designed to encourage benefitting countries to **commit to implementing core human and labour rights, principles of sustainable development and good governance**<sup>5</sup>.

These countries must therefore ratify and implement 27 international conventions in order to qualified as preferred partner.

The EU aims to use a structured monitoring system to examine if the beneficiary countries are respecting and ensuring these rights<sup>6</sup>.

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<sup>3</sup> Sensitive products have reduced tariffs, which represent a mixture of agricultural, textile, clothing, apparel, carpets and footwear items, with the aim to protect the EU production base.

<sup>4</sup> Revised EU trade scheme to help developing countries applies on 1 January 2014

<sup>5</sup> For an overview off all conventions, see Annex VIII of Regulation No 978/2012

<sup>6</sup> <http://www.etsg.org/ETSG2012/Programme/Papers/475.pdf>

Monitoring is **based on scorecards**, that are drafted by the European Commission, that serve as a baseline.

GSP+ beneficiary countries are reviewed every two years by the European Council and European Parliament.

GSP+ status will be awarded for a period of 10 years.

The following countries are coming under review in 2016: Armenia, Bolivia, Cape Verde, Costa Rica, Ecuador, El Salvador, Georgia, Guatemala, Mongolia, Panama, Pakistan, Paraguay, Peru and the Philippines.

## HOW TO QUALIFY FOR GSP+

Before a country can benefit from GSP+, the country must firstly fulfill the *vulnerability criterion*. The vulnerable criterion ensures that a country can benefit from GSP+ if:

a) It is not competitive on the EU market (import share ratio) it does not have a diversified export base (diversion ratio);

b) the import-share ratio is 2 % relaxed from 1% under the previous GSP scheme and the diversification ratio is 75% of a country's exports to the EU for its seven largest sections. The relaxation for example allowed Pakistan to qualify for GSP+.

Secondly the country must ratify 27 of the required conventions on human and labour rights, sustainable government and good governance and ensure their **implementation**<sup>7</sup>.

Thirdly, countries must accept without reservation the reporting requirements and monitoring imposed by those conventions.

Thus, they must accept and cooperate with the EU monitoring procedure<sup>8</sup>.

## HOW CAN CIVIL SOCIETY ENGAGE WITH GSP+?

The GSP+ preference system functions similarly as carrot and stick. The additional preferences, whereby countries can import against reduced tariffs are the carrot.

The stick is the core human rights and labour conventions that the countries must adhere to. A failure to implement the conventions could result in removal of the GSP+<sup>9</sup>.

However, as mentioned before, the scorecards are not public, which makes it very difficult for civil society to monitor progress made by the beneficiary countries.

In the (European) Commission Delegated Act it is stated that civil society and social partners will be able to intervene as a source of information in the monitoring process of effective implementation of the relevant conventions. Unfortunately how, where and when is not specified. And answers to questions raised remain vague.

Thus, only the reports of the official monitoring bodies can be used by the European Commission (EC).

Another difficulty remains in the absence of a definition of the term serious failure to implement the core human and labour rights.

Even, if countries fail to implement and more importantly renege on core human and labour rights, any punishment will be deferred as the scheme encourages improvement.

This inevitably begs the question how the GSP+ system can effectively influence social change in those countries? For civil society several options remain to engage with GSP+; reporting to the United Nations, direct engagement with the European Parliament (INTA, AFET), the beneficiary countries respective governments, business sectors (e.g garments, fisheries, leather, ethanol), EU delegation and Embassies to increase the affectability of GSP+.

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<sup>7</sup> <http://www.etsg.org/ETSG2012/Programme/Papers/475.pdf>  
<sup>8</sup> Regulation (eu) no 978/2012 of the european parliament and of the council

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<sup>9</sup> Revised EU trade scheme to help developing countries applies on 1 January 2014

## RECOMMENDATIONS

Trade with third countries does not only serve the EU's economic and political goals: it is also a tool to promote human rights and democracy in third countries. GSP+ can be a valuable scheme, as it provides a framework in which businesses and governments need to uphold the substantial guarantees for the protection and promotion of human rights. Hence, it has great potential if applied in a consistent and comprehensive manner.

The GSP+ framework is currently largely being used as an economic tool, and thus we are losing an opportunity to address infringements on human and labour rights with its policies. Therefore, the GSP+ framework should be strengthened to achieve its full potential.

**Three issues** are particularly important at this point and need to be highlighted to EU policy makers:

- Transparency
- Consultations
- Definitions used in the scheme

## TRANSPARENCY

It is essential that the assessment of GSP+ eligibility of a country be carried out transparently and with accountability in line with the EU's push for more transparency in its decision-making processes.

However, in light of the GSP+ framework, the EU has resorted to decision making behind closed doors and risks shutting out essential stakeholders at this stage of the process. Justice and Peace therefore urge the EC to make the assessments for the eligibility and the score cards of GSP+ public, to increase transparency and oversight.

## CONSULTATION

Prior to granting countries GSP+ status, consultation with local and international civil society organizations (CSOs) needs to be part of the process of defining and implementing policy goals and strategies.

Furthermore engaging with CSOs prior to having GSP+ dialogues with beneficiary countries, as well as the review process.

Justice and Peace therefore urges the European Commission (EC) to actively engage with CSOs, human rights defenders and trade unions, in Brussels and in third countries, during all phases of the GSP+ eligibility process, application, monitoring, and review – and to provide clear information on how third parties can submit input.

## DEFINITIONS

It is imperative that all ambiguity in the framework is removed and current human and labour rights benchmarks within GSP+ are clarified. Clear benchmarks, based on pre-established, well-defined and accessible criteria, should be incorporated into the GSP+ framework, to facilitate CSOs, EU and EU Member States in verifying any progress made by third countries.

## JUSTICE AND PEACE'S POSITION ON GSP+

Trade with third countries does not serve the EU's economic and political goals only: it is also a tool to promote human rights and democracy in third countries. GSP+ is a valuable scheme, as it provides a framework in which businesses and governments need to uphold the substantial guarantees for the protection and promotion of human rights. Hence, it has great potential if applied in a consistent and comprehensive manner to achieve Local Justice on a Global Scale.

For further information regarding GSP+ and other issues regarding trade and human rights please contact:

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