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Opinion

Title **Impact Assessment on: Rules of Origin for the Generalised
System of Preferences (GSP)**

(draft version of 27 July 2007)

Lead DG **DG TAXUD**

1) Impact Assessment Board Opinion

(A) Context

The GSP aims to contribute to a better integration of developing countries and emerging markets into the world economy and to thus contribute to their economic development. The current GSP arrangements, dating back to the 1970s, have become outdated and are generally considered as too burdensome. In a Communication in March 2005 the Commission undertook to carry out further analysis of how best to simplify existing GSP arrangements.

(B) Positive aspects

The IA sets out in a clear manner the problems of the current arrangements and makes a convincing case as to the need for re-examining them with a view to devising simpler rules that lead to higher take up rates. The IA also draws on two extensive studies that have looked in detail into the functioning of the system.

(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: There is a need for improving the readability and comprehensibility of the report. The analysis supporting the proposed conclusions needs to be strengthened, particularly with respect to the value added thresholds and cumulation. More consideration of environmental and social impacts and a more thorough analysis of the administrative burden implication for beneficiary countries and, therefore, on the uptake of GSP would be appropriate. The report should also elaborate on the impact on the EU budget. Clarification of the status of

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this version of the impact assessment report in light of apparent further planned consultation with member states and beneficiary countries and its link to the final proposal is needed.

DG TAXUD broadly accepted these comments that were made in the discussion. Nevertheless, as this would imply substantial additional work and redrafting, the Board stands ready to review a revised impact assessment report, should the DG decide to resubmit it. In the event that there are substantial changes to the IA as a result of the planned consultations with Member States and beneficiary countries prior to launching the Inter-service Consultation, the IAB would wish to review such a new version of the impact assessment in any case.

(1) The value added thresholds and their underlying reasoning should be explained on the basis of a more thorough economic analysis that also differentiates between the sectors concerned. The assumption that the preferred thresholds of 30% and 45% lead to a utilisation rate of 100% needs to be better substantiated and the potential risks that could produce lower take up rates should be analysed. Some analysis as regards trade creation effects if utilisation rates turn out to be lower is also needed. The calculation of the value added in practice and the associated difficulties should be analysed and explained more concretely. Furthermore, the impact of exchange rate movements should be given further consideration.

(2) The potential benefits and drawbacks stemming from changes to the cumulation regime should be explained more clearly and analysed further, particularly with regard to how the currently proposed changes would influence the utilisation of the proposed value added thresholds.

(3) The analysis of environmental and social impacts needs to be less cursory, including in its reference to the expected trade deflection effect and focus more on sector specific, localised or country specific effects.

(4) The section on political context should explain why the seemingly obvious option of reducing GSP rates and its potential for increasing utilisation in beneficiary countries falls outside the scope of this assessment.

(5) The impact on the EU budget should be analysed and quantified to the extent possible.

(D) Procedure and presentation

(1) It appears that all necessary procedural elements have been complied with. However, the role of this impact assessment in defining the final proposal has to be clarified. Given that the next steps in this line of work apparently foresee a consultation first with member states and then with beneficiary countries, the status of the analysis and the choice of options of the current version need to be spelled out, particularly with regard to the intention to carry out further analytical work if the results of those consultations so demand.

(2) The impact assessment's readability needs substantial improvement. A glossary, the use of boxes explaining specific issues and a more elaborate executive summary that also refers to the non-preferred options should be included.

2) IAB scrutiny process

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