❖SPC&B Update❖

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Upcoming Changes to EU's GSP Program

Recently, the European Union (E.U.) amended its Generalized System of Preferences (GSP) program. The new program, which will go into force on January 1, 2014, will:

1. Impose new eligibility criteria which will significantly reduce the number of countries eligible for GSP by removing high and upper-middle income countries from the preference scheme and focus trade benefits on lower income countries;
2. Eliminate GSP eligibility for countries which have an alternative free-trade agreement or arrangement with the E.U.;
3. Suspend and/or terminate certain tariff preferences for textile and apparel products; and
4. Amend GSP+ eligibility.

<u>1. Eligibility Criteria</u>

Under the new program, countries whose per capita income has been higher than $4,000 USD for four straight years will not qualify for GSP preferences. Consequently, the number of countries eligible for GSP is reduced from nearly 180 to less than 80. Countries which will no longer be eligible for GSP benefits include Argentina, Brazil, Kuwait, Russia and Saudi Arabia. While the People's Republic of China will remain eligible for GSP benefits, it is anticipated that most of its products will be partially or entirely graduated out of the program under the new regulation.

<u>2. Free Trade Agreements and GSP</u>

Countries that enjoy preferences under free trade and other arrangements with the E.U. will no longer also be eligible for GSP since they enjoy market access through non-GSP means. Countries impacted by this change include Mexico and Peru.

<u>3. Suspension and/or Elimination of Benefits for Textile Products</u>

The new E.U. GSP program will suspend and/or terminate preferences for textile and apparel products for a given GSP country if:

(a) Imports of such products from that country increase by at least 13.5% compared to the previous year, or

(b) Imports of certain specified textile and apparel products from that country exceed 6% of total E.U. imports of those products.

Additionally, preferences for textile and apparel products overall will be terminated if the share of imports of textile and apparel products from all GSP countries exceeds 14.5% of the E.U.'s total imports of textile and apparel products.

4. GSP +

Under the amended GSP program, in order to qualify for GSP +, exports from a given country must account for less than 2% of the EU's total GSP importations and the country will have to sign, ratify and effectively implement certain designated human rights and sustainable development conventions. Only three countries — Pakistan, the Philippines and Ukraine — will qualify for such GSP+ duty-free treatment.

If you have any concerns regarding the European Union's GSP or other trade preference arrangements, please contact Alli Baron at abaron@spcblaw.com or Donna Shira at dshira@spcblaw.com or call us at 212-425-0055.