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PROPOSAL

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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	SWD(2021) 267 final
Subject:	COMMISSION STAFF WORKING DOCUMENT EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT *Accompanying the document* Proposal for a Regulation of the European Parliament and of the Council on applying a generalised scheme of tariff preferences and repealing Regulation (EU) No 978/2012 of the European Parliament and of the Council

Delegations will find attached document SWD(2021) 267 final.

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COMMISSION STAFF WORKING DOCUMENT

EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT

Accompanying the document

Proposal for a Regulation of the European Parliament and of the Council

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

{COM(2021) 579 final} - {SEC(2021) 330 final} - {SWD(2021) 266 final}

Executive Summary Sheet (Max 2 pages)

IMPACT ASSESSMENT on Proposal for a Regulation of the European Parliament and of the Council applying a scheme of generalised tariff preferences for the period from 1 January 2024

A. Need for action

What is the problem and why is it a problem at EU level?

GSP Regulation (EU) No 978/2012 will expire at the end of 2023. If no new GSP regulation is adopted, the Standard GSP and the GSP+ arrangements of the GSP would be discontinued and the EU would need to charge imports from the current beneficiary countries (developing low and lower-middle income countries) with most favoured national (MFN) tariffs. Only the Everything But Arms (EBA) arrangement for the least developed countries (LDCs), which is open-ended, would continue to be applied. This would negatively affect exports and investments, hence economic growth and jobs in the current 15 Standard GSP and nine GSP+ beneficiary countries.

What should be achieved?

The analysis has identified **three general objectives** and five specific objectives to achieve.

1) To further contribute to poverty eradication by
- Expanding exports from beneficiary countries, especially those most in need,
- Enhancing export diversification of beneficiary countries.

2) To further contribute to sustainable development and good governance in beneficiary countries by:
- Strengthening GSP support to sustainable development in the beneficiary countries,
- Increasing awareness about GSP opportunities and increasing transparency on the GSP+ monitoring.

3) To ensure EU economic interests are better protected in the functioning of the scheme by
- further protecting competing EU industries.

What is the value added of action at the EU level (subsidiarity)?

The common commercial policy is listed in Article 3 of the TFEU among the areas of exclusive competence of the Union. Pursuant to Art. 5(3) of the Treaty on European Union (TEU), the subsidiarity principle does not apply in areas of exclusive EU competence.

B. Solutions

What are the various options to achieve the objectives? Is there a preferred option or not? If not, why?

We have identified 11 policy options and 19 sub-options, detailed in the enclosed table. The overall conclusion, following from the supporting Study and the Mid-term Evaluation, is that the three general objectives of the GSP are best served by pursuing continuity and maintaining the current GSP architecture with its three arrangements. The GSP framework should be updated by introducing technical changes to improve the GSP's effectiveness and efficiency.

Therefore, the **preferred set of options** are:
- Abolish the existing limited export competitiveness **vulnerability criterion** to ensure that all countries graduating from EBA could become eligible for GSP+ (Sub-option 3Ba)
- Extend the negative **conditionality** (i.e. the possibility to withdraw tariff preferences in cases of serious and systematic violations) to the international conventions on climate/environment and good governance listed in Annex VIII to the Regulation (Option 6B)
- Update the **list of conventions** in Annex VIII to the Regulation (Sub-option 8Bc)
- Introduce additional steps after the formal launch of a **withdrawal procedure** (Sub-option 9Bb), shorten the duration of the procedure in exceptional circumstances (Sub-option 9Bd) and introduce withdrawal for migration (Sub-option 9Bc)
- Adopt practical measures to improve the **monitoring** of GSP implementation: provide a detailed

description of the monitoring process and clarify involvement of civil society (Option 10B).
- Expand the **monitoring** cycle to three years (Option 10D).

For all remaining options, we broadly maintain the baseline.

What are different stakeholders' views? Who supports which option?

The vast majority of stakeholders support maintaining the current GSP framework, including the three arrangements, on grounds that the scheme helps eradicate poverty, create jobs and support economic growth, while contributing to sustainable development. A major overhaul of the GSP's architecture is **not needed** but rather improving its efficiency and effectiveness. Stakeholders supported the idea of including environmental/climate change conventions into GSP conditionality as well as introducing additional measures to improve transparency and civil society involvement. **EU industry** is broadly supportive of the GSP, although some sectors (e.g. agri-food and textile producers) call for more protection of EU economic interests. **Civil society organisations** call for more transparency of the GSP monitoring process and increasing the scheme's impact on improving labour and environmental standards in beneficiary countries.

C. Impacts of the preferred option

What are the benefits of the preferred option (if any, otherwise of main ones)?

The overall impact is limited as the Generalised Scheme of Preferences remains broadly stable, without introducing major changes and additional complexities for GSP beneficiaries, business, and civil society. Proposed changes aim to facilitate the poorest countries' access to the EU market, in particular countries expected to graduate from LDC status, and their integration in international trade, to diversify their economies and promote sustainable economic growth, in particular through increased environmental protection. Continuing GSP with the targeted changes proposed will be a key encouraging signal from the EU to developing partners, maintaining a key platform to engage with beneficiary countries to bring about change consistent with the EU's values agenda and policy coherence for development.

What are the costs of the preferred option (if any, otherwise of main ones)?

Additional costs (resources) are linked to increased monitoring of GSP beneficiaries' compliance with the new international conventions (which will be added in view of the European Green Deal and migration-related governance) and, after extension of negative conditionality, of the conventions on environment protection, climate change and good governance.

What are the impacts on SMEs and competitiveness?

The transparency measures improve understanding of how GSP operates in practice to the benefit of, in particular, SMEs. No negative impacts for SMEs are expected.

Will there be significant impacts on national budgets and administrations?

No significant impacts on national budgets and administrations are expected.

Will there be other significant impacts?

The proposed options will support the GSP and trade policy contribution to the European Green Deal (in particular implementation of the Paris Agreement on Climate Change), to the fight against forced labour and the worst forms of child labour, and migration-related policies.

Proportionality?

The principle of proportionality is satisfied in as much as a GSP regulation is the only appropriate type of action that the Union can take to establish unilateral preferential access to its market for exports from developing countries.

D. Follow up

When will the policy be reviewed?

The Commission proposes that the new regulation runs for 10 years to ensure predictability, certainty for economic operators and to minimise the regulatory burden.

Annex: Description of the policy options

Clusters	Drivers	Policy Options
Cluster 1 **Arrangements and beneficiary countries**	**Driver 1** (D1) Diminishing number of Standard GSP beneficiary countries	**Option 1B** (O. 1B) Amend the three-tier structure of the GSP ✓ Sub-option **1Ba**: Discontinue all but EBA ✓ Sub-option **1Bb**: Discontinue the Standard GSP only
	Driver 2 (D2) Large and industrialised beneficiary countries with diversified export structure also benefit from GSP	**Option 2B** (O. 2B) Graduation from GSP of large and industrialised developing countries
	Driver 3 (D3) Unprecedented number of EBA beneficiary countries expected to graduate from LDC status and thus exit EBA	**Option 3B** (O. 3B) Ensure all EBA countries expected to graduate from LDC can transition to GSP+ by: ✓ Sub-option **3Ba**: changing the vulnerability criteria or ✓ Sub-option **3Bb**: granting a longer transition period for meeting the criteria
Cluster 2 **Product coverage and graduation mechanism**	**Driver 4** (D4) Product graduation mechanism is not targeted enough on competitive products and covers only Standard GSP	**Option 4B** (O. 4B) Expand the application of the product graduation mechanism to GSP+ and EBA ✓ Sub-option **4Ba**: to rice and sugar ✓ Sub-option **4Bb**: to all agricultural products in Annex V and IX of the GSP Regulation
	Driver 5 (D5) GSP product coverage does not adequately reflect the export potential of beneficiary countries	**Option 5B** (O. 5B) Expand the product coverage for standard GSP and GSP+ ✓ Sub-option **5Ba**: to products that can help achieve environmental and climate protection goals ✓ Sub-option **5Bb**: to a number of industrial and agricultural semi-finished and finished products
Cluster 3 **Conditionality**	**Driver 6** (D6) Negative conditionality (Article 19) for all GSP arrangements is restricted to the core international conventions (human and labour rights) listed in Part A of Annex VIII to the GSP Regulation	**Option 6B** (O. 6B) Expand negative conditionality to all conventions listed in Annex VIII to the Regulation
	Driver No 7 (D7) Positive conditionality (Art. 15) is only provided for GSP+. Standard GSP and EBA beneficiaries are not required to ratify the conventions listed in Part A and B of Annex VIII to the Regulation	**Option 7B** (O. 7B) Expand positive conditionality to the Standard GSP arrangement and EBA beneficiary countries
	Driver No 8 (D8) The list of international conventions in Annex VIII to the Regulation	**Option 8B** (O. 8B) Amend the list of international conventions in

Clusters	Drivers	Policy Options
	is not up to date	Annex VIII to the Regulation ✓ Sub-option **8Ba:** Remove conventions deemed no longer/less relevant ✓ Sub-option **8Bb:** Expand the list of conventions in Annex VIII to the Regulation ✓ Sub-option **8Bc:** Combine 8Ba and 8Bb
	Driver 9 (D9) Inefficient and insufficient response – through the GSP withdrawal mechanism	**Option 9B** (O. 9B) Amend the mechanism for temporary withdrawal of preferences ✓ Sub-option **9Ba:** Introduce additional steps prior to the formal launch of a withdrawal procedure ✓ Sub-option **9Bb:** Introduce additional steps after the formal launch of a withdrawal procedure ✓ Sub-option **9Bc:** Introduce withdrawal for specific economic operators, and/or for violation of migration conventions ✓ Sub-option **9Bd:** Shorter urgency procedure in well qualified circumstances
Cluster 4 **Transparency**	**Driver 10** (D10) Insufficient information and transparency and lack of indicators for monitoring and evaluation of GSP impact	**Option 10B** (O. 10B) Adopt further practical measures to improve transparency
		Option 10 C (O. 10C) Extend and align the GSP monitoring cycle
Cluster 5 **Safeguards**	**Driver 11** (D11) Safeguard mechanism not responsive enough, in particular on sensitive products [and **Driver No 4** (D4) Product graduation mechanism is not targeted enough on competitive products and covers only Standard GSP]	**Option 11 B** (O.11B) Expand the application of the automatic safeguard mechanism (Art. 29) to all agricultural products
		Option 11 C (O. 11C) Expand the application of the automatic safeguard mechanism (Article 29) to EBA beneficiary countries for different lists of products ✓ Sub-option **11Ca**: current list of products (Art.29) ✓ Sub-option **11Cb**: expand list to rice and sugar ✓ Sub-option **11Cc**: expand list to all agricultural products