



FESI comments on the EU Commission's proposal on new Generalised Scheme of Preferences Regulation

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The Federation of the European Sporting Goods Industry (FESI) welcomes the European Commission's proposal to renew the Generalised Scheme of Preferences Regulation (GSP). FESI firmly believes that the GSP, including the GSP+ and EBA regimes, contributes to the competitiveness of products from and to the sustainable development of developing countries and has proven to help the latter becoming more competitive, reduce poverty, build their domestic industries, increase employment and improve good governance. Free fair trade and open markets provide the best conditions for sustainable economic growth and decreasing levels of poverty in developing countries.

FESI applauds the decision taken today by the Commission to renew the scheme for the next 10-year cycle. The GSP is the crown jewel of the EU Trade Policy. GSP, GSP+ and EBA programmes are all still relevant and offer the right degrees of incentives towards sustainable development. It is now crucial to make sure that the proposed rules are simple and predictable enough for companies. We would therefore like to share our comments on key features of the Commission's GSP proposal. FESI is available and glad to further exchange and discuss the points below with the Commission, Members of the European Parliament, the EU Member States and any other stakeholders.

The GSP Regulation and Sustainable Development

The EU GSP delivers significant economic benefits and improve the livelihoods of people working in many sectors. **It drives sustainable development and poverty eradication in developing countries.** The sporting goods industry is fully aware that challenges still exist to the full enjoyment of labour rights and environmental protection in developing countries and aims to be an industry leader on addressing them. Sporting goods companies are actively engaging with their suppliers' factories, both directly and in cooperation with independent organisations (e.g. ILO, World Bank) and international programmes and partnerships to consistently upgrade the working environment. This industry engagement is part of a global effort where national governments and international organisations play a crucial role.

FESI welcomes the inclusion of the Paris Agreement on Climate Change in Annex VI of the proposed Regulation. The sporting goods industry is deeply engaged in addressing its carbon footprint and has the ambition to become an industry leader in this field. For instance, many FESI members are among the signatories of the [UN Fashion Industry Charter for Climate Action](#) and are committed to achieve net-zero emissions by 2050. It is critical that the EU GSP remains relevant for the challenges and ambitions set for the next decade.

The GSP has encouraged European companies to invest in developing countries while bringing their European values, e.g. social and environmental standards, with them. GSP programmes helped bringing sustainable

business practices to poverty-stricken countries, such as high social and labour standards (health care, education and training etc.) and environmental protection (use of renewable energy, waste reduction, energy and water saving etc.), which would further drive development and poverty eradication in those countries. Moreover, owing to several leadership programmes, which have been developed and organised by sporting goods companies with the objective of encouraging sustainable strategies in global supply chains, our industry has acquired several key learnings. One is that local ownership and capacity is to be built and strengthened to drive sustainable development. Capacity-building of national labour inspection systems is, for example, still a top priority.

At the same time, the EU GSP does not – and shall not – offer instant solutions to complex issues linked to sustainable development. Hence **engaging with partner countries in a continuous manner to assist in their development and implementation of international human and labour rights and environmental standards shall remain a priority**. State-to-state engagement and development aid programmes are equally important for improving human and labour rights and environmental standards. **For instance, we call for the EU and its Member States to offer assistance, including financially, to developing countries to support them in achieving the objectives of the Paris Agreement**. The GSP should be used to offer incentives to and support developing countries, rather than being seen as a punitive leverage.

Rules of Origin

As fabrics become more technologically advanced, it is becoming increasingly difficult to establish the complete production infrastructure in a single GSP beneficiary country. The rules of origin for GSP have at times been a significant obstacle in the apparel industry where the requirement of a double transformation for textile is mainly used. **We welcome the new process foreseen by the proposal in Article 33(3) to make sure that the cumulation of rules of origin responds to the requesting country's development, financing and trade needs**. Although FESI preferred solution is to extend cumulation among all GSP beneficiaries and FTA partner countries, we believe that this is a very important step in the right direction.

Product Graduation

FESI is looking with attention to the Commission's proposal to lower the product graduation thresholds of 10%, as spelled out in Annex IV of the proposed Regulation. We are assessing the consequences of such proposal and we reserve the right to comment on it at a later stage.

Product sensitiveness

For the GSP to bring value for developing countries and to be used by companies in the sporting goods industry, the scheme must offer significant duty reduction on those products that developing countries produce. This is essential to maximize the development impact. This has not always been the case. Often products that are the main source of income for developing countries are classified as sensitive. Therefore, one of the areas that could have been improved is the scope of the sensitive products, and as such, **we regret to see that footwear and apparel are still classified as sensitive in Annex III of the proposed Regulation**. This puts a discriminatory cap on the duty reduction of these products. Furthermore, the scheme is still lacking a clear definition and criteria of what is considered "sensitive" and "not-sensitive".

FESI calls for the co-legislators to **classify product falling in Chapters 61, 62 and 64 of the Combined Nomenclature as “not-sensitive”**. As an alternative, FESI would support:

- the “sunset clause” proposed in the [external study supporting the impact assessment](#) on the GSP Review. A sunset clause for all excluded and sensitive products could be considered, together with an industry-driven mechanism to establish (or continue) a country product exclusion/sensitivity.
- a higher duty reduction for sensitive products under the GSP scheme.

Furthermore, FESI is of the opinion that the **even more limited duty reduction specific for textile products provided for in Article 7(2) is unnecessary**. No distinction should be made between textiles and other sensitive products. The textile industry is a crucial sector in many developing countries and a cornerstone of their economic development plans. Textiles demand labour-intensive work creating significant employment in GSP beneficiary countries while providing consumer products not only for export but also for local demand and thereby creating a path for sustainable economic growth. The abolition of the distinction will render the system more beneficial to those countries.

The competitiveness of European business in the textiles sector is based around brand-building, the speed and flexibility to react to changes in market trends, using technologically advanced materials and fibres in production design.

Withdrawal of GSP Benefits

A withdrawal of GSP benefits targets businesses and sectors at a whole, and not necessarily those actors that are violating human rights, or those actors that are allowing violations to take place. As such, a withdrawal may likely and ultimately harm the most vulnerable in a society and/or those who are already suffering of human rights violations. For the sporting goods industry, the loss of preferences hurts the competitiveness of the garment and footwear sector, which lowers the country’s employment and living standards, especially for women. Country’s manufacturers will most probably see a decrease in the demand of their garments and footwear, with fewer jobs for the country’s workers. The threat of withdrawal may only have a limited positive impact on the area of labour, as economic operators can use their presence to encourage the government to uphold the standards required by the EU and European consumers. However, the threat of a withdrawal or a withdrawal per se does not have a positive impact on human rights. As we witnessed in the case of Cambodia, the mere threat of a withdrawal had had a chilling effect on foreign companies’ investment in the country. Concerns can be made regarding the competitive drive allowing the minimum wage for the sector’s workers to increase; the country’s dependence on capital and consumers from other countries that have much lower standards for social and human rights might increase.

FESI is very pleased to see that the socio-economic effects of the temporary withdrawal may now be considered when adopting such measure, as foreseen in Article 19(10). We invite the co-legislators to reinforce such provision and require the Commission to take the socio-economic effects into account any time a temporary withdrawal is considered.

Secondly, **we welcome** that the Commission introduced in Article 19(14) **the possibility to review the scope, postpone or suspend the application of the temporary withdrawal in case of exceptional circumstances**. The consequences of health or sanitary emergencies, natural disasters or other unforeseen events would add to the ones of the temporary withdrawal. In such cases, it is very important that the Commission will legally have the time and the means to re-evaluate the impacts of the withdrawal on the most vulnerable.

Finally, FESI is concerned about the new urgent withdrawal of preferences procedure introduced in Article 19(16). FESI agrees that if there is sufficient information which indicates that a beneficiary country is violating core human and/or labour rights, violations that are both serious and systematic, the EU should immediately engage with the country. However, **withdrawing GSP preferences should already be seen as the very last resort in case of serious and systemic violation of the GSP conventions. The withdrawal should only follow extensive warnings, appropriate consultation with stakeholders, a socio-economic impact assessment and cooperation and assistance to allow for constructive engagement to address shortcomings. As such, we are concerned about the Commission's proposal to introduce an urgent withdrawal mechanism, which would not allow for enough time for parties, and affected companies, to have constructive conversations to address the concerns and to mitigate the inevitable impact on workers and businesses.**

About FESI

Founded in 1960 FESI - the Federation of the European Sporting Goods Industry represents the interests of approximately 1.800 sporting goods manufacturers (85% of the European market) through its National Sporting Goods Industry Federations and its directly affiliated member companies. 70-75% of FESI's membership is made up of Small and Medium Sized Enterprises. In total, the European Sporting Goods Industry employs over 700.000 EU citizens and has an annual turnover of some 81 billion euro.
