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The European Union's New Generalized System of Preferences Now in Effect

The reformed Generalized System of Preferences (GSP)[1] of the European Union entered into force on January 1, 2014.[2] Prior to the effective date, the EU published the lists of beneficiary countries for the different types of GSP arrangements.

The table below highlights the EU's new GSP arrangements.

THE APPLICABLE ARRANGEMENTS	THE COUNTRIES COVERED
EVERYTHING-BUT-ARMS (EBA) ARRANGEMENT The EBA Arrangement applies to 49 Least Developed Countries (LDCs). Products originating in these countries benefit from total duty and quota free access to the EU. Products originating in these LDCs cannot be graduated out of the EU's GSP, as can products originating in the countries benefiting from the general GSP arrangement (see below).	Africa (34): Angola, Burkina Faso, Benin, Burundi, Chad, Congo (DR), Central African Republic, Djibouti, Eritrea, Ethiopia, Gambia, Guinea, Equatorial Guinea, Guinea-Bissau, Comoros Islands, Liberia, Lesotho, Madagascar, Mali, Mauritania, Malawi, Mozambique, Niger, Rwanda, Sao Tome and Principe, Sudan, South Sudan, Sierra Leone, Senegal, Somalia, Togo, Tanzania, Uganda and Zambia. Asia (9): Afghanistan, Bangladesh, Bhutan, Cambodia, Lao, Myanmar/Burma, Nepal, Timor-Leste and Yemen. Australia/Pacific (5): Kiribati, Samoa, Solomon Islands, Tuvalu and Vanuatu. Caribbean (1): Haiti.
THE GENERAL GSP ARRANGEMENT The General GSP Arrangement applies to 31 low- and lower-middle-income countries, as determined by the World Bank's classification. The tariff preferences for products originating in these countries vary: (i) non-sensitive goods receive duty-free access; and (ii) sensitive goods are customs cleared at a duty rate 3.5 percentage points below the	Azerbajian, China*, Colombia, Cook Islands, Guatemala, Honduras, India*, Indonesia*, Iraq, Iran, Kyrgyzstan, Maldives, Marshall Islands, Micronesia, Nauru, Nicaragua, Nigeria*, Niue, Panama, Philippines, El Salvador, Sri Lanka, Syria, Tajikistan, Thailand*, Congo, Tonga, Turkmenistan, Ukraine*, Uzbekistan and Vietnam. **NOTE** Beginning on February 22, 2014, Azerbajian and

normal duty rate, except for textile products that benefit from a 20% duty reduction, i.e. they pay 80% of the applicable tariff. Certain competitive product sections can be graduated from the GSP—i.e., become excluded from GSP preferences.[3] Countries marked with an asterisk in the next column are subject to graduation of certain product sectors.	Iran[4] will be excluded from GSP benefits due to their World Bank Classification as upper-middle-income countries. China, Ecuador, Maldives and Thailand[5] will be excluded from GSP benefits beginning January 1, 2015, as they, too have been classified by the World Bank as upper-middle-income countries.
THE GSP$^+$ ARRANGEMENT[6] To become a GSP$^+$ country, countries benefiting from the general GSP arrangement must file a request and demonstrate that they satisfy certain additional conditions: (i) they must be “vulnerable” in that they have no diversified export base; and (ii) they must commit to sustainability and good governance through ratification of 27 conventions in relation for example to labor law or environmental protection. GSP$^+$ countries benefit from extended tariff preferences, usually a total suspension of *ad valorem* duties including for sensitive goods and textile products. Graduation of certain competitive product sections does not apply to GSP$^+$ countries.	Armenia, Bolivia, Costa Rica, Cape Verde, Ecuador, Georgia, Mongolia, Peru, Pakistan, Paraguay. **NOTE** A Commission proposal is currently being discussed to also grant GSP+ status to El Salvador, Guatemala and Panama. These countries have each made the request and, according to the Commission, meet the eligibility criteria.

The number of countries covered by the GSP has been almost halved as compared to the previous regime. The more than 80 countries that were excluded from coverage as of January 1 can roughly be divided into three groupings:

(i) the EU’s “OCTs” (overseas countries and territories such as Aruba and Bermuda) that already have preferential market access to the EU;

(ii) countries with other market access arrangements, such as a number Mediterranean countries or countries with which the EU has concluded Economic Partnership Arrangements; and

(iii) a number of high-income countries, such as Saudi Arabia and Kuwait.

The status of beneficiary countries—e.g. their World Bank classification, GSP+ eligibility criteria or graduation criteria—will be subject to regular review, and changes will be published in the Official Journal in advance of the actual entry into force of such changes. For example, the intention to remove China, Ecuador, Maldives and Thailand as beneficiary countries was published on December 31, 2013, and will apply as of January 1, 2015.

The GSP’s product coverage has largely remained the same, with a limited number of new products being added to it. This new GSP will apply from 2014 to 2023, but subject to the above-mentioned regular review.

The rules of origin that apply to determine whether products are entitled to the GSP preferences mentioned above are those that are set forth in Articles 66 to 97 of Commission Regulation 2454/93.

For more information about the topics raised in this Legal Update, please contact any of the following lawyers.

Paulette Vander Schueren
+32 2 551 5950
PVanderSchueren@mayerbrown.com

Madelein Perrick
+32 2 551 5948
MPerrick@mayerbrown.com

Duane W. Layton
+1 202 263 3811
Dlayton@mayerbrown.com

Endnotes

[1] Regulation 978/2012 (OJ No L 303 of 31 October 2012).

[2] For more information, see our May 11, 2011, Legal Update, "The European Commission Unveils Plans to Restrict the EU's General System of Preferences" available at http://www.mayerbrown.com/publications/The-European-Commission-Unveils-Plans-to-Restrict-The-EUs-General-System-of-Preferences-05-11-2011/.

[3] Regulation 1213/2012 (OJ No L348 of 18 December 2012) lists those product sectors that have been graduated from GSP for the period January 1,.2014 to December 31, 2016. The Regulation graduates most product sections for China, while graduating more limited product sections for India, Indonesia, Nigeria, Ukraine and Thailand. The Regulation also contained graduated sectors for Costa Rica and Ecuador, but since these have in the meantime become GSP+ countries, this graduation does not apply.

[4] Regulation 154/2013 (OJ No L48 of 21 February 2013).

[5] Regulation 1421/2013 (OJ No L355 of 31 December 2013).

[6] Regulation 1/2014 (OJ No L1 of 4 January 2014).