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PROPOSAL

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	23 September 2021
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
Subject:	REGULATORY SCRUTINY BOARD OPINION Proposal for a Regulation of the European Parliament and of the Council on applying a generalised scheme of tariff preferences and repealing Council Regulation (EU) No 978/2012

Delegations will find attached document SEC(2021) 330 final.

Encl.: SEC(2021) 330 final

EUROPEAN COMMISSION

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SEC(2021) 330

REGULATORY SCRUTINY BOARD OPINION

Proposal for a Regulation of the European Parliament and of the Council on applying a generalised scheme of tariff preferences and repealing Council Regulation (EU) No 978/2012

{COM(2021) 579}
{SWD(2021) 266}
{SWD(2021) 267}

EUROPEAN COMMISSION
Regulatory Scrutiny Board

Brussels,
RSB

Opinion

Title: Impact assessment / Towards the future Generalised Scheme of Preferences legal framework, granting trade advantages to developing countries

Overall opinion: POSITIVE

(A) Policy context

The Generalised Scheme of Preferences (GSP) is the EU's trade framework to support developing countries. It has been in place since 1971. The current scheme dates from 2012. It offers easier access to the EU market for goods exported from developing countries by eliminating or reducing import tariffs *unilaterally* (i.e. on a non-reciprocal basis). This should contribute to higher economic growth and job creation in developing countries. It also supports sustainable development, because the promise of easier access to the EU market is an incentive to better respect human and labour rights, environmental protection and good governance.

In recent years, there has been a concentration of GSP preferences in a more limited number of countries, given successful economic development of some countries. Looking ahead, a number of countries are likely to graduate from their GSP arrangements in the coming years, potentially losing partly or entirely their preferences. This initiative aims to address a number of shortcomings of the GSP.

(B) Summary of findings

The Board notes the useful additional information provided in advance of the meeting and commitments made to changes in the report on a number of issues.

The Board gives a positive opinion. The Board also considers that the report should further improve with respect to the following aspects:

(1) The report does not present in a succinct and reader friendly way the main issues that need to be tackled.

(2) The report does not sufficiently explain and justify the safeguards for the EU's economic interest, including competitiveness of EU industry and SMEs.

(C) What to improve

(1) The report should more clearly distinguish between the overall success of the GSP and

This opinion concerns a draft impact assessment which may differ from the final version.

the more detailed issues where there is room for improvement. In this context, it should clarify whether graduation of countries is seen as a measure of success and to what extent supporting a smooth graduation process is an objective of the initiative.

(2) The report should explain upfront core concepts, such as positive and negative conditionality. It should include an assessment of the effectiveness and efficiency of conditionality. It should also better explain the issues around vulnerability criteria and why a change might be considered justified.

(3) The report should better explain and justify the safeguards for the EU's economic interest, including competitiveness of EU economic actors. This discussion should be backed by clearer examples on losses of EU competitiveness. It should also elaborate on the SME dimension and impacts.

(4) The options could be better presented. Certain options could be put into annex (on transparency and monitoring), while other measures presented as technical adjustments could be designed and analysed as policy options.

(5) The report should be presented in a more consistent, succinct and reader friendly way, avoiding repetitions. It could also simplify the objectives tree and the presentation of the baseline.

(6) The report should take proper ownership of its approach and the analysis made. When referring to the underlying study, it should make clear whether it accepts or deviates from this. The report should be self-contained and not leave responsibility for the approach to external consultants.

The Board notes the estimated costs and benefits of the preferred option(s) in this initiative, as summarised in the attached quantification tables. The DG has also committed to revise this in view of comments made.

Some more technical comments have been sent directly to the author DG

(D) Conclusion

The DG may proceed with the initiative.

The DG must take these recommendations into account before launching the interservice consultation.

Full title	Towards the future Generalised Scheme of Preferences legal framework, granting trade advantages to developing countries
Reference number	PLAN/2019/4979
Submitted to RSB on	8 March 2021
Date of RSB meeting	7 April 2021

ANNEX – Quantification tables extracted from the draft impact assessment report

The following tables contain information on the costs and benefits of the initiative on which the Board has given its opinion, as presented above.

If the draft report has been revised in line with the Board's recommendations, the content of these tables may be different from those in the final version of the impact assessment report, as published by the Commission.

Table I. Overview of benefits (total for all provisions) – preferred option

Description	Amount	Comments
Direct benefits		
Arrangements and country coverage		
Retain the structure of the scheme (Baseline 1A)	The goal to provide benefits to the countries most in need, and therefore contribute to economic growth and poverty eradication is best served by the baseline structure.	**Main beneficiary: developing countries** Analysis shows no compelling reason to change the structure
Retain the criteria for standard GSP beneficiaries (Baseline 2a)	The goal to provide benefits to the countries most in need, and therefore contribute to economic growth and poverty eradication, is best served by retaining the current criteria. The exclusion of products that compete with EU produced goods is best served by continuing the use of product graduation and safeguards.	**Main beneficiary: developing countries**
Abolish the export competitiveness vulnerability criterion for GSP+ (Sub-option 3Ba)	All graduating EBA countries would be a priori eligible for GSP+, in case their authorities wish to apply for the scheme. This is a *mitigation* measure: no gains are expected, but it aims to avoid losses and serious negative economic impact for graduating LDCs which would lose EBA preferences. It further supports the development goal of GSP, by ensuring continued access to the scheme for the countries most in need.	**Main beneficiary: graduating LDCs** In particular, **Bangladesh** stands out in terms of facing a significant fall of exports, a consequential large decline in real GDP and economic welfare, and large impacts in sectors such as textiles and apparel and leather/footwear that face a high MFN tariff in the EU and thus potentially disruptive industrial adjustment.
Product coverage and graduation		
Retain the product graduation scope (Baseline 4A)	Maintain attractiveness of GSP+	**Main beneficiary: EU industry, LDCs**
Retain the product coverage (Baseline 5A)	No compelling reason to change the product coverage	**Main beneficiary: EU industry**
Introduce technical adjustments: more granularity in product graduation (at CN Chapter instead of Section level) and an adjustment of product graduation thresholds	Increase effectiveness of the product graduation in targeting specific competitive products. More granular product graduation deals with the issue of the heterogeneity of GSP Sections (some very broad, some very narrow).	**Main beneficiary: EU industry** Also relevant under Safeguards below

Conditionality and conventions		
Extend negative conditionality (Option 6B)	Contribute to the fight against climate change by encouraging GSP beneficiary countries to improve the implementation of climate and environment conventions. Similarly, contribute to improvements in good governance in all beneficiary countries.	**Main beneficiary: citizens of developing countries, global community** (benefits of common fight against climate change) The role played by GSP can be significant as environmental degradation tends to hit developing countries hardest due to extensive manufacturing of products dependent on natural resources (such as textiles), as well as the lack of environmental protection laws and programs in those countries.
Update the list of conventions (Sub-option 8Bc)	Increased leverage and attention on key human rights (i.e., the rights of people of disabilities, rights of children) and standards (i.e., on labour inspection). Support on actions combating climate change through the inclusion of the Paris Agreement.	**Main beneficiary: citizens of developing countries** On climate: Many developing countries have high population growth, and a significant part of them are experiencing increasing industrialisation which may lead to a steep increase in GHG emissions.
Introduce new steps during the formal withdrawal procedure (Sub-option 9Bb)	The introduction of an impact assessment of the potential withdrawal will make it possible to weigh all three GSP general objectives: contribution to poverty reduction, sustainable development, and safeguarding EU industry. In particular, it ensures that possible withdrawal is adapted to the circumstances in the country, its economic development needs, and the socio-economic impact of withdrawal.	**Main beneficiary: citizens of developing countries**
Introduce shorter (urgent) withdrawal procedure for egregious cases (Sub-option 9Bd)	Allows flexibility to address grave violations of human and labour rights and standards. Increases effectiveness by increasing pressure on beneficiaries to respond to requests.	**Main beneficiary: Commission, citizens of developing countries**
Transparency		
Introduce practical steps to improve monitoring and transparency (Option 10B)	Increase transparency, enhance the Commission's enforcement role, and contribute towards civil society's use of the GSP+ instrument to hold beneficiary countries' authorities accountable, and therefore, improve implementation of the international conventions.	**Main beneficiary: civil society**
Extend the GSP+ monitoring cycle to three years (Option 10C)	Approximate the length of the GSP+ monitoring cycle to the monitoring cycle for the international conventions by the treaty monitoring bodies; allow beneficiary countries more time to address issues on implementation of the conventions	**Main beneficiary: Commission, beneficiary countries**
Safeguards		
Align automatic safeguards and	Ensure consistency between measures aimed at protecting EU industry	**Main beneficiary: EU industry**

product graduation thresholds		
Change the calculation of import surges so as to be based on import values rather than volumes	Improve the effectiveness of safeguards in protecting EU industry, by addressing better the heterogeneity of products within Sections	**Main beneficiary: EU industry**
Indirect benefits		
Abolish the export competitiveness vulnerability criterion for GSP+ (Option 3Bb)	Simplification of the system and a reduction of administrative burden for calculating and monitoring this threshold	**Commission**
Option 8Bc: replace Kyoto Protocol with the Paris Agreement	Simplification and updating of the list of conventions	**Global benefits**
Option 10C: extend the GSP+ monitoring cycle to 3 years	Reduction of administrative burden of the monitoring process for both the EU and beneficiary countries	**Commission and beneficiary countries' administrations**
Abolish the de minimis threshold for safeguards	Simplification of the application of automatic safeguards and reduction on administrative burden	**Commission**

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