

## Generalised Scheme of Preferences (GSP)

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### Trade unions call for a revised GSP which protects workers' rights

The current legal basis for the GSP, Council Regulation (EU) No 978/2012, will expire at the end of 2023. As such, the European Commission is now considering how to shape the GSP Scheme post 2023. With a draft proposal expected in Spring 2021, industriAll Europe sets out clear trade union demands which aim to improve the current system and increase the living and working conditions of workers worldwide.

#### Introduction

The objective of the EU's GSP is to support developing countries in their battle against poverty by creating jobs which respect labour and human rights. The GSP aims to do this by **removing import duties** from products from these developing countries into the EU.

The EU currently offers three schemes:

1. **Standard GSP** - low and lower-middle income countries: partial or full removal of customs duties on two thirds of tariff lines.
2. **GSP+** - vulnerable low and lower-middle income countries who implement **27 international conventions** related to human rights, labour rights, protection of the environment and good governance: cuts tariffs to 0% as a special incentive arrangement for sustainable development and good governance.
3. **EBA (Everything But Arms)**- least developed countries: special arrangement which provides duty-free, quota-free access for all products except arms and ammunition.

#### GSP Report (2018 – 2019)

The most recent [GSP Report \(2018-2019\)](#) states that the system is making a **positive difference** with imports from GSP beneficiaries increasing by 13.3% overall plus a number of countries graduating from the scheme either via entering bilateral preferential deals with the EU or maintaining a higher economic status. As such, at the end of 2019 there were 71 beneficiaries, 11 less than in the last GSP Report. The Report also highlights that pressure from European buyers, who insist on responsible supply chains, has led to countries such as Pakistan, Bangladesh, Myanmar, and Sri Lanka being **"keen" to meet international standards** on labour reforms and occupational health and safety. Furthermore, the Report notes that GSP+ countries have not only made progress in implementing the necessary 27 international conventions, but have all signed up to the **Paris Agreement**.

Although this is welcome news, there are still major concerns about the adherence to fundamental human and labour rights in **Bangladesh, Cambodia and Myanmar**, who the Commission describe as *"unwilling to address and engage on issues of concern"*. This is extremely worrying, and although the Commission is

attempting to tackle the issue via increased engagement, and in the case of Cambodia launched the temporary withdrawal of tariff preferences procedures, trade unions still call for an **increased effort to tackle these injustices** to ensure that the fundamental rights of these workers are fully respected.

## Obstacles and challenges

We encourage the European Commission and other EU stakeholders to work towards an **ambitious revision** of the GSP. **Capacity obstacles**, such as those highlighted in Pakistan, need to be tackled and the EU needs to be prepared to assist GSP countries in being able to dedicate enough finances to achieve various targets e.g. those set out in the Paris Agreement. As such, **EU policy coherence** across different policy arenas is vital.

The sensitivities and challenges of **sanctions** are clear, and agreement is needed on how to use these effectively. In other words, the EU needs to tackle the problem of how it effectively uses sanctions without punishing a large number of poor workers.

The economic situations of developing countries can change, and an agreement is needed on when a country graduates from the GSP scheme. For example, there is a need to continue the monitoring of labour rights if a country graduates to an FTA.

Finally, the GSP should not lead to the creation of a unlevel playing field, especially in terms of production costs. Instead, the GSP should be used to **avoid a race to the bottom** with regards to low wages. Furthermore, the increase of GSP beneficiaries' sustainability aims should be seen as a way **to level the global playing field** as EU producers already face high EU targets which require investment leading to higher production costs.

## Opportunities for co-ordinated EU approach

An ambitious revision of the GSP, via constructive **co-ordination between all EU decision makers and input from EU social partners**, is a real opportunity to establish a clear and fair EU approach to trade with developing countries. The European Commission's creation of the role "**Chief Trade Enforcement Officer**" has been welcomed by trade unions, and we can only hope that this is a positive sign that the Commission will increase its efforts to ensure fair international trade.

Co-ordination between GSP and other EU strategies should be improved. For example, with the European Commission proposing mandatory **Due Diligence** legislation this year (2021), the relevant Commission departments (DG Trade and DG JUST) should work together to ensure full EU policy co-ordination. Embedding due diligence demands into the GSP Revision would **increase the pressure on beneficiaries** to meet international standards on labour rights, while also **increasing EU companies' responsibility** to respect labour rights in their supply chains.

The GSP Revision could be a vital tool in **increasing working conditions for all workers** and trade unions maintain that workers' rights are human rights. The Revision could also be an excellent incentive for GSP beneficiaries to fully implement the **Paris Agreement** and this should be a requirement for all beneficiaries going forward. Finally, the Revision is also an opportunity to re-evaluate the system to ensure that it is **fair for both developing countries and EU producers** in more vulnerable sectors in the EU (e.g. TCLF sectors).

## GSP Revision: a chance to make a change

IndustriAll Europe believes that the GSP Revision provides an opportunity to establish an improved and balanced approach which helps developing countries in alleviating poverty by creating jobs, which respect international standards, while **not having a detrimental impact on EU industries and European jobs** (e.g. ensuring that Export Processing Zones (EPZ) are fully covered by the rules.

European trade unions would like to see a revised model which includes the important issues raised in the [EP Resolution \(2019\)](#) covering **transparency, sanctions, and monitoring of human and labour rights conventions as well as environmental standards**.

### Transparency

For GSP to be a real success story **increased transparency** is needed. All EU policy makers (aka the European Parliament as well as the European Commission) plus relevant stakeholders (including trade unions) should be included in the monitoring, investigation procedures and withdrawal processes. Furthermore, **allowing stakeholders access to key documents** such as assessments, scorecards and reports would not only improve the monitoring process, but would act as an incentive for GSP beneficiaries to meet their obligations. The current system of producing a **GSP report** every two years is neither frequent enough nor detailed enough for the relevant stakeholders. Finally, full transparency is needed on **complaints** especially due to the sensitivity of dealing with sanctions.

### Sanctions

The use of sanctions is clearly a sensitive topic and although these may be necessary in order to implement real change in reference to human rights and labour standards, it is essential that a **balanced basis is established** which aims to be both **swift and targeted** with the objective of leading to improvements in the specific area (whether environmental or labour related). Lessons must be learned from past sanctions, such as those against Cambodia under EBA, as well as by looking at non-European systems such as the United States-Mexico-Canada Agreement (USMCA) provisions on company-based sanctions.

### Monitoring

As trade unions, we remain extremely concerned about labour and trade union rights in some GSP beneficiaries. In particular, reports from **Myanmar** and **Bangladesh** where workers have been fired, imprisoned, and blacklisted for being unionised (although the latter has now reformed some laws making it easier to unionise) are very worrying and the situation facing workers clearly needs to be improved immediately. Monitoring is crucial in establishing whether labour rights are being respected and **official inspection systems** must be in place in each GSP beneficiary country which have the required capacity and is immune from corruption or coercion. Key stakeholders, including trade unions, can play a key role here and should be given a formal role in monitoring, including in **submitting petitions**.

The proposal should reflect the wealth of experience of civil society and social partners and should include previously supplied evidence from these stakeholders via consultations and GSP forums. Specifically, there

should be a **more formal role for trade unions** who should be able to make official complaints, as opposed to having to go through the ILO. This would ensure that workers and trade unions have a process to understand how their concerns have been taken forward.

## IndustriAll Europe's demands

Overall, industriAll Europe is calling for a more structured and transparent system with full EU policy coherence. As trade unions we stress that labour rights are human rights and that these must be protected. We also believe that trade unions can play a truly unique and beneficial role and we ask for them to be more involved.

### Concretely, we call for the following in the GSP Revision:

1. A more **structured and transparent system** with full **EU policy coherence**.
2. A **revised list of International Conventions** to be ratified by GSP and EBA beneficiaries including the **Paris Agreement**.
3. The full inclusion of human rights which include **labour rights**.
4. Increased focus on **gender rights** and the situation facing women due to the huge number of women working in the most relevant GSP sectors (e.g. textiles).
5. **Increased transparency** in monitoring investigative procedures and withdrawal processes.
6. The **ability to empower** those pressing for improvements with an increase in leverage.
7. **Increased access for stakeholders** (e.g. trade unions) to assessments, scorecards, and complaints.
8. An **improved complaints procedure** including the ability for trade unions to raise complaints on human and labour standards individually and not only via the ILO.
9. **Increased support for labour inspections** to take place, in an open and fair manner, with labour attaches in EU delegations providing assistance if needed.
10. A **balanced basis for sanctions** which aims to be both swift and targeted with the objective of leading to improvements in the specific area (whether environmental or labour related).
11. Increased assistance to enable GSP beneficiaries **improve in the necessary areas**.
12. An **updated product graduation provisions** which link the grading and withdrawal of the beneficiaries' products to the EU market to the compliance of certain conditions relative to fair and free trade.
13. A **review of safeguard measures** to ensure that fair trade is protected in the face of mass imports, produced through labour rights violations.

Finally, it should be understood that GSP is **not a trade only issue**. Increased focus on the topic is needed and we call on all relevant EU policy makers to review the role that they play in the GSP. For example, we call on GSP to be a standing agenda item for MEP delegation groups for GSP beneficiary countries.

## Conclusion

GSP could have a real impact in improving the living conditions in some of the world's poorest countries, either via adhering to fundamental human rights or by increasing environmental and sustainability standards. However, the revised system must be more structured and transparent, and the European Commission should include civil society and trade unions who could be truly beneficial in helping make a real positive impact on workers worldwide. International human rights, and therefore labour rights, are for all workers and a revised co-ordinated EU approach is needed to help those most vulnerable.