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EU Trade and Development Policy beyond the ACP: Subordinating Developmental to Commercial Imperatives in the Reform of GSP

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Following the stagnation of negotiations with the African, Caribbean and Pacific states, the centrepiece of the European Union's (EU's) trade and development strategy has been a reform of the Generalised System of Preferences. Although policymakers in the Commission's Directorate-General for Trade have argued they are 'refocusing' these preferences on the 'neediest', by rendering a significant proportion of emerging economies' exports ineligible for the scheme, this article argues that the reform is actually part of a broader 'reciprocity' agenda being pursued in the context of the current economic crisis. This is about ensuring the EU possesses sufficient offensive *leverage* in on-going free trade agreement negotiations, rather than representing any mercantilist move towards greater domestic protection. In arguing that the EU's developmental trade agenda is increasingly subordinated to commercial imperatives, this article adds to a literature that has situated the study of EU trade and development policy within the field of political economy.

Keywords: European Union; trade; development; Generalised System of Preferences.

Introduction

The European Union (EU) is the world's single largest market for goods from developing countries (Woolcock 2012, p. 149), with imports totaling 845 billion euro in 2012 (Eurostat 2013). As a result, the decision to introduce a series of changes to its Generalised System of Preferences (GSP) has significant global consequences. Originally authorised by a meeting of the contracting parties of the General Agreement on Tariffs and Trade (GATT) in 1968, GSP was seen as the key component of the 'special and differential treatment' offered to developing countries in the context of calls for a New International Economic Order (see White 1975, pp. 547-8, Whalley 1990, pp. 1319-21). By way of derogation from the Most-Favoured-Nation (MFN) principle – authorised by the 1979 Enabling Clause of the GATT – the idea was for developed economies to (unilaterally) offer preferential duty rates to any developing country in order to assist in their development. In the case of the EU, however, GSP has not lived up to its full potential because it was seen as secondary to the scheme of preferences for African, Caribbean and Pacific (ACP) states under the Lomé Conventions (Heron 2013, Ch. 2). In this vein, the EU's recent self-professed attempts to 'refocus' GSP preferences 'on those countries most in need' (Commission 2012, p. 2) – while its negotiations with ACP countries on a successor arrangement to Lomé have stagnated – can be read as a rebalancing of the EU's priorities in the direction of GSP.

That being said, in this article I challenge the view that these changes (which kick in from January 2014) represent a boon for developing countries. Under the GSP reform *all* high- and upper-middle-income countries will lose eligibility for preferences, while a whole host of products (mostly from emerging economies) will also be graduated (i.e. no longer eligible for preferential treatment). Although the European Commission's Directorate General (DG) for Trade has justified these changes in terms of providing the poorest (Least Developed Countries [LDCs] and so-called 'vulnerable' economies) with the space to develop their

export markets, the fact remains that the alleged benefits for these economies are far from certain. What is more, it is rather odd that the Commission is seeking to develop a model of poverty-reduction based on non-reciprocal trade preferences when it chose to abandon such a model in the case of the ACP group in favour of reciprocal trade deals, the so-called Economic Partnership Agreements (EPAs) (see en. 7). Although the idea of ‘differentiating’ between developing countries is not entirely new to EU trade policy, the lack of a coherent development rationale for the recent GSP reform begs two important questions. Firstly, what is driving these changes to the scheme and, secondly, what does this reform say about the broader ‘trade-development’ nexus in EU policy that authors have begun explicitly writing about (e.g. Young and Peterson 2013)?

In response to the first question, I situate the GSP reform within the broader crisis landscape, where policymakers in DG Trade are increasingly concerned with showing that trade (liberalisation) ‘works’. In this vein, their policy discourse of late has been rife with an emphasis on ‘reciprocity’. This may seem at first like a turn to mercantilism (understood here as a concern with maximising net exports) and consequently also the interests of protectionists. However, a closer reading of EU policy as well as interviews with Commission officials and interest group representatives¹ suggest that the references to reciprocity actually betray a strong desire to enhance the EU’s trade negotiating *leverage*. I interpret the GSP reform as just one (albeit significant) attempt to recapture lost leverage with emerging economies with which the EU has been negotiating flagship free trade agreements (FTAs) following the 2006 *Global Europe* communication.

This finding naturally raises broader implications for the study of the ‘trade-development’ nexus; the GSP reform appears to be driven by commercial interests to which developmental

considerations have been subordinated. As a result, one of the broader contributions of this article is to challenge the idea of a uniquely ‘normative power Europe’ intent on exporting its progressive values and which acts in a development-friendly fashion (e.g. Manners 2008). Indeed, and echoing the sentiments of this literature, policymakers have been keen to stress the differences between supposedly ‘developmental’ and ‘commercial’ trade policymaking, where agreements of the former type (e.g. with the ACP) are said to be driven by distinct imperatives when compared to agreements of the latter type (say with emerging markets) (e.g. Commission 2009, p. 1). Such views have also been implicitly supported by the scholarly literature on the trade-development nexus; this has tended to focus on institutional conflicts between bureaucracies within the Commission – especially between DG Trade and DG Development – which allegedly embody these distinct imperatives (see Holland and Doidge 2012).

In contrast, I argue that there is evidence to suggest that the EU’s external economic diplomacy is not much unlike that of its allegedly more hard-nosed rivals (e.g. the United States or China). In doing so, I align myself with a number of authors who have sought to move beyond the institutional determinants of EU external policymaking and begun to situate its study within the wider discipline of political economy (see De Bièvre and Poletti 2013). What has mattered to such scholars in particular, following a voluminous literature in the field, is how the balance of domestic-societal interests is an important determinant of trade policy outcomes, with exporters seen as key drivers of the EU’s offensive trade agenda embodied by *Global Europe* (Heron and Siles-Brügge 2012).² In this article, I also find that the influence of political economic interests has been an important determinant of the GSP reform, with exporters being key drivers of the EU’s recent *leverage* agenda. Indeed, the notion of ‘reciprocity’ is understood to be a key underlying feature in the political economy

literature on international trade negotiations, often seen as necessary to mobilise exporters in favour of trade liberalisation and thus offset protectionist interests (e.g. Gilligan, 1997).

The remainder of the article is structured as follows. In the next section I provide an overview of the evolution of EU trade and development policy since the start of the crisis, before discussing the specifics of the GSP reform. The third section challenges the Commission's rationale for the reform, arguing that the new regulation has to be interpreted as a move to subordinate developmental policy objectives to the needs of enhancing trade-negotiating leverage. The fourth section then turns to the interest group politics behind the drafting and approval of the GSP reform, finding that the views of exporters were privileged over those of importers, import-competing sectors and development-minded Non-Governmental Organisations (NGOs). The final section concludes, offering some thoughts on the exposure of EU development policy to commercial imperatives.

EU trade and development policy since the start of the crisis: reforming the GSP scheme³

Since the start of the crisis, there has been a move towards consolidating the EU's offensive FTA agenda. This had been initiated earlier – in the context of the stagnation of the Doha Round of multilateral trade talks – by the 2006 *Global Europe* communication written under Trade Commissioner Peter Mandelson. Specifically, *Global Europe* argued for the need to target the emerging economies of South and East Asia and led to the initiation of FTA talks with these countries (Commission 2006).⁴ In this vein, the *Trade, Growth and World Affairs* strategy – which replaces *Global Europe* as the guiding document for EU trade policy and was authored under the leadership of Karel De Gucht, who took over as Trade Commissioner

in February 2010 – has stuck to the ambitious liberalisation agenda set back in 2006 (Commission 2010c).

The only variation in the new communication with respect to *Global Europe* was the latter's emphasis on 'reciprocity'. The argument was that 'for an open trade policy in Europe to succeed politically, others – including both our developed and emerging partners – must match our efforts, in a spirit of reciprocity and mutual benefit' (Commission 2010d, p. 4). The reference to reciprocity, however, betrays a concern with ensuring the EU possesses sufficient *leverage* in on-going trade negotiations, rather than representing any mercantilist move towards greater domestic protection as some may have concluded (see De Ville and Orbie 2013). The problem from DG Trade's perspective is that there is now even more pressure to deliver tangible liberalisation gains (for exporters) to boost growth and counter protectionist sentiment, but fewer negotiating chips to accomplish this with, especially vis-à-vis emerging economies; the EU's market is perceived to be less attractive due to comparatively lower rates of growth and it is already largely open to the world – with the obvious exception of agriculture where the EU has little room to negotiate trade concessions (Young 2011, p. 726, Siles-Brügge 2014, Ch. 6). Moreover, given the increasing macroeconomic policy constraints imposed by austerity packages within the EU, De Gucht (2013, p. 3) has eagerly noted that trade liberalisation 'is the cheapest stimulus package you can imagine'.

In this context the Commission announced a new trade and development strategy in January 2012. The aim of *Trade, Growth and Development: Tailoring Trade and Investment Policy for Those Countries Most in Need* was to 'propose[...] concrete ways to enhance synergies between trade and development policies' (Commission 2012, p. 2, emphasis omitted).

Crucially the communication ‘stresse[d] the need to increasingly differentiate among developing countries to focus on those most in need’ (Commission 2012, p. 2), with trade preferences seen as a crucial instrument in the fight against poverty. This is, of course, not an entirely new sentiment. Differentiation between developing countries in the area of trade has featured prominently in the EU’s policy discourse for a number of years, particularly in the context of the Doha Round (see Woolcock this issue). The communication, however, has not only reiterated this point, but rather taken it beyond any previous initiatives: the communication’s flagship policy announcement – a proposal for a reformed GSP scheme – appears to offer the prospect of differentiation without a particularly coherent developmental rationale. This is a point I return to below, after having considered the design of this new regulation.

‘Income’ and ‘product’ graduation

The new GSP regulation was adopted in October 2012 and is due to enter into force in January 2014. It largely reflects the Commission’s original proposal from May 2011 (Commission 2011a), introducing three key changes with respect to the previous scheme (for details on the minor changes introduced by the European Parliament [EP] and Council of Ministers, see the fourth section below). Firstly, the Commission successfully changed the eligibility criteria for GSP so that *all* high income and upper-middle-income countries – in other words, those which meet the appropriate World Bank definitional criteria for the most recent three consecutive years – are no longer entitled to preferences (this is referred to as ‘income graduation’ in a study from the Overseas Development Institute ODI 2011). Secondly, it would also remove those countries and territories with a trade agreement with the EU ‘which provides the same tariff preferences as the scheme, or better, for substantially all trade’ from the list of beneficiaries of the scheme (Regulation [EU] No 978/2012, Article

4). According to the Commission these changes reduce the pool of eligible countries and territories from 177 (in essence almost all countries or territories self-classifying under WTO rules as ‘developing’) to 90 (Commission 2013, p. 4).

The final key innovation is a series of changes to the graduation principle for GSP imports. Under the old regulation, products were grouped into 21 so-called ‘sections’ (or groups of products). If any country’s exports under GSP for a particular product section exceeded the so-called ‘graduation threshold’ – 15 per cent of the total EU GSP imports for a particular section (12.5 per cent for textiles) – they were no longer eligible for GSP (on the basis that such products were competitive enough to establish a foothold in the EU market). In this respect, the new GSP regulation makes it easier for products to be graduated (‘product graduation’, again to use the term from ODI 2011) for two reasons. Firstly, even though the relevant threshold values will be increased to 17.5 per cent and 14.5 per cent for textiles, the number of product categories will expand to 32 (meaning smaller categories). Secondly, the value of total imports used to calculate market share (the so-called ‘denominator’) will decrease given the significant reduction in the number GSP beneficiaries. As a result of the increased ease with which imports could therefore surpass thresholds, 5.3 billion euro worth of trade (2009 data) – spread among six countries (China, India, Indonesia, Nigeria, Thailand and Ukraine) – was originally estimated by the Commission to no longer be eligible for GSP treatment (Commission 2011a: 115). The tariff lines on which these estimates were based quite closely corresponded to the first list of products graduated under the new regulation (for the years 2014-2016) (Commission Implementing Regulation [EU] No. 1213/2012). Moreover, an ODI study from 2011 found that there was significant potential for an additional two countries (Iraq and Vietnam) to lose preferences from product graduation (ODI 2011, p. 7).

Interrogating the Commission's rationale: the GSP changes as an instrument of leverage⁵

As noted in the framing communication on *Trade, Growth and Development*, the Commission and its officials have maintained that the reform is intended to 'focus the GSP preferences on the countries most in need' (Commission 2011a, p. 2). These are, in their eyes, LDCs and so-called 'vulnerable economies' (those lacking product diversification and being poorly integrated into the world economy; see Commission 2011b, p. 11), the respective recipients of the 'Everything But Arms' (EBA) and GSP+ schemes.⁶ Based on the analysis of a study it had commissioned, the Commission has argued that the main beneficiaries of GSP were in fact emerging economies with increasingly competitive sectors, at the expense of countries in greater need of preferences (Commission 2011b, pp. 11-13). New eligibility criteria were needed so that GSP preferences could be targeted on poorer countries, while the new graduation mechanism would serve to 'weed out the more competitive product sections' among those economies that remained eligible for the scheme (Commission 2011b, p. 24).

There are, however, significant reasons for doubting the Commission's stated rationale. Firstly, it would be using the tools of a development model premised on non-reciprocal preferences which it has explicitly rejected since the 1996 *Green Paper on EU-ACP relations* (Commission 1996). This brought to an end the era of one-way trade preferences under Lomé and laid the foundations for the Commission's current agenda of EPAs.⁷ Not only is the Commission trying to sign EPAs with LDCs already in receipt of EBA (albeit unsurprisingly without much success) but, similarly, out of fourteen GSP+ recipients it has signed FTAs with eight – Peru, Columbia, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama – and has previously also sought an agreement with two others (Bolivia and

Ecuador) before talks broke down. Thus, the Commission's claim that it is aiming to improve the value of non-reciprocal preferences for those 'most in need' – LDCs and 'vulnerable economies' in receipt of GSP+ – is not entirely consistent with its general preference for contractually-enshrined free trade.⁸

A second challenge to the Commission's development-based argument can be found in the aforementioned ODI report on the GSP changes. This argues that '[p]roduct and income graduation [as found in the new regulation] is not an effective way of helping poor, uncompetitive states' (ODI 2011, p. iii). Firstly, it finds that many of the goods for which there will be graduation are not ones that lower-income countries export. Moreover, even if a lower-income country does export an affected product, the preference margin afforded by GSP may be insufficient to counter a graduating country's existing export competitiveness. Finally, even where the preference margins are significant, other, higher income countries are likely to be the biggest beneficiaries of the GSP changes. The report finds that even for products where poorer countries account for at least 5 per cent of EU imports – products in which such states could potentially establish a foothold in the EU market and which could thus contribute to poverty reduction – high-income and upper-middle income countries currently account for almost two-thirds of EU imports (ODI 2011, pp. 12-13). Very similar findings are echoed in another recent study of the GSP scheme undertaken by the Centre for the Analysis of Regional Integration at Sussex (CARIS) (Gasiorek *et al.* 2010, p. 8). Although this does not rule out any beneficial effects for lower-income countries, and is based on static analysis that neglects potential dynamic effects of changing export patterns (as noted by one Commission official) – it does suggest that large-scale benefits of the GSP proposals for this group of states are far from certain, in contrast to more predictable gains from trade diversion for higher-income countries. In this vein, the CARIS study of the GSP

scheme found that ‘there is little evidence that the EU’s preference regimes have led to a diversification of exports into new products’ (Gasiorek *et al.* 2010, p. 8). More generally, EU preference schemes (such as EBA) have been criticised precisely because LDCs (in particular) lack the ‘governance’ and ‘economic’ ‘capacity’ to exploit them (Faber and Orbie 2009, p. 769).

As a result, I argue that these changes to the supposedly ‘developmental’ side of EU trade policy have to be situated within the wider context of the EU’s commercial trade policy – where they are more likely to have a discernible impact than in contributing to poverty-reduction. More specifically, the reform of GSP has to be seen as part of the move towards improving leverage in on-going trade negotiations as a means of delivering on the *Global Europe* objectives of access to emerging country markets. Indeed, the impact of the changes will be most strongly felt by the FTA partners identified in the *Global Europe* communication that the EU is currently negotiating with or seeking to open talks with. This is unsurprising if we consider that in 2008 these countries accounted for seven of the top eleven sources of GSP imports to the EU (Commission 2010a). They are listed below in Table 1.

[insert Table 1 about here]

It becomes clear from this that the exports of many of the EU’s *Global Europe* FTA partners are *significantly* and *negatively* affected by the new regulation. Table 1 shows that the most significant ‘income graduated’ *Global Europe* FTA partners, which will be completely excluded from the scheme, stand to lose preferences on a significant proportion of their total exports: the ODI study’s estimates (based on average trade data from 2008-2010) suggest that it could be as much as 7.31 per cent in the case of Argentina; 8.96 per cent in the case of

Brazil and 12.2 per cent in the case of Malaysia. The same may be said of ‘product graduation’ for those who remain within GSP. India, for example, is estimated to lose preferences on 2.37 per cent of its total exports and Vietnam on 4.13 per cent (see Table 1). Moreover, these changes potentially affect exports that would have benefitted substantially from GSP. In India’s case, the ODI study estimated that almost half (44.8 per cent) face MFN tariffs of 5 per cent or more, while the equivalent figures are 27.6 per cent for Thailand and a whopping 76.1 for Vietnam (ODI 2011, p. 10; see also Table 1)! In sum, the countries and products likely to be excluded from GSP are consistent with the objective of boosting the EU’s leverage as they significantly impact on the exports of emerging economies the EU is currently negotiating FTAs with (e.g. India and a number of ASEAN Member States). In contrast, the GSP reform’s relatively small impact on EU imports suggests that the reform has less to do with protecting EU producers (more on which in the following section). For most of the countries depicted in Table 1 (which provides data on almost all of the top GSP exporters to the EU), affected GSP imports represented less than 1 per cent of total EU imports – including for that persistent bugbear of import-competing sectors, China. Moreover, in all cases affected GSP trade accounted for a more significant proportion of a trading partner’s exports than of EU imports.

In assessing the GSP changes, DG Trade emphasised that these ‘ha[d] nothing to do with other [commercial] trade negotiations’. On the same page, however, it also noted that they ‘might still have the unintended consequence of providing more advanced developing countries with a greater incentive to enter into and conclude reciprocal trade negotiations with the EU’ (Commission 2011b, p. 15). In this respect DG Trade has consistently singled out India (whose exports, as I noted above, rely heavily on GSP and which stands to lose considerably from graduation); the concern is that while it ‘enjoys relatively good market

access for goods to the EU under the GSP [...] [it also] maintains fairly high tariffs and some peaks in areas particularly important to EU industry (such as cars, wines and spirits) and significant non-tariff barriers in other sectors important to EU exporters' (Commission 2010d, p. 8).

By scrapping or limiting preferences for emerging economies the Commission hopes to put free trade on a contractual (and reciprocal) footing with such countries – as De Gucht (2011, p. 2) explicitly recognised in a speech launching the proposals in May 2011. This sentiment also informed the specific proposal to scrap GSP for those in receipt of preferences under an FTA. As illustratively noted by a Commission official, there are no countries that stand to lose GSP that are not already in advanced FTA negotiations with the EU; the crux of their argument was that such countries therefore had the option of maintaining their access to the EU market. In this vein, the press has reported the EU's Ambassador to Thailand lobbying that government to start FTA negotiations in the light of the GSP reform (Pratruangkrai 2012). This strategy, moreover, has also begun to bear fruits. Several sources have since noted that the reform has been a key factor in driving Thailand to agree to start FTA negotiations with the EU in March 2013 (the EU's GSP scheme covered 3.58 per cent of Thailand's total exports), with Thai policymakers allegedly keen to complete the trade talks before GSP preferences run out (Foreign and Commonwealth Office 2013).

What about protectionists? The interest group politics of the reform⁹

Having provided an overview of the GSP changes and shown how they serve the objective of enhancing the EU's negotiating leverage, my aim in this section is to provide an overview of the interest group politics behind the reform. I argue that this not only played an important role in shaping the initial Commission proposal and final regulation, but also helps to

underscore my argument that this is about EU leverage rather than protectionism. While my findings in the previous section suggest that the GSP reform will have a greater impact on emerging countries' *exports* than EU imports (accounting for a far more significant share of the former), the fact remains that the GSP reform still restricts imports. According to some this can be seen to indicate the growing influence of protectionists in trade policy following the Financial Crisis (e.g. Nowakowska 2010). The reduction of preference margins for some products of interest to retailers and other importers – such as textiles and clothing (see Gasiorek *et al.* 2010, p. 8) – could, in particular, be said to be a sign of the marginalisation of such groups at the expense of protectionists, as has happened on other occasions in the EU (De Bièvre and Eckhardt 2011). In contrast, I find that while importers may well have been marginalised, the new regulation reflects, to a large extent, the interests of *exporters* rather than protectionists.

Exporters made their views most apparent to the Commission during a stakeholder consultation exercise held from March to May 2010. The main concern for such businesses was the issue of leverage in negotiations, particularly with India (which, as became apparent above, was also the bugbear of DG Trade officials). As one such organisation representing pan-European business interests was to note: 'GSP undermines the EU's negotiating position in bilateral and especially multilateral trade negotiations because partners already have preferential access to the EU market or they are concerned about preference erosion' (Commission 2010b, p. 4). More broadly, exporters consistently stressed two things during this consultation. Firstly, they underscored the need to restrict eligibility by excluding higher (and even, in some cases, middle-income countries) from the scheme and, secondly, they requested facilitating the graduation of imports by allowing for the graduation of individual products (see Table 2). Although the Commission's initial proposal and the regulation were

slightly more moderate than this – excluding only high-income and higher-middle-income countries and increasing the number of product sections rather than allowing for individual product graduation – exporting interests expressed surprise in interviews at the degree to which their requests were reproduced in the Commission’s proposal. Moreover, the Commission appears to have privileged their views over the wishes not only of importers (in particular retailers) and European development NGOs but also import-competing interests (notably textile, clothing and leather producers, which were particularly sensitive given the significance of preference margins under GSP, see Gasiorek *et al.* 2010, p. 8). Their requests for, respectively, a more open (and less variable) scheme; a maintenance of the existing system and a very restrictive (and extremely responsive) graduation were not significantly reflected in the Commission proposal. As a result, and in contrast to exporters, import-competing sectors and importers were not completely satisfied with the Commission’s May 2011 proposals – even if they were inclined to see, respectively, the benefits of the proposed regulation in terms of restricting imports and providing for greater simplicity and predictability in the EU’s import regime. NGOs, for their part, were generally dissatisfied with a regulation they saw as undermining poverty reduction efforts (see Table 2).

[insert Table 2 about here]

It is naturally difficult to determine to what extent exporters are responsible for the content of the Commission proposal, beyond highlighting the similarity of their requests to the final regulation. There is, however, additional evidence to suggest that their influence was not negligible. Firstly, the views of the Commission appeared to shift after its 2010 consultation of business groups. Indeed, if we examine the previous state of Commission thinking on the matter under both Peter Mandelson and Pascal Lamy, we find an interesting contrast to the

current reform. Although the Commission was proposing back in July 2004 to amend the GSP regulation to better ‘[t]arget the GSP on the countries that most need it’, and doing so by tinkering with product graduation (Commission 2004, p. 7) it also wanted to avoid graduating entire sections on the basis of only a few products (Commission 2004, p. 9). The ‘substance’ of the 2005 GSP scheme that came out of these proposals was not altered with the 2008 GSP scheme (Commission 2007, p. 3) but was clearly quite different to the emphasis placed in the most recent reform on creating a greater number of product sections. Indeed, the Commission – echoing the views of business on the matter (Commission 2010b) – highlighted that under the previous system ‘graduation has been barely used’ and was therefore ‘insufficiently responsive’ to the competitiveness of product sections. This, it said, justified the more disaggregated approach to graduation taken in the latest reform (Commission 2011b, p. 16). Similarly, while earlier GSP schemes had practised some income graduation this only applied to high income countries that were ‘sufficiently diversified in their exports’ (i.e. where the top five GSP sections accounted for less than 75 per cent of total GSP exports), leaving several such states (as well as all upper middle income countries) on the GSP beneficiary list (Council Regulation [EC] No. 980/2005, Council Regulation [EC] No. 732/2008).¹⁰ Although this does suggest that the idea of graduation in the context of GSP is not entirely novel – as I have noted above – it also points to the fact that, following the lobbying efforts of exporters, it has taken on an entirely new dimension.

When it came to lobbying the Council and EP over approval of the Commission’s proposed changes to the GSP scheme, the impact of those groups that had been dissatisfied with the Commission’s initial proposal was also minor. Both the Council and the EP were generally quite favourably-inclined to the proposed changes in terms of ‘income’ and ‘product’ graduation (see EP 2012a, pp. 31-3, Council 2012, p. 3). Where revisions were sought by

these two bodies these did not challenge either of these features of the original Commission proposal.¹¹ Although one amendment postponed its initial application until 2014 – and another included a transitional period for those countries having initialled but not yet ratified an FTA with the EU by November 2012 to prevent them from losing their market access under GSP – this can be hardly be seen as a major concession to the interests of importers in facilitating market access under GSP. Much the same can be said for NGOs and the very modest increase in product coverage for GSP introduced by the EP and Council on developmental grounds. Import-competing interests appear, at first sight, to have been more successful. In line with their wishes, the regulation was amended to extend the special safeguards to include all textiles (and not just clothing); lower the threshold for this special safeguard and more generally strengthen safeguard provisions (on all these changes, see EP 2012a, Council 2012, Regulation [EU] No 978/2012).¹² It should be remembered, nevertheless, that safeguard clauses are rarely used by the EU given more burdensome requirements in establishing injury when compared to anti-dumping (Siles-Brügge 2014, Ch. 4).

Notwithstanding their relatively minor impact, these amendments broadly satisfied protectionist interests in the Council and EP – as well as those concerned about the ‘predictability’ of EU market access arrangements for importers and the developmental impact of the regulation (EP 2012b). The amended regulation was therefore approved without much controversy at a ‘first reading’ of the EP in June 2012 and subsequently by Member States in October (d’Imécourt 2012). It is consequently fair to say that the lack of serious opposition from protectionists (or indeed importers and NGOs) was a factor in facilitating the relatively smooth passage of the proposed legislation through the Council and the EP –

although the content ultimately reflected a concern with accommodating the interests of exporters.

Conclusion

My aim in this article has been to situate the EU's supposedly 'developmental' trade policy in the case of the GSP reform within the wider context of its exporter-driven trade agenda. The reform, although justified in developmental terms as an effort to improve the value of preferences for the 'neediest', is in fact part of the effort to improve the EU's leverage in negotiations with emerging economies. In support of this argument I showed how the supposed benefits of 'income' and 'product' graduation for the 'intended' LDCs and 'vulnerable' economies are far from certain. Moreover, the 'targeting' of non-reciprocal trade preferences (and indeed their broader reinvigoration) as an instrument of poverty-reduction is not entirely consistent with the move away from non-reciprocity in the EU's other trade relations with developing economies – where FTAs are seen as the preferred option by Commission policymakers. In contrast, the GSP reform has a noticeable impact on the exports of emerging economies the EU is currently negotiating FTAs with. Similarly, rather than representing a move towards greater protection at a time of economic crisis, the GSP changes will have little impact on total EU imports, with policymakers in DG Trade ultimately being more sympathetic to the arguments of exporters than import-competitors (or indeed any other lobbyists).

Taken more broadly, my empirical findings challenge the common EU policymaker narrative that trade and development policy are driven by distinct imperatives or that the EU is a uniquely 'normative power' (see Manners 2008). Rather, I have shown that the political economic forces shaping trade policies in other entities play an important role in the EU as

well, adding to a literature which seeks to situate the study of EU external economic diplomacy within the wider political economy of trade (which has long been attuned to ‘reciprocity’ as a tool for serving exporters and offsetting protectionist pressures). In a short article such as this there is of course no space to fully explore the implications of such a development – but it does raise questions as to the desirability of the current trade-development nexus. If the EU’s primary concern in trade policy is to establish liberal markets which its firms can compete in to what extent can it contribute to the economic development of developing countries, for which it is the most important global provider of market access? The GSP reform suggests that both objectives are not necessarily compatible as it serves the former much more clearly than the latter. It is thus a stark reminder of the problems associated with the entwinement of commercial and developmental trade policy already brought to the fore by the previous controversy surrounding the EPA negotiations, where critics accused the EU of restricting the policy space available to ACP countries (e.g. Hurt 2003, Langan this issue).

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Notes

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¹ Seven interviews were conducted in Brussels in May 2011 and January 2013. These have been anonymised at the request of the interviewees.

² There is also an important ideational dimension in that the Commission subscribes to a neoliberal paradigm in trade that leads it to privilege exporter interests over other considerations. While consistent with my arguments here, a more detailed discussion of this dynamic is unfortunately beyond the more narrow scope of this article (see instead Siles-Brügge, 2014).

³ In this sub-section, I draw on interviews with Commission officials, 17 and 25 May 2011 and 25 January 2013.

⁴ As a result, the EU has signed FTAs with Korea and Singapore and is currently negotiating with India and some of the members of the Association of South East Asian Nations (ASEAN). It has also re-launched talks (originally initiated in 1999) with the Common Market of the Southern Cone (MERCOSUR).

⁵ In this section I draw on interviews with Commission officials, 25 May 2011 and 25 January 2013.

⁶ GSP+ provides additional market access in addition to GSP to a series of countries qualifying as ‘vulnerable’, provided they sign up to a series of conventions on core human and labour rights, the environment and other ‘good governance standards’. Under the new GSP regulation, recipients of GSP+ will not be subject to product graduation. Under EBA, the EU offers LDCs ‘duty-free, quota-free’ access to its market for almost all goods.

⁷ Although the EU was under WTO pressure to reform its scheme of non-reciprocal trade preferences vis-à-vis the ACP, there is evidence to suggest that the EU could have done more to resist this should it have wanted to (see Hurt 2003).

⁸ In this vein, while the 2001 EBA initiative may have institutionalised non-reciprocal preferences for LDCs, it has also been referred to as “‘Everything But Development’”; whereas its developmental impact has been modest it has been ‘instrumental for some EU policy actors to steer’ the EU into a more ‘globalist-liberal’ direction, among other things helping to reshape EU-ACP relations (undermining the cohesion of the ACP group) and winning over developing and developed countries to the EU position in the Doha Round (Faber and Orbie 2009, pp. 778-84).

⁹ In this section I draw on interviews with interest group representatives, 20 and 26 May and 22 January 2013.

¹⁰ Similarly, while these earlier schemes also featured provisions for removing economies if they had an agreement with the EU offering equivalent market access to GSP, many states with preferential trading arrangements had remained on the list of beneficiaries (in contrast to the situation under the new regulation).

¹¹ I should note at this juncture that the GSP reform proposals were also drafted with the need to balance Member State interests in mind (and to a lesser extent also Members of the EP). Discussing this is unfortunately

beyond the scope of this article, which seeks to interrogate the underlying reason for the reform (which was initiated by the Commission and driven by its concern for exporter interests).

¹² The final substantive change pushed for by the EP and Council was a limited duration of 10 years for the new regulation. The Commission had wanted it to be open-ended.

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Table 1 – The likely effects of the reform on the top GSP exporters* to the EU: enhancing the EU’s negotiating leverage

<i>Global Europe</i> trading partner	Status of FTA talks with EU	Net graduation of GSP imports from partner as a percentage of total EU imports (2008-2010 average)**	Net graduation of GSP exports to EU as a percentage of partner’s total exports (2008- 2010 average)**	Product (P) or Income (I) graduation?	Percentage of affected GSP exports facing MFN tariffs >5%**
India	In progress	0.29%	2.37%	P	44.8%
ASEAN	Suspended				
Indonesia	Sought by EU	0.06%	0.88%	P	25.7%
Malaysia	In progress	1.15%	12.2%	I	11.6%
Thailand	In progress	0.03%	0.36%	P	27.6%
Vietnam	In progress	0.13%	4.13%	P	76.1%
Mercosur	In progress				
Argentina	As part of Mercosur	0.26%	7.31%	I	23.1%
Brazil	As part of Mercosur	0.89%	8.96%	I	11.2%
Other major GSP exporters					
China	N/A	0.21%	0.29%	P	26.7%
Russia	N/A	8.31%	45.5%	I	N/A
Ukraine	N/A	0.06%	1.86%	P	0.2%

Sources: Eurostat (2013), IMF (2013), ODI (2011).

Notes: *Top 11 GSP exporters to the EU in 2008, excluding Saudi Arabia (for which data was deficient). **Calculated from ODI estimates.

Table 2 – Interest group requests for reform of the GSP

	Exporters	Import-competitors	Importers	Development NGOs
Key groups (EU-level ‘sector’ and ‘cross-sectoral’ organisations; Greenwood 2011, pp. 75-92, 131)	BUSINESSEUROPE (cross-sectoral, representing national business federations from across Europe; broadly represents exporter interests, see Siles-Brügge 2014, Ch. 3)	The European Apparel and Textile Confederation (EURATEX) and the Confederation of National Associations of Tanners and Dressers of the European Community (COTANCE)	EuroCommerce (representing national federations of retailers and wholesalers); the Foreign Trade Association (representing assorted retailers and importers) and the European Branded Clothing Alliance	European Confederation of Relief and Development NGOs (CONCORD)
Summary of requests (largely derived from submissions to the consultation and groups’ position papers)	<ol style="list-style-type: none"> 1. Exclude high- (and, at times, middle-) income countries from scheme. 2. Graduate individual product lines. <p>(Commission 2010b, pp. 4, 9-12, 18-20, 86, 147, 157, 204, 207-10, BUSINESSEUROPE 2011, Quick and Schmülling 2011)</p>	<ol style="list-style-type: none"> 1. Extend the sectors to be covered by special safeguards. 2. Institute an extremely rapid withdrawal of GSP benefits. 3. A product graduation criterion based on global rather than EU market share. <p>(Commission 2010b, pp. 12, 164, 211, EURATEX 2012: 16)</p>	<ol style="list-style-type: none"> 1. Maintain the two-tiered system of classifying developing countries (developing and ‘least developed’). 2. Higher thresholds for product graduation (especially for textiles and clothing). 3. Decrease the frequency of graduation. <p>(Commission 2010b, pp. 184, 217, 227, 234, EuroCommerce 2010, p. 2, Foreign Trade Association 2010, pp. 2-3)</p>	<ol style="list-style-type: none"> 1. Maintain the existing system of unilateral preferences. 2. Focus on the developmental impact of preferences. <p>(Commission 2010b, pp. 34, 49, 52, 57, 96-7).</p>
Are the groups satisfied with the Commission’s initial (May 2010) proposals?	<p>Yes. Illustrative example:</p> <p>‘BUSINESSEUROPE has welcomed the European Commission proposal [...]’ (BUSINESSEUROPE 2011, p. 1)</p>	<p>Only partly. Illustrative example:</p> <p>EURATEX (2012, p. 16) sees the ‘reduction in the beneficiary countries’ as ‘positive’, but is worried about the lack of graduation in GSP+.</p>	<p>Only partly. Illustrative example:</p> <p>‘[The proposal’s] main elements maintain the improvements made to the GSP in the past decade: no more annual graduation, simpler product classification, only one special incentive regime (GSP+), and enough time for importers to prepare’ but the new system needs to ‘[f]ocus on its target group’ of ‘importers’ (EuroCommerce 2011, p. 1).</p>	<p>No. Illustrative example:</p> <p>CONCORD (2011, p. 1) ‘is particularly concerned by the proposed new eligibility criteria which will see more than half of current GSP beneficiaries removed. [...] CONCORD believes that it will [...] undermine progress towards poverty reduction through trade.’</p>

Sources: Commission (2010b); BUSINESSEUROPE (2011); EURATEX (2012); EuroCommerce (2010); Foreign Trade Association (2010); CONCORD (2011); Quick and Schmülling (2011).