



**CIVIL SOCIETY DIALOGUE**

**MEETING ON THE  
MID-TERM EVALUATION OF THE EU'S GENERALISED  
SCHEME OF PREFERENCES (GSP)**

**Date:** 25 September 2017

**Time:** 14:30-16:30

**Location:** Albert Borschette Conference Centre, Room 3-B, Rue Froissart 36, Brussels

**Lead speakers**

**Ms. Sandra Gallina**, Director, Sustainable Development; Economic Partnership Agreement – African, Caribbean and Pacific; Agri-food

**Mr. Willem van der Geest PhD**, Project Team Leader (TL), Independent Contractor

**Representatives of the European Commission**

**Ms. Alina Boiciuc**, Deputy Head of Unit, Trade and Sustainable Development Unit, Directorate General for Trade

**Mr. Daniel Kramer**, Policy Officer, Trade and Sustainable Development Unit, Directorate General for Trade

**Mr. Richard James**, Evaluation Co-ordinator, Evaluation Unit, Directorate General for Trade

**Mr. Nikolaos Zaimis**, Adviser, Sustainable Development; Economic Partnership Agreement – African, Caribbean and Pacific; Agri-food

**Mr. Andreas Julin**, Senior Expert, Trade and Sustainable Development Unit, Directorate General for Trade

**Ms. Shui-Beam Lam**, Policy Coordinator, Trade and Sustainable Development Unit, Directorate General for Trade

**Ms. Julika Peschau**, Policy Assistant, Trade and Sustainable Development Unit, Directorate General for Trade

**Members of the Project Team**

**Mr. Anthony Zamparutti**, Senior Environmental Expert, Milieu Ltd

**Ms. Linda Koning**, Project Officer, Development Solutions Europe Ltd

**Ms. Maayan Morali**, Project Officer, Development Solutions Europe Ltd

**Panel Presentations**

**Ms. Sandra Gallina** welcomed civil society to the second civil society dialogue on the Mid-Term Evaluation of the EU's GSP. During her opening remarks, it was recalled that the European Commission launched the Mid-Term Evaluation in the context of its obligation to report to the European Parliament and the Council on the application of Regulation (EU) No 978/2012. The Evaluation aims to assess whether the objectives of the Regulation are on track to be achieved.

**Ms. Gallina** highlighted the following findings of the Final Interim Report: (i) the increase and diversification of preferential duty-free EU imports from least developed countries; (ii) the positive contribution to sustainable development, human rights and good governance; and (iii) no clear-cut effects on the environment.

It was mentioned that due to limited capacities, efforts have focused on the most extreme violations of social, human, and environmental rights in the beneficiary countries. It was

noted that the EU has more leverage in cases where the beneficiary countries are major exporters to the EU market.

**Presentation by the GSP Mid-Term Evaluation Team Leader (TL)** – (Available at: <http://trade.ec.europa.eu/doclib/html/156103.htm> )

The objective of the meeting was to present and receive feedback on the Final Interim Report. The following discussion points were highlighted:

- (i) *Progress to date*: The **TL** outlined the methodology employed in the economic, social, human rights, and environmental analyses, as well as the approach to the stakeholder consultation process. An overview of participation in and the results of the Online Public Consultation were provided, as well as a synopsis of stakeholder opinions in the four local workshops.
- (ii) *Preliminary Findings*: With respect to the **economic impact**, the **TL** presented an overview of import shares under EU tariff regimes, and analysed trade flows, tariffs, preferential margins and preference utilisation. Importantly, although there was a significant reduction of the number of beneficiary countries post GSP reform, the countries that have remained in the GSP have increased their exports to the EU. Additionally, beneficiary countries have also been utilizing their preferences more compared to the previous period. There has also been evidence of export diversification in countries benefiting from the Everything but Arms arrangement (EBA). More work will be carried out on the bilateral gravity model at the product level to further assess the impact of the GSP reform on current beneficiaries and graduated countries.

With respect to the **social, human rights and environmental impacts**, the **TL** noted that causality is difficult to establish as there are a range of domestic and international factors that can impact progress or regress besides the GSP. Nevertheless, an increased awareness for social development has been witnessed in the beneficiary countries. The GSP+ arrangement has had a positive impact on fundamental rights, which not only includes human rights but also civil and political rights. There have been modest environmental improvements in the four case study countries.

- (iii) *Project Timeline*: The Project Team will conclude all stakeholder interviews and meetings by September 29, 2017. Stakeholders were encouraged to send their contributions and comments on the Final Interim Report by October 12, 2017. It is anticipated that the Final Report will be submitted to the European Commission by the end of November 2017.

**Discussion Highlights / Questions and Replies**

The **European Commission** questioned whether the negative human rights and labour rights situation in Bangladesh is directly attributable to GSP.

The **TL** agreed that causal links cannot be proven in the scientific sense. The granting of EBA preferences has certainly not caused this situation, but the EBA preferences have significantly added to the growth of the industry, including its problematic observance of labour rights. In the case of minimum wage developments, it was expected that export growth and additional earnings would have propelled an increase or, at least, stability in the minimum wage in real terms. This has not been the case. Instead, there has been a decreasing level of wages in the readymade garment (RMG) industry over the last 7 or 8 years, despite massive export growth to the EU market.

The **European Commission** agreed that certain industries which are dominant exporters to the EU market are major contributors to environmental degradation. They inquired about the link between the environmental situation in beneficiary countries and whether any impact of GSP could be quantified.

The **TL and the environmental expert** agreed that as trade expands, there will be a greater impact on the environment (scale effect) because of increased use of energy and greater greenhouse gas emissions as well as toxic effluents. It was also noted that the impact is difficult to measure. It is certainly feasible to minimize some negative effects, e.g. through waste management, but countries are not very proactive. Most forms of environmental damage are costly to reverse and some are simply irreversible. Therefore development initiatives without consideration for the environment cause long-term damage.

The cost of inaction is much greater than the cost of waste management and clean technology. The higher costs would still leave considerable scope for net earnings from exports. If there is more leverage from buyers and other interests in the supply chain, then this will also encourage improvements in environmental management.

**Friedrich Ebert Stiftung (FES)** asked about the differences between preferential market access under the US and EU GSP Schemes with respect to Bangladesh.

The **TL** informed that comparisons between the US and EU GSP were outside the scope of the Evaluation. The **European Commission** pointed out that the US GSP did not cover textiles and was withdrawn immediately following the Rana Plaza incident.

**FES** also requested that more information be provided on the causal link between diminishing labour rights and the EBA scheme in Bangladesh. In their assessment, the fact that labour activists are afraid to sound their voices while the scheme puts more attention on them, should be grounds for noting that there is causality, even if indirectly.

The **European Commission** informed that a Sustainability Compact was launched with the Government of Bangladesh, intended to improve the current labour situation in Bangladesh. It is difficult to establish causality between diminished labour rights and the EBA arrangement. On the contrary, it is believed that the situation would not have been better without the EBA. The EBA draws attention to the inconsistencies and puts more pressure on the government to adhere to core labour standards.

**FES** further wondered about the participation of trade unions in the consultative process as only two trade union groups participated in the Online Public Consultation.

**Members of the Project Team** confirmed that only two trade union groups participated in the Online Public Consultation. However, there had been trade union participation in other consultative activities. This was especially the case in the workshop countries where bilateral meetings were convened. It was agreed that the participation of these trade union groups cannot be considered to be a representative sample due to the limited number of responses from selected countries only.

**Act Alliance** questioned how the economic, environmental and social aspects affect each other. They also questioned if there was a need for further monitoring in the beneficiary countries. Additionally, regarding the countries that have graduated from GSP, they were keen to find out about the tools that will be used in future.

The **TL** and the **environmental expert** noted that it is hard to identify the combined effects in a dynamic way. However, it is agreed that there is a connection. There is a strong linkage between increased economic activities and environmental impact. The link between the social and environmental aspects can be witnessed in issues related to property rights, land grabbing, and marginalized or indigenous groups seeking to assert their environmental rights.

The **European Commission** noted that there have been increased monitoring activities in the case of GSP+ and the more problematic EBA countries. There has also been increased monitoring by the European Delegations to the respective countries, as well as more frequent country visits.

The **European Commission** posed a question to the participants concerning the lack of participation in the Online Public Consultation in particular and in the Mid-term Evaluation in general.

In response to the European Commission, **FES** specified that they have participated in the Online Public Consultation, and they have also invited their country partners in Asia to participate. Nonetheless, the Asian partners found it easier to address specific questions via email rather than in the questionnaire.

The **Foreign Trade Association** stated that due to the high administrative fees to obtain GSP preferences, importers often refrain from applying for GSP preferences. FTA, however, could not specify to what the costs concretely related to. He admitted that such costs also applied to trade with partner countries in Free Trade Agreements. Additionally, **GIZ** noted that SMEs do not have the capacity to apply for preferences under the scheme.

The **Federation of the European Sporting Goods Industry** commented that their members, who import textile products from GSP countries, do not entirely take advantage of tariff reductions due to the rules of origin requirements. Textile production is becoming more technologically advanced and to comply with double transformation (for non-EBA countries) is more difficult compared with the single transformation applied to EBA beneficiaries.

**Koepel van de Vlaamse Noord-Zuidbeweging 11.11.11** queried the situation concerning countries that exited the scheme, and whether the GSP had a positive or negative impact on their general development.

The **TL** outlined that the impact of the GSP on countries that exited the scheme is still under evaluation. However, the overall impression reflects a continuous growth in exports. This can be seen as a positive effect as countries that graduated from the scheme are able to increase their trade without enjoying preferential access to the EU market.

The **European Commission** questioned whether there is evidence that beneficiary countries would prefer to exit the scheme rather than diversifying their exports. Furthermore, it was queried what would be the most adequate approach in case certain countries do neither have capacity to export nor to diversify. Finally, the European Commission suggested to further study diversification between higher and lower levels of disaggregation of HS codes.

The **Project Team** noted that diversification can be observed within specific sectors. The analysis has already been conducted at two levels (2-digit and 8-digit) and these analyses show largely similar outcomes. This is somehow a positive finding since it shows that differences across HS levels are not affecting the final results. The Herfindahl analysis, which focuses on the values involved, also supports a finding of limited diversification.

The **European Commission** further enquired about the drivers behind the small changes in the preference margins.

The **Project Team** responded that since the Doha Round has not yet been concluded, MFN tariffs have remained largely unchanged. This explains the relatively small changes in the preference margins between 2011-2013 and 2014-2016.

To conclude, the **European Commission** reiterated that high participation in the consultation process is desired and encouraged participants to motivate their professional network to contribute to the Evaluation.