

## EU Generalised Scheme of Preferences (GSP) Framework Update - 2027

### Key Insights

- The new EU GSP framework places stronger emphasis on compliance and sustainability.
- Failure to meet compliance obligations could risk suspension of trade benefits.
- Sri Lanka's export competitiveness remains closely tied to EU GSP+ access.
- The EU remains an important export destination for Sri Lanka despite its relatively small share in overall EU trade.
- Regional competition will intensify under the revised framework.
- The revised framework reflects a broader global shift in trade policy.

### What is the EU GSP?

The EU's Generalised Scheme of Preferences (GSP) is a preferential trade arrangement designed to support developing countries by providing reduced or zero tariffs for exports entering the EU market. The objective is to help developing economies improve export competitiveness, attract investment, generate employment, and integrate more effectively into global trade.

Recently, the European Union (EU) has approved a revised Generalised Scheme of Preferences (GSP) framework that will come into effect from 1 January 2027<sup>1</sup>. The new framework is expected to remain in operation for the next decade and will continue to provide preferential market access to developing countries, including Sri Lanka. However, compared to the current system, the revised framework introduces stronger compliance requirements, stricter monitoring mechanisms, and greater emphasis on sustainability, governance, labour rights, and environmental standards.

For Sri Lanka, the continuation of the GSP+ scheme remains highly important as the EU continues to be one of the country's largest export destinations, particularly for apparel and industrial exports. At the same time, the new framework signals a major shift in global trade policy where market access is increasingly linked with international standards and sustainable trade practices.

The revised framework will cover 65 developing and least developed countries consist of three arrangements:

#### 1. Standard GSP

- The Standard GSP provides partial or full tariff reductions on approximately two-thirds of EU product lines for eligible low-income and lower-middle-income countries.
- The objective is to, improve export performance, Reduce trade barriers, and support integration into global value chains.

<sup>1</sup> [https://policy.trade.ec.europa.eu/news/new-generalised-scheme-preferences-approved-application-2027-2026-04-28\\_en](https://policy.trade.ec.europa.eu/news/new-generalised-scheme-preferences-approved-application-2027-2026-04-28_en)

- Under the revised system, 11 countries are expected to benefit from the Standard GSP arrangement<sup>2</sup>.

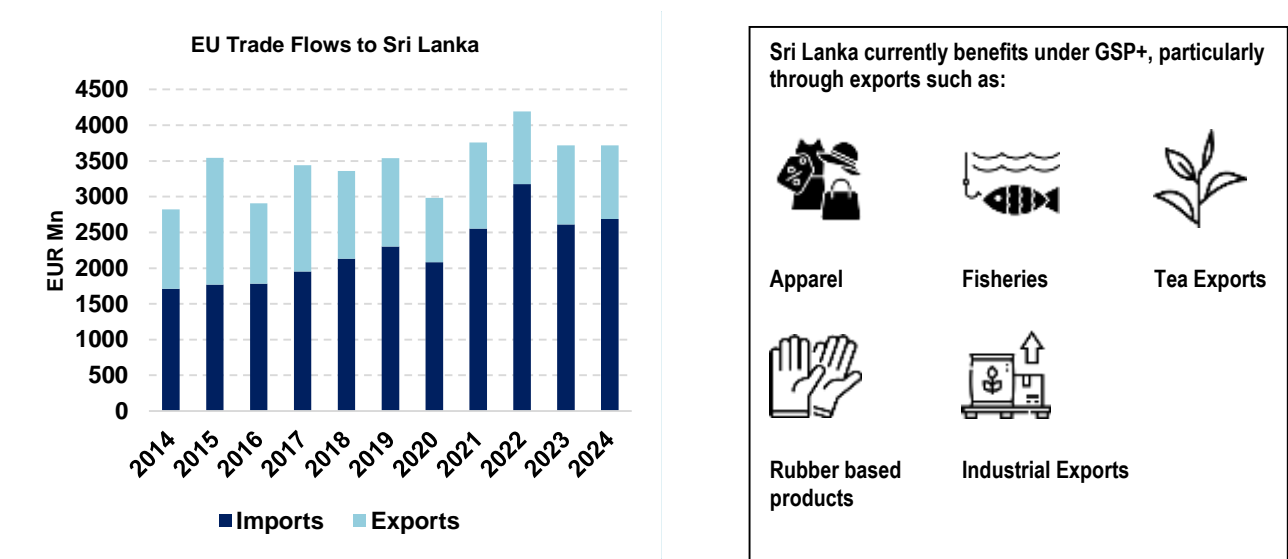
## 2. GSP+ Scheme

The GSP+ arrangement is the most important category for Sri Lanka.

Under GSP+:

- Beneficiary countries receive duty-free access for around two-thirds of EU tariff lines.
- Countries must ratify and effectively implement 32 international conventions covering: Human rights, Labour standards, Environmental protection, Climate commitments, Governance and anti-corruption.

### Exhibit 01: EU trade flows to Sri Lanka and the export products under GSP+



Source: European Commission

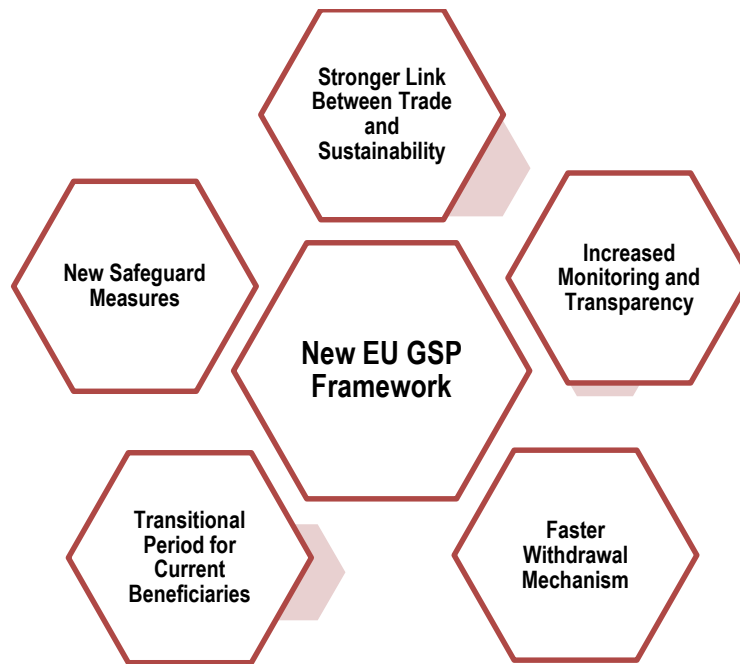
The apparel sector remains the largest beneficiary, as duty-free access helps Sri Lankan exports remain competitive against regional exporters.

## 3. Everything But Arms (EBA)

- The EBA arrangement provides full duty-free and quota-free access to the EU market for Least Developed Countries (LDCs), except for arms and ammunition.
- The revised framework allows the EBA scheme to continue indefinitely, providing long-term certainty for beneficiary countries.
- Although Sri Lanka does not qualify for EBA due to its income status, the continuation of EBA is important because several competing apparel-exporting countries continue receiving full tariff-free access to the EU market.

<sup>2</sup> Current list of GSP beneficiary countries - [https://taxation-customs.ec.europa.eu/document/download/7a667f90-7710-4baa-afb2-6b9aa7b75883\\_en](https://taxation-customs.ec.europa.eu/document/download/7a667f90-7710-4baa-afb2-6b9aa7b75883_en)

## Exhibit 02: Key Features of the New EU GSP Framework



### Stronger Link between Trade and Sustainability

- One of the most significant changes under the revised framework is the stronger connection between trade preferences and international standards.
- The EU is increasingly using trade policy as a tool to promote: Labour rights, Environmental sustainability, Climate action, Human rights, Governance reforms, Anti-corruption measures.
- These means trade preferences are no longer based only on export performance or development needs. Countries must also demonstrate compliance with international obligations.
- The revised GSP+ framework also expands the number of required international conventions from 27 to 32 conventions. Newly added conventions include:
  - Convention on the Rights of Persons with Disabilities<sup>3</sup>,
  - ILO Convention on Labour Inspection<sup>4</sup>,
  - ILO Convention on Tripartite Consultations<sup>5</sup>,
  - UN Convention against Transnational Organised Crime, and Optional Protocol on the involvement of children in armed conflict<sup>6</sup>.

<sup>3</sup>[https://www.unicef.org/maldives/media/3156/file/Convention%20on%20the%20Rights%20of%20Persons%20with%20Disabilities%20\(CRPD\).pdf](https://www.unicef.org/maldives/media/3156/file/Convention%20on%20the%20Rights%20of%20Persons%20with%20Disabilities%20(CRPD).pdf)

<sup>4</sup> [https://normlex.ilo.org/dyn/nrmlx\\_en/f?p=1000:12100:0::NO::P12100\\_ILO\\_CODE:C081](https://normlex.ilo.org/dyn/nrmlx_en/f?p=1000:12100:0::NO::P12100_ILO_CODE:C081)

<sup>5</sup> <https://www.ilo.org/media/307136/download>

<sup>6</sup> <https://www.unodc.org/unodc/en/organized-crime/intro/UNTOC.html>

- In addition, the Paris Agreement on Climate Change will replace the Kyoto Protocol under the revised framework, further strengthening climate-related obligations for beneficiary countries.

Example: Violations linked to environmental agreements or governance standards could now trigger EU investigations or possible suspension of trade preferences, whereas previous frameworks focused more heavily on labor and human rights issues.

### **Increased Monitoring and Transparency**

- The revised framework introduces: Closer monitoring systems, Stronger reporting mechanisms, Greater transparency requirements, More frequent compliance assessments.
- The EU will more actively assess whether beneficiary countries are effectively implementing the required international conventions rather than only formally ratifying them.
- Compared to the previous framework, the revised system allows the EU to respond more quickly in cases involving: Serious labor rights violations, Governance failures, Environmental non-compliance, Human rights concerns, this creates greater pressure on beneficiary countries to maintain policy consistency and institutional reforms.
- The revised framework also places greater emphasis on:
  - Civil society participation,
  - Stakeholder consultations,
  - Transparency in implementation processes, and;
  - Alignment with UN monitoring and reporting cycles.

For exporters, this means ESG compliance, supply chain transparency, labour standards, traceability systems, and sustainability reporting will become increasingly important in maintaining long-term competitiveness in the EU market.

### **Faster Withdrawal Mechanism**

- A major feature of the revised framework is the introduction of a faster and more responsive withdrawal process.
- If a country is found to be seriously violating the principles underlying the required international conventions, the EU can: Temporarily suspend preferences, partially withdraw benefits, fully remove preferential access.
- This increases the importance of: Regulatory stability, Institutional credibility, Governance reforms, Policy continuity.

For Sri Lanka, maintaining GSP+ eligibility will increasingly depend on demonstrating continuous progress in these areas, particularly as international buyers and EU regulators place greater attention on responsible sourcing and sustainable supply chains.

### Transitional Period for Current Beneficiaries

- The EU has provided a transition period until the end of 2028 for current GSP+ beneficiaries. During this transitional period, existing beneficiaries will continue to receive GSP+ preferences while adapting to the updated framework.
- This allows countries such as Sri Lanka additional time to: Adjust domestic policies, strengthen institutional frameworks, improve compliance systems, and align regulations with updated EU expectations.
- This transition period is important for exporters and policymakers as it provides short-term stability while allowing time for reforms.

The revised framework introduces additional safeguard mechanisms aimed at protecting EU domestic industries from sudden import surges. In addition, tariff-rate quotas (TRQs)<sup>7</sup> may be introduced in subsequent years to manage import volumes and prevent market disruptions within the EU.

### Exhibit 03: Key safeguard instruments

Instrument	Explanation
1. Product graduation	<ul style="list-style-type: none"> <li>- Competitive sectors exceeding import thresholds may lose preferences</li> <li>- Graduation is triggered when imports of a product from a beneficiary country exceed defined thresholds over three years.</li> </ul> <p><b>Implication:</b> Export sectors that scale rapidly (e.g., textiles, selected agro-products) may face loss of preferential access if competitiveness becomes too dominant in EU imports</p>
2. General safeguard mechanism	<ul style="list-style-type: none"> <li>- Allows the EU to suspend preferences if imports disrupt EU industries</li> <li>- Applies across all product categories covered under GSP</li> </ul> <p><b>Implication:</b> Even without sector-specific targeting, broad import pressure can trigger temporary withdrawal of preferences</p>
3. Agricultural surveillance mechanism	<ul style="list-style-type: none"> <li>- When unusual or rapid import increases are detected, the EU can initiate early intervention measures. Surveillance data can directly support suspension of preferences if market disruption risks are identified</li> <li>- Enables early monitoring of import increases</li> </ul>

<sup>7</sup> Tariff Rate Quotas allow a pre-determined quantity of a product to be imported at lower import duty rates (in-quota duty) than the duty rate normally applicable to that product.

	<b>Implication:</b> Agricultural exporters face closer monitoring and higher sensitivity to sudden export growth patterns
4. Textile and ethanol safeguard	<ul style="list-style-type: none"> <li>- Maintains protection mechanisms for sensitive sectors</li> <li>- These instruments allow the EU to respond quickly to import surges in politically or economically sensitive sectors.</li> </ul> <p><b>Implication:</b> Textile exporters, particularly relevant for Sri Lanka, remain exposed to targeted safeguard actions despite continued GSP+ access</p>
5. New rice safeguard <sup>8</sup>	<ul style="list-style-type: none"> <li>- Allows tariff-rate quotas if rice imports surge</li> <li>- Applies uniformly to all beneficiary countries</li> </ul> <p><b>Implication:</b> Although not a major Sri Lankan export, this signals a broader shift toward stricter, pre-emptive safeguards in sensitive agricultural commodities</p>

### What Does This Mean for Sri Lanka?

<b>Positive Implications</b>	<b>Key Challenges</b>
<p><b>Continued Market Access</b></p> <p>The continuation of GSP+ provides stability for Sri Lankan exporters at a time of global economic uncertainty.</p> <p>Preferential access supports:</p> <ul style="list-style-type: none"> <li>▪ Export earnings</li> <li>▪ Foreign exchange inflows</li> <li>▪ Employment generation</li> <li>▪ Investment attraction</li> </ul> <p><b>Export Competitiveness</b></p> <p>Duty-free access remains particularly important for:</p> <ul style="list-style-type: none"> <li>▪ Apparel exports</li> <li>▪ Rubber-based exports</li> </ul>	<p><b>Higher Compliance Burden</b></p> <p>Sri Lanka will face stronger scrutiny regarding:</p> <ul style="list-style-type: none"> <li>▪ Labor standards</li> <li>▪ Environmental commitments</li> <li>▪ Governance reforms</li> <li>▪ Human rights obligations</li> </ul> <p>This means both government institutions and private sector exporters may face increasing sustainability and compliance expectations.</p> <p><b>Rising Regional Competition</b></p> <p>Countries benefiting under the EBA arrangement continue receiving full tariff-free access to the EU market.</p>

<sup>8</sup> Under the new rice safeguard mechanism, the EU can automatically suspend tariff preferences if rice imports from beneficiary countries exceed historical import thresholds.

<ul style="list-style-type: none"> <li>▪ Fisheries products</li> <li>▪ Industrial manufacturing</li> </ul> <p>Without GSP+, Sri Lankan exports could face higher tariffs compared to competitors.</p> <p><b>Economic Recovery Support</b></p> <p>As Sri Lanka continues economic recovery and debt restructuring efforts, export growth remains critical for:</p> <ul style="list-style-type: none"> <li>▪ External sector stability</li> <li>▪ Foreign reserve accumulation</li> <li>▪ Economic growth</li> </ul>	<p>As a result, Sri Lanka must improve:</p> <ul style="list-style-type: none"> <li>▪ Productivity</li> <li>▪ Cost competitiveness</li> <li>▪ Product quality</li> <li>▪ Supply chain efficiency</li> <li>▪ Sustainability standards</li> </ul> <p><b>Trade Policy is Becoming More Conditional</b></p> <p>The revised framework reflects a broader global trend where trade agreements increasingly include:</p> <ul style="list-style-type: none"> <li>▪ ESG-related conditions</li> <li>▪ Sustainability reporting</li> <li>▪ Climate-linked trade standards</li> <li>▪ Responsible sourcing requirements</li> </ul> <p>This suggests that future export competitiveness will increasingly depend not only on price advantages, but also on compliance and sustainability performance.</p>
--	--

**Read for more details**

EU News Article – New GSP Approved (Application from 2027):

[https://policy.trade.ec.europa.eu/news/new-generalised-scheme-preferences-approved-application-2027-2026-04-28\\_en](https://policy.trade.ec.europa.eu/news/new-generalised-scheme-preferences-approved-application-2027-2026-04-28_en)

EU Questions & Answers – Revised GSP Framework:


[https://policy.trade.ec.europa.eu/development-and-sustainability/generalised-scheme-preferences/questions-answers-new-eu-generalised-scheme-preferences\\_en](https://policy.trade.ec.europa.eu/development-and-sustainability/generalised-scheme-preferences/questions-answers-new-eu-generalised-scheme-preferences_en)

EU Detailed Fact sheet:

<https://circabc.europa.eu/ui/group/f243659e-26f5-44d9-8213-81efa3d92dc7/library/e2c6c5f8-d62a-4536-a9b2-5b7ecab39d14/details?open=true>

EU trade relations with Sri Lanka:

[https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/sri-lanka\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/sri-lanka_en)

	<p>Prepared by Economic Intelligence Unit (EIU), The Ceylon Chamber of Commerce.</p>
	<p>For queries, contact EIU on <a href="mailto:eiu@chamber.lk">eiu@chamber.lk</a></p>