

Export from developing countries to the EU Member States under GSP+ scheme

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Abstract

A fundamental aim of our paper is to examine the effectiveness of the European Union Generalized System of Preferences (especially its part called GSP+) as a tool of increasing export from selected developing countries to the EU via tariff suspending, as well as promoting sustainable development and good governance.

Firstly, we describe and analyze legal aspects of the GSP+ scheme in which the EU suspend duties to support vulnerable developing countries in their ratification and implementation of international conventions concerning environmental protection, human rights and labour standards. As a result, the GSP+ is going to serve as a tool of promoting in some countries values important for the EU.

Secondly, we analyze export from beneficiary developing countries to the EU in order to check whether suspending tariffs, in the framework of GSP+ affect trade. We use gravity models as analytical tools. Study covers period 1995–2011, so they include trade in the time of current economic crisis.

According to the conducted studies answer for the question: “Does GSP+ affect export from developing countries to the EU?” is “No, it does not”. Gravity models do not confirm positive influence of suspending duties, in the framework of GSP+, on bilateral trade. Moreover, statistics show that suspending tariffs did not weaken the trade decrease stemming from global crisis and generally economic magnitude of the GSP+ scheme is very weak.

Keywords: export, developing countries, generalized system of preferences

JEL codes: F13, F14

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Introduction

A Generalized System of Preferences (GSP) was created in order to accelerate development and economic growth of developing countries by increased export and industrialization. A tool to achieve it was supposed to be tariff preferences given unilaterally by developed countries to developing ones. Additionally, the EU introduced GSP+ scheme in which the EU suspend duties to support vulnerable developing countries in their ratification and implementation of international conventions concerning environmental protection, human rights and labour standards. As a result, the GSP+ is going to serve as a tool of promoting in some countries values important for the EU.

A goal of our paper is to examine the effectiveness of the European Union Generalized System of Preferences (especially the GSP+ sub-scheme) as a tool of increasing export from selected developing countries to the EU via tariff suspending, as well as promoting sustainable development and good governance.

Firstly, we describe and analyze legal aspects GSP+ scheme. During 2009–2011, 17 countries: Armenia, Azerbaijan, Bolivia, Colombia, Costa Rica, Ecuador, El Salvador, Georgia, Guatemala, Honduras, Sri Lanka², Mongolia, Nicaragua, Panama³ Paraguay, Peru and Venezuela⁴ obtained additional preferences within this framework. In 2011 Cape Verde, as the first African country, signed up to GSP+ (tariffs have been suspended since January 2012). However there is an opportunity to enlarge this group, as the European Commission issued new drafts of regulations concerning GSP in the future (from 2013). In order to verify willingness to ratify convention from the GSP+ we analyze who ratify conventions during past seven years.

Secondly, we analyze and compare export from 176 GSP and from 17⁵ beneficiary developing countries to the EU in order to check whether suspending tariffs in the framework of GSP+ affect trade. Studies cover period 1995–2011, so they include trade in the time of current economic crisis. We analyze export using gravity models which encompass dummy variable illustrating participation in GSP+ scheme.

² GSP+ was temporarily withdrawn from Sri Lanka in August 2010 for non-compliance with human rights conventions.

³ Since 1 July 2010.

⁴ Withdrawn from the system in 2010 because it did not ratify a Convention against Corruption in due time.

⁵ We took into account all countries, even those which only temporarily benefited from the GSP+ scheme.

1. Generalized System of Preferences – general information

A Generalized System of Preferences (GSP) is one of the flagship programmes of the United Nations Conference on Trade and Development (UNCTAD). When it was created in 1968 its aim was to accelerate development and economic growth of developing countries by increased export and industrialization⁶. A tool to achieve it was supposed to be tariff preferences given unilaterally by developed countries to developing ones.

GSP was adopted during the second UNCTAD as a resolution, although the idea of tariff preferences was presented in 1964 during the first conference⁷. The system was supposed to be based, as stated the resolution adopting generalized system of preferences, on the assumption that developing countries would benefit from “the generalized, non-reciprocal, non-discriminatory system of preferences”. However, from the very beginning it was quite clear that the system is not non-discriminatory and obviously, at least from a formal point of view, discriminates countries other than “developing”⁸. It was also contrary to a most-favourable nation clause – a pillar of the General Agreement on Tariffs and Trade (GATT) and some other integrating organizations. Despite the doubts, after adopting a waiver by the GATT parties in 1971, GSP has been a popular tool of policy used by developed countries towards developing ones. Despite some attempts to create one system of preferences, common for all developed states interested in granting preferences, each state has its own GSP with various rules.

Over forty years after adopting the GSP resolution by the UNCTAD still 10 states and the European Union has the GSP schemes notified⁹. Two of them – Belarus and Russian Federation, despite claiming to have GSP schemes, did not make rules on which they grant preferences accessible via UNCTAD. What is more – Belarus itself is a beneficiary of GSP. On the other hand, a Turkish system is not fully independent. As Turkey has a custom union with the EU, its system is identical with the EU GSP¹⁰.

⁶ More about the beginning of GSP: A. Yusuf, *Legal Aspects of Trade Preferences for Developing States*, Martinus Nijhoff Publishers, Haga, 1982, pp. 81–83.

⁷ UNCTAD, <http://unctad.org/en/Pages/DITC/GSP/About-GSP.aspx>, [access: 16.08.2012].

⁸ J.H. Jackson, *The World Trading System, Law and Policy of International Economic Relations*, 2nd ed. Cambridge, MA: MIT Press, 1997, p. 322.

⁹ According to the UNCTAD website (<http://unctad.org/en/Pages/DITC/GSP/About-GSP.aspx> [access: 16.08.2012]) there are 13 national GSP schemes, but Estonia and Bulgaria, enumerated there, are currently Member States of the European Union and do not have their own external trade policy.

¹⁰ *Generalized System of Preferences: Handbook of the Scheme of Turkey*, http://unctad.org/en/docs/itcdtsbmisc74_en.pdf, [access: 16.08.2012]

Although every state (and the EU) has its own set of rules of granting preferences, three general rules are similar. Firstly, states define a list of goods covered by a lower tariff rate. Secondly, they define a list of states eligible for preferential tariffs, so called “beneficiary list”. Usually, states which obtain higher income for three consecutive years are withdrawn from the list. It was used in the past towards newly industrialized states. Thirdly – every system is based on strictly defined rules of origin which is in fact a crucial factor for granting preferences. Here we can find significant differences between the GSP schemes – every state has its own way to determine those rules¹¹. Some states introduced limits of quantities of goods that can be imported on preferential conditions¹². Most of states give special preferences to least developed countries (LDC), mostly by granting zero rates to them¹³.

Through the years the GSP has been treated by developed states as unconditional development aid for chosen poorer countries. Recently, the European Union and partly also the United States have been trying to achieve other goals through their GSP schemes. They grant preferences not only because a given developing country is poorer and needs some additional incentives to develop but also because the given country shares some values important for the EU or the US. They grant so called conditional preferences in order to pursue some politics broader than economic aid. Such an attitude has been strongly criticized as a tool of protectionism, due to the rise of costs related to fulfilling requirements¹⁴.

Those two schemes of the conditional GSP are based on completely different requirements¹⁵. The EU grants additional preferences in the GSP+ scheme (it is discussed in details further in the paper) while the US simply can withdraw some states from the system as

¹¹Australia has only two requirements: final process of manufacture must have been carried out in the country claiming preference and at least half of the total factory or works cost of the goods must consist of the value of labour and/or materials of one or more developing countries (no matter which), *Generalized System of Preferences: Handbook of the Scheme of Australia*, http://www.unctad.org/en/docs/itcdtsbmisc56_en.pdf, [access: 16.08.2010]; Canada requires import directly from a state that is covered by GSP, *Generalized System of Preferences: Handbook of the Scheme of Canada*, http://unctad.org/en/docs/itcdtsbmisc66_en.pdf, [access: 16.08.2010]; Switzerland grants preferences to goods made of products from developing countries and Switzerland, the European Union and Norway, *Generalized System of Preferences: Handbook of the Scheme of Switzerland*, http://unctad.org/en/docs/poitcdtsbm28r1_en.pdf, and http://unctad.org/en/Docs/poitcdtsbm28rev2_en.pdf [access: 16.08.2012].

¹²Japan limits imported agriculture and fisheries goods, *Generalized System of Preferences: Handbook of the Scheme of Japan GSP*, http://unctad.org/en/Docs/itcdtsbmisc42rev4_en.pdf, [access: 16.08.2012].

¹³E.g. Japan, Australia, Canada and New Zealand, *Generalized System of Preferences: Handbook of the Scheme of New Zealand*, http://www.unctad.org/en/docs/itcdtsbmisc48_en.pdf, [access: 16.08.2012].

¹⁴Critical opinions for example expressed: G. Shaffer, Y. Apea, *Institutional Choice in the Generalized System of Preferences Case: Who Decides the Conditions for Trade Preferences? The Law and Policies of Rights*, “Journal of World Trade”, 2005, Vol. 39, No. 6, pp. 997–1008.

¹⁵Detailed comparison: O. Chaundhary, *The propriety of preferences: an evaluation of EC and US GSP schemes in the wake of EC-preferences*, “Asper Review of International Business and Trade Law”, 2005, Vol. 5, pp. 159–194.

a result of “findings of violations of worker rights or intellectual property rights, or other statutory concerns”¹⁶.

The US gives preferences to developing beneficiary countries on some eligible products enumerated on a list. Eligible commodities are only those imported directly from a beneficiary developing country. Although eligible countries – both BDC (beneficiary developing countries) and LDBDC (least developed BDC) can export to the US eligible articles duty free, the list of those articles is broader for LDBDC. It means that in contrast to all other developed countries that have their GSP schemes, the US gives zero tariff to all beneficiary countries (though only on some goods) and they give additional preferences to the LDC in a form of additional list of commodities covered by the GSP and not by additional tariffs cut.

Obviously the fact that a country is on a list and an article is eligible is not a guarantee that it will be covered by preferences. According to Section 2462 of the U.S. Code, Title 19 – Custom Duties¹⁷, the president of the US shall not designate as eligible a country which for example does not follow the US rules of intellectual property, acts on a way that can have significant adverse effect on the US commerce, has nationalized, expropriated or in other ways seized any US citizens ownership, has not taken or is not taking steps to afford internationally recognized worker rights to workers in the country. The list of requirements is not precise and therefore a wide margin of discretion has been left for the US president to decide whether some conditions have been fulfilled. The system though is completely different than a very rigid GSP + of the European Union¹⁸.

2. Generalized System of Preferences of the European Union

The European Community (EC) implemented its first GSP scheme in 1971, right after the decision of the GATT contracting parties on a waiver to tariff preferences for developing countries. In 1995 the EC decided to introduce some elements of a conditional GSP, initially based on the same mechanism as the US GSP – it was possible to suspend preferences if a developing country did not obey human rights and basic principles of workers’ rights¹⁹.

¹⁶US *Generalized System of Preferences Guidebook*, p. 6, http://www.ustr.gov/sites/default/files/uploads/gsp/asset_upload_file403_8359.pdf, [access: 16.08.2012].

¹⁷USTR, http://www.ustr.gov/webfm_send/1170, [access: 16.08.2012].

¹⁸More on the US GSP Scheme: G.M. Grossman, A. Sykes, *A preference for development: the law and economics of GSP*, “World Trade Review”, vol. 5 2005, p. 44.

¹⁹Such sanctions was introduced towards Birma-Myanmar in 1997 and then towards Belarus in 2007, J. Orbie, L. Tortell, *The New GSP-Plus Beneficiary: Ticking the Box or Truly Consistent with ILO Findings?*, “European

The first complete scheme of the positive conditional GSP has been introduced by the *Council Regulation (EC) No 2501/2001 of 10 December 2001 applying a scheme of generalised tariff preferences for the period from 1 July 2002 to 31 December 2004*²⁰. In this regulation several conditional preferences have been set. For example, in the article 21 of the regulation 2501/2001 have been introduced additional incentives for environmental protection – tariffs could have been cut for the imports of tropical wood from countries which obey rules of international conventions related to tropical timber or have other norms related to sustainable usage of tropical timber. Other additional preferences were granted to developing countries for fighting production and trafficking of drugs and for introducing norms of the International Labour Organization related to workers' rights.

The initial system of preferential GSP was completely modified in 2005 in a new EU GSP perspective for years 2006–2015. In the Communication *Developing countries, international trade and sustainable' development: the function of the Community's generalised system of preferences (GSP) for the ten-year period from 2006 to 2015*²¹ the European Commission stated that a priority of the EU tariffs preferences is firstly an aid for least developed countries (according to the United Nations criteria) and secondly simplification of the GSP scheme.

As a result all those countries which receive preferences on some other legal basis (international agreements between the UE and its member states and third countries) can no longer be covered by the GSP. The GSP programmes has been restricted to only three: (1) a regular GSP accessible for all developing countries (except those which can receive preferences on some other basis); (2) “Everything but arms” programme dedicated to least developed countries, which can obtain a zero tariff rate for every article exported to the EU countries, except for military articles; (3) GSP+ programme enabling to obtain a zero tariff rate for those developing but not least developed countries that fulfill certain conditions.

Although the Commission in 2005 admitted that previous conditional GSP had been inefficient (a very small number of developing countries benefitted from the program), it decided not to resign from promoting sustainable development and corporate governance through additional preferences. As it has been told in the Communication, the Commission expected that this promotion should be more effective only thanks to a usage of already existing international instruments – multilateral conventions related to human right,

Foreign Affairs Review”, vol. 14, 2009, http://www.unc.edu/euce/eusa2009/papers/orbie_07I.pdf, [access: 16.08.2012], s. .

²⁰ O.J. CE L 346, 31.12.2001, p. 1.

²¹ COM(2004)461 final, 7.07/2004.

environmental protection and workers' rights as well as internationally agreed mechanisms of control of implementation of those conventions.

The current EU GSP scheme, including so called GSP+, entered into force on 1 July of 2009 on the basis of *Council Regulation (EC) No 732/2008 of 22 July 2008 applying a scheme of generalised tariff preferences for the period from 1 July 2009 to 31 December 2011 and amending Regulations (EC) No 552/97, No 1933/2006 and Commission Regulations (EC) No 964/2007 and No 1100/2006*²². According to its article 8, special incentive can be granted for so called "vulnerable"²³ countries which ratified and effectively implemented all 27 convention listed in Annex III to the regulation. A country which not only ratified but also has been convinced that it effectively implemented all conventions needs to file an application to the Commission. Then the process of verification starts. Granting preferences depends exclusively upon the Commission's assessment of the implementation. However, the Commission uses internationally agreed instruments (mainly stated in a given convention) to verify how the convention is implemented in the country which applied for additional preferences. The Commission should take into account information from a relevant international organization. According to the article 7 of the Regulation the special incentive is understood as suspension of all duty for products imported from countries included in the special incentive arrangement.

In May 2011 the European Commission presented a draft regulation which is supposed to replace regulations which are currently in force. It's worth to note, that there is no significant change in the GSP+ scheme, although there are some minor corrections. The list of conventions has been supplemented by United Nations Framework Convention on Climate Change. There is also supposed to be a more effective and transparent mechanism for monitoring and evaluating the implementation of relevant international conventions.

There is suppose also to be a more effective and transparent mechanism for monitoring and evaluating the implementation of relevant international conventions. According to the Commission²⁴ the new regulation will raise effectiveness of the requirements for beneficiary countries to effectively implement the conventions. An article 15 of the draft enables the Commission to temporarily withdraw a beneficiary country if it does not effectively implement the conventions in practice. It is worth to mention, that also a list of requirements related to implementation of the conventions has been widen. It is stressed that a beneficiary

²² O.J. UE L 211, 6.08.2008, p. 1.

²³ Developing countries, eligible for preferences listed in the Annex I to the Regulation, which meet some additional economic criteria set in the article 8(2) of the Regulation No 732/2008.

²⁴ See explanatory memorandum to the COM(2011) 241, p. 2.

country is obliged not only to ratify the conventions but also accept reporting and monitoring requirements.

An important part of changes concerning the GSP+ are those giving the European Commission right to adopt delegated acts regulating list of beneficiary countries, list of eligible products and some other frequently changing factors. It is a positive change, as it enables the GSP+ scheme to be more flexible.

3. Does vulnerable countries are more eager to ratify Conventions from the list?

There are several questions concerning the effectiveness of the GSP+ scheme. First, there is a question concerning the real added value arising from the ratification and the implementation of the conventions. As the table 1 below shows, majority of the conventions have been ratified by a huge number of countries. Taking into account that there are around 195 countries in the world²⁵, some of the conventions have been ratified by almost all of them, obviously including vulnerable countries. It must be said, that a set of conventions that has been chosen consists of the most important conventions with the largest number of ratifications. The only exceptions are Stockholm Convention on Persistent Organic Pollutants and Convention against Corruption which are relatively new international instruments, but with a number of ratifications growing very fast in recent years.

Table 1. Conventions that need to be ratified to get additional preferences in the GSP+ scheme

No.	TITLE OF THE CONVENTION	No. of Parties
HUMAN RIGHTS CONVENTIONS		
1.	International Covenant on Civil and Political Rights	167
2.	International Covenant on Economic, Social and Cultural Rights	160
3.	International Convention on the Elimination of All Forms of Racial Discrimination	175
4.	Convention on the Elimination of All Forms of Discrimination Against Women	187
5.	Convention Against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment	150
6.	Convention on the Rights of the Child	193
7.	Convention on the Prevention and Punishment of the Crime of Genocide	142
8.	International Convention on the Suppression and Punishment of the Crime of Apartheid	108*
ILO CONVENTIONS		
9.	Convention concerning Minimum Age for Admission to Employment (No. 138)	163
10.	Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour (No. 182)	174
11.	Convention concerning the Abolition of Forced Labour (No. 105)	171
12.	Convention concerning Forced or Compulsory Labour (No. 29)	175
13.	Convention concerning Equal Remuneration for Men and Women Workers for Work of Equal Value (No 100)	168
14.	Convention concerning Discrimination in Respect of Employment and Occupation (No 111)	169
15.	Convention concerning Freedom of Association and Protection of the Right to Organise (No 87)	150
16.	Convention concerning the Application of the Principles of the Right to Organise and to Bargain Collectively (No. 98)	160
ENVIRONMENTAL CONVENTIONS		

²⁵ It is impossible to give one number of countries, as some of them are controversial and not every state is recognized by every other. 192 states are members of the United Nations. Also Vatican City is commonly recognized.

17.	Montreal Protocol on Substances that Deplete the Ozone Layer	197
18.	Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal	197
19.	Stockholm Convention on Persistent Organic Pollutants	185
20.	Convention on International Trade in Endangered Species of Wild Fauna and Flora	175
21.	Convention on Biological Diversity	193
22.	Cartagena Protocol on Biosafety	162
23.	Kyoto Protocol to the United Nations Framework Convention on Climate Change	191
ANTIDRUGS CONVENTIONS		
24.	United Nations Single Convention on Narcotic Drugs (1961)	153
25.	United Nations Convention on Psychotropic Substances (1971)	183
26.	United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988)	186
GOOD GOVERNANCE CONVENTION		
27.	United Nations Convention against Corruption (Mexico).	174

* The Convention is going to be removed from the list

Source: Own study based on UN, <http://treaties.un.org>, [access: March 2012]

At the same time an analysis of recent ratifications of those conventions shows, that countries does not seem to be eager to ratify them in order to obtain some additional preferences. Among countries specified in the Annex I to the Regulation 732/2008 since 2005 the highest number of conventions (10) from the list has been ratified by Samoa, Vanuatu and Lao, but all three countries are least developed countries covered by the EBA scheme of preferences which is more preferable than the GSP+ scheme.

There are two countries that signed or ratified 8 conventions from the list (Guinea-Bissau and Brunei) five other that ratified or signed 7 and six which ratified 6. But among those countries six are LDCs covered by EBA scheme (Guinea-Bissau, Angola, Somalia and East Timor, Sao Tome and Principe and Gabon). There are two high income countries, which are not vulnerable even though they are beneficiary countries of a general GSP (Brunei Darussalam and Bahrain). Pakistan is not eligible because it does not meet vulnerability criteria²⁶. The only one that actually took a usage of the GSP+ scheme is Cape Verde, which obtained the GSP+ in December 2011, as it graduated from the EBA and managed to ratify all necessary conventions on time.

Other five countries are Gabon, Kazakhstan, Pakistan, Iraq and Palau. It is difficult to judge if its efforts to implement international instruments for good governance and sustainable development has the objective of obtaining the GSP+ additional preferences. Palau ratified three conventions and signed four others in 2011, but it still has to ratify 13 to obtain the GSP+ status. Also Gabon still needs to ratify 5 conventions. Both of those countries are ACP countries, which means, that they have other arrangements concerning their relations with EU. As an additional incentive to ratify international conventions might serve here an individual strategic plan – a special kind of agreement between the EU and an

²⁶ Its share of the trade with the EU in its total external trade is too high.

ACP country in order to gain access to funds from a European Development Fund²⁷. Those strategic plans usually includes some form of obligation to implement international instruments concerning for example environmental protection or human rights. It also explains high number of ratifications of such countries eligible for EBA as Vanuatu. On the other hand for Vanuatu or Palau the EU is not their major trading partner.

Also Iraq and Kazakhstan has some different obligations towards the EU resulting from bilateral agreements, even though they do not grant preferential treatment. On the other hand higher than average number of ratifications in recent years of those countries can also be explained by some political changes that occurred there.

Those conventions that have not been ratified by the majority of developing countries would probably be costly or difficult for cultural or political reasons to implement. Among those conventions is majority of those concerning working conditions (ILO conventions). Another group of conventions might be problematic due to some political issues related to antidrug politics. Most of the conventions from that group concern penal law and require ruthless fight against production and trafficking of drugs. What can be surprising, environmental conventions seem to have quite a high number of ratifications by developing countries. It can be explained by the fact that they are based on a principle of common but differentiate responsibility for environmental protection and as a universal instrument has rather general character (regional instruments seem to be more restrictive). Good examples of such conventions are Kyoto Protocol or Convention on Biological Diversity. It proves as well that adding United Nations Framework Convention on Climate Change to the list of required conventions would not be a significant change here.

Apart from the choice of conventions and costs related to their implementation, there are also questions concerning advantages that a developing country can get when it is covered by the GSP+ scheme. Least developed countries do not have any incentive to try to get additional preferences as they are covered by the “Everything But Arms” program. Other developing countries, to get preferences that have quite narrow scope due to limited number of products covered, need to fulfill quite hard conditions. Even the authors of a report prepared for the European Parliament²⁸ admitted that GSP+ is not an incentive to ratify conventions but rather some kind of a bonus for those who already are committed to those goals.

²⁷ Country Strategy Paper & National Indicative Programme (For the Period 2008-2013) was signed by every ACP country eligible for EDF,

²⁸ *Reform of the Generalized System of Preferences, European Parliament*, Directorate-General for External Policies of the Union, Policy Department Study, p. 5.

4. Position of GSP+ beneficiary countries in the global export to the EU Member States

The GSP scheme is open to 176 developing countries and territories. Under the scheme about 6 400 commodities are split into “sensitive” and “non-sensitive” (see Annex II of the *Council Regulation (EC) No. 732/2008*). Of the 6 400 or so products covered around 2 500 are non-sensitive and 3 900 are sensitive. Sensitive products have a reduced tariff of 3.5 percentage points below the MFN tariff. Non-sensitive products have duty free (i.e. zero tariff) access. Moreover, the GSP+ scheme offers greater preferences than the standard scheme. Namely, countries applying for GSP+ and meeting the necessary criteria get duty-free (zero tariff) access to the EU market for all 6400 products covered by the general scheme.

Table 2. Export of all commodities from GSP+ beneficiary countries to the EU Member States during 1995–2011 (billion USD)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Armenia	n/a	n/a	0.01	n/a	0.11	0.05	0.04	0.14	0.21	0.22	0.41	0.44	0.50	0.53	0.27	0.43	0.52
Azerbaijan	n/a	0.06	0.09	0.13	0.42	1.05	1.61	1.46	1.70	1.84	2.03	3.56	1.67	26.98	6.42	10.10	15.78
Bolivia	0.27	0.20	0.24	0.25	0.29	0.25	0.14	0.10	0.11	0.16	0.16	0.25	0.38	0.42	0.48	0.67	0.80
Colombia	2.22	2.14	2.28	2.16	1.96	1.80	1.72	1.63	1.88	2.35	2.83	3.50	4.56	4.82	4.72	4.99	8.91
Costa Rica	0.65	0.73	0.76	0.98	1.41	1.18	0.83	0.88	1.06	1.08	1.22	1.29	1.38	1.70	1.68	1.62	1.76
Ecuador	0.75	0.83	0.91	0.78	0.82	0.59	0.66	0.79	1.04	1.02	1.26	1.49	n/a	2.19	2.10	2.27	2.64
Georgia	n/a	0.02	0.02	0.03	0.05	0.07	0.06	0.06	0.08	0.11	0.16	0.16	n/a	n/a	0.22	0.27	n/a
Guatemala	0.27	0.24	0.27	0.28	0.29	0.29	0.15	0.12	0.14	0.16	0.25	0.25	0.37	0.44	0.40	0.49	0.67
Honduras	0.22	0.29	0.22	0.18	0.13	0.17	0.24	0.16	0.17	0.23	0.29	0.43	0.48	n/a	0.50	n/a	n/a
Sri Lanka	n/a	n/a	n/a	n/a	1.31	1.24	1.39	1.44	1.76	1.91	2.29	n/a	n/a	3.02	2.74	2.91	3.56
Mongolia	0.02	0.06	0.04	0.03	0.04	0.03	0.04	0.02	0.04	0.19	0.13	0.11	0.10	n/a	n/a	n/a	n/a
Nicaragua	0.14	0.19	0.17	0.13	0.12	0.13	0.08	0.06	0.06	0.10	0.11	0.15	0.17	0.22	0.18	0.19	0.24
Panama	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Peru	1.51	1.40	1.45	1.11	1.51	1.47	1.80	2.01	2.36	3.09	2.86	4.58	5.54	4.22	6.31	8.30	n/a
Paraguay	0.17	0.22	0.31	0.28	0.28	0.12	0.11	0.08	0.08	0.10	0.10	0.11	0.24	0.37	0.19	0.48	0.51
El Salvador	0.26	0.22	0.34	0.21	0.17	0.15	0.08	0.08	0.08	0.11	0.17	0.22	0.25	0.32	0.22	0.19	n/a
Venezuela	1.66	1.81	1.35	1.39	1.13	1.77	1.88	1.97	3.14	2.49	3.56	5.34	n/a	n/a	n/a	n/a	n/a
17 GSP+ beneficiary countries	8.13	8.43	8.46	7.95	10.04	10.38	10.83	11.00	13.92	15.16	17.84	21.86	15.66	45.22	26.42	32.91	35.38
176 GSP beneficiary countries	115.62	158.41	163.11	160.48	189.75	243.23	242.32	253.63	321.79	432.96	582.12	721.72	525.97	852.15	681.50	854.01	910.84
World	1633.47	1702.27	1732.14	1805.31	1997.42	2147.60	2162.60	2226.07	2660.84	3444.79	3815.00	4410.22	4861.71	5585.63	4318.60	4875.90	4660.72

Source: Own study based on COMTRADE database, <http://wits.worldbank.org> [access: July 2012]

In this section, we analyze the share of GSP+ beneficiary in the global export to the EU Member States. Firstly, we take into consideration exports of all commodities, secondly exports of products listed in Annex II and thirdly sensitive products on which duties are suspended only in the framework of the GSP+ scheme. As the list of products in Annex II of the *Council Regulation (EC) No. 732/2008* is prepared on the basis of *HS 2007* nomenclature, it is possible to analyze export of them during period 2007–2011.

Table 3. Export of commodities listed in Annex II from GSP+ beneficiary countries to the EU Member States during 2007–2011 (billion USD)

	2007	2008	2009	2010	2011
Armenia	0.32	0.31	0.17	0.24	0.27
Azerbaijan	1.65	26.96	6.39	10.09	15.74
Bolivia	0.07	0.09	0.09	0.09	0.13
Colombia	3.51	3.76	3.97	4.12	7.67
Costa Rica	1.07	1.17	0.89	1.15	1.03
Ecuador	n/a	1.45	1.35	1.41	1.65

Georgia	n/a	n/a	n/a	0,13	0,15
Guatemala	0,14	0,19	0,19	0,18	0,23
Honduras	n/a	n/a	0,08	n/a	n/a
Sri Lanka	n/a	2,00	1,93	2,02	2,42
Mongolia	0,08	n/a	n/a	n/a	n/a
Nicaragua	n/a	n/a	n/a	n/a	n/a
Panama	n/a	n/a	n/a	n/a	n/a
Peru	n/a	1,95	1,31	1,83	2,85
Paraguay	n/a	0,05	n/a	0,06	0,06
El Salvador	0,15	0,18	0,09	0,07	n/a
Venezuela	n/a	n/a	n/a	n/a	n/a
17 GSP+ beneficiary countries	7,09	38,14	16,53	21,40	32,24
176 GSP beneficiary countries	405,29	608,38	495,46	609,49	665,57
World	3051,00	3503,87	2676,91	3012,23	2923,84

Source: Own study based on COMTRADE database, <http://wits.worldbank.org> [access: July 2012]

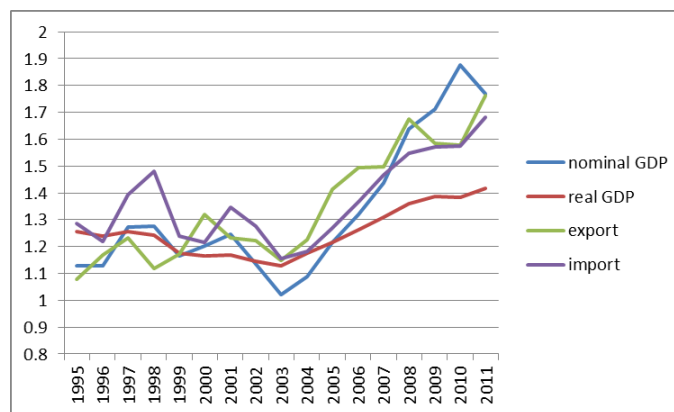
Since 1995 the share of export of all commodities from 17 GSP+ beneficiary countries in the world export to the EU Member States has not outstripped 1%. Implementation of GSP+ scheme in 2009 has not changed this mere share (see table 2). In the case of products listed in Annex II the analogical share has been higher, but still lackluster. The average share during last five years in the case of all commodities was 0.65% and for products listed in Annex II was 1.29% (see table 3). But in the case of sensitive commodities share of GSP+ beneficiary countries in total export to the EU is much lower. The five-year average was only 0.33% (see table 4).

Table 4. Export of sensitive commodities listed in Annex II from GSP+ beneficiary countries to the EU Member States during 2007–2011 (billion USD)

	2007	2008	2009	2010	2011
Armenia	0,32	0,31	0,17	0,24	0,27
Azerbaijan	n/a	n/a	n/a	n/a	n/a
Bolivia	0,07	0,08	0,08	0,08	0,09
Colombia	1,60	1,41	1,14	1,17	1,46
Costa Rica	0,99	1,08	0,84	1,09	0,98
Ecuador	n/a	1,44	1,33	1,40	1,63
Georgia	n/a	n/a	0,06	0,08	n/a
Guatemala	0,12	0,15	0,17	0,15	0,21
Honduras	n/a	n/a	0,07	n/a	n/a
Sri Lanka	n/a	1,94	1,89	1,97	2,36
Mongolia	0,07	n/a	n/a	n/a	n/a
Nicaragua	n/a	n/a	n/a	n/a	n/a
Panama	n/a	n/a	n/a	n/a	n/a
Peru	n/a	1,78	1,19	1,57	2,13
Paraguay	n/a	n/a	n/a	0,05	0,05
El Salvador	n/a	0,14	0,17	0,09	0,07
Venezuela	n/a	n/a	n/a	n/a	n/a
17 GSP+ beneficiary countries	3,17	8,35	7,12	7,89	9,25
176 GSP beneficiary countries	214,29	300,99	267,58	335,55	347,16
World	2339,57	2520,08	1944,22	2165,11	2104,82

Source: Own study based on COMTRADE database, <http://wits.worldbank.org> [access: July 2012]

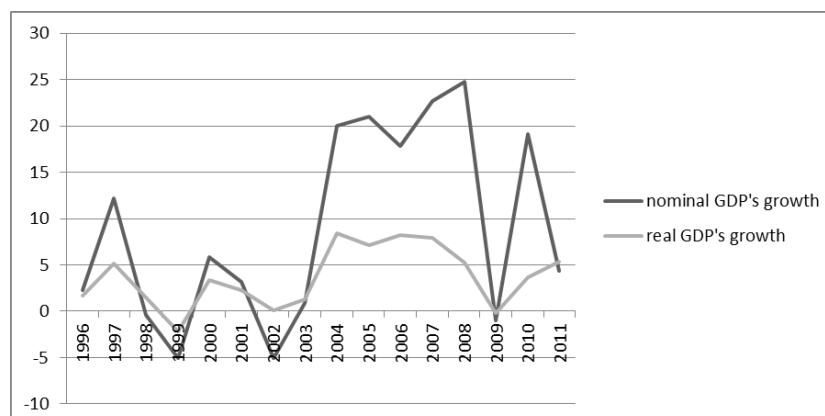
Figure 1. The share of GSP+ beneficiary countries in global GDP and trade during 1995–2011 (per cent)



Source: Own study based on UNCTAD database, <http://unctad.org> [access: July 2012]

These statistics suggest that economic magnitude of the GSP+ scheme is very small. The share of GSP+ beneficiary countries is similar, about 1.5% in global export and import, so a little bit higher than analogical share in total export to the EU Member States, but still not very impressive (see figure 1).

Figure 2. Nominal and real GDP's growth of GSP+ beneficiary countries during 1996–2011 (per cent)



Source: Own study based on UNCTAD database, <http://unctad.org> [access: July 2012]

Implementation of GSP+ scheme was accompanied by the global crisis and “great trade collapse”. In 2009 the value of the world export fell by 22% (from 14.3 trillion USD in 2008 to 11.1 trillion USD in 2009). Also export of all commodities from 176 GSP beneficiary countries to the EU decreased by 20% (from 852 billion USD in 2008 to 681.5 billion USD in 2009). Moreover, export of all commodities from beneficiary countries of GSP+ scheme to the EU Member States dropped by almost 42% (from 45 billion USD in 2008 to 26.5 billion USD in 2009) – see table 5. It is not surprising that during global crisis export from beneficiary countries of GSP+ scheme fell, however sharper decrease than the average drop of

export from all GSP beneficiary countries is quite worrying. It suggests that suspending tariffs in the framework of GSP+ did not weaken the trade decrease stemming from global crisis. It can be indirect proof that GSP+ scheme does not intensify bilateral trade between beneficiary countries and EU Member States. Additionally, the GSP+ beneficiary countries were not harmed very much by the global crisis. Their real GDP fell only by 0.20% (see figure 2), so the recession of the supply side of export cannot be perceived as a root of sharp decrease in export to the EU Member States.

But the GSP+ scheme concerns only selected commodities, consequently next step is to analyze changes in export of products listed in Annex II. In the case of all products listed in Annex II, in 2009 export from GSP+ beneficiary countries dropped by more than 56%. And in the case of sensitive products export fell by almost 23%. Both decreases were again much higher than analogical falls of world export and export from all 176 GSP beneficiary countries to the EU Member States.

Moreover, also comparing years 2008 and 2011 brings worrying conclusions for GSP+ scheme. In the case of all commodities, export from GSP+ beneficiary dropped by almost 22%, as export from 176 beneficiary GSP countries rose by almost 7%. Analogical rates for all products listed in Annex II were: -24% and 9.5%, and for sensitive commodities: 11% and 15.5%. These statistics suggest that suspending tariffs in the framework of GSP+ scheme did not intensify export from 17 beneficiary countries.

Table 5. Changes in exports from GSP+ beneficiary countries to the EU Member States during 2009–2011 (per cent)

	All commodities			Commodities listed in Annex II			Sensitive commodities listed in Annex II		
	2009/2008	2010/2009	2011/2010	2009/2008	2010/2009	2011/2010	2009/2008	2010/2009	2011/2010
Armenia	-49,06	59,26	20,93	-45,16	41,18	12,50	-45,16	41,18	12,50
Azerbaijan	-76,20	57,32	56,24	-76,30	57,90	56,00	n/a	n/a	n/a
Bolivia	14,29	39,58	19,40	0,00	0,00	44,44	0,00	0,00	12,50
Colombia	-2,07	5,72	78,56	5,59	3,78	86,17	-19,15	2,63	24,79
Costa Rica	-1,18	-3,57	8,64	-23,93	29,21	-10,43	22,94	29,76	16,43
Ecuador	-4,11	8,10	16,30	-6,90	4,44	17,02	-7,63	5,26	16,43
Georgia	n/a	22,73	n/a	n/a	n/a	15,38	n/a	33,33	n/a
Guatemala	-9,09	22,50	36,73	0,00	-5,26	27,78	13,33	-11,76	40,00
Honduras	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sri Lanka	-9,27	6,20	22,34	-3,50	4,66	19,80	-2,58	4,23	19,80
Mongolia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Nicaragua	-18,20	5,56	26,32	n/a	n/a	n/a	n/a	n/a	n/a
Panama	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Peru	49,53	31,54	n/a	-32,82	39,69	55,74	-33,15	31,93	35,67
Paraguay	-48,65	152,64	6,25	n/a	n/a	0,00	n/a	n/a	0,00
El Salvador	-31,25	-13,64	n/a	-50,00	-22,22	n/a	21,43	-47,06	-22,22
Venezuela	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
17 GSP+ beneficiary countries	-41,57	24,56	7,50	-56,66	29,46	50,65	-14,73	10,81	17,24
176 GSP beneficiary countries	-20,03	25,31	6,65	-18,56	23,01	9,20	-11,10	25,40	3,46
World	-22,68	12,90	-4,41	-23,52	12,53	-2,93	-22,85	11,36	-2,78

Source: Own study based on COMTRADE database, <http://wits.worldbank.org> [access: July 2012]

Additionally, the five-year average (2007–2011) share of sensitive products in total export from GSP+ beneficiary countries to the EU Member States was around 23%. (analogical ratio for all GSP beneficiary countries was 39% and for world 46%). Consequently, suspending tariffs concerns less than one quarter of commodities exported from GSP+ beneficiary countries to the EU Member States. It is another symptom that economic magnitude of the GSP+ scheme is rather weak.

5. Does GSP+ scheme affect export from developing countries to the EU Member States?

In this section we seek answer for the question: “Does GSP+ scheme affect bilateral trade between developing countries and the EU?”. We analyze export from 176 GSP beneficiary countries to the EU Member States using gravity models. We include in models dummy variable illustrating the participation of developing countries in the GSP+ scheme.

Gravity models appear as an adaptation of the law of universal gravitation²⁹ for socioeconomic phenomena. In 1960s gravity models were applied to analyzing international trade flows. Pioneers in these studies were: Linemann, Pöyhönen, Pullainen and Tinbergen³⁰. They were conducting independent and simultaneous studies which brought similar results. However the most known is Tinbergen’s study. Author himself was announced as a discoverer of gravity law (gravity equation) in international economics. Since Tinbergen’s study, the gravity equation has been one of the most popular empirical equations that has been successfully used to analyze the wide spectrum of interactions in international economics. The gravity equation postulates that the amount of flow between two locations increases in their economic sizes and decreases in the cost of transportation between them as measured by the distance between economic centres of locations.

Gravity model has become one of the most popular and successful analytical tool in international economics, especially due to the high explanatory power and easily available data in studies concerning international trade of goods. In consequence, there are many versions of gravity equation. The spectrum of independent variables in gravity model of trade

²⁹In 1687, Newton proposed the law of universal gravitation which states that every point mass in the universe attracts every other point mass with a force that is directly proportional to the product of their masses and inversely proportional to the square of the distance between them.

³⁰H.Linnemann, *An Econometric Study of International Trade Flows*, North-Holland Publishing Company, Amsterdam 1966; K. Pöyhönen., *Towards a General Theory of International Trade*, “*Ekonomiska Samfundet Tidskrift*”, No. 16, s. 69–78, 1963; K. Pulliainen., *A World Trade Study. An Econometric Model of the Pattern of Commodity Flows in International Trade in 1948–1960*, “*Ekonomiska Samfundet Tidskrift*”, No. 2, s. 78–91, 1963; J. Tinbergen, *Shaping The World Economy Suggestions for an International Economic Policy*, The Twentieth Century Fund, New York 1962

seems to be unlimited. In our empirical studies we use gravity models to analyze export (X) of commodities from developing countries (i) to the EU Member States (j) during period 1995–2011 – see equation (1). We include standard independent variables such as: exporter’s and importer’s GDPs (total and *per capita*), and geographic distance between capitals of countries. Therefore, gravity models encompass two dummy variables illustrating common official language and the exporter’s participation in the special incentive arrangement for sustainable development and good governance (GSP+). Finally, we include in gravity models the exchange rate volatility.

$$(1) \quad \ln X_{ijt} = \alpha_0 + \alpha_1 \ln GDP_{it} + \alpha_2 \ln GDP_{jt} + \alpha_3 \ln D_{ij} + \alpha_4 \ln |gdppc_{it} - gdppc_{jt}| + \alpha_5 \text{language}_{it} + \alpha_6 \text{gsp}_{it} + \alpha_7 \text{volatility}_{ijt} + c_{ij} + e_{ijt}$$

where:

Abbreviation	Description	Data source
X	Export (current prices and exchanges rates, 1000 USD)	COMTRADE, The World Bank, http://wits.worldbank.org , [access: July 2012]
GDP	Gross Domestic Product (current prices and exchanges rates, USD)	WDI, The World Bank, http://data.worldbank.org/data-catalog/world-development-indicators , [access: July 2012]
D	Geographic distance between capitals (km)	CEPII, http://cepii.fr [access: July 2012]
$Gdppc$	Gross Domestic Product <i>per capita</i> (current prices and exchanges rates, USD)	WDI, The World Bank, http://data.worldbank.org/data-catalog/world-development-indicators , [access: July 2012]
$Language$	Dummy variable that takes value 1 if exporter and importer use common official language and 0 otherwise	CEPII, http://cepii.fr [access: July 2012]
Gsp	Dummy variable that takes value 1 if exporter is a beneficiary country of GSP+ scheme (beneficiary countries during 2009–2011: Armenia, Azerbaijan, Bolivia, Colombia, Costa Rica, Ecuador, El Salvador, Georgia, Guatemala, Honduras, Sri Lanka ³¹ , Mongolia, Nicaragua, Panama ³² , Paraguay, Peru and Venezuela)	European Commission, http://ec.europa.eu/trade/wider-agenda/development/generalised-system-of-preferences , [access: 10.01.2012]
$Volatility$	Exchange rate volatility measured as a standard deviation of first differences of natural logarithms of bilateral exchange rates (based on monthly average exchange rates in SDR)	IFS, International Monetary Fund, http://elibrary-data.imf.org/ , [access: July 2012]
C	individual country-pair effect	-
E	error term	-
i, j, t	subscripts for exporter, importer and year	-

³¹ GSP+ was temporarily withdrawn from Sri Lanka in August 2010 for non-compliance with human rights conventions, but we include it as GSP+ beneficiary country.

³² Since 1 July 2010.

Gravity models are estimated in terms of natural logarithms (ln). The usage of logarithms generate problems with zero trade flows. We engage two solutions: elimination of zero trade flows and using natural logarithms of export's value increase by unit ($\ln(X+1)$)³³. Including in specification country-pair effect (c_{ij}) suggests application one of the typical panel data based estimators, namely fixed or random effects approach. However, the fixed effects approach is not adequate for models including time invariant variables – for example distance, which is one of the fundamental variable. On the contrary, random effects approach is available also for models with time invariant variables. Additionally, this approach needs zero correlation between the individual effects and the independent variables in the model. Unfortunately, in specification illustrated by equation (1) this assumption does not hold. Models encompass independent variables $lang_{ij}$ and $\ln|gdppc_{it} - gdppc_{jt}|$ which characterize the pair of countries. These variables are potentially correlated with individual effect, consequently approach based on random effects is also not proper. In this situation there is still one solution to be applied – Hausman-Taylor estimation method. It allows using of both time-varying and time invariant variables and some of them can be endogenous in the sense of correlation with individual effect, but remain exogenous with respect to error term³⁴.

Table 6. Gravity models explaining export of all commodities from GSP beneficiary countries to the EU Member States

Variable	Type of variable	Model (1a): 1995–2011 Coefficient	Model (1b): 1995–2011 Coefficient
Number of observations: $X_{ijt} = 0$		504	
Solution to zero trade flows		elimination of zero trade flows	$\ln(X+1)$
$\ln GDP_{it}$	exogeneous, time variant	0.7522319 ***	0.7490146 ***
$\ln GDP_{jt}$	exogeneous, time variant	0.4873762 ***	0.4590736 ***
$\ln D_{ij}$	exogeneous, time invariant	-1.352933 ***	-1.44267 ***
$\ln gdppc_{it} - gdppc_{jt} $	endogeneous, time variant	-0.0489737	-0.046522
$language_{it}$	exogeneous, time invariant	1.606216 ***	1.659854 ***
gsp_{it}	exogeneous, time variant	0.2560275	0.3969594
$volatility_{ijt}$	exogeneous, time variant	-0.0443602 ***	-0.040181 ***
constant	-	-11.04741	-9.551725
Number of country-pairs		2534	2581
Number of observations		22334	22838

***p<0.01, ** p<0.05, * p<0.1

Source: Own study based on estimations conducted in STATA

Firstly, we estimate gravity models (see models (1a) and (1b) in table 6) explaining export of all commodities from 176 GSP beneficiary countries to the EU Member States

³³More about estimation methods of gravity models in the case of zero trade flows see E. Gomez-Herrera, *Comparing alternative methods to estimate gravity models of bilateral trade*, University of Granada, Granada 2011.

³⁴Czarny E., Śledziewska K., Witkowski B., *Does monetary integration affect EU's trade?*, <http://www.etsg.org/ETSG2010/ETSG2010Programme.html>, 2010

during 1995–2011. Then we estimate gravity models concerning products listed in Annex II (see models (2a) and (2b) in table 7) and models concerning only sensitive commodities (see models (3a) and (3b) in table 8). Models (2a), (2b) and (3a), (3b) covers the period 2007–2011.

In models (1a) and (1b) almost all standard variables (GDPs and distance) are statistically significant. Positive coefficient values concerning GDPs prove that trade is more intensive between bigger countries, whereas negative coefficient value referring to distance shows that trade decreases with the geographic distance. The value of coefficient by $\ln GDP_{it}$ is higher than value of coefficient by $\ln GDP_{jt}$. This disproportion illustrates disparities in GDPs between EU Member States and developing countries.

Former colonial links between a number of EU Member States and some developing countries are also confirmed by the significance of variable illustrating common official language (for example trade between some Latin American countries and Spain or between India and UK is more intensive).

Table 7. Gravity models explaining export of commodities listed in Annex II from GSP beneficiary countries to the EU Member States

Variable	Type of variable	Model (2a): 2007–2011 Coefficient	Model (2b): 2007–2011 Coefficient
Number of observations: $X_{ijt} = 0$		92	
Solution to zero trade flows		Elimination of zero trade flows	$\ln(X+1)$
$\ln GDP_{it}$	exogeneous, time variant	1.65458 ***	1.596977 ***
$\ln GDP_{jt}$	exogeneous, time variant	1.417309 ***	1.399353 ***
$\ln D_{ij}$	exogeneous, time invariant	-0.3610636 **	-0.3416338 *
$\ln gdppc_{it} - gdppc_{jt} $	endogeneous, time variant	0.1686413 **	0.1381899 **
$language_{ij}$	exogeneous, time invariant	1.3159 ***	1.367948 ***
gsp_{it}	exogeneous, time variant	-0.3680847 *	-0.2812981
$volatility_{ijt}$	exogeneous, time variant	0.0734802 ***	0.0767731 ***
constant	-	-68.81236 ***	-66.83705 ***
Number of country-pairs		1680	1720
Number of observations		4630	4722

***p<0.01, ** p<0.05, * p<0.1

Source: Own study based on estimations conducted in STATA

Variable illustrating participation in the GSP+ scheme is not statistically significant. Suspending tariffs in the framework of GSP+ for commodities coming from beneficiary countries does not lead to the growth of export from these developing countries to the EU Member States. So models (1a) and (1b) show that GSP+ does not affect export from developing countries to the EU. Finally, the variable concerning exchange rate volatility is statistically significant and the value of coefficient is negative. It confirms regularity that fluctuations in exchange rates diminish the trade.

Table 8. Gravity models explaining export of sensitive commodities listed in Annex II from GSP beneficiary countries to the EU Member States

Variable	Type of variable	Model (3a): 2007–2011 Coefficient	Model (3b): 2007–2011 Coefficient
Number of observations: $X_{ijt} = 0$		93	
Solution to zero trade flows		Elimination of zero observations	$\ln(X+1)$
$\ln GDP_{jt}$	exogeneous, time variant	1.582481 ***	1.510082 ***
$\ln GDP_{jt}$	exogeneous, time variant	1.467112 ***	1.411662 ***
$\ln D_{jt}$	exogeneous, time invariant	0.3175934	0.3008029
$\ln gdp_{jt} - gdppc_{jt} $	endogeneous, time variant	0.1519079 **	0.1435306
$language_{ij}$	exogeneous, time invariant	1.304355 ***	1.306265 ***
gsp_{jt}	exogeneous, time variant	-0.3941413 *	-0.3070265
$volatility_{ijt}$	exogeneous, time variant	0.0910519 ***	0.0929011 ***
constant	-	-74.58308 ***	-71.13747 ***
Number of country-pairs		1647	1684
Number of observations		4497	4590

***p<0.01, ** p<0.05, * p<0.1

Source: Own study based on estimations conducted in STATA

Therefore, gravity models (2a), (2b) and (3a), (3b) explaining export only of commodities listed in Annex II show the statistically insignificance or weak statistically significance but with negative coefficients of dummy variable illustrating participation in GSP+ scheme (see tables 7 and 8). Suspending tariffs in the framework of the GSP+ scheme for commodities coming from beneficiary countries does not lead to the growth of export from these developing countries to the EU Member States. Consequently, models (2a), (2b) and (3a), (3b) also show that GSP+ does not positively affect export from developing countries to the EU.

To sum up, gravity models reveals the lack (or very weak but negative) economic magnitude of GSP+ scheme. Suspending tariffs in the framework of GSP+ did not intensify the exports from beneficiary countries. This conclusion concerns exports of all commodities as well as products listed in Annex II (all and only sensitive).

Conclusions

To sum up, according to the conducted studies answer for the question: “Does GSP+ affect export from developing countries to the EU?” is “No, it does not”. Gravity models do not confirm positive influence of suspending duties, in the framework of GSP+, on bilateral trade. Moreover, statistics illustrate that suspending tariffs in the framework of GSP+ did not weaken the trade decrease stemming from global crisis. Also during recovery exports from GSP+ beneficiary countries was increasing slower than exports from all 176 GSP beneficiary countries. So the economic magnitude of GSP+ scheme, which is also political project, appear to be very small.

Consequently, questions concerning advantages, that a developing country can get when it is covered by the GSP+ scheme, are very reasonable. Least developed countries do

not have any incentive to try to get additional preferences, as they are covered by the “Everything But Arms” program. Other developing countries, to get preferences that have quite narrow scope due to limited number of products covered, need to fulfill quite hard conditions. As the benefits from additional trade preferences are heavily debatable, the GSP+ scheme seems not to be an effective tool of increasing export from selected developing countries to the EU via tariff suspending, as well as promoting sustainable development and good governance. Analysis of ratifications of conventions required to obtain the GSP+ preferences also does not prove, that GSP+ is a tool to increase the number of ratifications.

Changes proposed by the European Commission in the draft regulation does not seem to change anything here.

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