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CONTENT

Mid-term evaluation of the GSP scheme of the **European Union**

The European Union (EU) is currently carrying out the Mid-Term Evaluation of its GSP scheme as implemented in 2014. In accordance with the EU Regulation implementing the current GSP scheme, the European Commission (EC) was to submit a Mid-Term Evaluation Report on the operation of its GSP to the European Parliament and to the Council five years after the GSP Regulation's entry into force in 2014. This Mid-Term Evaluation is expected to assess the operation of the GSP in light of its objectives. Its conclusions would be taken into account for the design of the next GSP.

This Mid-Term Evaluation follows a significant reform undertaken in the EU GSP scheme that came into effect on 1 January 2014. Implemented through Regulation (EU) 978/2012, the major changes introduced into the EU GSP scheme were aimed at accomplishing essentially three objectives: (1) to better focus GSP benefits on countries in need; (2) to further promote core principles of sustainable development and good governance; and (3) to enhance stability and predictability. While the previous EU GSP scheme had to be renewed every three years, the reformed EU GSP scheme was to remain in place for ten years.

That reform in itself came after a comprehensive review by the European Commission, conducted in 2010-2012, of the impact of the then-existing EU GSP scheme and internal consultations regarding the future direction of the EU preferential scheme. These exercises found that the previous two decades had seen the emergence of advanced developing countries, which were among the major beneficiaries of the EU GSP scheme even as they had become globally competitive, whereas there remained many poorer countries that continued to lag behind. Hence, the need for streamlining the use of GSPs and targeting such benefits to those countries most in need was seen as a more pressing priority. The stated goal of the reformed EU GSP scheme, then, was to refocus GSP benefits on those countries most in need while reducing benefits provided to countries that have become globally competitive. This was meant to be achieved by changes to the following parameters:

ELIGIBITY CRITERIA

Under the current scheme, the 177 beneficiary countries that originally received GSP benefits have been reduced to 90 (as of 2016) to ensure more focused impact on countries most in need. The following types of countries have lost GSP benefits under the current eligibility criteria:

(i) 33 Overseas countries or territories (OCTs) that are under the administration of the EU or other developed countries and have alternative trade arrangements for accessing the EU market (e.g. Gibraltar lost its eligibility because it is under the administration of the United Kingdom of Great Britain and Northern Ireland);

(ii) 34 Countries that have free trade agreements (FTAs) with the EU, other preferential market access arrangements, such as Economic Partnership Agreements (EPAs), or other special autonomous trade regimes, such as for Western Balkan countries (e.g. Ukraine will lose its benefits in 2018 because it enjoys preferential market access to European markets under the Deep and Comprehensive Free Trade Agreement). LDCs are not subject to this exclusion; and

(iii) 20 countries and territories that were classified as "high-income" or "upper middle-income" countries for the past three years as defined by the World Bank based on Gross National Income (GNI) per capita (e.g. Saudi Arabia lost GSP benefits because it was classified as a high-income country for the three years prior to 2014, and Cuba lost GSP eligibility because it was classified as an upper middle-income country for the previous three years).

Though currently stripped of their former GSP benefits, countries in categories (ii) and (iii) will remain eligible to reapply for GSP benefits if they either lose the benefits associated with the other preferential trade programme, or lose their status as high- or upper middle-income countries.

During 2016-2017, 23 countries benefitted from the standard GSP, and 10 benefited from GSP+, 49 benefit from EBA.

GSP+ REGIME

The EU's GSP+ scheme provides "vulnerable" countries mostly duty-free imports for all goods covered by the GSP. The programme also aims to promote sustainable development and good governance by requiring beneficiaries to meet certain conditions related to these goals in order to receive deeper preferences under the scheme.

The reforms introduced to the GSP+ programme have the stated objective of making it more accessible for vulnerable developing countries, and to strengthen the Commission's enforcement of GSP+ conditions. As a result, the current GSP+ scheme covers 9 beneficiaries (Armenia, the Plurinational State of Bolivia, Cape Verde, Kyrgyzstan, Mongolia, Pakistan, Paraguay, the Philippines and Sri Lanka most recently).

The requirements to qualify for GSP+ have undergone some changes via these reforms. Mainly, the vulnerability criterion stipulates that a country must be considered vulnerable due to a lack of diversification. While under the old regime, a country was deemed to meet this criterion if its GSP imports into the EU represented less than 1 per cent of the total value of imports into the EU under GSP, the 2014 reforms have relaxed this requirement to 2 per cent. The requirement of having to ratify and implement a list of international conventions pertaining to labour standards, human rights and environmental sustainability still remains. Additionally, in an effort to make GSP+ more accessible, the EU has removed the former requirement of accepting applications only every 1.5 years, and will allow countries to apply for GSP+ status at any time.

As much as these reforms introduce incentives for countries to apply for GSP+ status and implement the 27 core international conventions, the new scheme also imposes more robust controls for monitoring violations of GSP and GSP+ obligations under those conventions. First, evaluations for GSP+ compliance will occur more frequently: every two years instead of every three. Scrutiny is carried out, not only by the Council of the EU, but also by the European Parliament. Second, withdrawal measures have become more effective. In addition to the EC's own assessments of beneficiary states' practices, it may use reports from other international monitoring bodies and other accurate sources of information.

There are also stronger procedures for temporary suspension in the case of non-compliance with the GSP programme requirements. For example, the Commission is empowered to remove a beneficiary country from the scheme temporarily if it has a reasonable doubt as to the country's respect for international obligations. The reforms have also shifted the burden of proof to the beneficiary countries to demonstrate evidence of a positive record, should the Commission point to any evidence that indicates problems with implementation. The country may be removed for up to six months - three months after which the Commission must make a decision regarding permanent removal. Reasons for removal may include: violation of principles of international conventions, export of goods made by prison labour, serious shortcomings in customs controls on the export or transit of drugs, or serious and systemic unfair trading practices. The EU has noted specifically that any "unfair trading practices" related to the supply of raw materials will result in temporary withdrawal.

GRADUATION OF COMPETITIVE PRODUCTS

Changes were introduced with respect to the product-specific graduation system. The reason for this is that despite some developing countries' low per capita income, they can be globally competitive in certain specific industries. Accordingly, the EU now withdraws preferences from those beneficiary countries in these sectors on a sectoral basis.

The 2014 EU GSP reform adjusted and increased the number of product sections to 32 from 21 as was the case under the previous EU GSP. This was aimed to avoid "overshooting" graduation assessments by removing preferences from some products, which are not competitive simply because they are included in a section with other very competitive products. The threshold level in the market share of a given product category has also been relaxed to benefit GSP beneficiary countries. Under the new scheme, the threshold has been raised by 2.5 percentage points, so that if the exports of a certain product from one country exceed 17.5 per cent of the EU's total imports from GSP beneficiary countries, that product from that particular country will no longer benefit from reduced preferential tariffs. This percentage was previously set at 15 per cent. China exceeded this higher threshold and no longer receives this particular benefit. Additionally, from 1 January 2017 to 31 December 2019, India was graduated for 7 product sections, Indonesia and Ukraine for 2 sections, and Kenya for 1 section (EU Regulation 2016-330).

Under the present GSP scheme the EBA arrangement allows 49 LDCs to enjoy full duty-free and quota-free access to the EU market, except for arms and armaments. The 2014 reform efforts do not affect EBA, which is a permanent arrangement. Samoa will no longer receive EBA benefits as of 1 January 2019, owing to its graduation from the LDC status.

EFFECT

In its 19 January 2018 press release, the European Commission revealed that in the time since the 2014 reform, exports from benefitting countries to the EU have risen to €63 billion annually. Exports to the EU from benefitting LDCs rose to €23.5 billion in 2016 - up 40 per cent. Standard GSP beneficiaries enjoy reduced customs duties on 66 per cent of all EU product categories. In 2016, the EU imported goods worth €32 billion from the then 23 Standard GSP beneficiaries. While imports under EBA from 49 LDCs amounted to €23.5 billion in 2016, the imports from the then 10 GSP+ countries were worth €7.5 billion. Under the standard GSP, the three largest beneficiaries were India, Viet Nam and Indonesia, together accounting for over 90 per cent of total imports entering under the standard GSP scheme. Under EBA, Bangladesh and Cambodia together made up over 80 per cent of total EBA imports. Under GSP+ regime, over 95 per cent of imports came from Pakistan, which alone accounted for 74 per cent of GSP+ imports, while the Philippines accounted for 22 per cent.

A more extensive analysis of the impact of the GSP reform on exports was provided in the EC's Mid-Term Evaluation Report, published 17 September 2017 (box 1).

While recognizing the noticeable improvements in the design and implementation of the GSP, the report made a set of preliminary recommendations relating to both ongoing implementation of the present GSP regulation 978/2012 - which expires 31 December 2023 - as well as issues flagged for consideration in the formulation of future regulation of the EU's unilateral trade preferences.

As to ongoing implementation, recommendations pertained to

- the trigger mechanism for temporary withdrawal of preferences;
- the scope for extending the monitoring of ratified conventions' implementation; and
- the criteria and mechanism through which 'sensitive sectors' are identified.

As for possible future regulation, after the present regulation expires on 31 Dec 2023, it was observed that (i) the relevance of the standard GSP is diminishing and this component of the standard GSP may not be retained after the expiry of the present 978/2012 Regulation; (ii) the present list of conventions for which ratification is sought was found to be incomplete and outdated and needs to be reviewed and updated, in particular with regards to the adoption of the SDGs as well as the Paris Climate Change Agreement in 2015; and (iii) definition of a suitable transition period upon graduation from the LDC category and hence loss of eligibility for EBA's duty-free and quota-free preferences.

Box 1. Selected Findings of Final Interim Report (12 September 2017)

01 Countries that exited the standard GSP arrangement had fewer exports to the EU than non-GSP and non-FTA countries.

02 Imports to the EU "under GSP arrangements accounted for around 5 per cent of total EU imports per year" from 2011 to 2016.

03 EBA beneficiaries had the highest level of export diversification, while standard GSP beneficiaries have decreased diversification, and GSP+ beneficiaries differed.

04 EU imports under the GSP+ and EBA have increased since 2014, while imports under the standard GSP and total GSP-related imports to the EU have decreased.

05 The main EU imports under the GSP are textiles - which grew by 24.5 per cent from 2014 to 2016 - footwear, and machinery and mechanical appliances.

06 There were no major tariff changes. 19 tariff lines gained duty-free access under the standard GSP and an additional 4 under the GSP+.

07 Countries that entered into regional trade agreements and countries that exited the GSP Scheme after 2013 have all increased exports to the EU, as opposed to countries that were never part of the GSP or an FTA, demonstrating the effectiveness of the GSP reform.

08 There were no major changes in preference margins. Margins were highest for agriculture and textiles and were lowest for art, wood pulp, peals, and precious and semi-precious stones. Preference erosion occurred in 7 of 21 sectors.

Recent developments in the GSP scheme of the **United States**

As has happened in the past, the United States GSP programme was temporarily suspended on 31 December 2017. Accordingly, exports to the United States that would have previously fallen under the GSP scheme, were subject to general tariffs. The expiration did not affect preferences under the African Growth and Opportunity Act (AGOA) which will not expire until 2025.

On 23 March 2018, the United States President signed into law H.R. 1625 "Consolidated Appropriations Act, 2018" which, among other things, extended the GSP programme with retroactivity from 1 January 2018 through 31 December 2020. The law, effective 22 April 2018, also provided for the retroactive refund of all duties to the importer on GSP-eligible goods that entered during the lapse of the GSP programme, i.e., 1 January 2018 through 21 April 2018.

The United States established the United States GSP programme under Title V of the Trade Act of 1974 in an effort to promote economic growth in developing countries through preferential trade schemes. As of December 2017, the United States GSP programme served 120 beneficiary developing countries (BDCs) and territories, which could export 3,566 different types of products to the United States duty-free and an additional 1,491 types of products from LDC. Of the beneficiary countries, 44 were LDCs. In 2016, US$19 billion in imports entered the United States duty-free through the GSP program. In 2016, the top five GSP beneficiary countries, by number of imports, were (1) India (US$4.7 billion), (2) Thailand (US$3.9 billion), (3) Brazil (US$2.2 billion), (4) Indonesia (US$1.8 billion), and (5) the Philippines (US$1.5 billion). These imports, however, represent a fraction of the United States total imports, valued at some US$2.2 trillion. Leading GSP imports in 2016 included motor vehicle parts, precious metal jewelry, monumental or building stone, rubber tires and ferroalloys.

In past years, annual review of GSP benefits has led to some changes to GSP beneficiary status of some countries. In March 2012, South Sudan was added as a GSP beneficiary country and LDC, and Argentina lost status as a GSP beneficiary because of Argentina's failure to pay two longstanding investment dispute arbitral awards due to United States companies. On 20 December 2012, St. Kitts and Nevis was removed from GSP eligibility because it became a high-income country under the World Bank's definition. The termination became effective on 1 January 2014. In 2013, Bangladesh was stripped of its GSP status for its lack of progress on legal infrastructure that protects workers' rights. In October 2014, President Obama officially terminated the Russian Federation's GSP status pursuant to Section 502(f)(2) of the Trade Act of 1974, which states that one of the factors determining a country's eligibility is its level of economic development - a level that the Russian Federation has developed beyond. Seychelles, Uruguay, and the Bolivarian Republic of Venezuela are no longer eligible effective 1 January 2017 because they have become high-income countries.

While the GSP status for Viet Nam has been under consideration, this has not yet materialized as of February 2018. Ukraine's benefits will be partially suspended in 2018 due to its failure to adequately protect intellectual property rights. Both Myanmar and Lao People's Democratic Republic have been the subjects of debate on whether they ought to be re-designated as beneficiary countries since their exclusion in the 1970s and 1980s. GSP benefits were extended to Myanmar in 2016 after a review of the country's compliance with the eligibility criteria, but Lao People's Democratic Republic has not been re-designated as a beneficiary country. Argentina's benefits were partially reinstated effective 1 January 2018 after the country committed to greater market access for United States agricultural products and greater protection of Intellectual Property Rights (IPR) pending the full resolution of outstanding IPR issues.

The Office of the United States Trade Representative (USTR) is the authority responsible for matters involving the GSP. Changes to GSP country eligibility or product coverage are made at the discretion of the President alone, but the advice and consultation of the USTR is extremely influential. The USTR conducts annual reviews of country eligibility. The USTR's GSP Subcommittee, after thorough review and revision, creates the lists of eligible products every July of the subsequent year. "Import sensitive" products are specifically excluded from preferential treatment, most likely due to the scale of detrimental effects such treatment may have on the United States economy. Most textiles, apparel goods, electronics, steel products, and glass products fall within this category.

In eliminating tariffs on eligible products covered under the scheme, the United States GSP programme encourages beneficiaries to eliminate or reduce barriers to trade, grant workers internationally recognized workers' rights, and protect intellectual property rights by attaching these as conditions of beneficiary countries' eligibility for the GSP programme. The

USTR conducts country-specific reviews on beneficiary countries under the GSP programme to ensure compliance with these requirements and conditions. If countries are found to be in serious violation of the eligibility criteria, they risk losing the trade benefits associated with GSP programme eligibility.

African Growth and Opportunity Act (AGOA)

Aside from the broader GSP programme, there are other United States trade preference programmes that are regionally focused. One of them is the African Growth and Opportunity Act (AGOA), which was signed into law in May 2000 to advance United States trade and investment in sub-Saharan Africa (SSA), and to expand the number of products eligible for duty-free importation to the United States for eligible sub-Saharan countries in addition to those granted by the GSP programme. While the GSP programme covers approximately 4,600 items with regards to trade with this region, the AGOA GSP applies to more than 6,400 items. Notably, unlike GSP beneficiaries, AGOA-eligible countries may export many textiles, footwear, and some agricultural products and processed foods duty-free. As a result of the trade preferences granted by the GSP programme and AGOA combined, most goods produced in AGOA-eligible countries may enter the United States duty-free.

This programme is still in effect, as the 2015 Bill H.R. 1891 authorized an extension of GSP preferences for all beneficiary countries under AGOA through 30 September 2025.

In 2015, United States goods exports to sub-Saharan Africa through AGOA totaled US$17.8 billion, which represents a 30 per cent decrease from 2014, but 75 per cent overall increase since 2005. Less than 2 per cent of United States exports are to SSA. From 2001-2015, non-oil AGOA exports from SSA to the United States nearly tripled. In 2016, the total fell to US$9.4 billion, as petroleum imports dropped 48 per cent. Most imports to the United States under AGOA - 56 per cent - are still petroleum products. In 2016, the top five beneficiary countries exporting to the United States were South Africa, Nigeria, Angola, Ghana and Ethiopia. In the first nine months of 2017, exports to the United States under AGOA rose to 9.8 billion.

The eligibility criteria for this preferential trade programme, unlike the broader United States GSP programme, consists of two steps. First, the country must be included in a list of SSA countries described in the AGOA statute, itself. Second, the president must determine the state's eligibility, which largely focuses on the development of and improvement of conditions in the beneficiary countries, such as progress towards market-based economies, the rule of law, protection of intellectual property, and policies to reduce corruption, among others. As such, insufficient progress toward democratic standards and other AGOA requirements were reasons for AGOA benefit terminations in the Democratic Republic of the Congo in 2011; Guinea-Bissau in 2012; and Gambia, South Sudan, and Swaziland all in 2015. On the other hand, Madagascar's AGOA status was reinstated after its peaceful, democratic elections late in 2014, and Mali's AGOA benefits were also reinstated in 2014. Burundi lost eligibility in 2016 "due to its failure to meet rule of law, human rights, and political pluralism eligibility criteria." The United States Trade Representative announced in December 2017 that the Gambia and Swaziland will once again become eligible for AGOA preferences. As of January 2018, 40 SSA countries remain eligible for AGOA benefits.

While AGOA was set to expire on 30 September 2015 under its authorizing legislation, after intensive debate, the United States Congress renewed AGOA in 2015 for ten years until 2025. A significant obstacle to the renewal was the debate surrounding South Africa's anti-dumping measures against United States chicken pieces. The agreement of the United States Congress to renew AGOA necessitated an agreement to allow entry of United States poultry into the South African market. The United States administration has suggested that after the expiration of AGOA in 2025, it will favor two-way free trade agreements, particularly with South Africa. Several key challenges remain. One is expanding the number of countries that take advantage of these trade preferences, and within this umbrella, making sure those benefits access a wide cross-section of sectors in those countries. Another issue is translating these short-term benefits from such preferences into more lasting transformations in these SSA economies.

In early 2018, the United States Congress passed a Modernization Act intended to increase AGOA efficiency. Under the Act, the United States president is to establish an informational AGOA website and encourage embassies of certain beneficiary countries to promote trade with the United States. The Act also requires the United States State Department to better promote AGOA with SSA governments and businesses so as to encourage utilization.

Developments in the GSP schemes of the **Japan, Canada** and **Switzerland**

Japan

In late 2016, Japan announced new graduation requirements set to enter into force in April 2019. The changes will exclude those countries that account for 1 per cent or more of global exports and that exceed the threshold income for three consecutive years. The reform aims to curb the revenue loss from more developed countries that frequently trade with Japan. As a result, China, Mexico, Brazil, Thailand and Malaysia will no longer receive GSP benefits.

Japan has granted preferential tariff treatment under its GSP scheme to developing countries since 1971. In total, 135 developing countries and 5 territories are beneficiaries of the current Japanese scheme, including all 47 LDCs, as of April 2017. As of 2016, 408 agricultural and fishery products may be imported under Japan's GSP scheme, and 3,151 industrial products may be imported. The previous GSP scheme was set to expire on 31 March 2011 and was renewed for 10 years until 31 March 2021.

Canada

Canada has provided preferential tariff rates for developing countries under its GSP scheme, the General Preferential Tariff (GPT), since 1974. The previous GPT regime, which was set to expire on 30 June 2014, was renewed through the Economic Action Plan 2013 Act, No. 1 until 31 December 2024. The goal of this legislation was to modernize Canada's GPT to more accurately reflect the global economic realities of developing and least developed countries, and target those countries most in need of assistance.

Among the changes through this renewal, the most notable is that of GPT eligibility. Like the EU, Canada withdrew GPT eligibility from 72 former beneficiary countries, leaving 103 countries as remaining beneficiaries as of 2018. Among those countries subject to withdrawal, were Brazil, China, Hong Kong (China), India, Indonesia, Malaysia, Thailand, Turkey, and numerous others. Canada will now automatically graduate countries that are either: classified as high- or upper middle-income for two consecutive years; or have a 1 per cent or greater share of world exports for two consecutive years.

The list of beneficiary countries, which used to be up for review every 10 years, is now set to be reviewed biennially according to the aforementioned criteria. There is concern that this may prove more of an inconvenience to businesses, as they prefer a certain level of certainty when dealing with overseas suppliers. This will force businesses to invest more resources in staying on top of the evolving changes and increase the inherent risk in whatever contracts they enter into. Effective 5 December 2013, South Sudan was designated as a GPT beneficiary.

These changes are accompanied by an increasing range of products covered as well. The GPT applies to most goods, except for certain agricultural goods, textiles, apparel, footwear and some specialty steel. The GPT coverers 82 per cent of tariff lines and LDCs are granted with duty-free treatment for and 98.6 per cent of tariff lines under the LDCT scheme. Canada amended provisions on what was previously its biggest trade restriction, which was estimated to affect Canadian sugar refiners' access to duty-free imports of raw cane sugar the most, as many of those countries from which this product was imported had been removed from the GPT. Canada eliminated MFN tariffs on raw cane sugar imports in order to maintain tariff-free input costs for Canadian sugar refiners.

Canada also has a special tariff programme for LDCs called the Least-Developed Country Tariff (LDCT). Through the same Act mentioned above, the LDCT was similarly extended to 31 December 2024. As of 1 January 2015, the total list of beneficiaries under this programme stands at 49. Myanmar was the newest eligible country in 2015, while Equatorial Guinea and Maldives were stripped of their eligibility status at the beginning of 2015. These changes, however, will not have any detrimental impact on apparel imported duty free under the LDC tariff treatment. In fact, LDCT applies to all goods, save for over-access, supply-managed agricultural goods. In 2017, Canada announced an expansion of LDCT preferences to allow more LDC apparel products to be imported to Canada duty-free - a measure intended to aid Haiti in particular. Through this, Canada expects to lose US$17 million in tariff revenues over the next five years.

Switzerland

The Swiss GSP scheme is one of the oldest to date, as it was first introduced on 1 March 1972, pursuant to Resolution 21 (II) adopted by UNCTAD in 1968. Its first major modification came following the conclusion of the Uruguay Round of the GATT, and this subsequent version entered into force 1 March 1997 for the next 10 years. The greatest benefits were always extended to LDCs and their industrial products, but further revisions of the programme made way for lower tariffs on agricultural products as well. Switzerland then proceeded with an unlimited extension of this trade preference programme by prolonging a Federal Law on 1 March 2007 and introducing a separate Federal Ordinance on 16 March of that same year. To date, the final revisions came in 2011, which aligned the Swiss origin criteria with those of the EU GSP scheme. As of 2017, the last year available, the GSP includes 5,609 preferential tariff lines, of which 4,336 are duty-free, with an additional 2,364 duty-free lines for LDCs.

Industrial goods, except for textiles and clothing, have always been admitted duty-free into Switzerland. The revisions of 2007, by lowering tariffs for agricultural goods too, paved the way for DFQF access for all products originating from LDCs by September 2009.

Switzerland, unlike many other developed countries, extends its GSP benefits to not only LDCs, but also another category of heavily indebted poor countries (HIPCs). On a temporary basis, Switzerland provides the same DFQF treatment to products originating from countries undergoing international debt relief. After reaching the "completion point," which signifies a full reduction in debt, the regular GSP preferences are reinstated. For those HIPCs that also qualify as LDCs, reaching the "completion point" does not change their eligibility to receive DFQF treatment, because they retain LDC status. As of 2017, the total number of GSP beneficiary countries and territories amounts to 130, with 47 of them classified as LDCs and 7 as HIPCs.

In 2016, GSP beneficiaries sent more than 46 million exports to Switzerland. In 2016, Bangladesh, Cambodia, Ethiopia, Sudan and Myanmar were Switzerland's largest LDC GPS trade partners.

Recent developments in market access initiatives in favour of LDCs by **China, India, the Republic of Korea** and other countries

At the WTO's Hong Kong(China) Ministerial Conference held in December 2005, all developed countries and developing countries that declared themselves in a position to do so, committed to providing duty-free and quota-free market access to their markets for LDCs, for at least 97 per cent of their national tariff lines. Flexibilities are recognized for developing countries in implementing these commitments. Significant progress has been made in selected developing countries recently.

China

China's DFQF scheme for LDCs first came into effect 1 July 2010, and was renewed on 1 January 2011. The current DFQF scheme does not have an expiration date. Currently, 80,477 tariff lines are duty-free for 41 LDCs. LDCs with diplomatic relations with China are eligible to be beneficiaries, and 38 countries were listed as beneficiaries as of 10 July 2017. These were: Angola, Benin, Burundi, Central African Republic, Chad, Comoros, the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Niger, Senegal, Sierra Leone, Somalia, South Sudan, Sudan, Togo, Uganda, United Republic of Tanzania, Zambia, Afghanistan, Bangladesh, Cambodia, Nepal, Timor-Leste, Vanuatu and Yemen. Only 7,343 lines are duty-free for Benin, Timor-Leste and Myanmar, and only 4,437 lines are duty-free for Bangladesh.

As of May 2016, China offers preferential treatment on 90 per cent of tariff lines under the China-ASEAN Free Trade Agreement for Cambodia, Lao People's Democratic Republic and Myanmar. Lao People's Democratic Republic and Bangladesh receive additional benefits under the Asia Pacific Trade Agreement. In late 2017, China announced an upgrade to the FTA, aiming to increase China-ASEAN trade to US$1 trillion by 2020.

India

India was the first developing country to implement a preferential market access scheme for LDCs. India's Duty Free Tariff Preference for LDCs (DFTPI-LDC) entered into force on 13 August 2008 and was notified on 5 September 2011 under WTO’s Transparency Mechanism for PTAs. In the 2016-2017 year, more than 98.2 per cent of India's total tariff lines received duty-free and preferential access. The Indian government has encouraged the export of products of particular interest to Africa, which include cotton, cocoa, aluminum ores, copper ores, cashew nuts, cane sugar, ready-made garments and non-industrial diamonds.

The scheme is available for all LDC members. Beneficiaries must submit letters of intent and origin certifying authorities to India’s Department of Commerce to benefit from the scheme. By October 2017, 34 LDCs had joined the scheme, 22 of which are from sub-Saharan Africa (Afghanistan, Bangladesh, Benin, Burkina Faso, Burundi, Cambodia, Chad, Central African Republic, Comoros, Timor Leste, Eritrea, Ethiopia, Gambia, Guinea, Guinea Bissau, Haiti, Lao People’s Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Mali, Mozambique, Myanmar, Niger, Rwanda, Senegal, Somalia, Sudan, Tanzania, Togo, Uganda, Yemen and Zambia).

Between 2005 and 2015, total trade between African countries and India increased nearly fivefold to US$56.9 billion. and is expected to reach US$100 billion in the next year. African exports to India grew at an average annual rate of 4 per cent from 2008 to 2016. However, fuels made up a large percentage of that total, and more generally speaking, African LDC exports to India are not diversified. By 2012, LDCs accounted for 31.7 per cent of African exports to India. Excluding Angola's oil-heavy contribution to that figure, however, left African LDCs exports at a paltry 9.2 per cent of India's imports.

Republic of Korea

The Republic of Korea lifted tariffs on 80 items (HS 6-digit) originating in LDCs starting 1 January 2000. Subsequently, in January 2008, the Republic of Korea unilaterally expanded preferential duty-free access on selected imports of 3,790 (HS 6-digit (2007)) tariff items from 50 LDCs. Since then, it has expanded its scheme every year so that by 2017, duty-free access was granted to 8,972 tariff lines. Additionally, the Republic of Korea changed its rules of origin regulation to ease the value-added rule in 2012, lowering the mandatory value of input from the exporting country to 40 per cent of the free on board (FOB) price of the final products, from 2011’s 50 per cent.

As of January 2017, 48 LDCs benefitted from trade preferences with the Republic of Korea although there are now only 47 United Nations listed LDCs. In January 2015, the Republic of Korea discontinued the granting of LDC preferences to Samoa but included South Sudan in the list of beneficiary countries. The Republic of Korea is considering further expansion of access for LDCs.

Other developments

Progress has continued in advancing market access opportunities for LDCs. By 2018, five developing countries (Chile and the Taiwan Province of China, as well as China, India, the Republic of Korea) had made notifications pursuant to the WTO’s Transparency Mechanism for the Preferential Trade Agreements, showing a commitment to attaining comprehensive DFQF coverage for LDCs.

For instance, in April 2014, Chile’s Decree 1432 introduced duty free imports from all United Nations designated LDCs and duty-free treatment to particularly vulnerable countries starting 1 January 2015. Imports from LDCs have a 0 per cent duty with the exclusion of wheat, wheat flour and sugar. The scheme covers 99.5 per cent of Chile’s tariff lines as of 2017. Goods will be considered to originate from the LDC if (1) at least 50 per cent of the value of the good is added in that LDC or (2) the good is produced in that LDC from non-originating materials and the production process changes the tariff classification of the good to an item under a different heading. The benefits to countries that are apparel oriented, such as Thailand, Cambodia and Myanmar, are expected to grow under this scheme.

UNCTAD publications on the **Generalized System of Preferences**

- **Handbook on the Scheme of Australia**
  (UNCTAD/ITCD/TSB/Misc.56)
- **Handbook on the Scheme of Canada**
  (UNCTAD/ITCD/TSB/Misc.66)
- **Handbook on the Scheme of the European Union**
  (UNCTAD/ITCD/TSB/Misc.25/Rev.4)
- **Handbook on the Rules of Origin of the European Union**
  (UNCTAD/ITCD/TSB/Misc.25/Rev.3/Add.1)
- **Handbook on India's Duty-Free Tariff Preference Scheme for Least Developed Countries**
  (UNCTAD/ITCD/TSB/Misc.77)
- **Handbook on the Scheme of Japan**
  (UNCTAD/ITCD/TSB/Misc.42/Rev.3)
- **Handbook on the Preferential Tariff Scheme of the Republic of Korea in favour of Least Developed Countries**
  (UNCTAD/ITCD/TSB/Misc.75)
- **Handbook on the Scheme of New Zealand**
  (UNCTAD/ITCD/TSB/Misc.48)
- **Handbook on the Scheme of Norway**
  (UNCTAD/ITCD/TSB/Misc.29/Rev.1)
- **Handbook on the Scheme of Switzerland**
  (UNCTAD/ITCD/TSB/Misc.28/Rev.3)
- **Handbook on the Scheme of Turkey**
  (UNCTAD/ITCD/TSB/Misc.74/Rev.1)
- **Handbook on the Scheme of the United States of America**
  (UNCTAD/ITCD/TSB/Misc.58/Rev.2)
- **Handbook on the Special and Preferential Tariff Scheme of China for Least Developed Countries**
  (UNCTAD/ITCD/TSB/Misc.76)
- **Generalized System of Preferences – List of Beneficiaries**
  (UNCTAD/ITCD/TSB/Misc.62/Rev.6)

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