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Opinion

Title **Impact Assessment: Regulation on applying a scheme of generalised tariff preferences for the years 2009-2011**

(draft version of 3 October 2007)

Lead DG **DG TRADE**

1) Impact Assessment Board Opinion

(A) Context

The GSP scheme is seen as a key element with which to achieve the EU's poverty reduction and sustainable development aims. In July 2004, the Commission adopted the Communication on the role of the GSP for the ten-year period 2006 to 2015. The July 2004 Communication was the result of a substantial review of the objective and instruments of the GSP scheme. It set out new functions for the GSP scheme. The substantially revised GSP was proposed to enter into force as from January 2006 and to last for ten years until 2015. It provided for regular technical reviews at intervals of three years. The GSP scheme's provisions are laid down in Council Regulation (EC) No 980/2005, which will expire on 31 December 2008. The new GSP Council Regulation, which will enable the continuation of the GSP scheme in the years 2009-2011, will enter into force on 1 January 2009.

(B) Positive aspects

The IA sets out in a clear manner what it intends to address and makes very good use of the proportionate analysis criterion as explained by the Commission IA guidelines. In view of the short period of time that has elapsed since the introduction of the existing GSP scheme, its evaluation as presented in the impact assessment is perfectly adequate.

(C) Main recommendations for improvements

The recommendations below are listed in order of descending importance. Some more technical comments have been transmitted directly to the author DG.

General recommendation:

The role of the GSP scheme within the context of the EU's overall development

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policy needs to be better explained. The links between the GSP scheme and other policies and work by the Commission in this area needs to be clarified. Some of the wider impacts of the progress that has been made on achieving the objectives of the existing scheme should be analysed and stated. There is a need for making the impact assessment more accessible to non-expert readers.

DG TRADE has largely accepted these comments and already acted on them in written correspondence with the Impact Assessment Board.

(1) The IA report should provide some assessment on the contribution of the GSP scheme to the wider aims of the EU's development policy. Although it would clearly be disproportionate and probably infeasible to detail the exact contribution this scheme makes, a more thorough explanation of its importance and the benefits it is expected to produce would improve the impact assessment.

(2) The IA report should elaborate more on the utilisation rates of the scheme. As the conclusions drawn from this evaluation confirm the usefulness and the success of the existing scheme, the seemingly low utilisation rates of the preferential trade arrangements available under this scheme should be explained and put in the appropriate context by establishing the relationship with the COTONOU agreement and the work carried out by TAXUD on rules of origin. Furthermore the IA report should describe whether it would be considered a success of this scheme if trade were diverted from other developing countries or EU manufacturers.

(3) A first analysis of the impacts that increased imports from some least developed countries have had on other developing countries and/or on EU manufacturers should be presented. Also, the figures on trade creation should be checked with respect to the risk of double counting (MFN imports being replaced by GSP imports) and the empirical backing of the assumed high price elasticities of GSP trade.

(4) The IA report should analyse whether there is scope for further simplifying the GSP arrangements, or explain why this is not relevant or appropriate. Furthermore the IA report should better describe the benefits from consolidating GSP and FTA arrangements, and comment on whether the current pace of consolidation is satisfactory.

(D) Procedure and presentation

It appears that all necessary procedural elements have been complied with. The readability of the impact assessment should be improved by explaining terms when first introduced or by including an annex that explains technical language.

2) IAB scrutiny process

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