



Department for
International Trade

Statement of Direction

Designing a new UK trade preferences scheme
to take effect in 2022



As of 1 January 2021, the UK has had its own Generalised Scheme of Preferences (GSP), largely replicating the EU's GSP. The UK's GSP has three Frameworks:

The General Framework: for low- and lower middle-income countries. They benefit from the full or partial removal of customs duties on two-thirds of tariff lines.

The Enhanced Framework: for low- and lower middle-income countries that also ratify and effectively implement 27 international conventions. They benefit from the full removal of customs duties on two-thirds of tariff lines.

The Least Developed Country Framework (LDCF): for all countries that are classified as least developed countries by the UN. They benefit from duty-free, quota-free access for all products except arms and ammunition.

Statement of Direction

Trade plays a vital role in supporting economic development, global prosperity and lifting people out of poverty. With our new independent trade policy, we will boost opportunities for enterprise and trade with developing countries in line with our values.

The Government will introduce changes to the GSP to improve access to the UK market for developing countries. In line with the Integrated Review, the scheme will contribute to developing countries' integration into the global economy, creating stronger trade and investment partners for the future, and strengthening supply chains. The new scheme will be an opportunity for the United Kingdom to grow free and fair trade with developing countries, boosting the economy and supporting jobs in those countries, as well as in ours. It will mean a better deal for developing countries so more can follow in the example of Bangladesh, or Vietnam, who have used trade to turbocharge growth, to raise living standards and drive down poverty. At home, greater access to imports from developing countries will reduce the costs and increase choice for UK businesses and consumers alike.

The more generous UK trade preferences will apply to countries that currently benefit under the [Generalised Scheme of Preferences](#) (see Annex A for a list of countries). This includes 47 countries in the Least Developed Country Framework (LDCF) and 23 additional countries or territories classified by the World Bank as low income and lower middle-income countries. It does not apply to countries classified by the World Bank as upper-middle income for three consecutive years, or to low- and lower middle-income countries with a free trade agreement (FTA) with the UK, though a transition period is granted for countries removed due to income status or having entered a trade arrangement with the UK. The Protocol on Northern Ireland/ Ireland in the Withdrawal Agreement provides for certain specific arrangements as regards Northern Ireland, including the continued application of the EU's GSP in Northern Ireland for certain goods. The changes in scope of the GSP will not alter this.

The Government is committed to complying with the requirements of the WTO, where the UK will continue to be a champion of global free trade, mutual economic growth, shared prosperity and the rules-based system.

The new scheme will be called the Developing Countries Trading Scheme and will replace the UK's Generalised Scheme of Preferences in 2022.

Policy objectives

The overarching objective of the policy changes is to increase trade with beneficiary countries thereby supporting their economic growth. An improved scheme will enable developing countries to export more to the UK and further integrate into the global economy, creating stronger trade and investment partners for the future.

We propose that the preference improvements should seek to improve access for all eligible countries and will be guided by the following objectives:

- A simpler scheme for partner countries and businesses to understand and use.
- A scheme that supports sustainable growth.
- Coherence with the UK's trade policy ambitions to be a leader on trade for development.

Consultation

The Government is committed to a trade preferences policy that takes account of the views of all sectors of society and international stakeholders, including businesses, the general public, devolved administrations and the regions, civil society groups, consumers, associations and any other interested stakeholders.

In line with this, the Government today [19 July 2021] launched an eight-week public consultation on the UK's future tariff schedule and policies in relation to the Generalised Scheme of Preferences. This consultation will close on 12 September 23:59 BST.

The consultation offers respondents the opportunity to provide views on:

1. Simplifying rules of origin requirements for least developed countries;
2. Reducing tariffs for low-income and lower middle-income countries;
3. Amendments to the approach to goods graduation, which suspends preferential rates on particular goods from certain countries on the basis of their competitiveness; and
4. Amendments to the conditions and reporting requirements that enable a low-income or lower middle-income country to benefit from more generous provisions through the Enhanced Framework; and simplifying the conditions that could lead to variation or suspension of preferences for any beneficiary country.

Proposed changes

1. Simplifying rules of origin requirements for LDCs

The Government's intention is to implement an improved scheme with modern and appropriate rules of origin which mean that more goods can qualify for GSP tariffs. In designing an improved scheme, the Government will ensure the UK continues to uphold the commitments and values of the WTO by ensuring that rules of origin applicable to imports from LDCs are transparent, simple, and contribute to facilitating market access.

LDCs already receive quota-free tariff-free access for all goods other than arms and ammunition. Therefore, the Government is considering revising the rules of origin to LDCs, so that the GSP is more generous to the most vulnerable developing countries.

To inform its development, the Government is seeking views on a series of changes to the GSP rules of origin applicable to imports from LDCs. These aim to simplify and liberalise the rules of origin policy:

1.1 Simplifying product specific rules for LDCs

Current position: Most of the product specific rules apply to both LDCs and other GSP countries. However, more liberal rules apply to LDCs for some products in the chemical, textile, apparel and machinery sectors.

Policy change: The Government is considering introducing a new list of more liberal product specific rules just for LDCs. Developing tailored rules provides the UK with an opportunity to avoid using overly restrictive requirements so that product specific rules are easier for businesses to understand and use. Where possible, the Government is considering the following¹:

- Allowing the use of non-originating materials up to 75% of the final value of the product for some sectors.
- Providing an alternative rule for the same product if beneficial, so that businesses can choose the rule that works best for their production processes. For example, a change of tariff classification rule or a value-added rule.
- Removing rules which impose a combination of two or more criteria for the same product.
- Eliminating exclusions or restrictions to change of tariff classification rules.

¹ This is in line with the Nairobi Decision recommendations https://www.wto.org/english/thewto_e/minist_e/mc10_e/l917_e.htm

1.2 Expanding Cumulation for LDCs

Current position: Cumulation between GSP countries is permitted within each of the two regional groups below. Cumulation between countries in different regional groups can be granted upon application. Currently, only 6 out of 47 LDCs can access regional cumulation (LDCs highlighted in bold below).

1. **Cambodia**, Indonesia, **Laos**, **Myanmar**, Philippines and Vietnam

2. **Bangladesh**, **Bhutan**, India, **Nepal**, Pakistan and Sri Lanka

Policy change: The Government is considering expanding cumulation for LDCs, which are predominantly African countries, to make it easier for imports from LDCs to qualify for lower tariffs. The Government aims to promote increased exports through regional integration and in turn support economic recovery from Covid-19. Where possible, the Government is considering:

- Allowing LDCs to cumulate with other LDCs.
- Allowing LDCs to cumulate with other GSP countries.
- Allowing LDCs to cumulate with other GSP countries that form part of a new regional group (e.g., cumulation with all GSP countries in Africa).
- Taking steps towards reducing the administrative burden of applying for cumulation.

2. Reducing tariffs for countries classified as low-income and lower middle-income by the World Bank

Current position: The current UK GSP offers a partial or full removal of customs duties on two-thirds of tariff lines in the General and Enhanced Frameworks. Due to tariffs being set to zero in the UK Global Tariff, in practice, countries in the General Framework face non-preferential tariff rates in around 9% of tariff lines. For countries in the Enhanced Framework, around 8% of tariff lines face non-preferential tariff rates.

Policy change: The Government will consider making more goods eligible for tariff reductions (increasing product coverage of the scheme) and providing greater tariff reductions than those set out in the “GSP Specified Goods Table”, contained in Schedule 5 to the Trade Preference Scheme (EU Exit) Regulations 2020. Goods that are not currently covered by the GSP General and Enhanced Frameworks fall within the following sectors: agri-food (including some products which face seasonal tariffs), certain chemicals, raw hides, skins and leather, and certain base metals. In addition to these excluded products, certain goods in the following sectors currently face tariffs under the General Framework: plastics, rubber, wood products, textiles, apparel, footwear, articles of stone, ceramic products and glass, base metals, machinery and equipment, and road vehicles, bicycles, aviation and space, boats and parts thereof..

The UK will consider offering greater tariff reductions or removing tariffs completely on these goods.

The Government will also consider aligning with simplifications made in the UK Global Tariff, such as considering the removal of nuisance tariffs and simplifying complex tariffs on certain agricultural goods, such as those tariffs which vary by season. The current GSP tariff rates can be accessed in excel format (a link will be available in the questionnaire) or via the [Trade with the UK tool](#).

When assessing options for increasing product coverage and tariff reductions in the General and Enhanced Frameworks, the Government will consider any possible adverse impacts caused by reductions in the relative tariff advantage of other developing countries outside of these frameworks such as the least developed countries and developing countries that have entered into trade agreements with the UK. For these developing countries, lower tariffs for countries in the General and Enhanced Frameworks will erode the value of preferences which they currently benefit from.

3. Reassessing our approach to goods graduation

Current Position: The goods graduation assessment applies to countries in the General Framework and suspends access to preferential tariffs on specific groups of goods where a country has been deemed highly competitive. The current list of [graduated goods](#), which replicates the latest EU list of graduated goods is due to expire on 31st December 2022. Our current policy is for the Government to introduce a new graduated goods list based on the graduation assessment specified in Schedule 3 to the Trade Preference Scheme (EU Exit) Regulations 2020 to apply from 1st January 2023, and for the Government to review the list every 3 years thereafter.

Policy change: The Government is seeking to understand if this approach is still appropriate, including whether the product groupings currently used, the “GSP Sections”, (see regulation 2 of the Trade Preference Scheme (EU Exit) Regulations 2020), should be amended to cover a narrower set of goods to ensure that only goods which are genuinely competitive are graduated (and not others which fall within the same GSP section). The Government is also considering whether to reduce the frequency of reviews to the list of graduated goods (it is currently reviewed every three years) to provide greater certainty to businesses over future tariff rates.

4. Reassessing conditions of the GSP applicable to all three frameworks, and those which apply specifically to the Enhanced Framework

4.1 All Frameworks

Current Position: The UK GSP has a set of conditions which apply to all GSP countries. The below conditions provide for circumstances where GSP access can be varied or suspended. These are that a GSP country —

- (a) has engaged or is engaging in serious and systematic violations of the human rights and labour rights contained in conventions specified in Part 1 of Schedule 2 [of the Trade Preferences Scheme (EU Exit) Regulations 2020];
- (b) is engaging in unfair trading practices, after a determination by a competent WTO body that those practices are prohibited or actionable under the WTO Agreement;
- (c) is engaging in export of goods made by prison labour;
- (d) has serious shortcomings in its customs controls on the export or transit of the substances controlled under—
 - (i) the UN Single Convention on Narcotic Drugs (1961) as amended by the 1972 Protocol;
 - (ii) the UN Convention on Psychotropic Substances (1971); or
 - (iii) the UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988);
- (e) has engaged or is engaging in serious and systematic violations of the principles of international conventions on anti-terrorism and money laundering to which the United Kingdom is a party;
- (f) is seriously and systematically infringing the requirements imposed by regional fishery management organisations or international arrangements to which the United Kingdom is a party, concerning the conservation and management of fishery resources; or
- (g) is seriously and systematically failing to comply with the conditions specified in a customs cooperation notice.

Policy change: The Government is considering potential simplification of the conditions that could lead to a suspension or variation of preferences for any GSP country.

4.2 Enhanced Framework

Current Position: The Enhanced Framework provides more generous trade preferences (when compared with the General Framework) as an incentive to economically vulnerable countries to ratify and effectively implement 27 international conventions. (see Annex B).

Policy change: The Government is considering the conditions and reporting requirements of the Enhanced Framework.

These proposals represent the considerations the Government is inviting views on; they do not represent final decisions.

The consultation will close on 12 September 2021 and a response will be published shortly afterwards.

Annex A: list of UK's GSP beneficiaries

Least Developed Countries Framework			General Framework	Enhanced Framework
Afghanistan	Guinea	São Tomé & Príncipe	Algeria	Armenia**
Angola	Guinea-Bissau	Senegal	Congo	Bolivia
Bangladesh	Haiti	Sierra Leone	Cook Islands	Cape Verde
Benin	Kiribati	Solomon Islands	Ghana*	Kyrgyzstan
Bhutan	Laos	Somalia	India	Mongolia
Burkina Faso	Lesotho	South Sudan	Indonesia	Pakistan
Burundi	Liberia	Sudan	Jordan*	Philippines
Central African Republic	Madagascar	Tanzania	Kenya*	Sri Lanka
Cambodia	Malawi	Timor-Leste	Micronesia	
Chad	Mali	Togo	Nigeria	
Comoros	Mauritania	Tuvalu	Niue	
Congo (Democratic Republic)	Mozambique	Uganda	Syria	
Djibouti	Myanmar	Vanuatu	Tajikistan	
Eritrea	Nepal	Yemen	Uzbekistan	
Ethiopia	Niger	Zambia	Vietnam*	
The Gambia	Rwanda			

* These countries have signed trade agreements with the UK, however they currently still receive GSP market access during the transition to their new trade arrangement.

**Armenia will be removed from the scheme in 2022. It was classified by the World Bank as upper-middle income country in 2018, 2019 and 2020.

The list was last updated on 19 July 2021. [Click here](#) for an up-to-date version.

Annex B – UK GSP conventions

PART A

Core human and labour rights: UN/ILO Conventions

1. Convention on the Prevention and Punishment of the Crime of Genocide (1948)
2. International Convention on the Elimination of All Forms of Racial Discrimination (1965)
3. International Covenant on Civil and Political Rights (1966)
4. International Covenant on Economic Social and Cultural Rights (1966)
5. Convention on the Elimination of All Forms of Discrimination Against Women (1979)
6. Convention Against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment (1984)
7. Convention on the Rights of the Child (1989)
8. Convention concerning Forced or Compulsory Labour, No 29 (1930)
9. Convention concerning Freedom of Association and Protection of the Right to Organise, No 87 (1948)
10. Convention concerning the Application of the Principles of the Right to Organise and to Bargain Collectively, No 98 (1949)
11. Convention concerning Equal Remuneration of Men and Women Workers for Work of Equal Value, No 100 (1951)
12. Convention concerning the Abolition of Forced Labour, No 105 (1957)
13. Convention concerning Discrimination in Respect of Employment and Occupation, No 111 (1958)
14. Convention concerning Minimum Age for Admission to Employment, No 138 (1973)
15. Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, No 182 (1999)

PART B

Conventions related to the environment and to governance principles

- 16.** Convention on International Trade in Endangered Species of Wild Fauna and Flora (1973)
- 17.** Montreal Protocol on Substances that Deplete the Ozone Layer (1987)
- 18.** Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal (1989)
- 19.** Convention on Biological Diversity (1992)
- 20.** The United Nations Framework Convention on Climate Change (1992)
- 21.** Cartagena Protocol on Biosafety (2000)
- 22.** Stockholm Convention on persistent Organic Pollutants (2001)
- 23.** Kyoto Protocol to the United Nations Framework Convention on Climate Change (1998)
- 24.** United Nations Single Convention on Narcotic Drugs (1961)
- 25.** United Nations Convention on Psychotropic Substances (1971)
- 26.** United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988)
- 27.** United Nations Convention against Corruption (2004)

The Department for International Trade (DIT) helps businesses export, drives inward and outward investment, negotiates market access and trade deals, and champions free trade.

We are an international economic department, responsible for:

- supporting and encouraging UK businesses to drive sustainable international growth
- ensuring the UK remains a leading destination for international investment and maintains its number one position for international investment stock in Europe
- opening markets, building a trade framework with new and existing partners which is free and fair
- using trade and investment to underpin the government's agenda for a Global Britain and its ambitions for prosperity, stability and security worldwide.

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