

The European Commission (EC) is [conducting public consultations](#) on EU's Generalized Scheme of Preferences (GSP) of granting tariff preferences to developing countries.

The EC has already launched its preparatory work in order to review its legal framework governing GSP through public consultations. The purpose of these consultations is to gather input on preparing a future proposal to the Council and Parliament for a regulation to replace the current GSP Regulation upon its expiry.

EU GSP and benefits to Indian exporters:

The EU's GSP grants unilateral tariff preferences to developing countries as a means of supporting their economic and social development, as well as promoting human rights, employment standards, sustainable development and good governance practices. The preferential tariff scheme allows developing countries to pay fewer or no duties on exports to the EU.

The EU GSP Regulation sets up three distinct arrangements, adapted to the needs of different categories of beneficiary countries: (i) **Standard GSP** for low and lower-middle income countries; (ii) **GSP+** a special incentive arrangement for sustainable development and good governance; and (iii) **Everything But Arms (EBA)** a special arrangement for least developed countries (LDCs).

India is granted benefits under the Standard GSP and the list of products eligible for preferential tariff for exports from India are listed in Annex V of the EC Regulation 978/2012. These include both agricultural and industrial products but, the coverage of agricultural products is limited since the EU has identified many agricultural products as sensitive. Further, this list of products is reviewed periodically, and certain products are excluded because the average value of imports into the EU of such products from the beneficiary country exceeds the threshold laid down under the EC Regulation 978/2012.

On February 12, 2019, the EC Regulation 249/2019 specifically excluded the following products from India *viz.* inorganic and organic chemicals, textiles, pearls and precious metals, iron, steel and articles of iron and steel, base metals (excl. iron and steel), articles of base metals (excl. articles of iron and steel), railway or tramway locomotives, rolling-stock, motor vehicles, bicycles, aircraft and spacecraft, ships and boats, from receiving GSP benefits for the 2020 – 2022 period.

Currently, the EU GSP Scheme grants preferential tariff to India for products such as

Animals and their products	Processed food	Wood articles
Dairy products	Wines and spirits	Apparel and clothing accessories
Marine products	Tobacco products	Footwear, headgear, umbrellas
Plants	Mineral fuels, mineral oils and products of their distillation	Glass
Fruits and vegetables	Pharmaceutical products	Ceramics
Coffee	Some fertilizers	Nuclear reactors, boilers, machinery and mechanical appliances
Spices	Plastics	Optical, photographic, medical or surgical instruments and apparatus
Oilseeds	Rubber	Watches; musical instruments
Vegetable oil	Leather articles	Furniture
Toys & games	Miscellaneous manufactured articles	

The current regulation governing EU's GSP expires on December 31, 2023. Subsequent to the consultations the EC intends to review and revamp its GSP system which may lead to changes with respect to the benefits granted to India and other developing countries.

Consultation Process, Timelines and Relevance for Indian exporters:

EU's public consultation process provides industry stakeholders, governments, non-governmental organizations, think-tanks and other stakeholders a unique opportunity to present their views and experience regarding the EU's GSP system. The findings of the consultation will be relevant to the preparatory work, including an Impact Assessment on possible policy options.

Interested parties may participate in the public consultation by responding to an online questionnaire (which is accessible post [registration](#)), but also allows for position papers that go beyond responses to the questionnaire.

The key issues addressed in the public consultation questionnaire include the following:

- Compliance with GSP Scheme,
- Withdrawal of GSP benefits,
- Beneficiary countries granted preference,
- Product coverage of GSP and other preferences,
- Product graduation,
- Country graduation, etc.

It would be beneficial for Indian stakeholders that use and benefit from the EU GSP Scheme to participate in the public consultations.

The last date for participating in the public consultation process is June 3, 2020 (midnight Brussels time).

NEXT STEPS:

India is one of the largest GSP beneficiary countries comprising of at least 25% of EU's GSP imports. Businesses that benefit from the EU GSP regime may consider participating in the consultation process to present their views and position papers on issues that matter to them. In addition to this, businesses may consider:

- Identifying industry-specific issues warranting the continued need for GSP benefits and preparing a position paper highlighting industry-specific needs, particularly structure of the SMEs and MSME, their export-competitiveness and geo-political issues.
- Liaising with the relevant ministries within the Government of India (**Gol**) and apprise the need for meaningful consultations with the EU on the interests of Indian exporters. This is important as many of the issues under the public consultation would require G2G discussions.
- Organizing stakeholders discussions with various industry associations including [the Council of EU Chambers of Commerce in India \(EU Chambers\)](#), CII, FICCI and such other business and diplomatic associations, identify common and industry-specific issues, and present position paper to the EU through these fora. The position papers may articulate the need for continuing the GSP regime, particular difficulties faced by the relevant industries in India (whether economic and social) and how a preferential tariff regime would be helpful in resolving these difficulties

In the meantime, should you require any information or clarification with respect to participating the public consultation process, please do not hesitate to contact us at insights@elp-in.com

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