



EUROPEAN COMMISSION
IMPACT ASSESSMENT BOARD

Brussels, 19 NOV. 2010
D(2010)

Opinion

Title

DG TRADE - Impact Assessment on: a Regulation applying a scheme of generalised preferences for the period from 1 January 2014

(draft version of 25 October 2010)

(A) Context

The Generalised System of Preferences (GSP) grants preferential access to EU markets on a non-discriminatory basis to 176 eligible countries and is articulated in three separate regimes: (i) the basic GSP; (ii) the GSP+ programme offering additional preferences to those developing countries deemed vulnerable and implementing specified core international conventions; and (iii) the Everything But Arms (EBA) initiative, which offers duty-free and quota-free market access to 49 Least Developed Countries (LDCs). First introduced in 1971, the scheme currently aims to achieve the objectives set out in the Communication COM(2004)461 and is implemented through Council Regulation (EC) No 732/2008. A recently completed mid-term review provides the background for the planned Commission proposal for a successive regulation. This will not cover EBA (which is not subject to periodic reviews) or rules of origins (for which new legislation is already coming into force in 2011).

(B) Overall assessment

While the Board acknowledges the amount of work already carried out to evaluate GSP and assess the impacts of possible changes, the report needs to be significantly improved in several important aspects. It should strengthen the analysis of problems by providing a broader evidence-based analysis of the problems affecting the effectiveness, efficiency and coherence of GSP as well as by explaining more clearly which issues need to be addressed and why. The report should also develop a baseline scenario that takes into account the possible conclusions of on-going trade negotiations and should assess a larger number of options, most notably with respect to possible changes in GSP product coverage. Finally, the report should explicitly compare options in terms of their effectiveness, efficiency and coherence on the basis of a more balanced and comprehensive assessment of their impacts.

Given the nature of these recommendations, the Board asks DG Trade to resubmit a revised version of the report, on which it will issue a new opinion.

(C) Main recommendations for improvements

(1) Strengthen the analysis of problems. The report should provide a broader analysis of the issues affecting GSP, more clearly identify the problem drivers and give a stronger justification for the selection of problems to be addressed. The report should, in particular, discuss possible issues related to trade diversion effects, consumer welfare impacts and export diversification incentives. In the case of GSP+, a less ambiguous assessment of its actual and potential effectiveness should be provided. Against the background of this wider assessment, the report should clearly specify which problems are considered significant and amenable to resolution, and why. The analysis of the problems should be framed in terms of the effectiveness and efficiency of GSP and of its coherence with wider EU trade policy (including on-going trade negotiations and the promotion of sustainable development and good governance). In its analysis of the problems, the report should provide more details on the evaluation of GSP and directly integrate supporting evidence into the main text (rather than generally referring to it). To help the non-expert reader, table(s) with key GSP statistics should be included along with annexes with information on the state of play regarding the ratification and implementation of GSP+ conventions and on the detail of relevant GSP mechanisms (such as various eligibility formulas and the graduation mechanism). A problem tree could also be added to clearly illustrate the scope of the proposal and the links between problems, problem drivers and proposal objectives ('intervention logic').

(2) Develop a full baseline scenario and extend the range of the options. The report should clearly identify the continuation of the current scheme (option B) as the baseline. This should also incorporate a scenario envisaging the likely conclusions of relevant on-going trade negotiations within a given timeframe. In addition, the report should discuss the desirability of increasing the attractiveness of the preferences granted under GSP+. Finally, in the case of changes to GSP product coverage and preference margins (option D), illustrative sub-options varying in level of ambition should be presented alongside the more radical scenario currently analysed. These should include the option most likely to be proposed by the Commission.

(3) Improve the analysis of impacts. The report should identify impacts relative to the baseline and should systematically assess a wider range of impacts across all options and sub-options, in particular by looking at EU consumer welfare, trade creation and trade diversion effects and preference erosion. Different distributional impacts across industries and/or EU and beneficiary countries should also be more extensively analysed when significant. The strengthened analysis of impacts should lead to a more balanced assessment of the options which should be explicitly compared in terms of their effectiveness, efficiency and coherence. In its assessment, the report should clarify whether tighter GSP eligibility criteria, a strengthened graduation mechanism and available safeguards could sufficiently protect European producers of sensitive (or excluded) products as argued by several respondents to the public consultation. Given these suggested changes, summary tables in § 5.1, 5.4 and 6.1 would have to be modified and the report should clearly differentiate between the absolute magnitude of identified impacts and their relative size across different options.

Some more technical comments have been transmitted directly to the author DG and are expected to be incorporated in the final version of the impact assessment report.

(D) Procedure and presentation.

Procedural requirements have been fulfilled. Annexes providing greater background information – see (1) above – and a clearer presentation of simulation results would significantly improve accessibility for the non-expert reader. The summary of the public consultation should be annexed to the main report and its results directly recalled in the main text when relevant.

(E) IAB scrutiny process	
Reference number	2010/TRADE/019
External expertise used	No
Date of Board Meeting	17 November 2010