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Optimizing Benefits to Sri Lanka from EU GSP+ and Preparing for the Impending Reforms of the ‘GSP Regulation’

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Abstract: *The EU’s GSP+ trade concessions offered to Sri Lanka are contingent upon the implementation of 27 international conventions concerning human rights, labour rights, environmental protection, and good governance. While the extension of the GSP+ benefits have been crucial for Sri Lanka in its efforts to revitalise its economy beset by a grave economic crisis in 2022, setbacks in human rights commitments and delays in meeting some international standards have sparked concerns about Sri Lanka's ongoing eligibility for GSP+. Within the backdrop of an ongoing debate within the EU on the impending reform of the GSP regulation, this policy brief takes stock of the benefits derived by Sri Lanka from the concessions, means to increase its utilization and the challenges faced in retaining it.*

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1.0. Background

The European Union's (EU) Generalized Scheme of Preferences (GSP) offers developing countries preferential access to EU markets through three distinct arrangements: Standard GSP, GSP+, and the Everything But Arms (EBA) scheme. Standard GSP grants partial or full removal of duties on 66%[1] of all EU tariff lines for low or lower middle-income countries. However, under the GSP+ arrangement, developing countries[2] can benefit from complete suspension of duties on 66%[3] all EU tariff lines for exports to the European Union. This preferential access is contingent upon the implementation of 27 international conventions covering four key areas: human rights, labour rights, environmental protection, and good governance. In contrast, the EBA scheme, which is a special arrangement for the Least Developed Countries (LDCs), provides duty-free and quota-free access to EU markets, with the exception of arms and ammunition.

Sri Lanka, as a lower-middle income economy,[4] enjoys the benefits from the GSP+ arrangement which is currently in effect under the European Union Regulation No 978/2012,[5] commonly known as the GSP Regulation. Sri Lanka attained this status in 2005 under Council Regulation (EC) No. 980/2005 (European Commission, 2005), immediately following the Tsunami disaster.

However, the GSP+ preferences for Sri Lanka was suspended in 2010 in the aftermath of the end of the armed conflict with the LTTE due to allegations of noncompliance with three international conventions (European Commission, 2010). This suspension process began in 2008, during the 'final phase' of the ending of the separatist terrorist conflict in Sri Lanka, and was contested by the Government of Sri Lanka on the basis that "the conditions imposed by the European Commission, under the guise of what is essentially a trade agreement, amount to intervention" thus, further asserting that preventing any possible "usurpation of sovereignty" was a fundamental constitutional obligation (Daily News, 2010).

The GSP+ benefit was restored in May 2017, after it being deemed that Sri Lanka adequately met the requirements particularly in light of several reforms undertaken by the 'Yahapalanaya' government elected in 2015. These reforms included the enactment of the 19th Amendment to the Constitution which restored the independence of key state institutions, efforts to combat child

[1] Standard GSP beneficiaries are eligible for full duty suspensions on non-sensitive products and duty reductions of 3.5 percentage points on sensitive products across approximately 66% of all EU tariff lines (GSPhub, n.d.-b).
[2] For vulnerable low or lower middle-income countries, "GSP+ eligible countries must be considered vulnerable due to a lack of export diversification and insufficient integration within the international trading system. In order to meet the vulnerability criterion, the ratio of the beneficiary's GSP-covered imports relative to the GSP-covered imports of all countries must be lower than 7.4%"(GSPhub, n.d.-b).
[3] GSP+ countries are eligible for full duty suspensions on products across roughly 66% of all EU tariff lines, including those for sensitive products (GSPhub, n.d.-b).
[4] As of March 2025, the per capita income of Sri Lanka is USD 4516, according to the Central Bank of Sri Lanka- Retrieved from: https://www.cbsl.gov.lk/en/sri-lanka-economy-snapshot)
[5] Standard GSP, GSP+ and EBA are all in effect under the same regulation, EU Regulation No 978/2012

labour, the establishment of the Office of Missing Persons, and Sri Lanka's re-engagement with the UN human rights system (European Commission, 2017).

Sri Lanka is currently undergoing significant reforms in the wake of an unprecedented economic crisis, due to severe foreign currency shortages, which for the first time in the country's history led to a default on external debt servicing in April 2022. The export sector has emerged as a crucial driver of economic growth and a vital factor in achieving external sector stability and overall economic security. The European Union represents Sri Lanka's second-largest export destination, accounting for 23% of Sri Lanka's total exports, and is a major purchaser of Sri Lankan apparel products, a key sector for the nation's economy (Central Bank of Sri Lanka, 2024). The GSP+ scheme has been pivotal in offering Sri Lankan exports a competitive advantage in the European market. Thus, the continuation of GSP+ is important for Sri Lanka to sustain and bolster its market share within the European Union and to support the growth of its export sector.

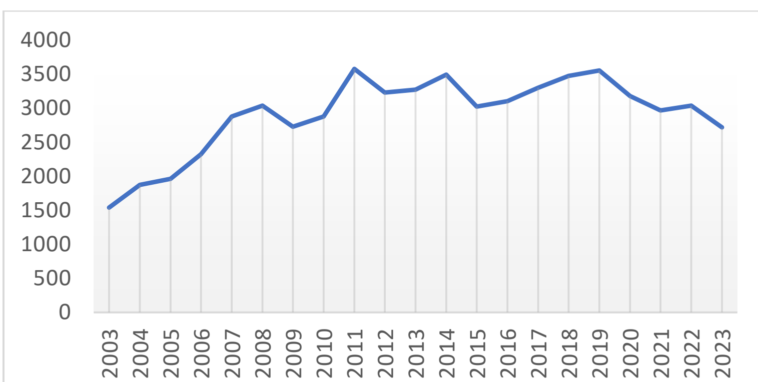
2.0. Sri Lanka and GSP+

2.1. EU-Sri Lanka Trade

In order to assess both the impact of GSP+ benefits, and EU-Sri Lanka trade relations on Sri Lanka's economy, it is essential to first examine the role it plays within the country's overall external trade landscape and the challenges faced in maximizing its benefits.

Sri Lanka's exports to the EU over the past decade have exhibited a gradual upward trajectory (Figure: 01), with earnings rising from 1961 million USD in 2005 to 2718 million USD in 2023. Despite loss of the concession during 2011-2017, the overall trend signifies a beneficial trade relationship that Sri Lanka should continue to foster. The positive outlook for future trade is based on this growth pattern.

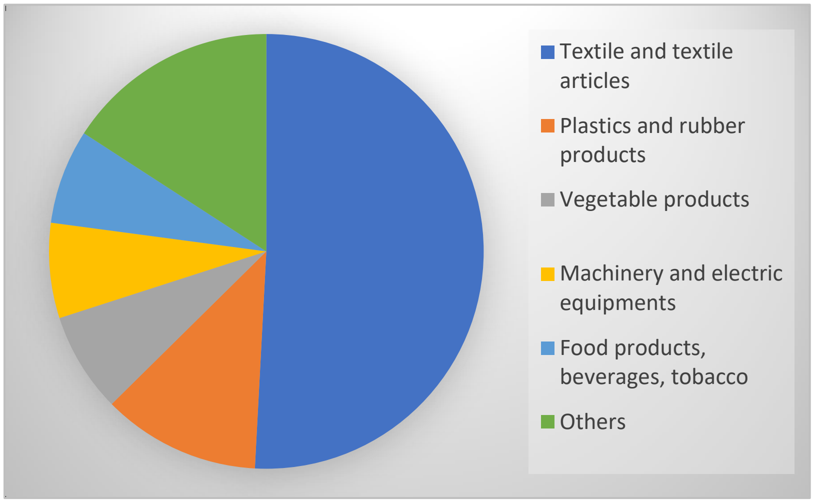
Figure 01: Sri Lanka's export to EU from 2003 to 2023 (in USD Million)



Sources: Compiled by author based on data available in the Annual Reports 2003-2022 & Annual Economic Review 2023, Central Bank of Sri Lanka.

Textile, and textile articles, as seen in the figure 02, are the largest contributor to Sri Lanka's exports to the EU in 2023, totalling 1397 million USD (1291 million Euro) (European Commission, 2025). This sector is also a key driver in Sri Lanka's export economy, significantly surpassing other categories. Besides apparel, plastic and rubber products form the second-largest export category with EU being the primary markets for Sri Lankan rubber goods (Sri Lanka Export Development Board, n.d.-a).

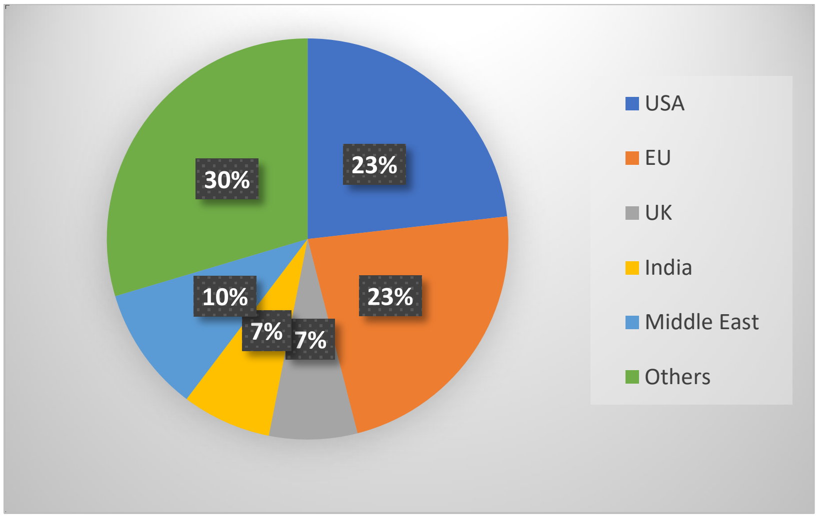
Figure 02: Sri Lanka's major exports to EU in 2023



Sources: CIRCABC; European Commission, Export Performance Indicators 2023; Sri Lanka Export Development Board (Sri Lanka Export Development Board, 2023, p.45)

Over the past decade, the EU has consistently ranked among the top trading partners of Sri Lanka. In 2023, the EU, with 2718 million USD worth of export earnings, emerged as the second largest market for Sri Lankan exports (Figure: 03), accounting for 23% of Sri Lanka's total export volume (Central Bank of Sri Lanka, 2024). Another notable observation to be underscored is that the EU was a major market for Sri Lankan apparel exports, comprising 30% of the nation's total garment exports (Central Bank of Sri Lanka, 2023, p.164; Sri Lanka Export Development Board, n.d.-b). These figures call attention to the critical role of the EU in supporting and enhancing Sri Lanka's export economy.

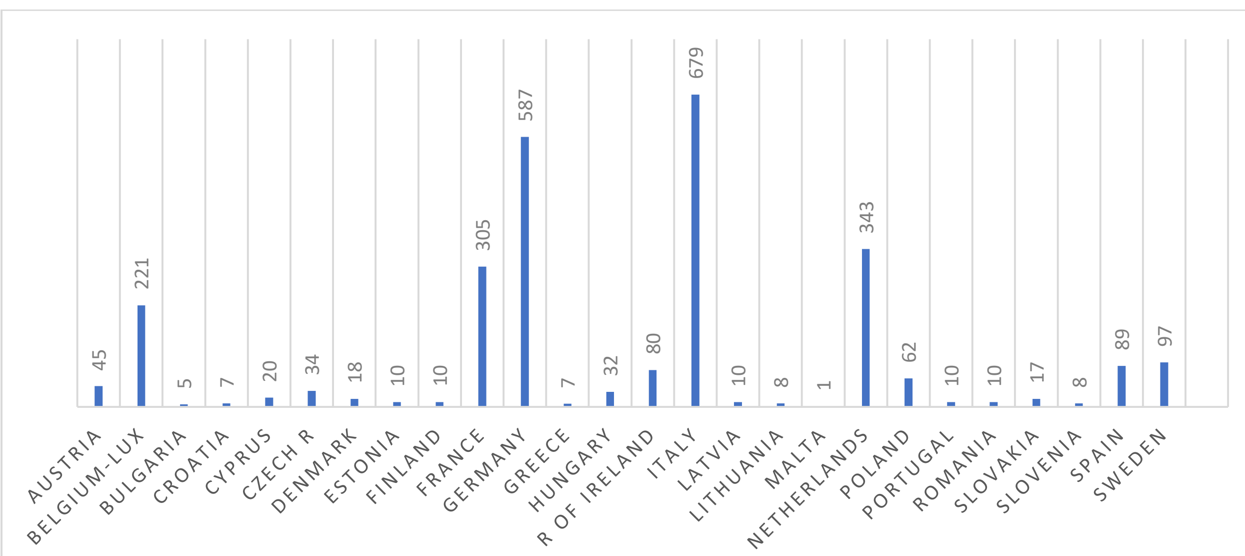
Figure 03: Sri Lanka's exports by destinations – 2023



Source: Annual Economic Review 2023, Central Bank of Sri Lanka

Within the EU, Sri Lanka's major export markets include Italy, Germany, the Netherlands, France, Belgium, and Luxembourg (Figure 04). In 2023, apparel was Sri Lanka's top export to Italy, Germany, and the Netherlands. In France, boat building was the leading export, while in Belgium, rubber tyres and tubes were the primary export (Sri Lanka Export Development Board, 2023).

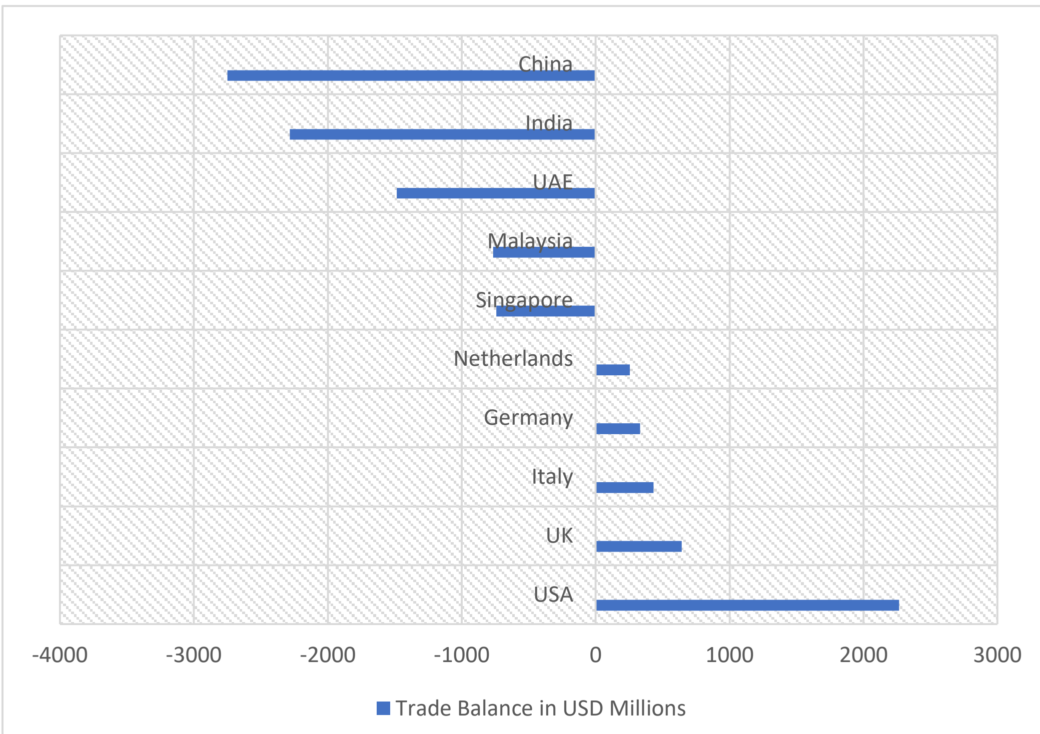
Figure 04: Sri Lanka's export to EU member countries in 2023 (USD Mn.)



Source: Developed by author based on data available on Export Performance Indicators 2023, Sri Lanka Export Development Board (Sri Lanka Export Development Board, 2023)

In 2023, the country recorded significant trade surpluses with the USA, UK, Italy, The Netherlands, and Germany, in contrast with substantial deficits with India, China, Malaysia, Singapore and the UAE (Figure 05). Sri Lanka's chronic balance of payments challenges underline the importance of consolidating in foreign markets like the EU, with which it achieved a notable trade surplus 1364 million USD in 2023 (Central Bank of Sri Lanka, 2024). Moreover, Lars Bredal, Deputy Head of Delegation of the EU to Sri Lanka emphasizes that Sri Lanka's GSP+ status with the EU, which provides tariff-free access to over 7,000 products, also plays a pivotal role in attracting foreign direct investments (Personal Interview with Lars Bredal on 13 December 2024).

Figure 05: Trade balance with Sri Lanka's major trading partners - 2023



Source: Annual Economic Review 2023, Central Bank of Sri Lanka

It is important to note that as seen in Table 01, while Sri Lanka also benefits from GSP schemes and free trade agreements offered by other nations and groupings such as the US, Russia, Australia, Canada and SAFTA, the EU remains the dominant contributor, accounting for 43.9% of the total preferential and free trade agreements related trade involving Sri Lanka (Central Bank of Sri Lanka, 2024).

Table 01: Sri Lanka's trade under Preferential Trade Agreements

Country	Value (USD Millions)	Share%
EU (including GSP+)	2094.5	43.9%
USA	663.4	13.9%
UK	659.0	11.8%
Russian Federation	127.9	2.7%
Australia	93.3	2.0%
Canada	72.9	1.5%
Japan	68.3	1.4%
Turkey	62.6	1.3%
Other GSP	58.2	1.2%
ISFTA	536.4	11.2%
APTA	213.9	4.5%
SAFTA	93.2	2.0%
GSTP	79.1	1.7%
PSFTA	46.1	1.0%
SAPTA	1.1	0.0%

Source: Annual Economic Review 2023, Central Bank of Sri Lanka

2.2. Addressing Bottlenecks to Maximize the Benefits of GSP+

In seeking solutions to Sri Lanka's longstanding structural bottlenecks that impede global economic interaction in general, and engagement with the EU in particular, it is important to address the supply-side bottlenecks to enhance exports and investment.

2.2.1. Diversification of the Export Basket

Hausmann (2016) identifies limited diversification of the export basket as a perennial problem faced by Sri Lanka's export sector and emphasizes the importance of developing a more diverse and value-added export basket to strengthen Sri Lanka's external economic relations. The Central Bank of Sri Lanka's Annual Report for 2022 highlights that the country's narrow export base and limited product coverage under GSP schemes restrict its economic potential (Central Bank of Sri Lanka, 2023, p. 172). The World Bank's Sri Lanka Development Update 2022 reveals an untapped export potential of approximately 10 billion USD annually, particularly in sectors beyond the garment industry, such as manufacturing, machinery, chemicals, foodstuffs, wood, and animal products (World Bank, 2022, p. 20).

Moreover, the World Bank recommends that Sri Lanka should focus on reducing barriers to foreign direct investments, which is essential for developing a robust export base and integrating into global value chains (World Bank, 2022, p. 21) Inefficiencies in bureaucracy and procedural complexities (IMF, 2023, p. 118) are such key barriers to be underscored. In addition, the World Bank advises investing in strategic export promotion and branding to secure gains in foreign markets (World Bank, 2022, p. 21). Enhancing branding efforts, such as obtaining Geographical Indications (GI) for products like Ceylon tea, can also significantly increase the value added in Sri Lankan exports (World Bank, 2022, p. 21). As a positive development in this regard, in 2022, Ceylon Cinnamon received Geographical Indication certification from the EU, making it Sri Lanka's first product to receive such recognition in the global market (Sri Lanka Export Development Board, 2022)

2.2.2. Diversifying Markets within the EU

A strategic shift towards not just product diversification, but also market diversification within the EU is essential (Aryasinha, 2024). Currently, Sri Lanka's exports to the EU are highly concentrated in a few major markets. In 2023, Italy led as the top EU market with 679 million USD in earnings, followed by Germany at 587 million USD, and The Netherlands at 343 million USD, in contrast, exports to other significant EU markets like Denmark, Finland, and Portugal were considerably lower (Sri Lanka Export Development Board, 2023).

Furthermore, exports to smaller EU markets such as Greece, Lithuania, Bulgaria and Croatia accounted for less than 10 million USD each (Sri Lanka Export Development Board, 2023). This uneven distribution indicates a heavy reliance on a few major EU markets, with notable disparities in earnings even among the top ten markets. To export more under GSP+ trade, achieve more balanced export growth, and mitigate the risks associated with overreliance on a few markets, Sri Lanka should seek opportunities to increase exports to both its traditional major markets and underutilized EU member states.

2.2.3. Adjusting to New Legislative Developments within the EU and reforming the Sri Lankan regulatory framework

To maximize the benefits of the GSP+, Sri Lankan exporters must stay informed about and adapt to the evolving regulatory landscape of the European Union. A key example is the European Green Deal,[6] a comprehensive policy initiative aimed at achieving climate neutrality by 2050 (European Council, n.d.). This deal introduces environmental standards that will impact both the production and consumption of goods, including imports to the EU. Sri Lankan exporters should also familiarize themselves with other relevant EU strategies (DailyFT, 2023), such as the New Common Agricultural Policy,[7] the Farm to Fork strategy,[8] the EU Code of Conduct on

[6] Retrieved from: https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en
[7] Retrieved from: https://agriculture.ec.europa.eu/common-agricultural-policy/cap-overview/cap-glance_en

Responsible Food Business and Marketing Practices,[9] and the Circular Economy Plan.[10] Additionally, the EU's Corporate Sustainability Due Diligence Directive,[11] which became effective on July 25, 2024, is designed to promote responsible and sustainable business practices within companies throughout their global supply chains (European Commission, n.d.-a). This regulation requires companies to integrate due diligence into their operations to identify, prevent, and address negative impacts on human rights and the environment, both within Europe and beyond. Preparing to comply with due diligence is crucial, as European companies will eventually need to ensure that their imported products meet sustainability and due diligence standards. For instance, the EU's new regulation on deforestation-free products, effective from June 2023, mandates that Sri Lankan rubber exports and other agricultural goods must demonstrate due diligence to ensure they are not linked to deforestation or forest degradation (DailyFT, 2024). By adhering to these standards and proactively adapting to these regulatory changes, Sri Lanka can enhance its GSP+ utilization and strengthen its competitive position in the EU market.

With respect to both trade and FDI, constantly changing Sri Lankan government policies and regulations have also been a major impediment. "Shortcomings in transparency and allegations of corruption have also posed challenges. As well as improvements on commercial ratings, then Sri Lanka needs to considerably increase its ranking on global indices such as those on Ease of Doing Business, Corruption Perceptions and Democracy. Modalities to arrest these trends have already been proposed and feature prominently in recent developments, such as in the IMF's Sri Lanka Governance Diagnostic Assessment of September 2023" (Aryasinha, 2024, p. 123). John Wilson, In-house Counsel and Legal Advisor to the European Chamber of Commerce of Sri Lanka emphasizes the pressing need for reforms in the domestic regulatory framework in order to improve Sri Lanka's trade and investment potential with the EU. He states that "Sri Lanka's level of business readiness must be upped. Among the imperatives are: An electronic procurement process, customs reforms, a 'National Single Window', stepped-up access to land by investors, for example, a clear policy framework on PPPs and reform of the work permits system" (The Island, 2025).

2.2.4. Navigating the Rules of Origin Criteria

A major barrier to fully leveraging GSP+ benefits, particularly for Sri Lankan apparel, has been the strict rules of origin criteria (Verite Research, 2022). These rules[12] ensure that GSP+

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[8] Retrieved from: https://food.ec.europa.eu/horizontal-topics/farm-fork-strategy_en
[9] Retrieved from: https://food.ec.europa.eu/horizontal-topics/farm-fork-strategy/sustainable-food-processing/code-conduct_en
[10] Retrieved from: https://environment.ec.europa.eu/strategy/circular-economy-action-plan_en
[11] Retrieved from: https://commission.europa.eu/business-economy-euro/doing-business-eu/sustainability-due-diligence-responsible-business/corporate-sustainability-due-diligence_en
[12] Retrieved from: https://taxation-customs.ec.europa.eu/document/download/7b8fd818-ecba-479c-8fa3-6ff828d99955_en?filename=guide-contents_annex_1_en.pdf

advantages are given to products originating from beneficiary countries, promoting local industry and national economic development. However, a significant recent development in this area is the European Commission's decision to allow regional cumulation between Sri Lanka and Indonesia for selected textile and apparel products (Ameresekere, 2024). Thus, exploring more regional cumulation arrangements with other GSP beneficiaries could offer further opportunities for boosting exports, particularly in the apparel sector. Alternatively, to address this issue of strict rules of origin criteria, Sri Lanka could enhance local manufacturing capabilities, particularly in producing raw materials such as fabric, footwear, and sporting goods. Attracting foreign direct investment into these strategic sectors and targeting EU markets under GSP+ could facilitate higher value addition and greater tariff preferences, thereby helping to overcome constraints by the rules of origin imposed by EU.

2.2.5. Enhancing GSP+ Utilization

In 2023, while Sri Lanka's product eligibility for GSP+ benefits was high at 84%, only 59% of this eligible quota was utilized (GSPhub, n.d-c). As previously highlighted this underutilization is particularly pronounced in the apparel sector, Sri Lanka's largest export category to the EU. Despite apparel exports valued at 1388 million USD (1285 million Euro) qualifying for GSP+ preferences, only 46% of this value actually benefited from the reduced tariffs (European Commission, 2025). This disparity underscores a critical issue that necessitates further investigation. According to Verite Research, "The low utilisation is largely attributed to the GSP scheme's stringent rules of origin requirements that exporters must meet to benefit from concessions. Duty-free access is only given to apparel manufactured in Sri Lanka from a yarn stage. In other words, Sri Lankan exporters who import fabric from outside to make their garments are not permitted to enter the EU market duty-free" (Verite Research, 2022). Other factors contributing to this shortfall may include a lack of awareness among SMEs and complex bureaucratic procedures related to international trade. To address these challenges effectively, it is essential to develop and implement well-informed policy measures based on accurate findings to improve the utilization of existing trade benefits and ensure that Sri Lanka fully exploits its GSP+ eligibility.

3.0. Revision of the EU GSP Regulation

The data presented in the preceding analysis clearly highlights the crucial importance of the EU GSP+ trade concession in Sri Lanka's economy. As the EU is working to revise the GSP framework and introduce a new regulation, it is imperative that Sri Lanka proactively assesses its readiness to adapt to these forthcoming changes. Thus, the following sections of this paper will examine the circumstances that have prompted the demand for the revision, the novel features of the potential revised EU GSP regulation, and explore their potential implications for Sri Lanka.

3.1. The Mid-Term Review of the GSP Regulation - 2018

The mid-term evaluation of the EU's Generalized Scheme of Preferences (European Commission, 2018) highlighted the effectiveness and positive contribution of the current GSP Regulation No 978/2012 in achieving its three core objectives: poverty reduction, promotion of good governance and sustainable development, and safeguarding the interests of the EU (European Commission, 2018; European Commission, 2021-b). These objectives have guided the scheme's operations since the regulation came into effect, but these recent assessments have also pointed out areas for improvement (European Commission, 2018, pp. 263-267; VERBANAC, 2022).

The Mid-term Evaluation, as well as the subsequent European Parliament Resolution on the implementation of the GSP Regulation issued in 2019 (European Parliament, 2019), underscored the need to adapt the GSP framework to the evolving political, economic, and environmental realities both within the EU and globally. There were suggestions on the importance of aligning the GSP Regulation with broader EU policy priorities, including the European Green Deal (European Commission, 2021-b), while also addressing the changing circumstances of beneficiary countries. This was heightened, as notably several Least Developed Countries (LDC) currently benefitting from the Everything But Arms (EBA) arrangement, were approaching graduation from LDC status at the time (European Commission, 2021-a). Without regulatory adjustments, these countries risked losing their preferential trade benefits, an issue that required urgent attention of the European Commission.

3.2. European Commission Legislative Proposal to Revise GSP Regulation - 2021

The current GSP regulation, in effect for beneficiary countries since 01 January 2014, was set to expire on 31 December 2023. In anticipation, the European Commission adopted a legislative proposal in September 2021 to renew the GSP framework for the period 2024-2034. This proposed legislation was expected to introduce changes across all three arrangements of the GSP trade regime, including GSP+, under which Sri Lanka is currently a beneficiary. Other GSP+ beneficiary countries include Bolivia, Cabo Verde, Kyrgyzstan, Mongolia, Pakistan, the Philippines and Uzbekistan.

However, it ran into a stalemate in the European Parliament, and also the expiration of the term of the previous parliament in June 2024, resulted in a final decision on the new proposal not being reached. In the absence of a new regulation, both the Standard GSP and GSP+ schemes would have no longer been in effect at the end of December 2023. As a result, starting from 01 January 2024, imports from developing nations that previously benefited from these arrangements would have been subject to higher tariffs (MFN tariffs) (European Commission, 2021-b; Wijesinghe et al., 2025). In order to avoid disruptions in preferential market access for the beneficiaries, including Sri Lanka, the European Commission proposed and adopted through the European Parliament and the Council of the EU, an interim extension of the existing GSP arrangement until December 31, 2027 (European Commission, n.d.-b). This extension aims to maintain access to EU markets while the new European Parliament and the Council of the EU review and finalize the legislative proposal for the 2024-2034 period.

With regard to the changes in the proposed legislative proposal, the European Commission emphasized that “the EU's overarching objective in the revised GSP Regulation is to maintain the essential features and goals of the current framework, which has proved successful for the past half-century, namely poverty eradication, support for sustainable development, and good governance, while not jeopardizing EU interests” (European Commission, 2021-d). Accordingly, the EU Commission has introduced several key reforms to the GSP framework, aiming to address the emerging challenges and evolving needs highlighted by the Mid-Term Evaluation of the GSP Regulation (2018) ensuring that the framework continues to serve its overarching objectives.

While this extension will allow Sri Lanka and other GSP+ beneficiaries to continue to access the EU market under the same obligations tied to 27 international conventions, the new regulation, once approved, will come into immediate effect. Given the potential impact of these developments on Sri Lanka, as a GSP+ beneficiary, it is crucial to understand the potential changes to the GSP regulation. Furthermore, in light of Sri Lanka's past loss of GSP+ benefits due to non-compliance with human rights conventions, it is also timely to assess any vulnerabilities Sri Lanka currently faces in meeting the GSP+ standards, particularly regarding its human rights record, as the new GSP regulations are likely to include even more stringent conditionality, annual reviews, and faster withdrawals procedures compared to previous practices.

4.0. Reforms under Consideration in the European Commission’s Proposal

For the purposes of this paper, the legislative proposal currently under consideration by the EU entities which was presented to the EU Parliament in 2021, is examined, as although not agreed to by the European parliament, it remains listed as the “Tabled” legislative proposal within the EU legislative schedule commonly referred to as the ‘Legislative Train Schedule’ of the European Parliament (European Parliament, n.d.-b). In EU terminology, a legislative proposal is considered ‘Tabled’[13] once it is received by the Parliament for consideration. This designation marks a key transition, as the proposal shifts from being a planned initiative under the Commission's authority to a matter in the hands of legislators, who are responsible for its amendment and, in most cases, adoption through the ordinary legislative procedure.

[13] Retrieved from: https://www.europarl.europa.eu/legislative-train/about (European Parliament, n.d.-b).

4.1. Updating the List of International Conventions

The current GSP+ incentive is granted on the condition of a beneficiary country's commitment to ratify and effectively implement 27 international conventions on human rights, labour rights, environment and good governance. The new proposal aims to expand the list of conventions by introducing 6 new conventions under the 4 core areas of GSP monitoring, human rights, labour rights, good governance and environment (European Commission, 2021-a) as depicted in the table 02 below.

Table 02: Added New Conventions in the Proposed Revised GSP Regulation

Key Areas	New Conventions
Human Rights	• Optional Protocol to the Convention on the Rights of the Child on the Involvement of Children in Armed Conflict (2000) • Convention on the Rights of Persons with Disabilities (2007)
Labor Rights	• Convention on Labour Inspection No 81 (1947) • Convention on Tripartite Consultations No 144 (1976)
Good Governance	• United Nations Convention against Transnational Organised Crime (2000)
Environment	• The Paris Agreement on Climate Change (2015) (replacing the Kyoto Protocol)

Sources: GSPhub (GSPhub, n.d.-a)

It was envisaged that if the proposal is approved, the current GSP+ beneficiaries will be granted a two-year transitional period, during which they must reapply and fulfil the new requirement of ratifying the six additional conventions to retain their GSP+ status under the revised framework. Also, the new regulation introduces a requirement for countries seeking GSP+ status to submit an action plan that indicates their effective implementation of the relevant conventions.

It is noteworthy that, the new proposal introduces a significant change by extending the withdrawal procedure to encompass environmental and good governance conventions for all beneficiaries, alongside the existing core human rights and labour rights conventions. This means that violations of not only human and labour rights, but also environmental and good governance standards could trigger the withdrawal of GSP benefits under the new regulations.

4.2. Improving the Monitoring Mechanisms & Compliant Systems

Proposals have also been made to improve the monitoring and compliance processes for GSP+ beneficiary countries, focusing on enhancing transparency and inclusiveness. Under the current regulations, the European Commission must report every two years to the European Parliament and the European Council on the ratification and implementation of relevant conventions by

GSP+ beneficiaries. The legislative proposal suggests extending this reporting period from two years to three years to better align with the monitoring schedules of UN bodies and other international organizations (VAN DER LOO, 2022). A major proposal includes establishing a new complaint mechanism to involve a wider range of stakeholders in the monitoring process. In 2020, the European Commission created the role of Chief Trade Enforcement Officer (European Commission, 2021-c) to enhance the monitoring of the EU's trade regime and introduced the "Single Entry Point" (SEP) system. This centralized complaint system allows EU-based stakeholders to file complaints on critical issues such as market access and non-compliance with trade-related conditions, including sustainable development goals and GSP requirements. The legislative proposal aims to integrate the SEP mechanism with the GSP monitoring system (VERBANAC, 2022), allowing a broader array of stakeholders, such as EU member states, businesses, trade unions, civil society organizations, and residents, to directly submit complaints regarding the enforcement and implementation of commitments made by beneficiary countries (VAN DER LOO, 2022, pp. 29).

4.3. Making the Withdrawal Process More Flexible and Responsive in Urgent Cases

Under the regulation, trade preferences of a beneficiary country could be temporarily suspended for reasons such as; serious and systematic violation of principles set forth in the GSP related international conventions, export of goods made by prison labor, serious shortcomings in customs controls on the export or transit of drugs, failure to comply with international conventions on antiterrorism and money laundering, serious and systematic unfair trading practices, serious and systematic infringements of the objectives adopted by regional fishery organizations or any international arrangements to which the EU is a party.[14] If the current legislative proposal is approved, additionally, withdrawal of GSP benefits may also occur if there are failures to meet the obligation of readmitting nationals of the developing country who are illegally present in an EU member state (Mayer Brown, 2021).

The proposed regulation also introduced several key reforms to enhance the European Commission's ability to respond more flexibly and promptly to serious and systematic violations of the conventions covered under the GSP framework. A notable revision in the legislative proposal was the updated withdrawal procedure, which includes a new urgent withdrawal mechanism designed to enable swift action in cases of exceptionally severe circumstances in a beneficiary country, such as serious violations of GSP relevant conventions. This expedited process is expected to take only 7 months[15] to complete, compared to the standard withdrawal

[14] Article 19, Regulations (EU) 978/2012

[15] Under the urgent withdrawal process, the Commission will publish a notice in the Official Journal of the European Union to announce the initiation of the temporary withdrawal procedure and will inform the beneficiary country. The country will have 2 months from the publication date of the notice to cooperate during the monitoring and evaluation period. Within 5 months after the evaluation period ends, the Commission will decide whether to temporarily withdraw the tariff preferences. If the Commission decides to proceed with the withdrawal, the decision will take effect 1 month after it is published in the Official Journal of the European Union.

process, which typically takes up to 18 months.[16] It's significant to note that this faster procedure will forgo the usual six-month monitoring and evaluation period that is part of the regular process (European Commission, 2021-c). To ensure that any withdrawal of preferences is carefully considered, the proposed regulation incorporates a provision for conducting socio-economic impact assessments, taking into account the specific circumstances of the beneficiary country.[17]

Similarly, the new rules allow for more flexibility in reviewing withdrawal decisions, including the option to delay or suspend them during exceptional circumstances like a global health crisis.[18] Also, the scope of withdrawal measures has been broadened to include additional reasons and violations.[19] As a result, the European Commission will have the authority to extend the scope of tariff withdrawals if violations of the listed conventions escalate after the initial suspension of preferences. For ease of reference these key changes in the legislative proposal can be summarized as depicted in Table 02.

Table 03: Comparing key changes in the European Commission's legislative proposal with the currently operative GSP Regulation No. 978/2012

	Operative GSP Regulation (No.978/2012)	**European Commission's Legislative Proposal for the Revised GSP Regulation of 2021**
Relevant International Conventions	*Annexure VIII* - Consist of twenty-seven international conventions that GSP+ beneficiaries need to ratify and implement.	*Annexure VI*- Expanded the list by adding six new conventions, the revised list consist of thirty-two international conventions that GSP+ beneficiaries need to ratify and

[16] Under the normal withdrawal process, the European Commission will publish a notice in the Official Journal of the European Union to announce the start of the temporary withdrawal procedure. The beneficiary country will have 6 months from the publication date to cooperate, during which the Commission will assess the situation. Within 3 months of the evaluation period ending, the Commission must submit a report on its findings to the beneficiary country, which can then provide comments on the report. The country has 1 month to submit its comments. Within 6 months of the notice publication, the Commission will decide whether to end the procedure or temporarily remove the tariff preferences. If the Commission decides to proceed with the temporary withdrawal, the change will take effect 6 months after the adoption of the decision.

[17] Article 19.10 & 15.9, Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on applying a generalised scheme of tariff preferences and repealing Regulation (EU) No 978/2012 of the European Parliament and of the Council

[18] Article 19.14, Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on applying a generalised scheme of tariff preferences and repealing Regulation (EU) No 978/2012 of the European Parliament and of the Council

[19] Article 16 & 20, Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on applying a generalised scheme of tariff preferences and repealing Regulation (EU) No 978/2012 of the European Parliament and of the Council

		implement.
	–	*Article 10.08* – GSP+ beneficiaries will be given two-year transitional period to ratify and implement the six new conventions which are listed under Annex VI
Monitoring Mechanisms	Doesn't consist of a complaint mechanism	*Recital 17 & 18* – A complaint mechanism has been incorporated through introduction of Single-Entry Point system.
	–	*Article 9.1 (d)* - GSP+ applicants are required to submit a "plan of action" to demonstrate effective implementation of international conventions
	Article 14 - GSP monitoring cycle is two years	*Article 14* – The GSP monitoring cycle has been extended to three years to bring it in line with UN monitoring system.
Withdrawal Mechanisms	*Article 19.1* - Withdrawal only in the event of serious and systematic violation of core human and labour rights as outlined in UN/ILO Conventions	*Article 19.1* - Withdrawal is extended to conventions related to climate, environment and good governance principles in addition to human rights and labour rights conventions.
	–	*Article 19.16 & 19.17* - Introducing a new urgent withdrawal mechanism to respond rapidly when a grave violation take place in a beneficiary country
	–	*Article 19.10 & 15.9* - Assessment of the socio-economic effects when proposing a withdrawal of GSP to evaluate the negative impact on vulnerable populations

	–	*Article 19.1 (c)* **-** Possibility of adding a withdrawal criterion related to the readmission of own nationals by GSP beneficiaries
	–	*Article 16 & 20* - Extending the scope of withdrawal measures to include additional reasons or violations that occur.
	–	*Article 19.14* - Postponing or suspending withdrawal in the event of exceptional circumstances such as global health or sanitary emergencies.
	Article 19.1 (b) - Export of goods made by prison labour as a cause for initiating withdrawal procedure	*Article 19.1 (b)* **-** Expanded the scope by adding internationally prohibited child labour and forced labour, including prison labour as grounds for initiating withdrawal procedure

Source: (Van Der Loo, 2022)

5.0. Status of the 2021 European Commission Proposal in the EU Legislative Process

Negotiations on the new GSP proposal began in January 2023. The process reached a standstill (European Parliament, 2023-a), primarily due to the disagreement between the European Parliament and the European Council over inclusion of migration-related conditions to the withdrawal process (FIDH, 2023). These conditions would tie trade preferences to the facilitation of the return and readmission of migrants. This denotes that the EU could suspend a country's access to the scheme if they refuse to readmit undocumented migrants who tried and failed to seek asylum within the EU (Stinson, 2022).

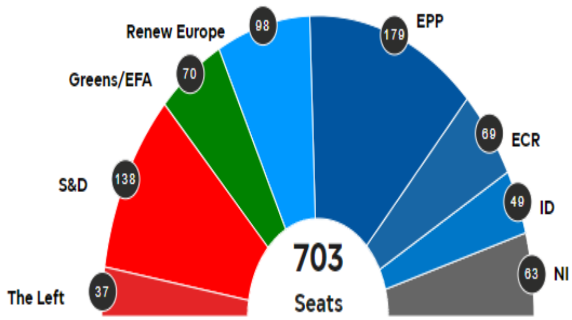
The European Parliament expressed its disapproval of this, reiterating its position that preferential trade access under the GSP should not be made conditional on a country's ability to readmit its migrants. Underscoring this, the Chair of the Committee on International Trade, Bernd Lange, had stated in an official statement that, "unfortunately the Council does not yet seem to understand that this readmission link is a very serious matter for the European Parliament. It is a line we are unwilling to cross. By failing to acknowledge this, the Council is creating uncertainty for 65 beneficiary countries" (European Interest, 2023). The Rapporteur on the GSP, Heidi Hautala (Greens/EFA), had asserted that, "Unfortunately, the Council has decided to hijack this trade and development tool and put it to the service of its migration objectives. Now is the time for the Council to do some soul-searching. We have thus decided to pause negotiations until there is a credible change in stance among Member States on this issue" (European Interest, 2023). The International Federation for Human Rights (FIDH) as well as Amnesty International (Amnesty International, 2023-b) among others pointed to the illegality of this condition in trade arrangements, under international trade laws. These organizations have intensely advocated that such conditionality defeated the purpose of trade arrangements especially those that concern developing countries**.** However, the Council of the European Union had insisted on retaining this conditionality, causing the deliberations between the Council of the EU and the European Parliament concerning this proposal to reach a temporary stalemate (FIDH, 2023)

Another key challenge in finalizing the GSP proposal has been the challenge of balancing enhanced market access with the protection of EU rice producers (European Parliament, 2023-a). The European Parliament supported (European Parliament, 2022) the introduction of an automatic safeguard mechanism for rice to provide stability and protect the interests of the EU's rice sector. In contrast, the European Commission contended that the current GSP framework already includes sufficient measures, such as safeguard provisions, to address the concerns of EU rice producers. (European Parliament, 2023-b) This disagreement highlights the complexity of reconciling trade benefits for developing countries with domestic agricultural interests within the EU.

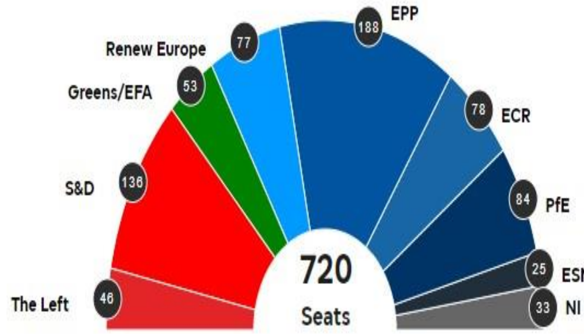
6.0. EU Parliament 2024 and the Impact on GSP Reforms and Beneficiaries

The European Parliament elections held in June 2024, as depicted in figure 07 below, resulted in significant gains for right-wing parties compared to the previous election (Writer, 2024). Nevertheless, centrist parties emerged as the dominant forces, with the center-right European People's Party (EPP) and the center-left Progressive Alliance of Socialists and Democrats (S&D) securing the top two positions in terms of seat count, consistent with the composition of the outgoing EU Parliament. This configuration is expected to influence the policy priorities and direction of the European Union over the next five years (2024-2029). Consequently, the outcome of the 2024 EU elections is poised to significantly impact the proposed changes to the GSP regulation, as well as the monitoring priorities set by the EU for GSP beneficiary countries' commitments in the coming years.

Figure 07: Configuration of new EU parliament (2024-2029) & outgoing EU parliament (2019-2024)



The outgoing EU parliament (2019-2024)



The new EU parliament (2024-2029)

Source: Extracted from Official Website of the European Parliament (European Parliament,n.d.-a)

Given that the 2024-2029 EU Parliament will also be led by the EPP and S&D, we are likely to see both enduring policies and new developments in key policy arenas. The EPP's manifesto emphasizes strict migration controls, robust environmental policies, and broad global trade agreements, indicating that future amendments to the GSP regulations may introduce stricter requirements in these areas (EPP, n.d.). This could result in more demanding conditions for beneficiary countries, necessitating greater alignment with EU standards on climate action and trade practices. Similarly, the S&D prioritizes binding human rights, labour rights, and environmental standards in its manifesto (S&D, 2024), suggesting that reforms to the GSP will also focus on enhancing adherence to these principles.

However, although both the EPP and S&D are centrist factions within the EU Parliament and have traditionally collaborated on policy formulation, their positions on certain issues have become markedly divergent in some important areas in recent years. The debate on EU's re-admission policy exemplifies this divergence. Right-leaning parties, including the EPP, advocate for the imposition of strong border controls and a crackdown on irregular migration. In contrast, left-leaning parties, such as the S&D, argue that migration should be addressed through a humanitarian approach, emphasizing the importance of safeguarding migrants' rights. This division underscores the increasingly polarized political landscape within the EU, with rising support for connecting trade with migration controls. Given that both the EPP and S&D have secured dominance in the newly elected EU Parliament, it is reasonable to assume that the issues flagged by the previous Parliament will likely be raised again when the proposal is considered in the future. Furthermore, the EPP's influence has been strengthened by recent gains among right-wing parties, which could significantly impact the shaping of the final legislative framework. As a result, countries benefiting from GSP trade preferences in future should anticipate potential changes linking trade privileges to EU migration standards.

It has been observed that in the new European Parliament, no action has been taken at the time of writing this policy brief to resume negotiations on the European Commission's legislative proposal for the revision of the GSP Regulation, which was submitted to the Parliament in 2021. As such, this proposal remains listed on the EU legislative agenda,[20] and it is highly likely that this proposal will serve as the key reference point for future negotiations between the European Parliament and the Council of the EU.

However, besides these internal developments within the EU, ongoing external developments influencing EU decision making must also be factored in when estimating the timeline for the EC proposal adoption as a regulation by the EU Parliament. Given the evolving dynamics in US-EU relations, particularly following the return of President Donald Trump to the White House, in the short term, the EU Parliament can be expected to prioritize critical foreign policy issues, such as European defense, in the context of ongoing peace negotiations regarding the Ukraine War, as well as managing EU trade amidst the rising protectionist policies of the United States, which affect its global trading partners (Fleury & Sherman, 2025). The EU is also expected to strengthen its trade ties with other key partners, as it adapts to the rapidly changing dynamics in the global geo-economic and geo-political landscape today.

In such context, while the EU seeks to revise the GSP regulations in line with its priorities, it can be expected to be cautious in exerting excessive pressure on developing countries and has in fact shown a greater openness to deepening trade relations with developing countries. The EU has recently signed a trade deal with the Latin American MERCOSUR bloc and a new trade agreement with Mexico, as well as resumed negotiations with Malaysia for a Free Trade Agreement (Foy & Reed, 2025). The President of the European Commission, Ursula von der Leyen has also recently announced the EU's aim to finalize a free trade agreement with India this year, a deal that has been under negotiation since 2007 (Laskar, 2025; Foy & Reed, 2025). The EU, being the largest economic trading bloc, can also be expected to shoulder special responsibility in protecting the multilateral trading system with the World Trade Organization (WTO) at its core.

Given these pressing priorities, it is likely that the EU Parliament's efforts to advance the proposed legislative measure may not be immediate. However, as in any case the extension of the current extension lapses at the end of 2027, a new GSP Regulation must take effect commencing January 2028.

[20] Retrieved from: https://www.europarl.europa.eu/legislative-train/spotlight-JD21/file-new-gsp-regulation

7.0. Policy Implications

While the extension of GSP+ benefits has been positive for Sri Lanka in its efforts to revitalise its economy which had been beset by a grave economic crisis in 2022, several amendments suggested in the European Commission’s legislative proposal to the new GSP arrangement in 2021 could have implications to Sri Lanka and its GSP+ status. Given that the GSP+ incentives are conditional on the ratification and effective implementation of the 27 international conventions, and with the possibility of a new proposal being approved and enforced, it is useful to assess the potential ramification these could have on Sri Lanka, as the country prepares for review of the EU GSP+ Monitoring Mission to Sri Lanka in April 2025, which however will be based on the prevailing 2014 regulation.

7.1. Sri Lanka’s Status of Ratification of Additional Conventions under Consideration

The inclusion of additional conventions as GSP+ conditionality may lead to heightened compliance requirements for Sri Lanka, necessitating a strong commitment to addressing the issues targeted by these conventions.

It is noted that Sri Lanka has already ratified the six proposed new conventions under consideration for the updated GSP regulations, reflecting the country's commitment to uphold international standards. The six conventions ratified by Sri Lanka include:

- ✓ Optional Protocol to the Convention on the Rights of the Child on the Involvement of Children in Armed Conflict (2000): Ratified on 8 September 2000.[21]
- ✓ Convention on the Rights of Persons with Disabilities (2007): Ratified on 8 February 2016.[22]
- ✓ Convention on Labour Inspection No. 81 (1947): Ratified on 3 April 1956.[23]
- ✓ Convention on Tripartite Consultations No. 144 (1976): Ratified on 17 March 1994.[24]
- ✓ United Nations Convention against Transnational Organized Crime (2000): Ratified on 22 September 2006.[25]
- ✓ The Paris Agreement on Climate Change (2015): Ratified on 21 September 2016, replacing the Kyoto Protocol.[26]

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[21] Retrieved from: https://treaties.un.org/pages/viewdetails.aspx?src=treaty&mtdsg_no=iv-11-b&chapter=4&clang=_en

[22] Retrieved from: https://treaties.un.org/pages/ViewDetails.aspx?src=TREATY&mtdsg_no=IV-15&chapter=4&clang=_en

[23] Retrieved from: https://normlex.ilo.org/dyn/nrmlx_en/f?p=NORMLEXPUB:11300:0::NO::P11300_INSTRUMENT_ID:312226

[24] Retrieved from: https://normlex.ilo.org/dyn/normlex/en/f?p=1000:11300:0::NO:11300:P11300_INSTRUMENT_ID:312289

[25] Retrieved from: https://treaties.un.org/pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XVIII-12&chapter=18&clang=_en

Moreover, as previously mentioned, the inclusion of migration-related conditions in the tariff withdrawal process remains a contentious issue within the EU, and it remains uncertain whether such provisions will be eventually incorporated into the new GSP regulation. However, even if these conditions are included, readmission requirements are unlikely to significantly affect Sri Lanka's status as a GSP+ beneficiary. This is due to the fact that these matters are being addressed through an existing Joint Committee on Readmission between the EU and Sri Lanka, with the Sri Lankan government cooperating in resolving the issue.

7.2. Compliance, Effective Implementation and Monitoring Priorities

Effective implementation remains crucial to ensure Sri Lanka's continued eligibility for GSP+ benefits beyond 2027, and the revised regulation if implemented will additionally mandate that GSP+ applicants provide an action plan detailing how they will effectively implement the relevant conventions. As such, Sri Lanka, along with other potential applicants, must also focus on the development and execution of such action plans.

In evaluating Sri Lanka's compliance with its present GSP+ obligations, the conclusions of the EU GSP+ review conducted in 2021 are particularly relevant. That report[27] acknowledged significant progress in the country's human rights situation since its readmission to the GSP+ scheme in 2017, while also noting risks of regression between 2020 and 2022 (European Commission, 2023, pp. 1-2). It is important to highlight that at the time the EU parliament had passed a resolution expressing concerns over the country's human rights situation and urging the European Commission to evaluate Sri Lanka's continued eligibility for GSP+ status and to assess whether there were sufficient grounds to initiate a process for temporary withdrawal of GSP+ benefits of the country (European Parliament, 2021). The resolution underscored that "the GSP+ scheme offered to Sri Lanka has made a significant contribution to the country's economy, from which exports to the EU have increased to EUR 2.3 billion, making the EU Sri Lanka's second-largest export market; highlights the ongoing monitoring of Sri Lanka's eligibility for GSP+ status and stresses that the continuance of GSP+ trade preferences is not automatic; calls on the Commission and the European External Action Service (EEAS) to take into due account current events when assessing Sri Lanka's eligibility for GSP+ status; further calls on the Commission and the EEAS to use the GSP+ as a leverage to push for advancement on Sri Lanka's human rights obligations and demand the repeal or replacement of the PTA, to carefully assess whether there is sufficient reason, as a last resort, to initiate a procedure for the temporary withdrawal of Sri Lanka's GSP+ status and the benefits that come with it, and to report to Parliament on this matter as soon as possible" (European Parliament, 2021).

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[26] Retrieved from: https://treaties.un.org/pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XXVII-7-d&chapter=27&clang=_en

[27] JOINT STAFF WORKING DOCUMENT The EU Special Incentive Arrangement for Sustainable Development and Good Governance (GSP+) assessment of the Democratic Socialist Republic of Sri Lanka covering the period 2020-2022, https://ec.europa.eu/transparency/documents-register/detail?ref=SWD(2023)366&lang=en

At the time a study done by Verité Research highlighted the importance of GSP+, showing that 7 of the top 20 apparel products exported to the EU, which collectively represent 36% of Sri Lanka's total apparel exports to EU markets, heavily rely on GSP+. These products[28] had gained in market share during periods when GSP+ was in place, and lost it when the status was suspended. (Verite Research, 2022).

As the Sri Lanka government makes efforts to formulate strategies to mitigate the potential negative impacts that could result from reciprocal tariffs sought to be imposed by President Trump, a more recent simulation-based study conducted by the Institute of Policy Studies (IPS) has revealed significant findings. It projects considerable economic consequences in the event of the EU withdrawing Sri Lanka's GSP+ status, with particular emphasis on the apparel and seafood sectors. These repercussions would manifest in a substantial decline in export income, with an estimated loss of USD 1.23 billion. Additionally, the study highlighted negative effects on the labour force, especially impacting low-skilled workers and women employed in these sectors (Wijesinghe et al., 2025).

Since Sri Lanka regained GSP+ benefits in 2017, the Prevention of Terrorism Act (PTA) has been a central issue in high-level engagements (DailyFT, 2023) between Sri Lanka and the EU, including EU-Sri Lanka Joint Commission meetings (European Union External Action, 2024) and the EU-Sri Lanka Working Group on Governance, Rule of Law and Human Right. On 10 June 2021, the EU Parliament passed a resolution condemning continued arrests under the PTA, raising fears that the EU might consider withdrawing Sri Lanka's GSP+ benefits (European Parliament, 2021). The resolution specifically urged the European Commission and the European External Action Service (EEAS) to account for current events in their GSP+ assessments, use GSP+ leverage to advance human rights, advocate for the PTA's repeal, and consider suspending benefits if necessary.

Additionally, the EU has also identified its key monitoring priorities[29] for Sri Lanka for the 2024-2025 reporting period ahead of the impeding visit of the GSP+ Monitoring mission to Sri Lanka. In addition to repeating issues of concern such as fundamental freedoms, the PTA, reconciliation process, anti-corruption, collective bargaining, [30] it is important to underscore that others, such as space for civil society, the decriminalization of same-sex relations, freedom of association and collective bargaining, environmental conventions, and drug control in line with human rights standards, have been newly identified as monitoring priorities for evaluating GSP+ compliance. (GSPhub, n.d.-c).

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[28] Apparel products that fall under following HS-6 digit codes- 610462, 610711, 610821, 610910, 611241, 620342, 621210 (Verite Research, 2022)

[29] Retrieved from: https://gsphub.eu/country-info/Sri%20Lanka

[30] "The main priorities identified for this monitoring cycle (2020-2022) include counterterrorism legislation in accordance with international standards, reconciliation, accountability and human rights, the continuation of the de facto moratorium on the death penalty, implementation of zero tolerance on child labour, and the establishment of a robust anti-discrimination and anti-corruption framework" (European Commission, 2023, p. 1).

A critical issue identified by the EU in Sri Lanka's human rights landscape has been the persistent failure to address accountability and reconciliation effectively. It has been noted that Resolution 30/1 adopted in 2015 and co-sponsored by the then government represented a significant effort to advance accountability and reconciliation for human rights abuses committed during the civil conflict, and that re-engagement of Sri Lanka with the UN Human Rights Council and its commitments was also a significant factor in the country's resumption at the EU's GSP+ benefits in 2017 (European Commission, 2017). In 2021, it was observed that "The EU regrets Sri Lanka's withdrawal from its co-sponsorship of the UN Human Rights Council Resolution 30/1and subsequent resolutions that incorporated and built on it".[31]

The EU monitoring mission's report on Sri Lanka's GSP+ commitments for 2020-2022 additionally highlighted significant concerns regarding freedom of expression and assembly. While the report acknowledges that Sri Lankan civil society exercised its democratic right to protest and voice dissent during the initial stages of the economic crisis, it also pointed to severe governmental repression in its later steps (European Commission, 2023). The EU monitoring mission stressed that "ensuring freedom of association and of expression through protests remains a priority of GSP+ implementation and a challenge." (European Commission, 2023).

Ahead of the upcoming EU GSP+ Monitoring Mission to Sri Lanka, in an interaction with the media, European Union's Ambassador to Sri Lanka Carmen Moreno was to note that the lack of compliance and the area in which it happened, had been published online for the benefit of the beneficiary countries including Sri Lanka. She emphasized that the EU does not expect perfection from GSP+ beneficiaries including Sri Lanka, but rather tangible progress in fulfilling their obligations under the 27 international conventions. If the government fails to meet any requirement, the reasons and obstacles for such failure must be communicated to the EU monitoring bodies, along with clear roadmaps to address the unfulfilled obligations (Daily Mirror, 2025). The monitoring mission will assess these in the report due at the end of 2025.

7.3. Potential Reforms in Monitoring and Withdrawal Mechanisms

Given Sri Lanka's previous GSP+ suspension, it is important to understand the proposed changes to the withdrawal process under the new GSP regulation. Under the current GSP framework, withdrawal can be triggered by violations related solely to human rights and labour rights. Additionally, the revised regulation expands the scope to include international standards related to environmental protection and good governance. Consequently, breaches in these areas can now also lead to the initiation of a withdrawal process.

It is noted that the suspension of Sri Lanka's GSP+ tariff concession in 2010 followed a comprehensive investigation by the European Commission, which relied on reports and statements from UN Special Rapporteurs, various UN bodies, and civil society organizations

[31] Retrieved from: https://www.eeas.europa.eu/eeas/eu-sri-lanka-joint-commission-joint-press-release_en

(European Commission, 2010). This historical context underscores the critical impact of international scrutiny of human rights on Sri Lanka's trade relations with EU. The current criticisms from key UN human rights institutions, as well as organizations such as Amnesty International (Amnesty International, 2023-a) and Human Rights Watch (Francavilla, 2023), signal ongoing concerns about Sri Lanka’s human rights record. In the proposed revised GSP regulations, a centralized complaint mechanism known as the Single-Entry Point System has been introduced, enabling a wider range of EU-based stakeholders to raise issues of non-compliance. This development is likely to intensify scrutiny of Sri Lanka's adherence to its GSP+ obligations in the coming years.

A significant new addition to the withdrawal process is the introduction of an ‘urgent withdrawal procedure’ which is designed to respond to exceptionally grave violations. This mechanism accelerates the usual 18-month withdrawal timeline, reducing it to just seven months. Given the critical economic role of GSP+ for countries like Sri Lanka, the loss of this preferential status within a shortened timeframe could have severe economic repercussions. Thus, with Sri Lanka already under immense EU scrutiny for its human rights record, it is imperative for the country to proactively address possible areas of non-compliance to meet GSP+ obligations.

When Sri Lanka's GSP+ status was suspended in 2010, the socio-economic consequences of such action were not considered. An important consideration in the proposed new tariff withdrawal process is the European Commission’s requirement to assess the socio-economic impact of any proposed tariff suspension on the affected country. It has been suggested that the Commission’s assessment should factor in elements such as export volume to the EU, use of preferential treatment, export structure, impacts on vulnerable groups (e.g., women and youth), job creation, and the extent of violations (VAN DER LOO, 2022). For example, in 2020, the Commission conducted a socio-economic impact assessment before suspending Cambodia’s tariff preferences under the Everything But Arms (EBA) scheme, exempting certain products requiring significant training to avoid harming Cambodia's industrial growth (European Commission, 2020). For Sri Lanka, the EU today is its second-largest export market, crucial for the apparel sector, which provides significant employment for women and youth. Given Sri Lanka’s ongoing recovery from an economic crisis, continued preferential access to the EU market is essential. Therefore, while Sri Lanka works to meet its GSP+ obligations, it must make known the socio-economic benefits that accrue from the GSP+ benefits at a social level.

Furthermore, the proposal to review the scope of temporary withdrawal measures, and to allow for the postponement or suspension of such measures in exceptional circumstances, such as a global health crisis, sanitary emergency, or natural disaster, would be especially beneficial for developing countries like Sri Lanka, which have fragile economies. Recent events such as the Covid-19 pandemic clearly highlighted the vulnerabilities of developing economies, underscoring their challenges in coping with crises during such difficult times.

The European Commission exercises broad discretion in determining whether to initiate the withdrawal procedure for a breach of GSP+ commitments. This extensive discretion has led to accusations of arbitrary decision-making in certain instances. In 2010, the EU suspended Sri Lanka's access to GSP+ due to the country's failure to meet specific human rights commitments, a decision the Sri Lankan government at the time said was a politically motivated. In a recent case involving Bangladesh, several stakeholders appealed to the European Ombudsman in 2018, alleging that the European Commission failed to initiate an investigation despite clear evidence of Bangladesh's non-compliance with key fundamental labour rights obligations (European Ombudsman, 2020). These examples underscore the inconsistent enforcement of the withdrawal process by the European Commission. Thus, with the introduction of a more transparent, inclusive, and enhanced monitoring system under the proposed GSP+ regulations, it is argued that the oversight of the withdrawal procedure could be improved (VAN DER LOO, 2022), thereby enhancing its credibility and reducing the likelihood of selective scrutiny of GSP beneficiary countries.

8.0. Conclusions

A comprehensive view of Sri Lanka's GSP+ trade concession within the context of EU-Sri Lanka relations highlights the intricate link between trade and human rights. This connection demonstrates how foreign policy decisions are influenced by a country's human rights practices and how these decisions can have significant economic consequences. Trade agreements like the GSP+ are not only economic tools but also leverage points to encourage adherence to international human rights standards, impacting both Sri Lanka's economy and its international standing.

While the EU has become increasingly crucial for the country's socio-economic development, over the past decade, Sri Lanka's exports to the EU have demonstrated a steady upward trajectory. This overall growth underscores the importance of maintaining a strong trade partnership with the EU. Research indicates that a loss of GSP+ benefits could significantly impact Sri Lanka's export performance to the EU, highlighting the critical need for the country to retain its GSP+ status. Preserving and enhancing this trade concession is essential for bolstering Sri Lanka's trade benefits and supporting its socio-economic progress and amidst current challenges.

Sri Lanka's utilization of the GSP+ trade concession also warrants closer examination. Despite a significant portion of Sri Lankan exports qualifying for preferential treatment, the Preferential Utilization Rate remains comparatively low relative to other beneficiaries and has been stagnant over the past decade. This underscores the need for Sri Lanka to capitalize on the trade advantages provided by the GSP+ framework. Factors such as a narrow export base and limited product coverage under GSP schemes have constrained the country's economic potential. To improve GSP+ utilization, Sri Lanka must identify and address the obstacles hindering increased use and implement targeted strategic measures, to fully leverage the opportunities offered by this trade concession which plays a crucial role in Sri Lanka's export economy.

The primary objective of the GSP+ scheme is to foster Sri Lanka's economic growth by enhancing trade with the EU. Yet, as underscored, securing and retaining GSP+ status mandates adherence to international standards on human rights, labour standards, environmental safeguards, and good governance. This nexus is pivotal not only for advancing Sri Lanka's socio-economic development but also for improving its democratic governance. Hence, the benchmarks established by GSP+ should be viewed as an incentive for Sri Lanka to enhance its democratic quality, rather than as a challenge.

Sri Lanka's track record with GSP+ has been mixed. The country lost its GSP+ benefits in 2010 on the grounds of human rights violations but successfully regained them in 2017 after demonstrating significant improvements. However, recent developments, including setbacks in human rights commitments and failures to meet international standards, have sparked concerns about Sri Lanka's ongoing eligibility for GSP+. These issues have prompted major stakeholders to call for a reassessment of Sri Lanka's GSP+ status. Thus, it is crucial for Sri Lanka to address these concerns promptly to avoid jeopardizing its trade concessions and the vital trade relations with EU, one of its major trading partners, which significantly contributes to its export growth.

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