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# Global Trade News Alert
Five countries to be removed from list of GSP beneficiary countries

The Delegated Regulation (EU) 2018/148, which repeals the beneficiary status of five countries benefitting under the generalized scheme of preferences (GSP) for developing countries, became effective on 31 January 2018.

## Background of GSP

Since 1971, the European Community has unilaterally granted concessions in the form of tariff preferences to developing countries to provide these countries easier access to the EU market. This preferential treatment is designed to facilitate a country's development by creating the possibility for the county to generate additional revenue through international trade.

The current EU rules granting GSP tariff preferences to certain countries (GSP beneficiary countries) are established in Regulation (EU) 978/2012. The GSP provides for reduced or zero duty rates for products originating in these countries. The regulation distinguishes three categories of beneficiary countries, each category providing increasingly preferential treatment:

1) The general arrangement for GSP beneficiary countries;
2) A special incentive arrangement for sustainable development and good governance, available to GSP beneficiary countries that meet additional criteria ("GSP+" beneficiary countries); and
3) A special arrangement for the least-developed countries ("Everything But Arms" (EBA) beneficiary countries).

A country will lose its beneficiary status within the GSP upon certain triggering events. A country can lose its status as a

GSP beneficiary country when the country has been classified as a high-income or an upper middle-income country by the World Bank for three consecutive years. In such a case, the country has one year (from the date the decision to repeal the status becomes effective) to adapt to its loss of status.[1] A country also can lose its status as a GSP beneficiary country where the country benefits from another preferential market arrangement that provides the same or better tariff preferences as the GSP. The country then has two years (from the date it applied to benefit from the other preferential market arrangement) to adapt to its loss of status.

If a country is a GSP+ beneficiary country in addition to being a GSP beneficiary country, it also automatically ceases to be a GSP+ beneficiary country when it loses its GSP beneficiary country status.

EBA beneficiary country status is granted to a country when it has been identified as a least-developed country by the United Nations (UN). Therefore, an EBA beneficiary country will lose its beneficiary country status when the UN graduates the country from the least-developed country category. If this happens, a country has three years after the EC delegated regulation that confirms the loss of status enters into force to adapt to its loss of status.

### Delegated Regulation 2018/148

The European Commission closely monitors whether any of the events that could lead to countries losing their beneficial status under the GSP have occurred and, if so, the countries are removed from the relevant list through a delegated regulation. Delegated Regulation (EU) 2018/148 repeals GSP beneficiary country status of Ghana, Ivory Coast, Paraguay and Swaziland as from 1 January 2019. The GSP+ beneficiary country status of Paraguay also is repealed. Furthermore, both the GSP beneficiary country status and EBA beneficiary country status of Equatorial Guinea will be repealed as from 1 January 2021.

Paraguay was been classified by the World Bank as an upper-middle income country in 2015, 2016 and 2017, so it no longer qualifies for GSP beneficiary status. Ghana, Ivory Coast and Swaziland have preferential market access arrangements that started to apply in 2016 (10 October, 3 September and 15 December, respectively). Equatorial Guinea was removed from the EBA list because the country no longer qualifies for EBA beneficiary status since it is no longer considered a least-developed country by the UN and the country has been classified by the World Bank as a high income country in 2015

[1] After the decision is made to remove a beneficiary country from the list of GSP beneficiary countries, the country and the economic operators involved are given a period to prepare for the removal. In that period, the countries still have GSP(+) status and the preferential GSP arrangement benefits still may be claimed, but then the benefits cease to apply.

and as an upper-middle income country in 2016 and 2017. Therefore, the country no longer qualifies for GSP beneficiary country status.

### Comments

Companies importing products into the EU from the five countries whose beneficiary status under the GSP is repealed may see an increased customs duty burden as per 1 January 2019 or 1 January 2021, depending on the country of origin.

Companies should assess the impact of these changes and, should the impact be substantial, explore alternatives, such as different sourcing and potential valuation options available under the relevant customs legislation.

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