



POLICY BRIEF No 2019/02, MAY 2019

The Price of Exploitation: Sustainable Imports Within the Generalised Scheme of Preferences

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Key points

The import of products of forced or child labour or exploitation are inherently problematic for consumers and the European Union alike, posing questions regarding the democratic legitimacy and sustainability of the current trade policy. This policy brief examines the impact the Generalised Scheme of Preferences (GSP) has had in sustaining the exploitation cycle and analyses how under the current system, the mechanism has been proven insufficient in preventing the phenomenon. It also outlines how the GSP constitutes potential leverage towards respecting human and labour rights. It therefore suggests four possible solutions:

- a total ban on such products from entering the EU,
- the re-evaluation of Sustainability Impact Assessments (SIAs),
- a tightening of the GSP+ monitoring mechanism and finally,
- the greater cooperation with the International Labour Organisation (ILOs) and adherence to the relevant Conventions.

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Introduction

The Generalised Scheme of Preferences (GSP) has constituted a valuable tool in promoting trade and multilateralism with third countries and supporting their development. Yet, despite aiming to promote respect towards human rights and improve labour conditions, it often constitutes a mechanism that enables products of exploitation to reach the EU market.

With trade with the EU being important for most of the countries involved in the scheme and the scheme itself placing particular focus in the respect of human rights, it has been observed that oftentimes, non-compliance with any of the required Conventions or violation thereof, does not meet adequate response from the European Commission, a fact which makes the EU part of the exploitation cycle, even passively.

Situation Under the Current GSP

The GSP was most recently updated in 2012, considering global developments in the field of trade and ensuring that more advanced developing countries do not get an unfair advantage over the Least Developed Countries (LDCs). It was also changed to ensure the promotion sustainable development and respect towards human rights, introducing many new mechanisms and measures that foster cooperation with regards to compliance with international Conventions regarding labour and human rights (European Commission, 2012). Yet, 4 years after its first implementation, the situation remains largely unchanged with the GSP often appearing dysfunctional in imposing compliance in case its terms are not being met by partner countries.

At the same time, the European Commission has often appeared reluctant to take any penalising measures regarding the GSP, even in cases where the European Parliament or other institutions have expressed their concerns, often due to the ILO not having officially confirmed the violation (European Parliament, 2018). Although this exclusivity in wanting to protect the GSP is understandable, recent trends lean towards the further democratisation of trade and its sustainability.

Many products entering the EU Single Market under the GSP are in fact products of exploitation, abuse, forced or child labour that critically endanger the life of many individuals, in addition to being a gross violation of human rights. With the European Union being a champion in defending and promoting human rights, engaging in trade with any country where such violations have been observed can be seen as feeding into the cycle of exploitation and supporting it.

In 2017, the European Parliament expressed its concerns regarding the nature and impact palm oil production has as it is one of the goods most often associated with human rights violations. Amnesty International also reported in 2017 that minerals used to produce



electric vehicles are often products of forced labour in the Democratic Republic of Congo (DRC).

Yet, these products still reach EU soil under the GSP, meaning they get preferential access, despite their dubious origin. Although arguably these are concerns that cannot be addressed by the European Union alone, the way trade under the GSP is currently conducted, only further exacerbates such concerns.

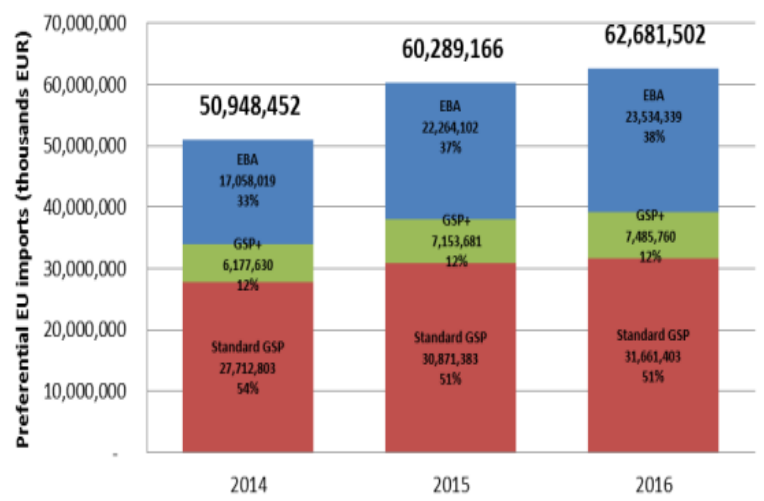
The European Parliament has been at the forefront of engaging in dialogue about child labour, having called for a complete ban of products that involve child labour, both in 2010 and more recently, in 2016 (European Parliament, 2016). The European Commission seemed apprehensive of the proposal, due to a legitimate fear of the effectiveness of a traceability mechanism (European Commission 2013), as well as data supporting that due to child labour being linked to poverty, open trade with third partners, reduces child labour as a function of time. Nevertheless, suggesting that as poverty reduces, so will child labour, might be a valid argument but one that falls short of taking a stance or implementing any measures towards that direction.

With human rights already being in the agenda when engaging in trade with third-party countries and Sustainability Impact Assessments (SIAs) being conducted regularly, there is room for imposing stricter standards in potential imports to ensure their compliance with the principles set out by both the EU and UN to prevent child labour.

In 2016 alone, EUR 62.8 billion worth of goods were imported in the EU through the GSP (European Commission, 2018), proving how valuable the scheme can be for partner countries. At the same time, countries which are part of the GSP+, are regularly monitored to ensure their compliance with the 27 conventions outlined. Yet, despite the GSP+

monitoring mechanism acting as a key instrument in engaging in dialogue with said countries regarding their commitment to sustainable development and respect of human and labour rights, its dependence on the ILO deeply undermines its efficiency. The need to, therefore, take more active measures within the scheme is of particular importance.

Fig. 1 - Preferential EU imports under Standard GSP, GSP+ and EBA
2014-2016 (thousand EUR)





The example of Sri Lanka which had its GSP+ status withdrawn in 2010 due to human rights concerns is highly indicative of the impact the EU can have in the field. Sri Lanka was severely impacted by the decision, with an estimated 1 billion US dollars lost and many individuals being forced out of work. Yet, 7 years later, the CSP+ status was successfully reinstated with the new Sri Lankan government having taken significant steps in the areas of human rights and limiting exploitation, proving the relative effectiveness the CSP+ system can have when used coercively.

Given the importance of trade, partner countries therefore have valid reasoning to ensure the sustainability of their exports, as suspension of the status could heavily impact their national economies, let alone in a system where they are being continually monitored.

Recommendations

The EU is a global actor prioritising open and free trade with its partners, whilst also employing some of the hardest standards in terms of the products being allowed. Most notably, the health and safety standards are outlined in such a manner that partner countries who wish to engage in trade have no option but to comply. In the same way, particular focus on human rights can be an effective mechanism to ensure that they are adequately respected, as the socio-financial incentives for engaging in trade with the EU are arguably greater than any form of non-compliance.

With that in mind, the following proposals are in order:

- The EU should move forward in adopting the proposed ban of products of child labour as legislation. Despite being a legislative proposal that is not legally enforceable, its legally binding nature could be vital in re-defining the EU's trade policy with further attention on the human rights aspects of pending and upcoming negotiations. In addition, it would constitute as a legal ground for any possible suspension of trade under the GSP, effectively a safeguard that encourages partner countries to comply in fear of retaliation.
- Sustainability Impact Assessments (SIAs) should be prioritised further as a tool to determine a partner's compliance with the standards outlined in any trade agreement and provide country-specific recommendations during negotiations. Points referenced within the SIA reports regarding labour and human rights concerns need to be included in official negotiations as necessary conditions for the agreement to be signed and ratified.
- The GSP, GSP+ and EBA schemes are pivotal in eradicating poverty and exploitation in partner countries, as they provide them with much-needed access



to the world's largest single market with minimal tariffs. Yet, they should be further strengthened and monitored to prevent abuse of such status as a tool to import goods produced using fraudulent practices. Should any discrepancies regarding the nature of the products being imported be observed, an immediate response must be in order, with the possibility of withdrawing the GSP status should the partner not comply within a given timeframe.

- Lastly, further cooperation with the ILO is needed in order to ensure that the recommendations proposed under the GSP+ and EBA are implemented in practice. Keeping in mind that the ILO's reporting cycle is different to that of the GSP, leading to a substantial lack of data over a prolonged period of time, alternative schemes of monitoring should be explored that allow for greater flexibility. In addition, given how the implementation of the ILO's conventions is key in the implementation of the GSP+ and EBA, such status should only be reserved for countries which have already ratified most, if not all, relevant conventions beforehand.



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