

## Summary of the GSP Hub Stakeholder Forum

Charlemagne Building and online through Webex

29 September 2020, 14:00 – 17:00

The GSP Hub Stakeholder Forum was held at the Charlemagne Building and online through Webex on 29 September 2020. The half-day event was designed to engage in dialogue and build relationships with GSP stakeholders. Furthermore, the Forum aimed at assessing the impact of the Covid-19 pandemic on trade under GSP, engaging business to benefit from the scheme of preferences, and involving civil society in the European Commission's monitoring of the effects of the GSP.

The Stakeholder Forum brought together 30 stakeholders at the Charlemagne building and 118 online participants from government, industry, and civil society. Notably, several representatives of GSP beneficiary countries' diplomatic missions were in attendance, as well as public authorities from EU Member States, Members of European Parliament, Commission personnel, international governmental organisations, and senior business and civil society representatives.

The Stakeholder Forum provided participants with the opportunity to learn more about the GSP Hub Project and gain insights from other GSP stakeholders during three Roundtable debates. Altogether, fifteen panelists were invited to share their views on the potential of the GSP to support a post-COVID recovery, further potential for the GSP in Africa, as well as opportunities in Central Asia. Representatives from the European Commission and the Project Team shared aspects on the current trade and values agenda and background information on the GSP Hub Project, including on the Project's objectives, current project activities, preliminary findings of the stakeholder survey and demonstration of the dedicated project website.

### Main points of the discussion

**Opening remarks – Ms Ewa Synowiec**, Director of Directorate C, Africa, Caribbean, and Pacific, Asia (II), Trade and Sustainable Development, Green Deal

As reported in the joint biannual report of the European Commission and the EEAS from February 2020, the EU's GSP is a highly effective instrument both in terms of fostering trade but also through the connection to international values. The GSP Action Project follows the Mid-term Evaluation of the current GSP regulation which *inter alia* concluded to enhance inclusiveness, transparency, and engagement of stakeholders on the GSP, both in terms of leveraging business opportunities as well as promoting international sustainability standards.

**The Action on GSP Trade Preferences Project – Dr. Willem van der Geest**, Team Leader, and **Mr Matthew Langdon**, Programme Manager

The Action on GSP Trade Preferences aims at enhancing transparency, supporting the monitoring activities, and enhancing the engagement of different stakeholders, including business, public officials, and civil society. The 24-month project was kicked off in January 2020. Current Project activities include a stakeholder survey, social media outreach, PR brochure and handbook, a dedicated project website as well as a number of events both in Europe and beneficiary countries, with the first beneficiary country workshop taking place in Mongolia on 28 October 2020. One key pillar of the Project is to create opportunities for different stakeholders to join the conversation on the commitment to trade and sustainable development. The dedicated Project website (<https://www.gspclub.eu/>) will bring together some of the core tools created under the Action, including beneficiary country overviews, a business engagement forum and the monitoring database.

### Roundtable 1: How can GSP support a post-Covid recovery?

**Introduction – Ms Shada Islam**, Independent Commentator, Advisor, and Analyst

The Covid-19 pandemic led to economic devastation and severe drops in exports all over the world. It can be characterised as the biggest shock to the global economy in decades. Trade will be an important driver of

economic recovery. Here, the GSP is an important tool that will need to be exploited further and used in a more efficient and streamlined manner.

**Statement - H.E. Mr Zaheer Aslam Janjua**, Ambassador of Pakistan to Belgium, Luxembourg and the EU

Like other developing countries, Pakistan has been severely affected by the pandemic and experienced declines in production and exports that can be attributed to disruptions in supply chains, withholding or cancellation of orders, shrinking consumer demand, payment delays, as well as partial suspension of port operations and other transportation infrastructure. Next to domestic action, the pandemic requires enhanced international cooperation, especially through trade. In this regard, the GSP with its comprehensive approach can contribute significantly to the economic recovery following Covid-19. Tangible measures are needed as part of the GSP+ to fully support beneficiaries in their post-Covid recovery, including a dedicated dialogue between the EU and beneficiaries to address the declines in export, such as through technical assistance, investment in the export sectors of the beneficiaries, and exploring ways to further simplify EU import requirements.

**Statement - Ms Anna Cavazzini**, MEP & Shadow Rapporteur on GSP (Group of the Greens/European Free Alliance)

It became evident during the pandemic that the weakest were most affected by the pandemic, both in industrialised and developing countries. Sector-wise, the garment and fashion industry suffered from disrupted supply chains and cancellations. While overall the GSP is very well suited to support the economic recovery in beneficiary countries, problems persist with the current GSP regulation. First, the GSP can coincide with negative impacts, for example human rights violations in export sectors. Second, the environmental perspective needs to be more strongly enshrined in the regulation. Third, the Mid-term Evaluation suggests that export diversification remains a key challenge which needs to be addressed to help poorer countries move towards higher value-added production segments.

**Statement - Ms Luisa Santos**, Deputy Director General, Business Europe

Trade is a key pillar for the economic recovery of both developing and developed countries. While trade is an important factor of economic development, it needs to be ensured that this development occurs in a more sustainable way in the future. This needs to be more strongly reflected in the GSP regulation, for example by adding the Paris agreement to the set of covered conventions and by addressing the need for economic diversification through a more targeted approach to product coverage and graduation. BusinessEurope strongly believes in open borders and free trade as avenues that lead out of the crisis.

**Statement - Mr Seán Kelly**, MEP & Shadow Rapporteur on GSP (Group of the European People's Party - Christian Democrats)

In a post-Covid recovery, increasing the use of the GSP and EU investment, as well as promoting international sustainability standards is very important. Trade will be an essential factor in the global recovery, as evidence suggests that countries which are open to international trade tend to grow faster, innovate, increase their productivity and are placed better to provide income and opportunities to their populations. The EBA, GSP and GSP+ are good tools to support economic growth in the aftermath of the pandemic in less well-off countries and will help the creation of more sustainable business models in beneficiary countries.

**Statement - Ms Marie-Dominique Parent**, Deputy Regional Representative a.i. at Office of the United Nations High Commissioner for Human Rights – Europe

The impact of the pandemic is felt along the whole spectrum of human rights. There are observations that the pandemic increased systemic discrimination, the silencing of dissenting voices and whistle-blowers as well as induced a rise in disinformation and hate speech. The pandemic has exposed injustices at the global level as well as deeper inequalities within countries. Poorer countries face collapse in trade, falling remittances, and capital flights which narrows the fiscal space of governments to deliver on their commitment to social, political,

and economic rights. In this context, the GSP+ is a helpful scheme to incentivise the implementation and ratification of core human rights conventions and to steer the recovery in a truly sustainable manner.

**Statement – Ms Marva Corley-Coulibaly**, Senior Economist at the ILO Research Department

The pandemic had a severe impact on the labour market, about 500 million jobs have been lost since the beginning of the pandemic. The pandemic puts a particular risk on the most vulnerable groups in societies including women, children, and migrant workers. Likewise, we face risks on backtracking progress made in critical areas such as the elimination of forced and child labour and other violations of labour rights. It is important to identify challenges together with international partners and to leverage the strengths of the different stakeholders in the monitoring and reporting process. In this regard, the GSP can be a very helpful tool for a post-Covid recovery, both in terms of economic recovery and in continuing to improve the adherence to labour standards.

### Q&A Session

**Question - M Jahirul Quayum**, Counsellor Commerce, Embassy of Bangladesh

How do we improve the vulnerability of countries that are reliant on the textile sector? How can we ensure that during a second phase of Covid-19, beneficiaries are not re-exposed to their vulnerabilities through order cancellations and late payments once more?

**Statement - Anna Cavazzini**: In the mid-term, the new due diligence regulation will remedy some of the problems that occurred during the pandemic. Nonetheless, the European Commission should play a stronger role in coordinating with EU companies to avoid unfair cancellation policies and to better address the unfair balance of the buyer-supplier relationship.

**Statement - Seán Kelly**: While hopefully the second wave will have the same devastating impact, some lessons were learned, and similar mistakes will need to be avoided. Both the European Commission and the Parliament will work together to ensure that a second wave will not have the same impact on the most vulnerable countries as the first wave.

**Statement - Luisa Santos**: Business currently still face pressure with consumption and layoffs in Europe. If policy makers put too much of the burden on companies, there is the risk that companies leave those vulnerable countries all together, which is in nobody's interest. Thus, obligations on the side of the companies need to be balanced. While companies are willing to cooperate, they are not willing to replace the role of governments.

### Roundtable 2: The relevance of GSP For Africa, is there a scope for its better use?

**Introduction – Ms Annie Mutamba**, Managing Director, Meridia Partners

There are 38 GSP beneficiaries on the African continent, which represent 70% of all countries on the entire continent, still less than 5% of all GSP imports come from Africa. While textile and garments are the most prominent sectors under the EU's GSP, the African continent is not particularly competitive in these sectors. Future opportunities rather lay with processed foods. With its new Africa Strategy, the EU is currently revamping its relationship with the African continent and African leaders press forward with their own trade policy agenda.

**Statement – Mr Escipión Joaquín Oliveira Gómez**, Assistant Secretary General for Sustainable Economic Transformation and Trade, Organization of African, Caribbean and Pacific States

One of the most important aspects under the GSP is the aspect of diversification. In order to allow for further diversification, which is of particular relevance in these times, the GSP should include a higher level of flexibility in terms of environmental standards. Another barrier is the limited opportunity of cumulation under the Everything but Arms (EBA) arrangement. The GSP should include a simplified procedure that allows the most

vulnerable countries to cumulate Rules of Origin (RoOs) with their non-LDC neighbours. Such an arrangement should be stable and predictable to incentivise long-term investment in these countries.

**Statement – Mr Helmut Scholz**, MEP and Shadow Rapporteur (Group of the European United Left - Nordic Green Left)

The majority of the African countries benefit from the EBA arrangement, which grants beneficiaries tariff free access to the EU market. If this arrangement is not sufficient to lift Least Developed Countries (LDCs) out of poverty, the EU and other international partners need to explore other routes that go beyond tariff suspension. The GSP+ scheme should be more strongly promoted on the continent, as it requires larger efforts from governments in terms of adherence to international values compared to free trade agreements. Future potential is offered by intra-African trade and a strengthening of the manufacturing sector. As the EU's GSP only addresses inbound trade flows to Europe, a policy shift is needed away from the unidirectional trade towards a more comprehensive approach to support the building of intra-African value chains.

**Statement – Mr Francisco Mari**, Senior Policy Officer for World Food Matters, Agritrade and Maritime Affairs representing CONCORD

The GSP has advantages compared to bilateral agreements, as it does not pressure poorer countries to liberalise their markets. However, the positive aspects of the GSP are not that applicable to the agricultural sector as mainly raw products are being exported. Currently, we observe efforts for regional economic integration on the African continent. The GSP poses a threat to this integration as it splits the continent into different economic zones offering different tariffs and regulations to different countries. With the African continental free trade zone entering into force on 1 January 2021, the EU should take this opportunity to offer only one trade scheme, which should be similar to the GSP+, to the entire continent. This would not only be a strong signal of support to overcome the economic threats posed by the pandemic but also support the building of an internal market.

**Statement – Mr Ralph Kamphöner**, Director, Confederation of the German Textile and Fashion Industry

While the current GSP is the EU's best scheme so far to incentivise imports from beneficiaries, including from Africa, there is a scope for more. The GSP should not be conceived as an incentive to the exporter but as an incentive to the importer. In order to influence the sourcing patterns of EU companies, there are three big criteria that are highly important. It needs to be simple, reliable, and predictable to be attractive for international business. In addition, the functioning of the GSP scheme could be further improved, especially for African beneficiaries, if there was a better cooperation between the different institutional stakeholders on GSP, namely DG TRADE and DG TAXUD, which both have different responsibilities when it comes to the scheme.

## Q&A Session

**Question – Annie Mutamba:** What is the relevance of GSP for Africa? How can we make the GSP more relevant? If there was one single element within the GSP to make it more in tune with the reality of African markets, what would it be?

**Statement - Helmut Scholz:** The GSP must be more strongly linked to national and regional development objectives on the continent. The GSP must address a double challenge; it must take into account challenges of both economic and demographic/social development in African countries. Relevant stakeholders must cooperate to address these challenges in order to provide economic opportunities to growing populations in African countries.

**Statement - Escipión Joaquín Oliveira Gómez:** Trade with the African continent is very important. In order to increase competitiveness, rules need to be flexible in order to support the creation of value chains in Africa. While it is very important to incentivise countries to integrate into the global trade system, countries in Africa still require support to transform their local systems. Supporting intra-African trade should be the first priority supporting countries to enter trade relations with external partners.

**Statement - Ralph Kamphöner:** It is important to support local infrastructure and trade facilitation. Particularly land-locked countries face challenges as trade with the EU then involves long transport chains and border crossings within Africa. These currently go along with long waiting times and a number of bureaucratic requirements which complicates EU-African trade relations. Thus, conditions on the ground need to be improved in order to fill the GSP with life.

**Statement - Francisco Mari:** Different trade arrangements with different African countries, even within similar economic zones, do not support the regional integration of African countries. These different arrangements have different implications in terms of Rules of Origin and tariffs which are of big concern. One common trade scheme for all African countries would simplify procedures and, if connected to international conventions, could further promote international values.

### Roundtable 3: GSP and Central Asia: How can EU Tariff Preferences promote sustainable development?

**Introduction – Ms Iana Dreyer,** Founder and Chief Editor, Borderlex.eu

Trade with Central Asia is still dominated by minerals, oil, gas, and gold. In terms of the GSP, the history in Central Asia is not that long and a number of countries only integrated into the global trade system more recently.

**Statement - H.E. Mr Muktar Djumaliev,** Ambassador of the Kyrgyz Republic to the Kingdom of Belgium

Compared with other GSP arrangements, EU's GSP+ scheme is a rather special instrument as it incentivises pro-democratic reforms. In Kyrgyzstan it is understood as a scheme that recognises the past achievements and ongoing ambitions of the country in terms of political and economic reforms. In economic terms, trade between Kyrgyzstan and the EU increased almost ten-fold after the accession to the GSP+ scheme. However, the main export to the EU is gold, which accounts for 90% of overall trade with the EU. Thus, only a small share of exports enjoys economic benefits from the GSP+ such that the political advantages of the scheme currently predominate. Kyrgyz businesses have taken steps to ensure compliance with the current regulation and have adjusted their production accordingly, thus, a future regulation must ensure continuity and stability.

**Statement – Mr Boris Iarochevitch,** Head of Division, Central Asia, EEAS

Central Asia evolves at its own rhythm and the EEAS tries to accompany ongoing developments through the new strategy on Central Asia, which was issued last year. This strategy builds on three pillars: resilience, prosperity, and regional cooperation. The GSP is an important tool in the catalogue of different types of cooperation with the region, which also include enhanced engagement agreements, bilateral assistance, and the human rights dialogue.

**Statement – Mr Stuart Newman,** Senior Legal Advisor – Trade & Customs, Amfori

Uzbekistan, with its textile and garment exports, is an exception to Central Asian beneficiaries, which predominantly concentrate on exports of raw materials. Imports from Uzbekistan increased in recent years, following the country's efforts and improvements in the cotton sector, particularly with regards to condemning forced and child labour. This shows the importance that beneficiaries fully exploit the benefits and obligations under the GSP, especially the social implications. The Central Asian countries do have further potential to increase their exports to the EU, but they will need to further diversify their production methods and, for example shift towards consumer products or high-end clothing.

**Statement – Mr Ryszard Komenda,** OHCHR Regional Director for Central Asia

The Covid pandemic has highlighted substantial risks on the protection and implementation of human rights in Central Asia. The OHCHR has observed inter alia an increased risk of gender-based violence, but also shrinking civic space, limitations to freedom of speech and freedom of assembly. Furthermore, problems persist with the registration of NGO's, discriminatory practices by age and gender as well as low levels of women in public positions. GSP+ offers an opportunity to Central Asian beneficiaries to accelerate advanced human rights standards and to improve their domestic legal and political system in accordance with

international human rights conventions. The GSP can be a particularly effective tool in that regard as it comes with larger leverage on governments compared to the UN Human rights mechanism.

**Statement – Mr Philippe Dam**, Advocacy Director for Europe & Central Asia, Human Rights Watch

Some positive developments can be observed in Central Asia with the appointment of new leaders, while promises of reform in these countries still have to materialise. Kyrgyzstan is one of the positive examples in the region and has a good record in overall adherence to fundamental human rights. Here, the EU human rights dialogue and the GSP+ scheme are valuable tools to address and resolve remaining issues. In order to ensure an effective GSP+ scheme in the future, a number of conventions should be added to the covered conventions, including some optional protocols. In addition, the EU should better assess decisions, opinions, and rulings by UN and ILO monitoring bodies and establish and monitor a system of benchmark indicators to ensure transparency of the monitoring of beneficiary countries. Furthermore, the EU should make use of the option to temporarily reinstate tariffs if needed and should consider the establishment of a complaint mechanism, similar to the United States' GSP arrangement.

**Closing Remarks**

**Closing remarks – Ms Ewa Synowiec**, Director of Directorate C, Africa, Caribbean, and Pacific, Asia (II), Trade and Sustainable Development, Green Deal, Directorate-General for Trade of the European Commission

This Stakeholder Forum kicks off a series of inclusive events with different GSP stakeholders, and already today there was substantial input for future deliberation. This includes the aspect of diversification, which was a prominent aspect during the discussions of both regions. Furthermore, the discussion highlighted the relevance of rules of origin and option of cumulation, which should be further clarified and addressed in future debates. It became evident during the discussion that in order to enhance the trading capacity of beneficiary countries, it will be important to assess and improve conditions on the ground to enhance ability to make use of the granted benefits under the GSP. Looking forward, it will be important to strengthen the links between the GSP and sustainable development even more. Continued engagement by all GSP stakeholders is very much encouraged in order to make the GSP regulation working for all beneficiary countries.