

ROADMAP

Title of the initiative: **Proposal for a Regulation applying the scheme of generalised tariff preferences as from 1 January 2014**

Type of initiative (CWP/Catalogue/Comitology):

Lead DG/contact person/details: DGTrade/Unit D1

Expected date of adoption of the initiative (month/year): January/February 2011

Date of modification:

Version No: 1

Initial IA screening & planning of further work

A. Context and problem definition

(i) What is the political context of the initiative? (ii) How does this initiative relate to past and possible future initiatives, and to other EU policies?

In 1968, the United Nations Conference on Trade and Development (UNCTAD) recommended the creation of a 'Generalised System of Tariff Preferences' under which developed countries would grant trade preferences to all developing countries. The EU was the first to implement a GSP scheme in 1971. The EU's GSP scheme is consistent with its international legal obligations under relevant GATT and WTO rules. These rules provide that any GSP scheme must be "generalized, non-reciprocal and non-discriminatory". It needs to be designed to facilitate and promote the trade of developing countries, and to respond positively to their development, financial and trade needs. Furthermore the GSP is to be consistent with and to consolidate the objectives of the EU's development policy, as the GSP instrument, can make a contribution in assisting developing countries' efforts in achieving the Millennium Development Goals (MDGs).

A Commission communication adopted on 7 June 2004: "Communication from the Commission to the Council, the European Parliament and the Economic and Social Committee, on the function of the Community's generalised system of preferences for the ten year period from 2006-2015" has set out the main objectives and the implementing instruments of the GSP schemes which were intended to apply in the years 2006-2015, with the view to provide greater continuity and stability in the GSP scheme, thereby making it more attractive to the beneficiary countries. The main objectives for the GSP specified in the Communication – essentially to contribute to combating global poverty and promote sustainable development - remain highly topical and indeed have become even more important in the context of an increasingly globalised and interdependent world. Consequently there is not a well grounded basis for a radical amendment of GSP but at the same time it would be important to consider whether the implementing modalities of the GSP, as designed in the 2004 Communication, remain appropriate and relevant for achieving these objectives effectively.

What are the main problems identified?

The GSP scheme is implemented through successive Regulations applying for 3 years, to ensure that the GSP can be updated on a regular basis to take account of evolutions in relevant trade data.

The current GSP scheme is established by Council Regulation (EC) No 732/2008 which entered into force on 1 January 2009 and which will expire on 31 December 2011. The Commission has to make its proposal for a successor Regulation. The preparation of a successor GSP Regulation provides an opportunity to take stock of the achievements of the current scheme and refine and fine-tune it as appropriate.

Accordingly, the next Regulation provides the opportunity to review and update the GSP objectives in the light of new challenges and requirements of the changing economic environment and

development needs and at the same time to consider whether the implementing modalities remain appropriate and relevant for achieving these objectives effectively.

GSP preferences are designed to be effective in increasing GSP beneficiary's exports and commitment to sustainable development objectives, but there are structural constraints like, in example, the low level of EU MFN tariffs and the structure of GSP countries exports which might limit the effectiveness of the GSP scheme. The importance of tariff preferences has been eroded by the liberalization in other contexts in example the multilateral and bilateral agreements. This process is likely to continue. Also the economic crises will impact on the GSP scheme effectiveness.

Appropriate measures should therefore be looked for which could increase the effectiveness of the GSP scheme.

Who is affected?

Principally, developing countries covered by the GSP scheme and economic operators in the EU with indirect effect on other third countries.

(i) Is EU action justified on grounds of subsidiarity? (ii) Why can the objectives of the proposed action not be achieved sufficiently by Member States (necessity test)? (iii) As a result of this, can objectives be better achieved by action by the Community (test of EU Value Added)?

The GSP Regulation defines autonomous preferential tariff measures on the basis of Article 207 of the Treaty on the functioning of the European Union, consequently the GSP scheme is a matter of exclusive Community competence as specified in Article 3 of that Treaty.

B. Objectives of EU initiative

What are the main policy objectives?

Encouraging trade and helping poor countries to improve their infrastructure, develop their productive potential and make their public administration and institutions more efficient remain an important focus in the EU's development strategy. With Aid for Trade support, of which the EU is the largest global provider, an increasing number of GSP beneficiary countries should be able to grasp additional trade opportunities and secure more inward investment so as to broaden their economic base and make their export capacity and performance more competitive and diversified. This is essential in enabling more countries to integrate successfully into the global economy and achieve sustainable growth and development. This is where the GSP can continue to play a vital role.

The objectives for the GSP – essentially to contribute to combating global poverty and promote sustainable development - remain therefore highly topical and indeed have become even more important in the context of an increasingly globalised and interdependent world, in which developing countries have recently been affected by a number of significant crises (food, fuel, financial and economic). However, improvements should be sought in the operation of those GSP implementing measures where problems have been detected in their application or where they may contribute more effectively to the achievement of GSP objectives and support the EU development strategy.

The review of the GSP scheme will also take into account changes in the relations between developing countries and the EU related to the new trade strategy for Europe 2020.

Do the objectives imply developing EU policy in new areas or in areas of strategic importance?

No

C. Options

(i) What are the policy options? (ii) What legislative or 'soft law' instruments could be considered? (iii) Would any legislative initiatives go beyond routine up-date of existing legislation?

Option 1: non-continuity of the GSP

Option 2: continuity of the current GSP (status quo)

Option 3: refinement of the GSP through changes in the implementing measures and architecture of the GSP, GSP+ and Everything but Arms arrangements

Option 4: radical redesign of the GSP through changes in the objectives of the GSP scheme.

Does the action proposed in the options cut across several policy areas or impact on action taken/planned by other Commission departments?

Policy options for GSP might have an indirect impact on actions taken within the EU development policy, external relations or aid for trade strategy

Explain how the options respect the proportionality principle

EU action will not go beyond what is needed to achieve the objectives

D. Initial assessment of impacts

What are the significant impacts likely to result from each policy option (cf. list of impacts in the Impact Assessment Guidelines pages 32-37), even if these impacts would materialise only after subsequent Commission initiatives?

The impacts will be further analysed and quantified in the framework of the impact assessment carried out before the adoption of the proposal.

Impacts which may be expected at this stage are:

Impact of option 1: In the absence of the next GSP Regulation providing for the maintenance of GSP, imports from developing countries under the scheme would revert to standard MFN treatment, except for those from LDCs which would still be covered by the open-ended Everything But Arms (EBA) regime.

Impact of option 2: Continuity of the current GSP scheme would provide continued support for the EU development policy objectives but might not address effectively potential new needs of developing countries in the recently changing economic environment and, more generally, the problems identified above.

Impact of option 3: Refinement of the GSP might contribute to the effectiveness of the current GSP in achieving its objectives and thereby potentially ensure its continued effectiveness in the future.

Impact of option 4: Targeted impacts of option 4 would be the same of option 3 with differences to be identified at a later stage in terms of effectiveness, efficiency and coherence

Could the options have impacts on the EU-Budget (above 5 Mio €) and/or should the IA also serve as the ex-ante evaluation, required by the Financial Regulation?

Yes, as changes in the level of EU preferences have an impact on the EU-Budget income.

Could the options have significant impacts on (i) simplification, (ii) administrative burden or on (iii) relations with third countries?

Yes, simplification, administrative procedures and relations with third countries could be affected through changes in the implementation measures of the GSP scheme.

E. Planning of further impact assessment work

When will the impact assessment work start?

The impact assessment work will start in March 2010 with the creation of the Interservice Steering Group

(i) What information and data are already available? (ii) Will this impact assessment build on already existing impact assessment work or evaluations carried out? (iii) What further information needs to be gathered? (iv) How will this be done (e.g. internally or by an external contractor) and by when? (v) What type and level of analysis will be carried out (cf. principle of proportionate analysis)?

GSP trade statistics for the years 2006-2008 are already available. The relevant 2009 GSP data will be available in July 2010.

An impact assessment of the operation of the GSP scheme in the years 2004-2006 is available.

The external evaluation on the effectiveness of the current GSP scheme is to be completed in April 2010.

The policy options will be further developed in the impact assessment and will not seek to go any further than required to achieve the GSP policy objectives.

The analysis will cover GSP trade related issues but also large economic, social and environmental aspects.

Which stakeholders & experts have been/will be consulted, how and at what stage?

Wide public consultations are launched in March 2010 for all interested parties inside and outside the EU. The consultations will last until 31 May 2010.