

Client Alert

International Trade

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New EU GSP regime: New Regulations Relating to Graduated Products, Beneficiary Country List and GSP Plus Procedures

I. Introduction

Following entry into force of the Regulation introducing the new EU Generalised Scheme of Preferences (GSP) regime – Regulation 978/2012¹ – the EU has recently adopted and published certain legal acts needed to implement and update the new regime. The new EU GSP regime will not replace the current GSP regime (and repeal the current GSP Regulation, Regulation 732/2008²) until **1 January 2014**. However, it is already being implemented and updated now as part of the EU's aim to ensure a more dynamic approach to the new EU GSP regime through regular reviews, while at the same time securing a stable and predictable GSP framework for economic operators.

The recently published implementing legislation for the new EU GSP regime involves the following areas:

- Establishment of the new list outlining suspension of tariff preferences (“**graduation**”) for **product categories from certain beneficiary countries** when the average import value exceeds certain thresholds;
- Introduction of **procedural requirements for GSP Plus status** applications; and
- Results from the **first annual review** of the GSP beneficiary list (featured in Annex II of Regulation 978/2012).

We explain these new legal acts in detail below. For more information about individual features of the new EU GSP regime, please see our previous alerts from [9 October 2012](#) and [31 October 2012](#).

II. Graduation of products

Under the new EU GSP regime, the EU will suspend preferences for a product section from a certain GSP beneficiary country when the average value of EU imports of these products from that country exceed 17.5% of the total value of EU imports of that product from all GSP beneficiaries for three consecutive years (14.5% for textiles and clothing).



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¹ [Regulation \(EU\) No 978/2012](#) of the European Parliament and of the Council of 25 October 2012 applying a scheme of generalised tariff preferences and repealing Council Regulation (EC) No 732/2008, [2012] OJ L 303/1.

² Council Regulation (EC) No 732/2008 of 22 July 2008 applying a scheme of generalised tariff preferences from 1 January 2009 and amending Regulations (EC) No 552/97, (EC) No 1933/2006 and Commission Regulations (EC) No 1100/2006 and (EC) No 964/2007, [2008] OJ L 211/1, as amended (see [latest consolidated version](#)).

The recently published list of product sections subject to such “graduation” under the new EU GSP regime shows that a wide variety of product sections have been graduated for **China**. Also, tariff preferences have been suspended for certain types of products imported into the EU under the GSP regime from **Costa Rica, Ecuador, India, Indonesia, Nigeria, Ukraine and Thailand**.³

The new list of graduated product sections will start to apply on **1 January 2014**, and remain valid until 31 December 2016. It is specified in the underlying GSP Regulation that the European Commission must review the graduation list every three years, so it can be expected that a new list will be prepared and adopted following review in 2016, and start to apply from 2017.

III. First annual review of GSP beneficiaries

To ensure that the new GSP regime focuses the EU’s duty preferences on those developing countries most in need, the European Commission must review the list of GSP beneficiary countries and remove preferences for those countries that no longer comply with certain criteria by 1 January of each year starting in 2013. One crucial criterion for GSP beneficiary status under the new regime is that a country must not have been classified by the World Bank as a “high” or “upper-middle income” economy for three consecutive years preceding the annual update of the GSP beneficiary list.

Following completion of the first annual review under the new EU GSP regime, the Commission has made the decision to remove **Iran and Azerbaijan** from the EU GSP beneficiary list based on their World Bank classification as upper-middle income economies in 2010-2012. This removal decision was featured in a recently published Regulation that entered into force on 22 February 2013.⁴ In order to allow these countries to adapt to the change, the removal decision will only apply from one year after its entry into force. As a result, Iran and Azerbaijan will no longer benefit from GSP benefits as of **22 February 2014**.

IV. Procedural requirements for GSP Plus status

The new EU GSP Regulation establishes the general requirements for granting special “GSP+” incentive status, allowing further tariff reductions for those GSP beneficiary countries that respect certain labour, human, environmental and good governance rights and rules. At the same time, it foresees the development of more detailed procedural rules to ensure transparency and predictability, especially with respect to deadlines and submission and processing of applications by developing countries seeking GSP+ status.

A new Regulation outlining procedural requirements for GSP+ status entered into force on **22 February 2013**.⁵ More specifically, this Regulation outlines **requirements for GSP+ applications** submitted by eligible developing countries, as well as **rules for the Commission’s processing and examination** of such submitted applications. The list of GSP beneficiary countries with GSP+ status on 1 January 2014 has not yet been published.

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³ [Commission Implementing Regulation \(EU\) No 1213/2012](#) of 17 December 2012 suspending the tariff preferences for certain GSP beneficiary countries in respect of certain GSP sections in accordance with Regulation (EU) No 978/2012 of the European Parliament and of the Council applying a scheme of generalised tariff preferences, [2012] OJ L 348/11.

⁴ [Commission Implementing Regulation \(EU\) No 154/2013](#) of 18 December 2012 amending Annex II to Regulation (EU) No 978/2012 of the European Parliament and of the Council applying a scheme of generalised tariff preferences, [2012] OJ L 348/1.

⁵ [Commission Delegated Regulation \(EU\) No 155/2013](#) of 18 December 2012 establishing rules related to the procedure for granting the special incentive arrangement for sustainable development and good governance under Regulation (EU) No 978/2012 of the European Parliament and of the Council applying a scheme of generalised tariff preferences, [2013] OJ L 48/5.