EU preferences for agri-food products from developing countries – winning and losing due to the EU GSP reform 2013

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Abstract. ***Length max 150 words.***

This paper looks into the general system of preferences of the European Union (EU) (henceforth referred to as the EU GSP system). In order to account for new EU trade agreements and emerging economies, the EU GSP system was reformed according to Regulation (EU) No 987/2012). The new EU GSP system was set into force in 1st January 2014. Focusing on agri-food products, we identify respective products and countries affected by the reform as well as analyse the changes of preferences. In addition to a brief review of the literature, we outline the main provisions of the new EU GSP system. In our analysis, we apply detailed tariff data for 2013. The number of tariff lines and trade under the EU GSP system indicate the effects, and the AVE tariffs of those countries and products that are no longer eligible for GSP reveals if countries really lose out.

Keywords: Foreign trade, EU general system of preferences (GSP), developing countries, preference margins

JEL codes: F10, F13, Q17

1. Introduction

Although negotiations on trade preferences have taken place between trading partners, leading to a proliferation of preferential trade agreements; see e.g. WTO (2011), specific programs remain viable for granting developing countries preferential market access. Established in 1971, the general system of preferences of the European Union (EU) (henceforth referred to as the EU GSP system) is the widest EU preferences programme in terms of country and product coverage. Specifically, the EU offers the following three types of preferences, so-called GSP schemes, to eligible developing countries:

- ***Standard GSP scheme***: partial (for sensitive products) or entire removal (for non-sensitive products) of tariffs[1].
- ***Enhanced GSP scheme*****:** "GSP+": full removal of tariffs on products (covered by the standard GSP scheme) for countries that newly commit to the ratification and implementation of international conventions relating to human and labour rights, environment and good governance. Only countries that meet so-called "vulnerability criteria" (economic criteria) can apply for GSP +.[2]
- ***"Everything-But-Arms":*** (EBA) scheme for least developed countries: duty-free quota-free access to all products, except for arms and ammunitions.

In order to account for changes in the (economic) situation of beneficiary countries as well as the proliferation of EU trade agreements with partner countries, the EU GSP system has been reformed according to Regulation (EU) No 987/2012. The reformed EU GSP system has been applied as of the 1st of January 2014.

Figure 1 illustrates a key issue in relation to the effectiveness of EU trade preferences for developing countries. As shown, the absolute value of EU agri-food imports supplied under preferential market access conditions increased in the period 2000-2013, but the utilisation rate has not changed much. The utilisation rate is expressed as the value of imports actually traded under EU preferential market access in relation to EU imports eligible for receiving preferences (GSP and other preferences). Furthermore, the share in total EU imports (not shown) did not increase much either. While decreasing until 2006,

1 The criteria for defining "sensitive" and "non-sensitive" products relates to the EU competitiveness of producing these products as well as whether they are non-substitutable inputs for EU industries.

2 In the EU GSP context, vulnerability criteria reflect a country's competiveness in trading with the EU as well as its export diversification, i.e. a country's trade activities with partners other than the EU member states. . One criterion for example is the share of imports supplied by the respective partner country in total EU imports. For details of the criteria see Regulation (EU) No 987/2012.

the utilisation rate slightly increased thereafter and has become more or less stable in recent years. Primary plant products scored the highest utilisation rate, especially with regard to fruit and vegetables as well as some speciality crops such as spices, coffee and tea which have traditionally been important export commodities for developing countries. It is interesting to note that developing countries have increasingly used the EU preferences for processed food (including beverages and tobacco). The utilisation rate for processed food has been steadily rising since 2004 (from 79% to 90%), and the import value shows an overall positive trend. While increasing, EU preferences granted are not yet being fully used. In combination with the trends in trade, eligible developing countries have not fully utilised the preferences for agri-food market access granted by the EU, and have thereby not fully benefited from the respective provisions.

<< Figure 1 >>

In this paper, we investigate the EU GSP system and its reform which has changed the preference conditions. More specifically, focusing on agri-food products, we identify respective products and countries affected by the EU GSP reform as well as analyse the changes in preference for trade with developing countries. The paper is structured as follows: based on a review of the literature, we first provide a brief overview of the issues that are pertinent to granting trade preferences for developing countries (in particular the EU GSP system); then we outline the changes arising from the EU GSP reform; finally we analyse the consequences for the preferences granted. The latter involves an ex-ante analysis of indicators of preferential margins and the trade affected. We close with a summary and concluding remarks.

2. Evidence on the main issues of the EU GSP: a brief literature review

We review recent literature on EU preferential market access for developing countries, with a focus on agri-food products. This will help us to ascertain the utilisation of preferences as well as the effects and impediments for developing countries to trade under the EU GSP system. The EU (standard) GSP system was established in 1971, with other EU preference arrangements for developing countries being implemented throughout subsequent years. In the appendix, table A1 presents a brief overview of relevant EU trade preferences for developing countries. This provides a reference point for a broad comparison of the different schemes. In the literature, the scope, utilisation and effectiveness of the different schemes have been identified as being particularly critical when granting preferences to developing countries, but here we focus on the EU GSP system.

2.1. Coverage and utilization of EU preferences for agri-food imports

Throughout the years, the EU has generally been expanding its preferential market access offered to products from developing countries. This is particularly true for the product coverage, expressed in terms of tariff lines eligible for GSP preferences. The number of tariff lines traded under GSP preferences has increased throughout the years, and also with regard to trade value, the EU GSP system offers comparatively generous preferences.

For EU imports, a large number of tariff lines (products) are not subject to tariffs, though some agri-food products have remained exempt from duty and quota free market access. The preferences granted to developing countries usually do not cover the most significant export products of developing countries due to the so-called "competitive limit criteria". For details about the criteria defining the eligibility of GSP countries and products see section 3. For example, imports of agri-food products important to some developing countries (e.g. sugar, bananas and rice) have remained subject to exceptions such as quotas, which only allow a particular volume entering the EU under trade preferences; or such commodities have been declared sensitive products (see footnote 1) that are excluded from preferences.

The utilisation of preferences can be measured in different ways. Taking into account the fact that there are several preference schemes available, the utilisation rate is best computed as the ratio of the value of imports under the preference scheme in question to the total value of imports eligible for any preference. In the calculation, the dutiable trade, i.e. trade with MFN tariffs larger than zero, should be applied; for guidelines to calculate utilisation rates see, for example, Hayakawa et al. (2013). Note that, as Bureau et al. (2007) elaborate, using total exports of the respective developing countries instead of import values as a benchmark would indicate the potential utilisation.

Utilisation rates for agri-food products tend to be rather high (see Figure 1). However, trade flows from developing countries to developed countries, including the EU, can be considered as being relatively limited in absolute terms (see Figure 1) despite the EU GSP preferences. In addition to exemption of agri-food products, supply side issues in the developing countries; and standards and other requirements for the products that have to be met in order to be sold on the EU market.

Which factors determine the utilisation of preferences? First of all, the degree of preferences (preference margins) influences whether preferences are actually utilised. The EU GSP schemes foresee that beneficiaries meet certain requirements as well as containing rules of implementation. The resulting costs of implementation considerably influence the utilisation of preferences, in particular for trade of agri-food products (Bureau et al. 2007; Nielson, 2011; Nielson and Dotter, 2012; Keck and Lendle, 2012).

In their estimation using data for the year 2004, Bureau et al (2007) find that preferences are not used in agri-food trade when imports are small. The authors conclude that the small benefit obtained by trading a small value under trade preferences does not outweigh the costs of GSP particiaption. According to Keck and Lendle (2012), the utilisation of preferences provided by the EU, US, Australia and Canada increases with the size of the preferential margin as well as the import value. Their estimation using data for the year 2010 shows that the import value had the greatest impact on the decision of utilizing the EU preferences. More specifically, doubling the import value is estimated to lead to an increase of the utilisation level by about three percentages points. Focusing on small trade flows, Nielson (2011) shows that the magnitude of EU imports from Africa negatively influenced utilisation rates, i.e. the smaller the trade flow, the less the available preferences are utilised. While the estimation results by Nielson (2011) are not significant for animals, vegetables and processed food, Nielson and Dotter (2012) report significant results of this negative relationship between utilisation rates and the EU agri-food imports from Africa, using a similar estimation. Both studies use monthly data for the year 2010.

2.2. Effects of EU preferences on agri-food imports from developing countries

The existence of high tariffs on agri-food products means that EU preferential arrangements are potentially valuable (Tangermann, 2002; Bureau et al., 2007). Tariffs on agri-food products are often rather high due to the protection by developed countries in general, and particularly by the EU. In many cases tariff reductions are limited, and agri-food products are often excluded from preferential treatment or receive preferences only within tight quotas, as stated above. This includes complex tariff structures with seasonal tariff rates.

EU tariffs have traditionally been high for some sensitive agri-food products. In 2012, for example, the EU applied MFN tariffs for animal products amounted to about 20% on average; for dairy products the corresponding tariff was about 50%; for fruit and vegetables about 37% and for cereals 17% (WTO, 2013). In contrast, for tropical products, tariffs tend to be relatively low or zero, and thus preferential tariffs are not of much help to improve market access for developing countries. It should be noted that the EU liberalization efforts have been much delayed for rice, sugar and bananas. For details on the EU trade policy see WTO (2013a).

There are several studies estimating the trade effect of preferences for developing countries, with some specifically considering the EU GSP system. Mainly gravity model estimations are applied, thereby controlling for other factors that explain trade between trading partners, e.g. language, distance or old colonial relationships. The preferences are either captured by dummies (yes/no), by the utilisation rate or the preference margins. In our brief literature review on the trade effects, we focus on recent "state of the art" studies that apply highly disaggregated data and that reflect the EU GSP system by preferential margins (rather than dummies). In particular, using explanatory variables other than dummies to reflect preferential market access considerably improves the quality of the estimation. This is because dummies (0/1) do not capture the level of preferences which determine the impact of the trade preference. Furthermore, such dummies may also reflect other specific factors such as country-pair effects that may exist in addition to the preferred market access conditions.3

Empirical studies identify diverse and often conflicting effects for different agri-food products, leading to ambiguous results of the trade effects. Differences depend on the estimation methods as well as the data utilised. Studies on the effects of the EU GSP system include Aiello et al., (2010), Aiello and Demaria (2012), Cardamone (2011) and Aiello and Cardamone (2011). Instead on reporting on the detailed estimation results, we summarise that these studies estimate a positive impact of the EU preferences on imports from developing countries. In contrast, Pishbahar and Huchet-Bourdon (2008) find a negative impact. Furthermore, Cipollina et al. (2013) find that EU preferences do not have any significant impact on developing countries export of plant products (including vegetables) as well as of animal/plant fats and oils. One reason could be the comparatively large share of duty free exports to the EU (tariff rate quotas were not considered in their estimation), which devalues the possibility of preferred market access under preference schemes. For animal products (including live animals) and processed food, EU preferences are however estimated to increase trade. Cipollina et al, (2013) also estimate trade diversion effects, which result from the fact that exports of countries not benefitting from the specific preferences can decrease with the increase of exports of the beneficiary countries. When

[3] Other methodological issues which have to be considered in gravity model estimations are also prevalent, such as endogeneity, and taking account of observations with zero values, for example.

taking into account this trade diversion effect, the overall net trade effect of the EU preferences turns out to be negative for exports of animal products, while being slightly positive for processed food.

OECD (2005) points out that the effects of EU preferences are relatively larger for the poorest group of developing countries, which is dominated by least developed countries eligible for preferences under the EU EBA scheme and the Cotonou Agreement. Using 2004 data in their estimation, Cipollina and Salvatici (2011) confirm this. In contrast, Brenton (2003) stresses the failure of the EU EBA scheme since exports of the poorest countries have mainly been products for which the EU external tariffs tend to be zero anyway. Other countries that export more dutiable products with tariffs being larger than zero obviously obtain higher preference margins, and thus the trade impact of the EU preferences also tends to be larger for them. While resulting in considerable transfers to relatively few countries, the EU preferences seem to have failed to stimulate market access for a broad range of agri-food products (Brenton and Ikezuki, 2005).

Person and Wilhelmsson (2013) investigate the export diversification of developing countries, measured in terms of number of products developing countries export, in the light of EU preferential market access. They conduct a panel estimation of data from 1962 until 2007 and find that the EU GSP preferences actually increased the range of export products, whereas the Cotonou Agreement and its predecessor programmes led ACP countries to specialise in trading fewer products. The concentration seems to take place for the products with most favourable preference margins. More specifically, agri-food products tend to face higher EU tariff protection and thus achieve higher preference margins. In general, developing countries specialise in exporting the few agri-food products that obtain the highest preference margins. This export concentration rather than export diversification of developing countries has been a point of criticism since preferences increased trade of some selected products only, thereby diverting trade away from the trade patterns resulting from comparative advantages.

Another type of studies apply either general or partial equilibrium models in order to simulate the effects of trade preferences. For the simulation, the situation before and the situation after the implementation of preferences are depicted by changing the tariffs for the respective products or groups of products. For the midterm evaluation of the EU GSP reform 2007/2008, Gasiorek et al. (2010) for example conduct a simulation using detailed data on EU preferences and imports in a general equilibrium model. They find that the EU GSP preferences granted to developing countries increased in the new GSP system of 2007/2008. Specifically, preferences were more generous and were also taken up more than in previous years. The results provide support that the EU GSP reform increased EU imports but importantly, welfare increased for most developed countries. There is no evidence that the EU GSP schemes helped beneficiary countries diversify their exports, or enabled them to move into new export products and markets. Overall, it should be noted that, in addition to the preference margins, the trade impact in simulation models crucially depends on the substitution between imported and domestic products, measured by substitution elasticities. For more or less homogeneous products, such as primary agricultural products for example, the substitution elasticity is usually rather high, while it is low for differentiated products, such as processed agri-food products. This results in more pronounced effects for homogeneous products that are relatively easily substitutable.

Recent studies on EU preferential market access estimate the intensive and extensive margins of trade (Cipollina and Salvatici, 2011; Scoppola et al, 2014; and Cipollina et al, 2014). The extensive margin refers to the export decision in relation to which products are supplied to which markets, or the more general decision to export to a specific market or not. The intensive margin refers to the volume or value of trade, i.e. exports or imports. The effect on the extensive margin in general highlight the importance of the costs of participating at preference schemes, in particular the fixed costs involved, that influence the exporter's trade decision.

Using 2004 data, Cipollina and Salvatici, (2011) find a positive effect on the extensive margin, which implies that countries benefiting from GSP export a larger set of agricultural primary products. This contradicts the finding that beneficiary countries concentrate on a few products and thus do not diversify their exports when benefiting from GSP preference (Person and Wilhelmsson, 2013). The effect on the intensive margin is estimated as being positive for both primary and processed agri-food products. Hence, GSP preferences seem to increase the quantity of agri-food imports to the EU. In a panel estimation using time series data for the period 1990-2006, Scoppola et al, (2014) also find a slight positive effect of the EU GSP schemes on the intensive and extensive margins of trade in agri-food products. Overall trade seems to be more sensitive at the intensive margin, with most estimations showing larger effects at the intensive than at the extensive margin, but it should be noted that the effects are rather small. Cipollina et al, (2014) for example show that at the intensive margin EU preferences have increased EU imports from beneficiary countries by only about three percent.

2.3. Costs of obtaining preferential market access - administration and rules of origin

The costs of obtaining preferential access to the EU market have often been suggested as an impediment to countries participating in the EU preferences schemes. Costs arise with administrative and technical requirements as well as the *rules of origin*, which require proving the origin of inputs in order to ensure preferential treatment for domestic products from the respective developing countries only.[4] Due to its less stringent *rules of origin*, the Cotonou Agreement is usually preferred to the general GSP schemes of EU preferences (Bureau et al, 2007). For detailed information relating to EU *rules of origin* see UNCTAD (2013). While one main reason to explain the underutilisation of the EU GSP preferences is the *rules of origin* issue, OECD (2005) additionally mentions the cost of complying with requirements relating to certification, traceability and administrative documentation. These issues are related to non-tariff measures (NTMs), which have been widely discussed in the literature.

According to Agostino et al. (2010), the effects of compliance costs seem to play a major role in making the EU GSP schemes work, especially for GSP+. Using data for the year 2002, they find a positive and increasing effect on trade as compliance costs decrease. This also holds for agri-food products. For processed agri-food products, compliance costs are found to be larger than those of unprocessed primary products (Bureau et al., 2007). Table A2 in the appendix provides estimates of the compliance costs for participating in the respective EU GSP schemes, as reported by OECD (2005). Trading under preferences only seems profitable if the value of the preferences (measured by the preference margin or the trade value under preferences) is larger than the costs of obtaining the respective preferences. Compliance costs can outweigh the benefits of the preferential margins, especially for the smallest or poorest countries.

Some studies suggest that there are thresholds of preference margins that indicate below which value the costs of utilising preferences exceed the benefits. For example, Bouet et al, (2005) estimate (for 2002) that the EU GSP scheme was not utilised in cases when preference margins were smaller than six percentage points in comparison to the standard MFN tariff rate (for MFN>O), which applies for trade without preferences. For non-African least developed countries and other countries eligible for the standard EU GSP scheme, the threshold value of preference margins necessary to taking up the respective preference schemes is estimated to be greater than nine percentages points in comparison to the MNF tariff rate. Furthermore, Manchin (2006) estimate a threshold of about four percentage points for 2004. GSP and GSP+ foresees that the preferred tariffs are 3.5 percentage points lower than the MFN tariff rates of the respective product (tariff line) (see Table A2 in the appendix). The reduction of

[4] Note that the rules of origin are not required for small trade flows (less than 6000 Euro) as they do not need a certificate of origin to enter the EU under a preference scheme. Furthermore, there is the possibility of so called “cumulation” that allows products from beneficiary countries to contain products from other countries (as inputs) without losing the benefit of preferential market access.

the MFN tariff rates are at the lower end of the estimates of the threshold estimated. As the estimated costs of participation are not fully outweighed by the preferences granted it can be concluded that the EU preference level may not be sufficiently attractive for countries to participate at the respective GSP schemes. Note that the estimated thresholds are even higher for EBA (see Table A2 in the appendix), which could explain the difficulties of participation of the eligible developing countries.

3. Overview of the EU GSP reform 2013/2014

The new GSP system is described in Regulation (EU) No 987/2012. As previously mentioned, there are three options of preferences, which we refer to as GSP schemes (see Table 1). The schemes of the new GSP system will be valid for 10 years, with the exception of the EBA scheme with no expiry date. Note that there will be an update of the different schemes every three years, in order to confirm (or otherwise) the eligibility of preferred market access for countries and country-product combinations.

The GSP schemes can be broken down into three elements, which constitute the overall preference structure of the EU GSP system: 1) beneficiary country, 2) product subject to GSP and 3) preferences granted. Table 1 contains these elements and presents the criteria to qualify as a beneficiary country on the one hand and the criteria for products being considered as eligible on the other hand. Set out in respective EU regulations for preferential market access, the criteria determine which country and products can be traded under the respective GSP scheme. Applying up-to-date data to the criteria results in changes in beneficiary countries and/or products for which preferences have been granted. Developing further and progressing in their economic and political situation, countries may not qualify as GSP beneficiaries and in this case would lose the preferred market access to the EU market previously granted. This is referred to as "country graduation". For countries qualifying as GSP beneficiaries, the products that can be traded under the respective GSP scheme may also change according to a set of certain criteria. This is referred to as "product graduation" that occurs when products previously traded under GSP are no longer allowed to be traded under these preferences.

<< Table 1 >>

As of 1st of January 2014, new criteria and changed threshold values for country and product graduation have been applied according to Regulation (EU) No 978/2012. Note that the preference level, i.e. the preferential tariff rates, has not changed with the GSP reform. In the appendix, Table A3 provides a detailed overview of the changes. In conclusion, main changes concern the more tight criteria for GSP eligibility of countries and products and are summarized as follows:

- **Beneficiary country:** With the GSP reform, preferential market access is provided to developing countries according to the classification by the World Bank. Though middle-income and transition countries, in particular some BRIC countries (Russia, India and China)that are important players in international trade with the EU and worldwide, remain GSP beneficiaries for some (not all) products. Upper and high middle income countries will lose their GSP preference ("country graduation"). Furthermore, Regulation (EU) No 978/2012 stipulates that countries with which the EU has established other agreements, in particular Regional Trade Agreements but also Economic Partnership Agreements, are not any long eligible as GSP beneficiaries.
- **Products:** With the EU GSP reform, the list of sensitive and non-sensitive products was up-dated.[5] Some products that previously were considered "sensitive" are classified as being "non-sensitive", and vice versa. Agri-food products are mainly "sensitive" products. The reform foresees that some products, mainly inputs into EU production, are newly classified as "non-sensitive" such that tariffs on them are entirely abolished in order to facilitate imports of these products. Furthermore, according to Regulation (EU) No 978/2012, the criterion of import-shares, i.e. that a certain threshold of the share in EU imports must not be exceeded, have been relaxed (See Table A3). The GSP reform thus seems to have made "product graduation" less stringent, leading to more products to be traded under GSP preferences. However, since there will be less beneficiary countries due to "country graduation", the import shares of those countries remaining beneficiaries can be expected to exceed the threshold sooner and products will thus lose the GSP preference sooner and/or frequently. Note that with the GSP reform "product graduation" is no longer foreseen for GSP+ countries. This makes the GSP+ scheme more attractive.
- **Preferences granted:** The EU GSP reform does not change the preferential tariff rates, which are expressed as a reduction of the MFN tariff and approved by the WTO under the Special and Differentiated Treatment for Developing Countries. There is also no change for the GSP+ and EBA schemes: The EU continues to provide tariff and quota-free access under the EBA scheme and a full tariff reduction, i.e. zero tariffs, under the GSP+ scheme.

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[5] The criteria for defining *"sensitive"* and *"non-sensitive"* products relate to the EU competitiveness of producing these products and in fact to the extent that the EU uses them as inputs in its production. Typically those products produced in the EU that would not survive against the increased competition due to increased imports of these products from developing countries would be defined as "sensitive". Many agri-food products classify as "sensitive" according to these criteria.

3.1. Countries affected by the EU GSP reform

The GSP reform affects the EU partner countries, given their economic situation on the one hand and their relation with the EU on the other hand. In total, 90 countries (which belong to the 170 beneficiary countries before the GSP reform) lose their eligibility to participate in any of the three GSP schemes (GSP standard, GSP+ and EBA) (see Table A6 in the appendix). Note that this also applies to least developed countries (LDCs). For example, the Maldives have not qualified as a LDC since 2011, and after the expiry of a three-year transitional period, they will thus no longer be able to benefit from the EBA free market access. In addition, other developing countries will also no longer be eligible for GSP preferences because a) they are Overseas Countries and Territories (OCTs) that have colonial ties to Denmark, France, the Netherlands or the United Kingdom and/or constitutionally depend on EU member states, b) they have other market access arrangements with the EU, and c) they have become high-income or upper-middle-income countries according to World Bank classification. Table 2 lists the countries losing their GSP preference with the reform.

<< Table 2 >>

In total, 80 countries will remain eligible for the three schemes of the GSP system. Amongst them, 31 countries qualify for the standard GSP scheme (GSP standard). With the exception of China, India, Indonesia, Thailand and Vietnam, all of these GSP (standard) countries are considered vulnerable and are thus allowed to apply to participate in the GSP+ scheme.

3.2. Products affected by the EU GSP reform

Regulation (EU) No 987/2012 adds products that previously were considered “sensitive” as being “non-sensitive” and also classifies previously “non-sensitive” products as “sensitive” products. In the new GSP scheme, rare-earth metals and related raw material for example have been classified as “non-sensitive” and are thus not subject to tariffs any longer. In contrast, two agri-food products (namely fresh cut carnations & buds and sun-cured oriental type tobacco) have been classified as “sensitive” products, and thus there is no longer free trade of these products between the respective GSP partner countries and the EU. Table A4 in the appendix provides the list of products subject to these changes.

Furthermore, beneficiary countries can face “product graduation” for certain products for which they seem to be competitive on the world market and thus do not need the EU GSP preferences. This is elaborated in the following section. It is important to note that the GSP reform does not foresee “product graduation” for the GSP+ scheme any longer, thereby clearly promoting the benefits of this scheme. Note that developing countries may decide not to apply for GSP preferences. For example, the strict criteria for qualifying as a beneficiary as well as penalties for countries, which were detected as being not eligible but nevertheless receiving preferences, can be considered to influence the decision to participate at the GSP schemes (Shaffer and Apea, 2005).

3.3 Country-product combinations affected by the EU GSP reform

With the EU GSP reform, some countries that quality for participating in the GSP system lose the GSP preference for some products according to import-share criteria of “product graduation”. Despite relaxing the criteria with the GSP reform, some countries face “product graduation” on exports for some agri-food products. Table 3 presents the county–product combinations concerned; for products other than agri-food nsee Table A5 in the appendix.

<< Table 3 >>

It is interesting to note that China, although qualifying as a GSP beneficiary country, loses its preferential market access for many agri-food products. This seems to reflect the importance of China in international trade in general, and also its significant role in EU imports. China clearly benefits in terms of its competiveness vis-à-vis other trade country partners and the EU member states themselves. Hence, with the GSP reform the EU does not support preferential market access for all products from China.

4. Preferences before and after the EU GSP reform

4.1. Data

We use the TARIC database which is an integrated tariff database of the EU that provides information on tariffs and other measures as described in the EU legislation for products at the 10 digit level of the Combined Nomenclature (CN) classification[6]. The focus is on agri-food products, which are reported under the chapter 1 up to chapter 24 of the CN classification, only, and we specifically look at those countries that are affected in terms of losing their GSP status with the reform (see section 3.1). The

[6] A tariff line is a code identifying a product as defined in lists of tariff rates. Products can be sub-divided in sections, chapters and lines according to the level of detail reflected in the number of digits in the code used to identify the product. At a global level the codes are harmonised at the sixth digit level. The CN code, which is specific to the EU data, identifies product up to 12 digits.

tariff structure of the EU is complex, comprising ad valorem tariffs, specific tariffs, and tariff rate quotas, and is best expressed in terms of ad-valorem equivalents. We aggregate at the 2 digits level of CN codes by using a simple average.

The data on trade comes from Eurostat-Comext and refers to the value and quantity of imports of products at the 8 digit level of the CN classification. Specifically for our analysis, we use the data of normal imports from the respective GSP countries for final use in the EU. The import values are registered under Statistical Regime 1, making up the majority of EU total imports. Furthermore, information on trade under the different trade regimes, in particular most-favourite nation (MFN) and preferential tariffs, is provided. We first analyze the trade "potentially" affected by the GSP reform by looking at the trade data for 2013. Subsequently, we investigate the scope of the reform by assessing the number of tariff lines being affected by the reform. We decide to perform the following analysis. We compute the ad-valorem equivalents (AVE) of MFN and preferential tariffs at the HS 2-digit level for January 2014 using the trade of 2013. In order to have an approximation of the potential losses of countries that will be excluded from the GSP for a reason or another.

4.2. Trade affected

The Eurostat-Comext database does not specifically distinguish between imports under preferential regimes but gives a breakdown into four categories, as already mentioned in section 4.1. These are: MFN non zero (bearing a positive tariff), MFN zero (the tariff is null), preference non zero and preference zero. Table 4 shows the value of agri-food trade according to these categories in 2013. This means that we do not know the specific trade figures under each preferential scheme, but we know if the trade flow benefited from any preference. For 2013, Table 4 shows the total value of agri-food imports from GSP countries by scheme. The breakdown in percentage shares under the different trade regime and the rate of utilization of each regime is also presented. Comparing the shares for 2013 with those for 2006 (as provided by Demaria et al., 2008), we notice that agri-food imports from GSP countries have slightly increased in recent years: 52 million euros in 2006 against 78 million euros in 2013. This equals an increase of about 60%. GSP countries have also increased the level of trade entering the EU under any of the preferences, particularly the null preferences.

The rate of utilisation is the ratio of imports using any preference to imports eligible to any preference. This indicator matters because the utilization of preferential arrangements by beneficiary countries may be impeded by the complexity of granting rules (compare Section 2). As shown in Table 4, the rate of utilisation is rather high, especially for the EBA scheme, and has grown when looking at the utilisation in earlier years (compare Table 1). In 2013, almost 100% of exports eligible for the EU EBA scheme benefited from the preference provided (see last column of Table 4).

<< Table 4 >>

The trade values under the GSP schemes give some indication of the amount of trade potentially affected by the GSP reform. Focusing on agri-food trade, we present the ranking of GSP countries exporting to the EU in order to shed some light on the potential adverse effects of that reform (see Table 5). As elaborated in Section 3.1, some countries lost their GSP status on 1st January 2014, and thus their products no longer benefit from the EU GSP preferences. We focus on these countries and list the top 10 countries in Table 5, ranked according to the value of their exports to the EU (i.e. EU imports from the respective countries). The countries are Chile, China, Morocco, South Africa, Thailand, Argentina, Cote d'Ivoire, Kenya, Ecuador, Peru, Costa Rica, Colombia, Guatemala, Honduras, Nicaragua and El Salvador (compare Table 2 in section 3.1). For the list of all GSP countries removed from the EU GSP preferences schemes see Table A6 in the appendix.

<< Table 5 >>

4.3. Tariff lines affected as an indicator of the effect of the EU GSP reform

In a comparison of tariff lines, we identify which countries will be most affected, given the available information on tariff preferences. Table 6 shows the number of tariff lines (or products) defined by the tariff list of the CN codes at the 10-digit level for the top 10 countries, which lost their GSP preference due to the GSP reform. The GSP standard scheme and the GSP+ scheme are considered, and also the standard trade under MFN tariff rates. The number of preferred lines denotes the number of products benefiting from a preference, and the number of zero lines denotes the number of lines for which the tariff is null. In 2013, there were a total of 4,249 (CN 10-digit level) MFN tariff lines. For the respective EU preference in 2013, the preferred tariff lines were as follows: 2,922 for EBA, 1,662 for GSP and 1,797 for GSP+ (see Table 6) If we compare these figures with other trade agreements (bilateral trade agreement or Economic partnership agreement (EPA), the number of preferred tariff lines is always greater than the number of lines under GSP. One explanation could be that the GSP scheme is a nonreciprocal arrangement between the EU and beneficiary countries. In contrast, EU trade agreements can be established between more than one party (plurilateral agreements) and they usually have a broader scope and size of preferences, from which developing country exporters but also EU exporters hope to benefit.

Many countries that were eligible for GSP preferences in 2013 but have lost them with the reform have free trade agreement (FTAs) with the EU (see information in brackets in the first column of Table 6). Note that these agreements are often more comprehensive in scope and degree of preferences granted. Overall, this means that the countries mostly affected by the EU GSP reform will be particularly those countries that benefitted only from GSP and lost their GSP status with the reform or lost preferences for specific products (see Table 3). As shown, this would, for example, be the case for China, Ecuador or Thailand all of which are not beneficiaries of other trade agreements. Ecuador is an interesting example: Due to the reform, Ecuador lost its GSP preferences for carnations and buds, worth 2.274 million euros in trade value in 2013. In order to ensure preferences and avoid trade losses in the EU market for its exports, Ecuador seems to have signed a free trade agreement with the EU only in July 2014. It can be expected that developing countries will sign more such agreements with the EU; other examples are the EU EPAs with ACP countries.

<< Table 6 >>

4.4. Changes in tariffs

We compute the MFN and preferential AVE tariffs with trade data from 2013 and tariffs data from 2014 at the HS 8-digit level and aggregate them at the HS2 using simple average (see Table 7). This gives a first approximation of what the countries are potentially loosing when losing the GSP preferences MFN tariffs are imposed on products from any country and constitute the common market access conditions in trade between country pairs. Hence the MFN tariff rates seems to be a suitable benchmark for determining what exporting countries can obtain when importing countries apply reduced and thus preferential tariffs to the product in question. Our calculation can be thought of as an indicator of the potential benefit derived from preferred market access, just like granted under the EU GSP system. Indeed, for all trade entering the EU under a preference we have computed the AVE by country guessing that the tariff line could have benefitted from the GSP preference or another preference (for countries benefitting from several schemes as Euromed or EPA). Note that the actual benefit to the trading partner depends on the utilization of the preferences (see Section 2). We focus on countries that have lost their GSP status or that are not allowed to export some products under GSP after the EU reform.

We thus concentrate on the potential 'preferential margin' countries could lose in 2014. We retrieve the 2013 EUROSTAT/Comext data on preferential trade from GSP countries losing their GSP preferences in 2014. Various level of AVE are thus compared for the month of January and with the 2013 trade. This is done to avoid the problem of endogeneity as the reform entered in force in 2014 we could not use the 2014 trade to do our calculation. Moreover because some tariffs are seasonal (as citrus) and change over the year, to have a stable base of comparison we have restricted our analysis to the tariffs rate on 1st January 2014. Obviously this is totally hypothetical but will give a picture on potential changings induced by the new GSP reform.

<< Table 7 >>

Table 7 shows that under our hypothesis, the preferences offered under alternative preferential schemes are almost always better than the GSP preferential scheme except for Euromed countries which for some chapters are discriminated against compared to the GSP preferences.

5. Concluding remarks

The EU has been granting preferential market access to developing countries under three specific GSP schemes (the standard GSP scheme, the GSP+ scheme and the EBA scheme), in addition to other trade-related development programmes and free trade agreements. The existence of high tariffs on agri-food products means that EU preferential arrangements are potentially valuable for developing countries. However, in many cases EU preferences for agri-food products are granted with limitations of quotas or agri-food products are considered as sensitive products and are thus being excluded from preferential market access. Note that tropical products from developing countries tend to be traded under tariff and quota free access conditions as they do not compete with EU products. Hence the EU GSP preferences do not seem to play a major role in trade of these products.

In the literature, studies report on different effects for different agri-food products, leading to ambiguous results of trade effects depending on the estimation characteristics as well as the data. Mainly small but positive trade effects have been estimated. For the poorest group of developing countries, the trade effects of the EU preferences tend to be relatively larger, but there is evidence that the costs of participating in the respective schemes prevent, particularly small developing countries exporters, to be able to benefit from the available preferences. The costs of participating are related to administration, tracking and *rules of origin* but also refer to import requirements that have controversially been discussed as non-tariff measures. They are commonly referred to as *compliance costs*. Trading under preferences therefore only seems to be beneficial if the value of the preferences (measured by the preference margin or the trade value under preferences) is larger than the costs of obtaining the respective preferences. Several studies confirm that small shipments are not traded under GSP preferences. Furthermore, small firms seem to be most negatively affected by the compliance costs.

Looking at trade data, developing countries seem to have succeeded in benefiting from the opportunity of the better market access offered by the EU preferences. However, some GSP beneficiaries can also chose trading under other preference, under free trade agreements for example, and they may prefer this alternative. This means that the GSP schemes do not always appear as the preferred and most beneficial regime. With the EU GSP reform, a considerable number of countries (90 in total) lost their GSP status as of 1st January 2014. Our analysis on the number of tariff lines shows that countries that lose their GSP status because they already have or are in the process of establishing other preference arrangement with the EU (e.g. FTAs, EPAs) can be expected to suffer less from the reform. Our calculations of AVE confirm this conclusion. Countries benefiting from other preferences the alternative scheme will compensate the loss of the GSP. The only exception concerns Euromed countries but only for some lines of chapters 7 and 8, particularly those chapters that bear seasonal tariffs. It should be noted, however, that such other arrangements are typically reciprocal and thus open up markets for EU products in the partner countries. This could expose domestic producers in partner countries to competition from EU producers, and if they are not able to compete they may lose out.

The EU GSP reform will affect those countries that only benefit from the GSP schemes and/or that have specialized in some products graduated from the preferences *("product graduation").* This is the case for some emerging countries, such as Brazil and Russia that lost their GSP status for exporting to the EU. Being big players in international trade, these countries can however be expected to be competitive on the world market as well as on the EU market. China continues to have its GSP status but lost its preferential market access conditions for many agri-food products. Another example is Ecuador, which lost its preferential market access for some important agricultural export products but has just in time signed a free trade agreement with the EU in July 2014 in order to ensure preferences and avoid trade losses in the EU market for its exports. It can be expected that developing countries losing their GSP status will conclude more such agreements, including economic partnership agreements (EPAs), with the EU for the continuation of their preferential market access.

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7. Appendix

Table A1: Overview of EU trade preferences for developing countries

Agreement/ Programmes	**Countries eligible**	**Preference provision related to trade**	**Year**	**Comments**
EU GSP scheme (standard GSP and GSP plus)	Developing countries satisfying certain criteria*	Duty free market access for *non-sensitive* products, or reduced duties for *sensitive* products, *rules of origin*	1971	Not regional, global , approach of preferential trade for eligible countries, non-reciprocal
EU GSP – “Everything but arms” (EBA) scheme	Least developed countries (49 countries)	Duty free market access for all products, except to arms and munitions, *rules of origin*	2001	Granted for unlimited period without review, non-reciprocal
Lomé	ACP countries	Duty free market access for agri-food and mineral exports; specifically quota system for products in competition with EU producers (e.g. sugar, beef), rules of origin (*regional cumulation***)	1975-2000	Trade and aid agreement between the EU and ACP countries, non-reciprocal
Cotonou	ACP countries	Reduced tariffs without quantitative limits, *rules of origin* requirement (*regional cumulation*)	2000-2020	Follow-up of Lomé Convention

Economic Partnership Agreements (EPAs)	ACP countries (regional groupings of countries)	Reduced tariffs without quantitative limits, but reciprocal opening of markets, *rules of origin* requirement for group of countries	Scheduled for 2008, but negotiatio ns are still continuin g	EPAs are an important element of the Cotonou Agreement, key features are reciprocity and non-discriminatory to WTO rules (see Van Grasstek, 2013)

Note: * The criteria are described further for the latest GSP system in 3.1. ** *Regional Cumulation* curtails strict *rules of origin* as it allows for products being further processed or added to end product in the beneficiary country without losing the benefit of preferential market access.

Source: authors' calculations.

Table A2: Estimates of ad-valorem costs of participating at the EU GSP schemes for agri-food products (OECD, 2005)*

EU preference schemes	**Total EU**	**Primary agri-food products**	**Processed agri-food products**
GSP	2.9%	1.5%	4.1%
GSP+ (GSP drugs)**	3.2%	0.5%	5.2%
EBA	10.9%	6.8%	13.6%

Note: *The figures refer to the results of a probit estimation on the decision of developing countries to utilise the EU GSP schemes, using TARIC tariff and trade data for the year 2002. The ad-valorem costs of participating in the EU GSP schemes are defined as the average margin for countries and products traded under the respective preference schemes. ** The GSP drugs is in line with the idea of GSP+, with a focus on beneficiary countries in South America and Pakistan conducting anti-drug and trafficking campaigns.

Source: OECD (2005).

Table A3: Preference structure of the new reformed EU GSP scheme.

GSP scheme	**Countries**	**Products**	**Preferences granted**
GSP (standard)	• Not classified as **high or upper middle income country** according to World Bank development index • **No other equivalent preferences in other agreements with the EU**	For three consecutive years, average imports of a product group from a country to the EU have to be smaller than **17.5%** of GSP imports of the same products from all GSP beneficiary countries to the EU; for textiles and clothing the threshold is **14.5%**.	*"sensitive"* products: • 3.5 percentage point reduction of ad valorem applied MFN tariffs • 30% reduction for specific tariffs (if only specific tariffs) (not applicable for agri-food products) • Exception for textiles: 20% reduction of MFN tariffs *" Non-sensitive"* products: • 100% reduction – duty free market access
GSP +	As for the GSP (standard) see above and in addition (plus): • Vulnerability criteria: 1) Non-diversified economy: **seven** largest categories of products account for more than 75% of its total EU imports under GSP	**No product graduation**	*"sensitive"* and *"non-sensitive"* products: • 100% reduction of ad valorem and specific MFN tariffs - duty free market access

	2) <u>Import share</u>: the country's share in total GSP imports of the EU is **smaller than 2%**. • Commitment to international conventions, especially **implementation and enforcement**		
Everything-But-Arms (EBA)	Least developed countries (UN classification)	All products except for arms and ammunition (HS chapter 93)	<u>*"sensitive"* and *"non-sensitive"* products:</u> • Tariff and quota free access

Note: Main changes due to the GSP reform are highlighted in bold.

Source: Authors' compilation using the information provided in Regulation (EU) No 987/2012.

Table A4: Changes of *"sensitive"* or *"non-sensitive"* products (tariff lines), standard GSP according to Regulation (EU) No 978/2012.

Products (tariff lines) that were *"sensitive"* but qualify as *"non-sensitive"* products according to Regulation (EU) No 978/2012.	
CN code	Product Description
280519	Alkali/alkaline-earth metals other than sodium & calcium
280530	Rare-earth metals, scandium & yttrium, whether/not intermixed/interalloyed
281820	Aluminium oxide (excl. artificial corundum)
310221	Ammonium sulphate
310240	Mixtures of ammonium nitrate with calcium carbonate/other inorganic non-fertilising substance
310250	Sodium nitrate
310260	Double salts & mixtures of calcium nitrate & ammonium nitrate
320120	Wattle extract
780199	Unwrought lead other than refined, n.e.s. in 78.01
810194	Unwrought tungsten (wolfram), incl. bars & rods obt. simply by sintering
810411	Unwrought magnesium, containing at least 99.8% by weight of magnesium
810419	Unwrought magnesium (excl. of 8104.11)
810720	Unwrought cadmium; powders
810820	Unwrought titanium; powders
810830	Titanium waste & scrap
06031200	Fresh Cut Carnations And Buds, Of A Kind Suitable For Bouquets Or For Ornamental Purposes
24011060	Sun-Cured Oriental Type Tobacco, Unstemmed Or Unstripped
39076020	Poly "Ethylene Terephthalate", In Primary Forms, Having A Viscosity Number Of >= 78 Ml/G")
85219000	Video Recording Or Reproducing Apparatus (Excl. Magnetic Tape-Type);Video Recording Or Reproducing Apparatus, Whether Or Not

	Incorporating A Video Tuner (Excl. Magnetic Tape-Type And Video Camera Recorders)

Source: EC (2013)

Table A5: Countries and products losing preferences under the GSP (standard) scheme *("product graduation"),* from 1st January 2014 until 31st December 2016.

Country	**Product code (CN) and description**
China	S-1a , Live animals and animal products excluding fish, S-1b, Fish, crustaceans, molluscs and other aquatic invertebrates S-2b , Vegetables, fruit and nuts, S-2c, Coffee, tea, mate and spices , S-2d, Cereals, flour, seeds and resins S-4b, Prepared foodstuffs (excl. meat and fish), beverages, spirits and vinegar S-6a, Inorganic and organic chemicals, S-6b, Chemicals, other than organic and inorganic chemicals, S-7a, Plastics, S-7b, Rubber S-8a, Raw hides and skins and leather, S-8b, Articles of leather and fur skins, S-9a, Wood and wood charcoal, S-9b, Cork manufactures of straw and other plaiting materials S-11a, Textiles, S-11b, Articles of apparel and clothing accessories S-12a, Footwear, S-12b, Headgear, umbrellas, sun umbrellas, sticks, whips and prepared feathers and down S-13, Articles of stone, ceramic products and glass S-14, Pearls and precious metals S-15a, Ferro-alloys and articles of iron and steel, S-15b, Base metals (excl. iron, steel), articles of base metals (excl. articles of iron, steel) S-16, Machinery and equipment S-17a, Railway and tramway vehicles and products, S-17b, Motor vehicles, bicycles, aircraft and spacecraft, ships and boats S-18, Optical instruments, clocks and watches, musical instruments S-20, Miscellaneous
Costa Rica	S-2b, Vegetables, fruit and nuts
Ecuador	S-2a, Live plants and floricultural products S-4a, Preparations of meat and fish
India	S-5, Mineral products S-6a, Inorganic and organic chemicals, S-6b, Chemicals, other than organic and inorganic chemicals S-8a, Raw hides and skins and leather S-11a, Textiles S-17b, Motor vehicles, bicycles, aircraft and spacecraft, ships and boats
Indonesia	S-1a ,Live animals and animal products excluding fish S-3, Animal or vegetable oils, fats and waxes S-6b, Chemicals, other than organic and inorganic chemicals
Nigeria	S-8a ,Raw hides and skins and leather
Ukraine	S-17a, Railway and tramway vehicles and products
Thailand	S-4a, Preparations of meat and fish, S-4b, Prepared foodstuffs (excl. meat and fish), beverages, spirits and vinegar, S-14, Pearls and precious metals

Note: For these countries and product combination the "product graduation" thresholds are exceeded during three consecutive years and thus preferential market access will not be granted any more. This means that the level of EU imports from the respective country is larger than 17.5% of EU GSP imports of the same product from all GSP beneficiary countries; for textiles the share exceeds 14.5%.

Source: Implementation Regulation (EU) No. 1213/2012.

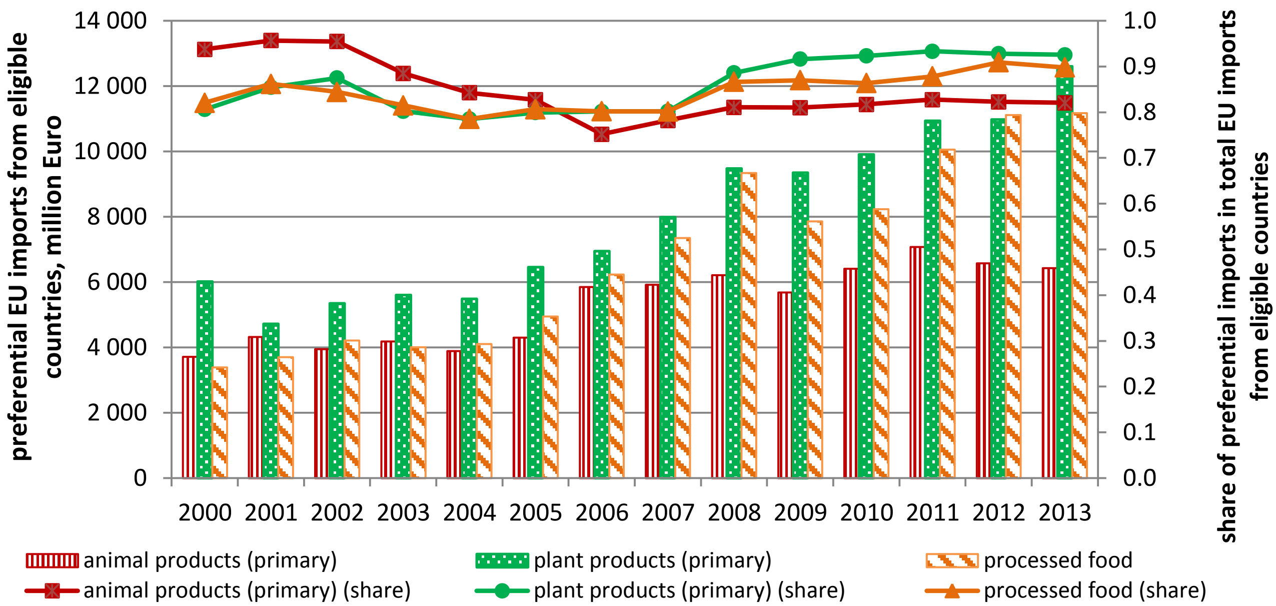
Table A6: Value of agri-food trade affected by the EU GSP reform: EU imports from countries removed from GSP preferences on 01/01/2014, 2013.

GSP countries			
	Value of agri-food trade (million €)		**Value of agri-food trade (million €)**
Chile	2,289.19	Kazakhstan	41.11
Morocco	1,942.71	Curacao	22.15
South Africa	1,586.05	Botswana	21.97
Argentina	1,099.83	Jordan	21.68
Cote d'Ivoire	1,075.57	Bahamas	14.76
Kenya	703.21	Algeria	12.85
Russia	699.09	Barbados	11.16
Mauritius	586.51	French Polynesia	9.68
Egypt	581.63	St. Lucia	8.99
Papua New Guinea	541.55	Saudi Arabia	6.67
Ghana	510.56	United Arab Emirates	6.07
Mexico	408.35	Trinidad and Tobago	5.4
Greenland	350.24	Oman	4.87
Brazil	347.72	French Southern Territories	3.64
Namibia	340.42	Dominica	1.45
Dominican Republic	304.65	New Caledonia	1.18
Tunisia	290.93	Grenada	0.78
Seychelles	283.43	St Vincent, the Grenadines	0.68
Cameroon	239.47	Mayotte	0.65
Iran	221.56	Guam	0.64
Swaziland	212.06	St. Pierre And Miquelon	0.37
Zimbabwe	155.04	Gabon	0.26
Cuba	148.06	Brunei Darussalam	0.16
Belize	126.23	Turks and Caicos Islands	0.05
Guyana	125.81	Antigua and Barbuda	0.04
Malaysia	122.4	Palau	0.03
Falkland Islands	104.42	St. Helena	0.02
Panama	97.89	Aruba	0.01
Jamaica	80.7	St. Kitts and Nevis	0.01
Fiji	76.02	Qatar	0
Suriname	70.21	Anguilla	0
Uruguay	64.38	Gibraltar	0
Lebanon	45.14		
GSP+ Countries			
	Value of agri-food trade (million €)		**Value of agri-food trade(million €)**
Peru	1,117.34	Nicaragua	113.15
Costa Rica	696.21	El Salvador	69.00
Colombia	661.09	Venezuela	37.62
Guatemala	343.66	Azerbaijan	20.69

Source: Authors' calculations, country status EC (2013).

Endnote / Tables and figures in the text

Figure 1: EU imports from developing partner countries under trade preferences, 2000-2013.



Note: Processed food includes tobacco and beverages containing the HS chapter 11, 13, 15, 16 as well as 19-24. The data for animal products contains HS chapter 1-5, and the data for plant products contain HS chapter 6-10, 12 as well as 15 and 16. The data refers to the value of EU imports (reflecting CIF prices) that are eligible for being traded under the EU GSP system as well as other preferences granted by the EU.

Source: Eurostat trade data according to tariff regime.

Table 1: Overview of preference structure of the different scheme in the EU GSP system.

	Beneficiary country	**Products**	**Preference granted, preference level**
Standard GSP scheme	Developing countries according to World Bank development index*	- Eligible products according to their share in EU imports from GSP countries** - Sensitive and non-sensitive products	Partial (for *"sensitive"* products) or entire removal (*for "non-sensitive"* products) of tariffs on products
Enhanced GSP scheme "GSP+"	- Countries meeting *"vulnerability criteria*" (non-diversified economy and importance of the EU as trade partner) can apply for GSP + - Countries that commit to international conventions relating to human and labour rights, environment and good governance.	Eligible GSP products, but no differentiation between sensitive and non-sensitive products (see standard GSP scheme)***	Full removal of tariffs
"Everything-But-Arms" (EBA)	Least developed countries (UN classification)	All products, except for arms and ammunitions	Duty-free and quota-free access

Notes: * With the GSP reform, developing countries that have another trade agreement with the EU do not quality as GSP beneficiaries anymore. ** The import-share criterion is applied in order to avoid that the situation that one beneficiary country dominates EU imports *** With the GSP reform, there is no "*product graduation"* under GSP+..

Source: authors.

Table 2: Overview of countries affected by the EU GSP reform 2013/2014

All Overseas Countries and Territories (OCTs) losing their GSP (standard) status (26 countries): American Samoa, Anguilla Antarctica, Aruba, Bermuda, Bouvet Island, British Indian Ocean Territory, Cayman Islands, Christmas Islands, Cocos Islands (or Keeling Islands),Falkland Islands, French Polynesia, French Southern Territories, Gibraltar, Greenland, Guam, Heard Island and MacDonald Island, Mayotte, Montserrat, Netherlands Antilles, New Caledonia, Norfolk Island, Northern Mariana Islands, Pitcairn, South Georgia and South Sandwich Islands, St. Helena, St. Pierre and Miquelon, Tokelau Islands, Turks and Caicos Islands, US Minor Outlying Islands, Virgin Islands (USA), Wallis and Futuna
Countries losing their GSP (standard) status due to other market access (trade) arrangements with the EU (43 countries): "*Euromed":* Algeria, Egypt, Jordan, Lebanon, Morocco, Tunisia *Cariforum*: Belize, St. Kitts and Nevis, Bahamas, Dominican Republic, Antigua and Barbuda, Dominica, Jamaica, Saint Lucia, Saint-Vincent and the Grenadines, Barbados , Trinidad and Tobago, Grenada, Guyana, Surinam *Economic Partnership Agreements (EPAs*): Côte d'Ivoire, Ghana, Cameroon, Kenya, Seychelles, Mauritius, Zimbabwe, Namibia, Botswana, Swaziland, Papua New Guinea, Fiji Other trade agreements (*Free Trade Agreements) (FTAs):*Chile, Mexico, Panama, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Peru and South Africa
Countries losing their GSP (standard) status due to being classified as high-income countries (8 countries): - Saudi Arabia, Kuwait, Bahrain, Qatar, United Arab Emirates, Oman, Brunei Darussalam and Macao
Countries losing their GSP (standard) status due to being upper-middle income countries (14 countries): *Latin America*: Argentina, Brazil, Cuba, Uruguay, Venezuela; Ecuador is also likely to lose its GSP status. *ex-USSR*: Belarus, Russia , Kazakhstan *other*: Gabon, Libya, Malaysia, Palau, Azerbaijan and Iran

Source: Information provided in Regulation (EU) No 987/2012 and EC (2013).

Table 3: County and their specific agri-food products affected by GSP reform

China	S-1a , Live animals and animal products excluding fish S-1b, Fish, crustaceans, molluscs and other aquatic invertebrates S-2b , Vegetables, fruit and nuts S-2c, Coffee, tea, mate and spices S-2d, Cereals, flour, seeds and resins S-4b, Prepared foodstuffs (excl. meat and fish), beverages, spirits and vinegar
Costa Rica	S-2b, Vegetables, fruit and nuts
Ecuador	S-2a, Live plants and floricultural products S-4a, Preparations of meat and fish
Indonesia	S-1a ,Live animals and animal products excluding fish S-3, Animal or vegetable oils, fats and waxes
Thailand	S-4a, Preparations of meat and fish S-4b, Prepared foodstuffs (excl. meat and fish), beverages, spirits and vinegar

Note: The product groups or sectors S contain several similar products (CN codes) as defined by the Regulation.

Source: Implementation of Regulation (EU) No. 1213/2012.

Table 4: Value of EU agri-food imports from GSP countries and rate of utilization of preferences granted by the EU (all schemes taken into account), 2013.

GSP scheme	EU agri-food imports from GSP countries (€ million)	MFN non-0 (%)	MFN-0 (%)	Pref-0 (%)	Pref non-0 (%)	Rate of utilisation (%)
EBA	3,576	2.30	32.42	65.28	0.00	97
(standard) GSP	64,577	18.07	46.24	21.58	14.12	88
GSP+	10,590	18.62	33.98	38.11	9.28	92

Source: Authors' calculations using Eurostat-Comext

Table 5: Value of EU agri-food imports of top 10 developing countries losing GSP status as of 01/01/2014, by preference scheme, 2013.

EBA	Value of preferential trade (million €)	(standard) GSP	Value of preferential trade (million €)	GSP+	Value of preferential trade (million €)
Bangladesh	324.75	Chile	2,289.19	Ecuador	1,454.42
Tanzania	228.57	China	1,970.11	Peru	1,117.34
Madagascar	223.43	Morocco	1,942.71	Costa Rica	696,21
Senegal	209.90	South Africa	1,586.05	Colombia	661.09
Mozambique	192.98	India	1,400.59	Guatemala	343.66
Malawi	181.26	Thailand	1,167.20	Honduras	165.08
Ethiopia	169.42	Argentina	1,099.83	Sri Lanka	119.10
Cambodia	161.89	Cote d'Ivoire	1,075.57	Nicaragua	113.15
Uganda	133.51	Vietnam	836.62	Georgia	91.75
Mauritania	114.57	Kenya	703.21	El Salvador	69.00

Source: trade data from Eurostat Comext.

Table 6: Number of tariff lines (CN 10 digits) under EU preference schemes, top 10 countries losing their GSP status as of 01/01/2014.

	Number of lines (in brackets number of zero lines)	**Number of preferred lines (in brackets number of zero lines)**
MFN	4,249 (577)	0
GSP		1,662 (687)
Chile (FTA)		2,418 (2,070)
China (GSP)		1,662 (687)
Morocco (Euromed)		3,071 (3,041)
South Africa (FTA)		1,698 (1,443)
Thailand (GSP)		1,662 (687)
Argentina (GSP)		1,662 (687)
Cote d'Ivoire (EPA)		2,921 (2,921)
Kenya (EPA)		2,921 (2,921)
GSP+		1,797 (1,582)
Ecuador (GSP+)		1,797 (1,582)
Peru (FTA)		2,868 (2,621)
Costa Rica (FTA)		2,372 (1,897)
Colombia (FTA)		2,547 (2,333)
Guatemala (FTA)		2,372 (1,897)
Honduras (FTA)		2,372 (1,897)
Nicaragua (FTA)		2,372 (1,897)
El Salvador (FTA)		2,372 (1,897)

Note: EBA countries do not change with the EU GSP reform and are thus not listed.

Source: TARIC data.

Table 7: average AVE tariffs by scheme at HS 2-digit level

Chapters	MFN	GSP	GSP+	EBA	Euromed	Cariforum	EPA	OCT	CAMER
1	1.21	4.00	NT	0.00	0.00	NT	NT	NT	NT
2	18.76	0.59	NT	0.00	NT	NT	0.00	0.00	NT
3	7.13	3.14	0.33	0.00	0.00	0.00	0.00	0.00	0.00
4	26.01	2.22	0.00	0.00	0.00	NT	0.00	0.00	0.00
5	0.12	0.40	NT	0.00	0.00	NT	NT	NT	NT
6	6.41	2.24	0.00	0.00	1.38	0.00	0.00	0.00	0.00
7	10.95	5.51	0.04	0.00	7.81	0.00	0.00	NT	0.00
8	13.04	7.80	0.56	0.00	12.08	0.00	0.00	0.00	1.43
9	2.99	1.33	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10	6.93	0.02	0.00	0.00	0.00	0.00	0.00	NT	0.00
11	18.48	1.34	0.00	0.00	0.00	0.00	0.00	0.00	0.51
12	0.94	0.07	0.29	0.00	0.12	0.00	0.00	0.00	0.00
13	1.55	3.83	0.00	0.00	0.00	0.00	NT		NT
14	0.00	MFN = 0	MFN = 0	MFN = 0	MFN = 0	MFN = 0	MFN = 0	MFN = 0	MFN = 0
15	8.84	2.10	0.00	0.00	3.04	0.00	0.00	0.00	0.00
16	15.26	7.33	0.00	0.00	0.30	0.00	0.00	0.00	0.00
17	16.95	4.17	2.31	0.00	2.86	0.00	0.00	NT	0.53
18	7.91	4.87	0.39	0.00	0.60	0.00	0.00	NT	2.44
19	17.43	8.57	7.06	0.00	7.29	0.00	0.00	NT	0.32
20	15.87	7.70	0.93	0.00	0.69	0.00	0.00	0.00	0.00
21	8.80	3.47	0.00	0.00	0.28	0.00	0.00	0.00	0.00
22	1.09	1.97	0.38	0.00	2.36	0.00	0.00	0.00	0.00
23	2.87	1.24	0.00	0.00	0.00	0.00	0.00	NT	NT
24	32.96	8.11	0.00	0.00	0.88	0.00	0.00	0.00	0.33

NT indicates that there was no trade flow in these chapters