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IMPACT ASSESSMENT

VOL. I

Accompanying the document

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on applying a scheme of generalised tariff preferences

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(*This report commits only the Commission's services involved in its preparation and does not prejudge the final form of any decision to be taken by the Commission'*).

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1. PROCEDURAL ISSUES AND CONSULTATION OF INTERESTED PARTIES

1.1. Background

The Generalised System of Preferences (hereinafter 'the scheme') helps developing countries, particularly Least Developed Countries (hereinafter 'LDCs'), reduce poverty by generating or increasing their revenues from international trade. It does so by providing import preferences. On top of this central goal, the scheme has taken up an additional role. This is to provide incentives, in the form of additional import preferences, to those countries committed to promote sustainable development and good governance.

The scheme represents a departure from the most-favoured nation principle under the General Agreement on Tariffs and Trade (GATT) in favour of developing countries. It therefore has to comply with the terms and conditions of the 'Enabling Clause' (officially called the 'Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries'), which allows World Trade Organization's (WTO) Members to accord different and more favourable treatment to developing countries provided the treatment is 'generalized, non-reciprocal and non-discriminatory'.

In addition to the EU, eight developed countries (Australia, Canada, Japan, New Zealand, Norway, Switzerland, Turkey, and the US) have accepted the United Nations Conference's on Trade and Development (UNCTAD) recommendation of 1968 to grant autonomous trade preferences to developing countries by offering their own schemes for a generalised system of preferences[1].

First introduced in 1971, the scheme currently aims to achieve the objectives set out in the *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*[2] (these objectives are fully described in §3.2).

The scheme[3] grants preferential access to EU markets on a generalised and non-discriminatory basis to 176 eligible countries and territories and is made up of three arrangements:

- the general arrangement (hereinafter 'GSP');
- the special incentive arrangement for sustainable development and good governance (hereinafter 'GSP+'), which offers additional preferences as incentives to support vulnerable developing countries in ratifying and effectively implementing 27 international conventions on human and labour rights, the environment and good governance;
- the Everything But Arms arrangement (EBA), which provides duty-free, quota-free access to LDCs.

[1] As of 1 January 2011 the US GSP scheme has lapsed, pending extension approval by US Congress.
[2] COM (2004) 461 final, hereinafter 'the Commission GSP Communication.'
[3] For a detailed description of the scheme, see Annex 1.

The present scheme has been implemented through successive regulations each applying for three year periods, to ensure that it can be updated on a regular basis so as to take account of evolutions in relevant trade data. The current scheme was established by Council Regulation (EC) No 732/2008[4] that entered into force on 1 January 2009 and expires on 31 December 2011. On 26 May 2010 the Commission adopted a proposal to extend the validity of this regulation to 31 December 2013, in order to allow time to prepare the revision of the scheme. (The proposal has been sent to the Council and the European Parliament (EP) for adoption[5].) However, the new, longer decision-making procedures envisaged in the Lisbon Treaty make it advisable to move from a scheme implemented in three-year cycles to a scheme with an open-ended duration. This ensures that reviews of the scheme do not impinge upon the predictability economic operators hold essential.

A recently completed mid-term review provides the background for the planned Commission proposal for a revised regulation to replace the existing scheme upon its expiry in December 2013. Both the EBA arrangement and the rules of origin provisions, fall outside the scope of this revision: the former, because it is not subject to periodic reviews; and the latter, because new legislation on rules of origin has entered into force in 2011.

1.2. Organisation and timing

The Directorate-General for Trade is the lead service in the case of a proposal for a regulation applying a scheme for a Generalised System of Preference. This proposal is part of the Commission's work programme for 2010/2011 (31.3.2010 COM (2010) 135 final).

The other DGs and services that have been involved in the preparation of the impact assessment are: DG Agriculture and Rural Development, DG Budget, DG Economic and Financial Affairs, DG Employment, Social Affairs and Equal Opportunities, DG Enterprise and Industry, DG Environment, DG Maritime Affairs and Fisheries, DG Development, DG External Relations (now EEAS), European Anti-Fraud Office, Eurostat and the Secretariat-General.

An inter-service steering group was set up for this impact assessment and met on 10 March, 4 June, 8 and 24 September and 18 October 2010. An additional meeting took place on 25 February 2011.

1.3. Consultation and expertise

This impact assessment report has been prepared following consultations[6] with Member States and other stakeholders (including civil society, industry, beneficiary countries, the EP and WTO members). These consultations were launched following the *Stakeholder Conference on EU Trade Policy towards Developing Countries* on 16 March 2010. A web-based consultation (i.e., an online questionnaire) was open to the public from 27 March to 4 June 2010. In total, 143 exploitable answers were received

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[4] OJ L 211, 6.8.2008, p.1.

[5] Following entry into force of the Lisbon Treaty, measures defining the framework of the common commercial policy are adopted by the European Parliament and the Council acting jointly under the ordinary legislative procedures; previous GSP regulations were decided by the Council alone.

[6] The GSP Consultation Report and the full list of answers are available at: http://trade.ec.europa.eu/consultations/?consul_id=142

from representatives of both beneficiary and non-beneficiary countries, business associations, trade unions, research centres, non-governmental organizations, private companies and individuals. In parallel to the on-line consultation, specific outreach activities were organised, such as: an information meeting for WTO Members in Geneva on 5 May 2010; consultations with GSP beneficiary countries on 18 May 2010; a civil society meeting in Brussels on 26 May 2010; and a meeting with EP representatives on 2 June 2010. EU Delegations were asked to disseminate information on the GSP review process in their respective countries.

In general the consultations underlined the importance of the scheme for its users. Almost all respondents agreed that the scheme was still a valid trade instrument for developing countries. Respondents from different beneficiary countries confirmed that the scheme had played an important role in the expansion and diversification of their trade sector. About half of the respondents, representing different types of stakeholders, stressed the need for modifications covering: stronger control and verification of requirements to ensure that preferences go to the countries in need; support for investment in developing countries; competitiveness of EU industries; and focus on abolishing restrictions in international trade and lowering of custom duties and other barriers.

The views of stakeholders were taken into account in preparing this impact assessment, as is highlighted in several instances in the analysis that follows. The Commission's minimum standards for consultations were met. A summary of the consultation report is presented in Annex 2.

To assess the extent to which the EU's scheme meets the need of developing countries, a mid-term evaluation was carried out by an external contractor, the Centre for Analysis of Regional Integration at Sussex (CARIS). The final report was published on 26 May 2010 on the DG Trade website[7]. The results of this study are reflected in this impact assessment where relevant, and in addition an executive summary is presented in Annex 3.

1.4. The opinion of the Impact Assessment Board

On 19 November 2010 the Impact Assessment Board of the European Commission delivered its opinion regarding preliminary version of this Impact Assessment report. Following the recommendations of the Board, the report has been redrafted along four main lines.

1. The analysis of problems has been (i) strengthened on the basis of a significant *corpus* of evidence, and (ii) structured around a problem chart and problem tree which clearly identify problems and their drivers, as well as the operational, specific and general objectives to be achieved.

2. The range of options and sub-options has been extended from 3 to 6, and these have been compared against a baseline. The baseline has considered a short-run scenario (current level of preferences) and a long-run scenario (level of preferences reflecting the successful conclusion of the on-going bilateral and multilateral negotiations). This

[7] http://trade.ec.europa.eu/doclib/docs/2010/may/tradoc_146196.pdf

means that 12 different possibilities have been analysed in order to shed light on all the salient issues linked to the scheme.

3. The analysis of impacts systematically includes the full range of variables suggested by the Board, and the comparison of the options has been based on the required efficiency, effectiveness and coherence criteria.

4. The structure of the report has been streamlined, and the largely expanded annex section has been organised in a systematic, user-friendly manner.

2. PROBLEM DEFINITION[8]

2.1. Introduction

Though some have questioned whether tariff preferences have actually made a substantive difference in terms of enhancing the welfare of beneficiary countries, the analysis of the effectiveness of the existing GSP scheme undertaken by CARIS, concluded that the scheme has been generally successful. That view is echoed by the vast majority of responses to the consultation, which confirmed that the scheme and its objectives remain valid. It is further underlined by the figures in the CARIS study showing the importance of the preferences. Imports benefiting from preferences are significant (see Annex 4, Table 4-1). They amounted to almost €60 billion in 2009. This corresponds to over 9% of total EU imports from all beneficiaries. This percentage varies across categories of beneficiaries. Preferential imports account for 8% of total imports from GSP countries, for 20% of total imports from GSP+ countries, and for 32% of total imports from EBA beneficiaries. Considering that a vast majority of imports from beneficiaries (62%[9]) are subject to 0% general tariffs,[10] a more accurate picture is given by expressing preferential imports as a percentage of total imports for which the default tariff rate would be positive. Thus expressed, GSP imports represent 21% of goods that are capable of enjoying preferences, GSP+ imports account for 63%, and EBA imports account for 67% (see Annex 4, Table 4-3).

The CARIS study[11] also highlights the fact that growth in trade and investment with the EU in recent years has been significantly higher for GSP beneficiary countries than for non-beneficiaries. Preferential exports under the scheme have increased, and have done so at a faster rate than that of other exports to the EU. Therefore, the scheme has become an engine for total export growth for beneficiaries. This engine effect is particularly remarkable for EBA countries, for which the whole of the increase in exports to the EU is due to exports of goods under preferences. The scheme's preferences appear to be critical particularly for GSP+ and EBA countries.

The general attractiveness of the scheme is also underlined by a relatively high level of utilisation of the available preferences[12], but with room for further improvement:

[8] Further details and evidence regarding the problem definition are provided in annex 7.
[9] See Annex 4, Table 4-2.
[10] These are the so-called "most favoured nation" tariffs (hereinafter "MFN"), which apply to all WTO members as a rule.
[11] CARIS, page 9.
[12] This is confirmed by CARIS, see Ibid.

53% for GSP countries, 69% for EBA countries and 85% for GSP+ countries (see Annex 4, Table 4-7).

The system provides real gains for exporters, who appear to benefit from roughly half of the excess gains (the other half accruing to importers in the EU)[13]. These gains are significant. An indication of their order of magnitude is the amount of unpaid import duties *per annum*, which – other things being equal – would be of the order of €2.1 billion (based on 2009 figures, the latest available data).

In respect of the second goal of the EU's scheme, i.e., the promotion of sustainable development and good governance, there is evidence that the GSP+ arrangement has had a positive impact on the ratification of GSP+ related conventions, thus encouraging the further inclusion of developing countries into the international community. However progress in actual effective implementation of the relevant conventions is less evident, although some GSP+ beneficiary countries have undertaken substantial reform efforts. The monitoring bodies of the relevant conventions have noted a number of positive developments, including the adoption of legislative and policy measures taken with a view to implement conventions.

2.2. Overall framework and constraints external to the scheme

Development and poverty reduction are complex goals, which necessitate many building blocks to be achieved. The scheme is one of those many blocks. While, on its own, the scheme will not directly reduce poverty, its preferences can help developing countries boost exports and develop new industries – a factor which, given an adequate political and economic context, can contribute significantly towards development and poverty reduction.

The potential benefits of the scheme are subject to various structural and other constraints. The scheme operates in a complex context, where it interacts with a number of policy strands and economic realities. The latter place constraints on the scheme, and in turn the scheme affects other strands of EU policy.

The first constraint arises due to the EU's low level of tariffs (for example, in 11 out of 21 product categories, general tariffs are 3,5% or lower[14]) and the significant number of tariff-free lines (25% of the total EU tariff lines[15]), which limit the scope and size of preference margins and, thus, set a limit on the possible impact of the GSP scheme. As multilateral and bilateral negotiations progress, tariffs (and thus preference margins) will continue to decrease.

The CARIS study underlined that a second cause of the preference utilisation gap is bureaucracy in the exporting countries[16]. This aspect can be addressed by trade facilitation initiatives, for example in the context of *Aid for Trade*.

A third constraint is the existence of parallel preference schemes such as the EPA Market Access Regulation[17] (a program under which the EU grants preferences to

[13] Ibid.
[14] See Annex 4 Table 4-10.
[15] See Annex 4, Table 4-5.
[16] See CARIS, page 81.
[17] Council Regulation (EC) No 1528/2007 of 20 December 2007, (OJ L 348, 31.12.2007, p. 1).

Cotonou Agreement parties that have initialled by 31 December 2007 an Economic Partnership Agreement with the EU prior to its signature and provisional application). The impact of such schemes can be roughly measured by the level of EBA imports entering under such parallel schemes – almost 7%[18] of the total. However these are temporary and should disappear once EPAs enter permanently into force.

In relation to the GSP+ arrangement, there are several further problem drivers that fall outside the remit of the scheme. The scheme's preferences are not supposed to 'compensate' for the eventual cost of implementing conventions, but rather to provide an incentive for countries to sign up to relevant international conventions and submit to the monitoring and reviews under them. But this does not mean that implementation costs are low – in fact these may be significant in some cases[19]. In a context where the necessary data for a meaningful cost-benefit analysis is lacking[20], such costs should not be underestimated.

In addition, the success in implementing the relevant conventions depends greatly on domestic political dynamics within the countries concerned. Government priorities, budgetary constraints, availability of appropriate development and technical assistance will be powerful determinants of actual progress, irrespective of the preferences involved. Significant changes in the fields related to GSP+ conventions typically take time to materialise[21]. Therefore, ambition in this area must be tempered with realism: the scheme will help given time, but it cannot lead alone to the achievement of sustainable development and good governance, which ultimately depends on outside structural factors.

Finally, the GSP+ eligibility requirement related to promotion of sustainable development and good governance is based on the ratification and implementation of 27 international conventions, which are defined and monitored by international bodies (UN, ILO…). Therefore in its assessment concerning implementation of conventions the EU relies on available recommendations by the relevant monitoring bodies. This implies limitations as to timing (in most cases the monitoring work is not done every year) and substance (what some may see as a breach of core conventions may not be the international institutions' view).

2.3. Problems that impinge upon the scheme's effectiveness/efficiency

The scheme is technically complex and involves a large set of diverging interests both in the EU (supplying countries, competing producers, importers…) and among the scheme beneficiaries (who compete against each other). The salient issues and problems that can not be solved by the scheme are described in Annex 5.

Issues which represent genuine problems that can be addressed in the review process have been identified and will be described below. They are depicted in the following problem chart and problem tree.

[18] See Annex 4, Table 4-2.
[19] See CARIS, pages 10-11. The consultation process also highlighted this point.
[20] See CARIS, page 172.
[21] CARIS found that it was too early to judge on whether GSP+ had been effective in terms of implementation of conventions; see page 10.

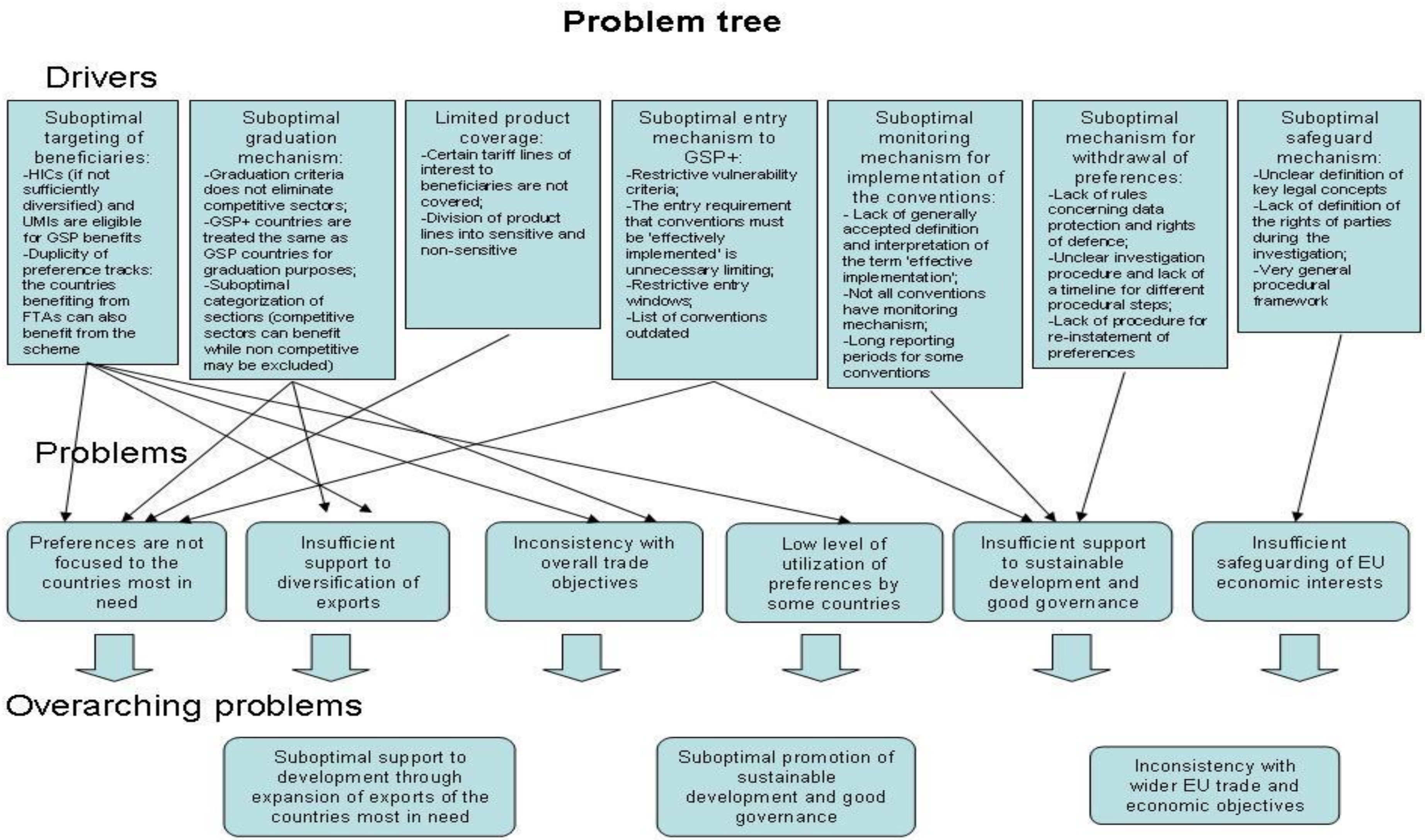
Problem chart

(Note: grey areas denote problems external to the scheme)

Problems	Problem drivers	Operational objectives	Specific objectives						General objectives		
			S-1	S-2	S-3	S-4	S-5	S-6	G-1	G-2	G-3
			Better focus the preferences on countries most in need	**Remove disincentives to diversification**	**Enhance consistency with overall trade objectives, whether bilateral or multilateral negotiations**	**Strengthen the support for sustainable development and good governance**	**Improve the efficiency of safeguard mechanisms**	**Enhance legal certainty, stability and predictability**	**Contribute to poverty eradication by expanding exports of countries most in need**	**Promote sustainable development and good governance**	**Ensure better safeguard for EU's financial and economic interests**
The preferences are not focused to the countries most in need	**Suboptimal targeting of beneficiaries** -High income countries (if not sufficiently diversified) and upper middle income countries are eligible for GSP benefits	Revise the beneficiary country list by deferring benefits to those countries that do not need preferences	X	X	X				X	X	X
	-Duplicity of preference tracks: FTA partners are GSP beneficiaries even though they already benefit from preferences under FTA	Revise the beneficiary country list by deferring benefits to those countries that do not need preferences	X		X			X	X	X	X
	Suboptimal graduation mechanism -Large competitive pressure by GSP beneficiaries on GSP+ and EBA countries -Graduation criteria do not eliminate competitive sectors -GSP+ countries are treated the same as GSP countries for graduation purposes	Target graduation on the prime beneficiaries ensuring that GSP preferential rates are withdrawn from competitive products	X		X				X	X	X
	-Suboptimal categorization of sections (competitive sectors can benefit while non competitive may be excluded)	Redefine product sections to reflect more homogeneous product categories	X		X			X	X	X	

	Limited product coverage -Certain tariff lines of interest to beneficiaries are not covered -Division of product lines into sensitive and non-sensitive	Revise the product coverage and analyze the impacts	X			X			X	X	
	-Restrictive GSP+ vulnerability criteria	Broaden vulnerability criteria	X	X		X			X	X	
Low level of utilization of preferences by some countries	-Low level of existing MFN duties, few tariff peaks lead to low preferences -Existence of other preferential arrangements (EPA Regulation,) Bureaucracy in the exporting countries -Large competitive pressure by GSP countries on GSP+ beneficiaries and LDCs -Duplicity of preference tracks: FTA partners are GSP beneficiaries even though they already benefit from preferences under FTA	Revise the beneficiary country list by deferring benefits to those countries that do not need preferences	X	X	X				X	X	X
Ineffective support to diversification of exports	-Low level of existing MFN duties, few tariff peaks lead to low preferences -Large competitive pressure by GSP beneficiaries on GSP+ and EBA countries -High income countries (if not sufficiently diversified) and upper middle income countries are eligible for GSP benefits	Revise the beneficiary country list by deferring benefits to those countries that do not need preferences	X	X	X				X	X	X
	-Graduation criteria do not eliminate competitive sectors -GSP+ countries are treated the same as GSP countries for graduation purposes	Target graduation on the prime beneficiaries ensuring that GSP preferential rates are withdrawn from competitive products	X		X				X	X	X
Insufficient support to sustainable development and good governance	**-Sub-optimal entry mechanism to GSP+:** -Significant implementation costs for beneficiaries -Domestic beneficiary politics not always conducive to scheme's goals -Restrictive vulnerability criteria	Broaden vulnerability criteria	X			X		X	X	X	

	-The entry requirement that conventions must be 'effectively implemented' is unnecessary limiting -Restrictive entry windows -List of conventions outdated	Simplify GSP+ entry mechanism	X		X	X		X	X	X	X
	Suboptimal monitoring mechanism for implementation of the conventions -Not all conventions have monitoring mechanism -Long reporting periods for some conventions -Lack of generally accepted definition and interpretation of the term 'effective implementation'	Develop a more effective and transparent mechanism for monitoring and evaluating the GSP+ countries' commitment and progress in the implementation of GSP+ conventions			X	X		X		X	X
	Suboptimal mechanism for withdrawal of preferences -Lack of rules concerning data protection and rights of defence -Unclear investigation procedure and lack of a timeline for different procedural steps -Lack of procedure for re-instatement of preferences	Develop credible and efficient procedures for temporary withdrawal of the preferences and procedures for renewal of the preferences	X		X	X		X	X	X	X
Insufficient safeguarding of EU economic interests	**Suboptimal safeguard mechanism** -Unclear definition of key legal concepts -Lack of definition of the rights of parties during the investigation -Very general procedural framework	Improve the administrative procedures of safeguard mechanisms					X	X			X
Inconsistency with overall trade objectives	**Suboptimal targeting of beneficiaries** -High income countries (if not sufficiently diversified) and upper middle income countries are eligible for GSP benefits -Duplicity of preference tracks: FTA partners are GSP beneficiaries even though they already benefit from preferences under FTA	Revise the beneficiary country list by deferring benefits to those countries that do not need preferences	X	X	X				X	X	X
	Suboptimal graduation mechanism -Graduation criteria do not eliminate competitive sectors -GSP+ countries are treated the same as GSP countries for graduation purposes	Target graduation on the prime beneficiaries ensuring that GSP preferential rates are withdrawn from competitive products	X		X				X	X	X


Problem tree
Drivers
Suboptimal targeting of beneficiaries:
-HICs (if not sufficiently diversified) and UMIs are eligible for GSP benefits
-Duplicity of preference tracks: the countries benefiting from FTAs can also benefit from the scheme
Suboptimal graduation mechanism:
-Graduation criteria does not eliminate competitive sectors;
-GSP+ countries are treated the same as GSP countries for graduation purposes;
-Suboptimal categorization of sections (competitive sectors can benefit while non competitive may be excluded)
Limited product coverage:
-Certain tariff lines of interest to beneficiaries are not covered;
-Division of product lines into sensitive and non-sensitive
Suboptimal entry mechanism to GSP+:
-Restrictive vulnerability criteria;
-The entry requirement that conventions must be 'effectively implemented' is unnecessary limiting;
-Restrictive entry windows;
-List of conventions outdated
Suboptimal monitoring mechanism for implementation of the conventions:
- Lack of generally accepted definition and interpretation of the term 'effective implementation';
-Not all conventions have monitoring mechanism;
-Long reporting periods for some conventions
Suboptimal mechanism for withdrawal of preferences:
-Lack of rules concerning data protection and rights of defence;
-Unclear investigation procedure and lack of a timeline for different procedural steps;
-Lack of procedure for re-instatement of preferences
Suboptimal safeguard mechanism:
-Unclear definition of key legal concepts
-Lack of definition of the rights of parties during the investigation;
-Very general procedural framework
Problems
Preferences are not focused to the countries most in need
Insufficient support to diversification of exports
Inconsistency with overall trade objectives
Low level of utilization of preferences by some countries
Insufficient support to sustainable development and good governance
Insufficient safeguarding of EU economic interests
Overarching problems
Suboptimal support to development through expansion of exports of the countries most in need
Suboptimal promotion of sustainable development and good governance
Inconsistency with wider EU trade and economic objectives

2.3.1. The preferences are not focused to the countries most in need

Suboptimal targeting of beneficiaries

The first question when examining the scheme is whether the beneficiaries are well targeted. In the public consultation, the majority of opinions recommended that the EU should concentrate the scheme primarily on countries 'most in need'. This concept is not explicitly laid out in any legal text, but can be described by combining a 'positive' approach (which countries have trade, financial and development needs that should be addressed by the scheme) and a 'negative' approach (which countries don't have such a level of needs).

Positive approach: The current scheme identifies two specific categories of countries with such needs. The first category comprises LDCs as defined by the UN. They are poor and receive special EBA treatment. The second category contains vulnerable countries (they lack diversification and are insufficiently integrated into the international trading system). Vulnerability is a pre-condition for receiving special GSP+ treatment, whilst eligibility depends on prior ratification and effective implementation of the relevant conventions. The consultation responses have underlined that there is substantial support for maintaining the current treatment for these countries, underlining that they are 'most in need'.

Negative approach: There are a number of countries that do not have trade, financial and development needs that the scheme is intended to address. This is one of the key problems with the scheme, as described below.

The CARIS analysis suggests that under the current scheme a large degree of competitive pressure for LDCs (and GSP+ beneficiaries) comes from GSP beneficiaries. GSP beneficiaries account for 81% of preferential imports, GSP+ countries for 9%, and LDCs countries for 10% (see Annex 4, Table 4-1). This is not surprising, as the five largest exporters covered by the GSP scheme (China, India, Thailand, Brazil, Russia) account for more than 67% of all GSP covered imports. It should be underlined that this is not only the result of the economic size of beneficiaries. The share of imports under the scheme for five (China, Brazil, India, Thailand and Indonesia) out of the top six GSP beneficiaries (the foregoing plus Russia) is significantly higher than their share in *total* imports (see Annex 1, Table 1-2).

There are several factors that promote this asymmetry. First, several countries classified as high-income countries (HICs) by the World Bank[22] continue to be beneficiaries[23], as they are not 'sufficiently diversified'. However, as such countries have the resources to attain higher levels of diversification without the help of EU preferences, retaining them in the scheme must be questioned.

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[22] Countries are divided according to 2009 GNI per capita, calculated using the World Bank Atlas method. The groups are: low income, $995 or less; lower middle income, $996 - $3,945; upper middle income, $3,946 - $12,195; and high income, $12,196 or more. For the purpose of this assessment, countries must be classified in the last 3 years available as HIC

[23] Aruba, Bahamas, Bahrain, Barbados, Bermuda, Brunei Darussalam, Cayman (Islands), French Polynesia, Greenland, Guam, Kuwait, Macao, New Caledonia, Northern Mariana Islands, Oman, Qatar, Saudi Arabia, the Netherlands Antilles, Trinidad and Tobago, United Arab Emirates, Virgin British (Islands). All of these countries have been classified as HIC in the last 3 years available.

The same phenomenon arises with other countries whose levels of wealth and development are high[24]. This is the case for 31 so-called Upper Middle Income countries[25] (UMIs) according to the same classification by the World Bank. These countries also have significant per capita income levels – so much so that they are in the same category as EU Member States such as Bulgaria and Romania. They also include economies which have successfully completed their transition from centralised to market economies.

The use of preferences by HICs and UMIs increases the competitive pressure on exports from poorer, more vulnerable countries, whose needs are far greater and thus deserve increased attention.

Those countries that already profit from preferences via another bilateral preferential arrangement with the EU also continue to benefit from the scheme. Currently this set comprises 23 beneficiary countries and additional 8 partners will do so when they have concluded agreements with the EU (see Annex 1 Table 1-1). These countries choose to use preferences either under the bilateral preferential arrangement or under the scheme. This choice of preference channels generates additional customs procedures affecting the transparency of offered preferences and it is thus not efficient. This is why a majority of respondents in the consultation process supported the principle to remove such countries from the scheme[26].

The current regulation already establishes that preferential trade agreement partners should be removed from the scheme provided the agreement covers all the preferences offered by the scheme. But this principle is not enforced because of uncertainty about whether (it is possible to determine that) *all preferences* have in fact been covered when the rules of origin differ in either case. The duplication of preferences for a single exporter creates inefficiencies which will only balloon as new agreements are concluded with the 78 partners with whom the EU is currently negotiating bilateral deals (see Annex 1 Table 1-1).

In short, HICs, UMIs, and countries benefiting from another bilateral preference arrangement covering substantially all preferences provided under the scheme should not be considered as being countries most in need or sharing the same development, trade and financial needs as the remaining developing and vulnerable countries.

Suboptimal graduation mechanism

Not all developing countries are the same. In particular, a significant number of developing economies have generated certain export-oriented manufacturing sectors which have successfully penetrated world markets. Advantages based on low labour costs and economies of scale, and specialising in products that exploit such advantages, have made a number of

[24] A number of different (and largely convergent) indices exist to identify them. For the purpose of this impact assessment we will use the same World Bank classification, which is based on *per capita* income—the index preferred by a majority of respondents to the consultation.

[25] American Samoa, Antigua and Barbuda, Argentina, Belarus, Botswana, Brazil, Costa Rica, Cuba, Dominica, Fiji Islands, Gabon, Grenada, Jamaica, Kazakhstan, Lebanon, Libyan (Jamahiriya Arab), Malaysia, Mauritius, Mexico, Mayotte, Palau, Panama, Russia, Saint Lucia, Saint-Vincent-et the Grenadines, Seychelles, South Africa, St. Kitts and Nevis, Suriname, Uruguay and Venezuela. All of these countries have been classified as UMI in the last 3 years available.

[26] A number of respondents in the consultation process wished to see both preferential channels (PTA and the scheme) maintained. The reason for this was the strictness of the scheme's preferential rules of origin, as compared to those under a PTA. Now that the rules of origin applicable to the scheme have been relaxed this reason loses much (if not all) of its relevance.

sectors highly competitive at world level. These sectors are typically located in 'emerging' economies such as China, India, and the more advanced Southeast Asian economies.

These sectors receive benefits under the scheme, although arguably they no longer require preferences to achieve a substantial presence in the EU (or indeed in world markets). Indeed, such competitive sectors are placing EU industry under pressure, and this is partly due to the preferences they enjoy. Moreover, the speed of progress by 'emerging' countries and the presence they have achieved in certain sectors via economies of scale (e.g., sheer *size*) generate *de facto* 'barriers' to entry for the less advanced—which need increasing efforts to diversify their export base[27].

For example, India's share in the pool of total imports which are *eligible* for preferences is 7%. One would expect that India's share in the imports which *actually receive preferences* would be of the same order of magnitude. But the figure is actually 22%, so India takes more preferences than the size of its exports would indicate. But India is no exception: out of the top six GSP beneficiaries, all of which belong to this 'emerging' category, four others (aside from India) are exactly in this situation. This means that some other country is receiving *proportionally less preferences* than their expected share (see Annex 7, indent 6).

The scheme has a mechanism to weed out competitive sectors from specific countries and withdraw preferences—the graduation mechanism[28]. Under the current scheme the graduation mechanism has been barely used. Out of a total of over 2400 country-sectors[29], only 20 have been graduated—13 of which are Chinese sectors (see Annex 1 Table 1-4). This indicates that the current graduation mechanism is insufficiently responsive to ensure the effectiveness and efficiency of the scheme for those countries-sectors which genuinely need preferences to expand their export base and volume. Here, the term 'country-sector' is emphasised, as there are many sectors in different emerging economies which are insufficiently competitive and should thus continue to enjoy preferences.

Another important inadequacy of the graduation mechanism is that graduation is based on the categories of the sections of the EU Customs Tariff. While administratively easier to manage and more stable for economic operators, the categories are so large that they include in some cases heterogeneous products.[30] For example, the umbrella and footwear industry are treated as one, so are rubbers and plastics, fish and meat, edible and non-edible vegetables, tobacco and other prepared foodstuffs. This leads to a situation where products that are not necessarily competitive are excluded just because they fall in a category where products from a totally different, highly competitive industry predominate.

Finally, as has been noted by many stakeholders in the consultation process, the current scheme does not ensure equal treatment for EBA and GSP+ countries. Graduation applies to GSP+ countries but not to EBA countries; and this, even where GSP+ countries share a very similar economic profile (i.e., vulnerability because of a low, non-diversified export base)[31].

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[27] See for example, Paul Collier, The Bottom Billion, page 10 and pages 166-168.

[28] Graduation means that imports of particular groups of products (listed as one section in the EU Customs Tariff) from a given GSP beneficiary country lose GSP or GSP+ preferences when the average imports of a section from a country exceed 15% of GSP imports of the same products from all GSP beneficiary countries during three years (the trigger is 12.5% for textiles and clothing). Se Annex 1.

[29] 127 non-EBA beneficiaries (EBA can not be graduated in the EU's scheme) times 19 sectors with preferences.

[30] For further details see Annex 1 Table 1-5.

[31] See Annex 1 Table 1-1 (virtually all EBA countries are vulnerable).

Insufficient product coverage

One of the most controversial aspects of the scheme is its product coverage, as shown by the particularly contradictory views emanating from the consultation process[32]. Many have argued that the countries most in need fail to gain access to the EU market because the products they would be most likely, or would most want, to export are not covered by the scheme.

First, although the scheme has broad product coverage, still it is not complete**.** Approximately 66% of the EU's 9443 tariff lines enjoy preferences for GSP and GSP+ countries, and the figure is 75% for EBA. In other words, as 25% of tariff lines are duty free to start with, for GSP and GSP+ beneficiaries, 91% of tariffs lines are either preferential or duty free, and basically 100% for EBA (Annex 4, Table 4-4). Thus, there is still scope for extension: product coverage may be opened up to a further 40% of agricultural lines, 1% of textile products and 2% of industrial products.

Second, another *de facto* limitation of the product coverage is division of product lines into sensitive and non-sensitive ones: non-sensitive products enjoy duty-free access and sensitive products (a mixture of agricultural, textile, clothing, apparel, carpets and footwear items) benefit from a tariff reduction of 3.5 percentage points on *ad valorem* duties compared to the standard MFN tariff. For GSP beneficiaries 61% of the tariff lines covered are sensitive, accounting for 63% of covered imports.

2.3.2. Insufficient support to diversification of exports

Initially, the original goal of generalised preference schemes was to help developing economies increase their industrial exports. The premise was that their economies were too dependent on commodities (particularly agricultural ones), and would benefit from industrialisation. Providing preferences in industrial products would help boost such exports and contribute to diversification through the development of a broader industrial base.

However the scheme's contribution to diversification has been mixed. The CARIS study noted that, when all beneficiaries and products are taken together, the evidence for diversification is limited to products with low preference margins[33]. Why? As explained above, the bulk of exports under the scheme come from emerging economies. These have based their success on diversification into industrial products which are subject to low import duties into the EU—and thus low preferences. Contrary to the picture for emerging economies, the scheme has not provided sufficient support for diversification amongst poorer beneficiaries (LDCs).

For example, compared to GSP beneficiaries, EBA countries enjoy significant (additional) preferences in only 7 out of 21 sectors (mainly agricultural, textile and footwear products), and in only 4 when compared to GSP+ countries (only agricultural products). In other words, for a significant amount of products, and in particular for industrial products, the scheme may not provide significant preferences to LDCs with respect to more developed GSP+ or GSP competitors.

The inclusion in the current scheme of GSP countries that scarcely qualify as countries most in need (HICs and UMIs) and which exert significant pressure on competing EBA and GSP+

[32] Also by the attention paid to this by a number of Member States which support a very broad extension of the product coverage.

[33] See CARIS, pages 63-66.

products in the scheme – as well as the relatively weak graduation mechanism – makes diversification in poorer and vulnerable countries more difficult to achieve because the GSP countries capture much of the preferences, particularly in industrial products. It thus impinges significantly upon the effectiveness of the scheme as regards diversification.

2.3.3. Inconsistency with overall trade objectives

The scheme is an autonomous measure with its own developmental and trade objectives. While these are fully independent from EU negotiation goals in the bilateral or multilateral arena, the scheme has side effects on such goals. Therefore, these must be described for the purpose of the impact assessment.

The Commission's recent communication on the future of trade policy underlines the importance of the conclusion of bilateral and multilateral negotiations. The EU is engaging in bilateral negotiations with many of the scheme's beneficiaries (currently 78 countries). It could be argued that the existence of preferences render negotiations more difficult, but the recent conclusion of ambitious free trade agreements with partner countries which benefit from EU preferences under the GSP+ scheme show that this potential problem is not insurmountable.

It is equally clear that in view of the GSP scheme's goal, which is to provide preferences that respond positively to the trade, financial and development needs of beneficiaries, the impact which these potential difficulties can have on trade negotiations is simply irrelevant.

However, as explained above, the current scheme is not well targeted and provides preferences to countries which do not need them to the same extent. Thus, while the objective of focusing the benefits of the GSP scheme on those countries which need it most has nothing to do with other trade negotiations, it might still have the unintended consequence of providing more advanced developing countries with a greater incentive to enter into and conclude reciprocal trade negotiations with the EU.

This may not have a detrimental impact on those countries even from the point of view of development policy, since such preferential agreements provide much broader advantages to our trading partners. They cover not only tariffs for certain goods, but many other aspects where trade is liberalised. Moreover, they provide a permanent contractual framework which the EU can not revoke unilaterally, thus enhancing legal security and promoting stability and predictability for exporters.

2.3.4. Low level of utilization of preferences by some countries

The first problem driver which can be changed within the scheme is the existence of a choice of preference tracks for preferential trade agreement partners. This driver has been explained above, and it reduces preference utilisation almost automatically.

The second driver is the competitive pressure exerted by GSP countries on GSP+ beneficiaries and LDCs. Typically, large-scale exporters located in GSP countries are prime suppliers to EU importers and distributors. For non-sensitive products, this 'competitive advantage' of GSP exporters is gained partly at the expense of LDCs or GSP+ countries, which derive (relatively) less benefit from GSP preferences to which in principle they have an equal entitlement. Inevitably, this turns LDC suppliers into residual suppliers, which export relatively small shipments to the EU, irregularly. Given the relatively small size value of such transactions, importers have less incentive to bear the costs necessary to claim preferences (e.g., obtaining and administration of origin certificates). So, in the end, many preferences are simply not utilised.

2.3.5. Insufficient support to sustainable development and good governance

According to the Commission's draft report on the status of ratification and available recommendations by the relevant monitoring bodies[34], beneficiary countries generally comply with requirements regarding the effective implementation of GSP+ conventions. However, it should be noted that the monitoring bodies have drawn attention to certain, in some cases serious, shortcomings concerning legislative alignment with the conventions and implementation of the conventions in practice, as well as to delays in reporting to the monitoring bodies by most beneficiary countries[35].

The public consultation made clear that GSP stakeholders have high expectations to make the scheme a more effective tool for sustainable development and good governance; particularly through better defined conditions of access to the GSP+ scheme and a more transparent and comprehensive assessment of the level of compliance with the GSP+ eligibility criteria.

There are several problem drivers that can be addressed to make GSP+ arrangement more effective in supporting sustainable development and good governance.

Suboptimal entry mechanism to GSP+

First, excessively restrictive vulnerability criteria prevent several poor countries from applying for the GSP+ arrangement. The CARIS analysis[36] indicates that the current vulnerability criteria (low share in GSP imports and small diversification of exports) that determine eligibility for GSP+ leave some vulnerable countries no possibility to qualify. Also, during the consultation process many stakeholders expressed the desirability of redefining the criteria to allow for further potential applicants.

Such restrictive approach limits the extent to which GSP+ promotes sustainable development and good governance, in the sense that amending the vulnerability thresholds so as to enlarge the field of potential applicants can be an incentive for a greater number of countries to ratify and implement international rules and standards and engage in internal reforms.

Second, the condition for access to GSP+ – that the country has not only ratified, but also 'effectively implemented' the conventions – is unnecessarily limiting; it does not as such support the incentive based nature of the scheme[37]. Therefore, the challenge for the revised regulation is to define an approach that better reconciles with the incentive to adhere to international instruments.

Third, the existence of entry windows (open only once every 18 months) prevents potential beneficiaries from entering the scheme as soon as they have fulfilled all entry requirements. This again does not support the achievement of sustainable development and good governance goals[38].

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[34] To be presented to the Council and EP in parallel with a proposal regarding a revised scheme.
[35] For the summary of the conclusions see Annex 1 Table 1-7.
[36] See e.g., CARIS p. 180.
[37] See further explanations in Annex 1.
[38] This issue was raised by a number of stakeholders in the consultation process.

Fourth, as shown by the consultation process, one of the most debated issues is the number and nature of GSP+ conventions. The CARIS study found that the current GSP+ requirements in relation to international conventions generally support core sustainable development and good governance principles and that there is no clear-cut case for substantially reforming the list of conventions[39]. However, the list of conventions was drawn up in 2005 and should be reviewed to ensure that it is up-to-date and relevant.

Suboptimal monitoring mechanism for implementation of the conventions
Under the current scheme the Commission reviews the status of ratification and effective implementation of the conventions by examining available information from the relevant monitoring bodies. This approach has several limitations.

First, there is no generally accepted definition and interpretation of the term 'effective implementation', which creates problems for the Commission to conduct the monitoring.

Second, two conventions do not have monitoring mechanisms[40]. The *Convention on the Prevention and Punishment of the Crime of Genocide* does not provide for the setting up of a committee to monitor its implementation. The *International Convention on the Suppression and Punishment of the Crime of Apartheid* foresees the establishment of a body in charge of monitoring, but it has not been established. Thus, in practice without official monitoring mechanisms it is difficult for the Commission to carry out monitoring of effective implementation of the conventions

Furthermore, states that have signed up to the conventions are obliged to report only periodically to the monitoring committees established under each Convention. The reporting periods differ significantly (from one year up to five years). Thus, in certain cases monitoring reports are few and far between, and do not allow for prompt identification of a failure to observe the relevant conventions.

Suboptimal mechanism for withdrawal of preferences
Operational experience of the scheme has uncovered several shortcomings in its legal framework. First, the current GSP Regulation contains no clear and detailed procedural rules concerning data protection and rights of defence in the Commission's administrative proceedings. Second, the investigation procedure is unclear and lacks a precise timeline for the different procedural steps. Third, the Regulation does not contain a procedure for re-instatement of preferences.

2.3.6. Inadequate safeguard mechanism

The scheme's safeguard mechanism has never been used in practice. This may be linked with the complaints expressed by several stakeholders in the consultation process. They have pointed out that the safeguard mechanism should be more stable and predictable. Accordingly the procedural arrangements of the safeguard mechanism were reviewed and several limitations were identified. First, the definition of key legal concepts is unclear, for example the notion of 'serious difficulty', which is the trigger for action. Contrary to other safeguard instruments, where the trigger concepts are clearly outlined, EU producers are not in a position to know what conditions are necessary for obtaining safeguards—an obstacle for their use. Second, the rights and obligations of parties in the context of the opening of investigations and of their participation in the process are not defined. This implies not only

[39] See e.g., CARIS p. 186.
[40] For monitoring bodies and respective reporting periods see Annex 1 Table 1-6.

that parties are not sufficiently aware of what triggers an investigation, but how this is done—another obstacle to the potential use of safeguards. Third, the procedural framework is also very general, and needs more detailed rules so as to enhance transparency and predictability. Otherwise, parties know neither how/when their input is required, nor how/when they can exercise their rights. As substantive and procedural question marks accumulate, it is not hard to understand why safeguards have never been used. A simple look at the degree of substantive and procedural detail present in other safeguard instruments[41] as compared to the scheme's safeguards is rather telling of the shortcomings at hand.

These shortcomings can impinge on the efficiency of safeguards, which, as confirmed by the consultation process, are an important mechanism for defending the economic and financial interests of the European Union.

2.4. EU competence in this field

The legal basis for Community action in the area is Article 207 of the Treaty on the Functioning of the European Union (hereinafter TFEU) which states that the European Parliament and the Council, acting by means of regulations in accordance with the ordinary legislative procedure, shall adopt measures defining the framework for implementing the common commercial policy.

The principle of subsidiarity does not apply in this case. The principle of proportionality is satisfied inasmuch as the regulation is the only appropriate type of action that the European Union can take to establish unilateral, non-reciprocal, preferential market access for developing countries.

3. OBJECTIVES

3.1. General objectives

The scheme has three general objectives:

1. To contribute to poverty eradication by expanding exports from countries most in need (G-1);
2. To promote sustainable development and good governance (G-2);
3. To ensure a better safeguard for the EU's financial and economic interests (G-3).

3.2. Specific and operational objectives

For the period from 2006 to 2015 the Commission GSP Communication established the following objectives for the scheme:

1. To maintain generous tariff preferences that continue to provide real incentives for developing countries to expand their exports in a sustainable manner;
2. To target the preference on the countries that most need it, in particular by terminating preferential access for countries that no longer need it, and by ensuring that GSP preferential rates are withdrawn from competitive products;
3. To offer a simple, predictable and easily accessible preference scheme ;
4. To further encourage sustainable development and good governance;
5. To provide withdrawal mechanisms and safeguard instruments in order to ensure that the sustainable development and good governance aspects of the GSP as well as the EU's financial and economic interests are protected.

[41] For example, see Council Regulation (EC) 625/2009 and its detail as to terms and conditions of imports necessary to trigger safeguards, definition of what "serious injury" means, details regarding causation aspects of the investigation, details regarding which parties can participate when, rights of defence, procedures and deadlines.

In order to ensure that policy options considered are the most appropriate for reaching the scheme's general objectives in a changing global economic environment, these objectives have been translated into specific and operational objectives:

The specific objectives are as follows:

1. To better focus the preferences on the countries most in need (S-1);
2. To remove disincentives for diversification for countries most in need (S-2);
3. To enhance consistency with overall trade objectives, whether bilateral or multilateral (S-3);
4. To strengthen the support for sustainable development and good governance (S-4);
5. To improve the efficiency of safeguard mechanisms ensuring that the EU's financial and economic interests are protected (S-5);
6. To enhance legal certainty, stability and predictability of the scheme (S-6).

The operational objectives are as follows:

1. To revise the beneficiary country list by deferring benefits to those countries, which based on their development, financial and trade needs, no longer need the preferences;
2. To target graduation on the prime beneficiaries ensuring that GSP preferential rates are withdrawn from competitive products;
3. To redefine product sections to reflect more homogeneous product categories;
4. To simplify GSP+ entry mechanism;
5. To develop a more effective and transparent mechanism for monitoring and evaluating the GSP+ countries' commitment and progress in the implementation of GSP+ conventions;
6. To develop credible and efficient procedures for temporary withdrawal of the preferences and procedures for renewal of the preferences;
7. To improve the administrative procedures of safeguard mechanisms.

4. POLICY OPTIONS

Given the complexity of the scheme and the possible changes that can be envisaged, the number of potential policy options to be analysed run in the hundreds. In view of the problems at hand, the following core policy options have been identified as being representative of the main avenues that can be selected. Annex 5 provides more details regarding this choice.

A summary table of the options is as follows:

Option	**Main features**
Option A: Discontinuation	Preferences are abandoned for GSP and GSP+ beneficiaries. EBA arrangement would remain.
Option B: No policy change **BASELINE**	The current policy continues without change. This option has two baseline scenarios: <u>B1</u> (short run) – the continuation of the scheme taking into account the current status of multilateral and bilateral agreements. <u>B2</u> (long run) – the continuation of the scheme based on the assumption

	that all on-going multilateral and bilateral negotiations have been concluded successfully.
Option C: Partial redesign	This comprises two sub-options. They have certain common elements, and certain differences—C1's changes being less extensive than C2's. **Elements common to the 2 sub-options:** 1. Preferences are deferred for certain eligible countries: • overseas countries and territories; • high and upper middle income countries; • countries with a preferential trade agreement covering substantially all preferences. 2. Graduation principles are revised: • product sections are redefined; • graduation does not apply to GSP+ countries. 3. GSP+ entry mechanism is simplified and made more flexible: • countries must only ratify, not fully implement, conventions, while committing to ensure their implementation; • countries can apply for GSP+ at any time. 4. GSP+ monitoring mechanism is redesigned to enhance implementation of the conventions. 5. More transparent and efficient procedures for temporary withdrawal of preferences are introduced. 6. The administrative procedures of safeguard mechanisms are improved. **Elements that differ between the 2 sub-options:** 1. Graduation threshold <u>Option C1</u> • Graduation threshold remains unchanged. <u>Option C2</u> • Graduation threshold is reduced to 7.5% and 50% safety net is eliminated. 2. GSP+ vulnerability criteria <u>Option C1</u> • The import-share threshold is relaxed (increased from 1% to 2%). <u>Option C2</u> • Vulnerability criteria are eliminated. 3. List of GSP+ conventions <u>Option C1</u> • The list of GSP+ conventions remains unchanged. <u>Option C2</u> • The list of GSP+ conventions is expanded.
Option D: Full redesign	This option includes and builds upon the features of option C. In particular, the product coverage of the scheme is redesigned, with 3 sub-options:

	<u>Option D1</u> All beneficiary countries receive full product coverage and all products are deemed non-sensitive. No graduation takes place. <u>Option D2</u> A number of industrial and agricultural products move from the sensitive to the non-sensitive list. <u>Option D3</u> The list of products covered by the scheme is expanded to include a number of industrial and agricultural products.

4.1. Policy Option A: Discontinuation of the scheme

Preferences would be abandoned for GSP and GSP+ beneficiaries. Their imports would typically be subject to the standard 'most favoured nation' (MFN) conditions. If other more favourable conditions exist (*via* a bilateral agreement or another autonomous measure such as the EPA Regulation), these would apply[42].

4.2. Policy Option B: No policy change

Option B is the continuation of the current policy without any change, i.e. without any new or additional EU intervention. It is the baseline scenario against which the other policy options will be compared.

However, other elements, key to the effectiveness of the GSP but outside the remit of the GSP scheme, may change. In particular, this includes the status and likely development of multilateral and bilateral negotiations. Options A, C and D will therefore be compared against two baseline scenarios: one retaining the current status of multilateral and bilateral agreements (B1); and another where all on-going multilateral and bilateral negotiations have led to fruition (B2). B1 corresponds to the "short run", while B2 corresponds to the "long run".

4.3. Policy Option C: Partial redesign of the scheme

The main thrust of this option would be to refine the beneficiary list, graduation rules, GSP+ related procedures and criteria, and safeguards, in order to better meet the specified objectives. In order to fully capture all the main possibilities at hand, particularly regarding graduation and GSP+ criteria, option C has been subdivided into two sub-options, C1 and C2. Both share a number of elements.

Elements common to options C1 and C2

<u>1. Deferral of preferences for eligible countries less in need[43]</u>

To better focus preferences on the countries most in need and to remove disincentives for diversification, the preferences for a number of beneficiaries would be deferred. These would be (1) overseas countries and territories; (2) richer countries, identified on the basis of the

[42] EBA arrangements, which are not subject to periodic review and thereby outside the scope of this revision , would remain.

[43] Countries 'less in need' are those which are not 'most in need' as defined above.

World Bank classification (high income countries[44] and upper middle income countries); and countries with a preferential trade agreement which covers substantially all preferences provided under the scheme. A comprehensive table with these countries is provided in Annex 6 Table 6-1.

These countries would however remain eligible and receive preferences should their situation vary over time. This situation would be assessed regularly and beneficiary countries would be reclassified as appropriate.

2. Graduation - principles

To better focus the preferences on the countries most in need, the graduation mechanism would be revised in two ways. First, the current 21 product sections would be split into 32 subsections (see Annex 6 Table 6-2). This would ensure that product categories are more homogeneous, and consequently that graduation becomes better targeted. Second, GSP+ beneficiaries would not be graduated, as they are in general no less vulnerable than LDCs, which can not be graduated under EBA. While this may affect certain sectors within certain LDCs (as GSP+ competition would increase), this option must be examined as it provides powerful incentives for countries to join GSP+ and thus to progress in the achievement of human rights, labour rights, and sustainable development.

3. GSP+ eligibility - principles

To strengthen the support given to sustainable development and good governance the GSP+ entry mechanism would be simplified and made more flexible.

First, the condition for eligibility to GSP+ would be redefined: a country must ratify, not fully implement, the conventions, while committing to ensure their implementation. As discussed in Annex 1, to require implementation before entry is at odds with the logic of the instrument. If a country has already achieved sufficient implementation, it will tend to have overcome already the most significant political and economic hurdles associated with more stringent labour, human, and sustainable development thresholds. Thus, preferences will not add significant value. On the other hand, preferences can provide powerful incentives to those who have advanced in implementation but have not yet reached optimum levels. Put graphically, the value of the instrument is much more significant if it supports countries which are already moving up the hill and helps them in their efforts to reach the summit, rather than rewarding those who are already at the top[45].

The foregoing should not be confused with a “blank cheque” for countries to obtain benefits. Countries will not be allowed to enter the scheme on flimsy intentions, but on the basis of a firm, binding commitment which guarantees implementation of the conventions. Should these official undertakings be breached, a country would be swiftly removed from preferences—to the detriment of the many exporters which would have signed contracts with EU traders. In other words, the instrument generates powerful incentives for central stakeholders to support the often costly improvement in implementation of conventions. This is the very engine that progressively pushes countries to ameliorate human rights, labour rights, and to adopt more sustainable development strategies.

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[44] As highlighted in chapter 2, high income countries are eligible under the current scheme when they are not 'sufficiently diversified'.

[45] More generally, this discussion should be set against a background where not all EU Member States have the same degree of implementation for all conventions.

Second, countries would be allowed to apply for GSP+ at any time, rather than only during limited time windows.

4. GSP+ monitoring mechanism

To further strengthen the support for sustainable development and good governance by ensuring the effective implementation of GSP+ conventions, a more effective and transparent mechanism for monitoring and evaluating the implementation of GSP+ conventions would be developed.

This would shift the onus of proof that conventions are being implemented from the EU institutions to the beneficiary country. This effectively raises the requirements for beneficiary countries, as they have to positively prove that implementation has indeed taken place – rather than (at present) obliging EU institutions to prove that identified shortcomings have not been remedied.

Also, the monitoring procedure would be formalised, with the current GSP+ dialogue being incorporated into the Regulation. This dialogue would be based not only on the evidence emanating from monitoring bodies, but also on the information provided by other sources, including Council and the EP. This would enrich the basis for assessment, as the additional sources would complement with more current information the conclusions of monitoring bodies, which are not always updated every year.

Furthermore, the results of this monitoring would be presented more regularly to Council and the EP.

Together, these elements should make the monitoring system substantially more accurate and comprehensive.

5. Mechanism for withdrawal of preferences

To strengthen the support to sustainable development and good governance and to enhance legal certainty, stability and predictability, credible and efficient procedures for temporary withdrawal of preferences would be developed, including rules concerning confidentiality and rights of parties; and a withdrawal procedure with a clear timeline for the different procedural steps, would be introduced. The procedures for renewal of the preferences would also be developed.

6. Safeguard mechanism

Equally, to ensure a better safeguarding of the EU's financial and economic interests and to enhance legal certainty, stability and predictability, the administrative procedures for safeguard mechanisms would be improved by developing clear definitions of key legal concepts, by specifying the rights of parties during the investigation and by elaborating clearer administrative procedures.

Elements that differ between options C1 and C2

1. Graduation - thresholds

To further improve the focusing of preferences on those most in need, it is important that all competitive sectors are graduated. Two possibilities for fixing the appropriate thresholds are explored. C1 maintains the current procedures as described in Annex 1. This approach is based on the fact that, as preferences for a number of current beneficiaries are deferred, the calculation of thresholds is performed on a smaller pool of imports. Thus, without changing the threshold, graduation would naturally tend to weed out the more competitive product sections.

In addition to a smaller pool of imports, C2 reduces the thresholds by half to 7.5%[46], and eliminates the 'safety net' 50% threshold described in Annex 1. This means that in practice graduation becomes much more stringent, and many more product sections are identified as competitive.

Thus, C1 and C2 allow for a more comprehensive assessment of the graduation spectrum.

2. GSP+ eligibility - thresholds

To strengthen the support for sustainable development and good governance provided by the GSP+, there are a number of possible ways to make the system more open to potential beneficiaries. Two sub-options are explored. C1 is the less extensive approach of the two. It relaxes the existing vulnerability criteria by increasing the import-share threshold from 1% to 2%, while the diversification criterion remains stable (at 75%, based upon the preponderance of exports accounted for by (roughly) the 25% highest exporting product sections[47]). Also, the list of GSP+ conventions would remain unchanged.

C2 is more extensive. It does away with vulnerability criteria altogether. Equally, the list of conventions is revised by (1) removing conventions that do not have monitoring mechanisms and by (2) requiring additional commitments on relevant conventions (e.g., recent protocols relating to the implementation of existing GSP+ conventions, or additional protocols to human rights conventions, or completely new conventions on the environment, maritime and fisheries governance[48]).

Thus, C1 and C2 allow for a more comprehensive assessment of the GSP+ eligibility spectrum.

4.4. Policy Option D: Full redesign of the scheme

This policy option includes and builds upon the features of option C and offers further redesign of the scheme by revising GSP 'product coverage'—the only building block of the scheme not included in option C.

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[46] 7.5% emanates from the CARIS report, which highlights that graduation would become a much more powerful tool as of that level.

[47] In the current system of 21 sections, diversification is based on the export performance of the 5 largest sections (i.e., slightly less than 25%). If we were to increase the product categories to 32 sections, we would need to consider the performance of the 7 or 8 largest sections in order to keep the proportion constant. For the purpose of this document, 8 sections are considered. As with othet sections of this Impact Asesssment, this does not prejudge an eventual Commission proposal as to the number of sections.

[48] Salient items are the United Nations Convention on the Law of the Sea of 10 December 1982 (UNCLOS); the Agreement for the implementation of the provisions of the Convention of 10 December 1982 relating to the conservation and management of straddling fish stocks and highly migratory fish stocks of 4 August 1995 (UNFSA); the FAO Agreement to Promote Compliance with International Conservation and Management Measures by Fishing Vessels on the High Seas of 24 November 1993 (FAO Compliance Agreement); Additional Protocols I and II to the Geneva Conventions, Second Optional Protocol to the ICCPR, the Optional Protocol to the Convention against Torture and the two Optional Protocols to the Convention on the Rights of the Child on the involvement of children in armed conflict and on the sale of children, child prostitution and child pornography.

This can be done in two ways: (1) more products can be subject to the scheme; (2) sensitive products can be reclassified as non-sensitive. As regards (2), this 'desensitisation' means that duties would be set at 0% for all beneficiaries. This would remove the preference (bias) that GSP+ and LDC beneficiaries have currently towards particular products, that arises because they enjoy 0% duties on such products while GSP beneficiaries pay positive duties.

To explore the full spectrum of possibilities, 3 sub-options are identified, one more far-reaching, and two intermediate ones.

Sub-option D1 implies full product coverage and full desensitisation. In other words the equivalent of duty-free, quota-free treatment currently enjoyed by LDCs is provided to all beneficiaries. This treatment implies that graduation would not take place. While far-reaching, this option reflects the views of certain stakeholders regarding the scheme.

Sub-option D2: partial desensitisation, but no expansion of products subject to the scheme. In order for desensitisation to be meaningful in terms of additional preferences, it must include a significant number of sensitive lines, with significant preferences.

For non-agricultural products, all sensitive products for which MFN tariffs are equal to or lower than 3.5%[49] have been selected[50]. This amounts to roughly 300 lines (or over 10% of the total).

Agricultural goods have a much broader base than industrial goods in the beneficiary countries. In order to arrive at a meaningful set of products, we have identified from the subset of products currently considered as "sensitive", those goods of key interest for the countries involved. These include fish and their preparations, vegetable oils, fruits and their preparations and juices, vegetables and their preparations, nuts, tobacco, pasta, and processed cereals[51].

Sub-option D3: no desensitisation, but partial expansion of products subject to the scheme. As regards non-agricultural products, only a very few (about 130) tariff lines (see Annex 4, Table 4-4) are not subject to the scheme. In order to have a meaningful expansion, roughly 100 tariff lines have been taken (basically, all lines except arms and nuclear materials). The expanded lines include mainly chemicals, textiles, and raw materials[52].

From the subset of agricultural goods products currently outside of scheme, a list of agricultural exports of key interest for beneficiary countries has been identified. This includes wheat, rice, maize, molasses prepared meat and ethanol[53].

5. ANALYSIS OF IMPACTS

5.1. General

Imports benefiting from preferences account for less than 5% of total EU imports. This implies that, while impacts on beneficiaries may be large, the general impacts on the EU are

[49] 3.5% is taken as a yardstick for significance in preference levels as the current rules apply a 3.5% reduction in duties for GSP beneficiaries' imports of sensitive products—a reduction which is considered significant.
[50] See Table 6-15.
[51] See Table 6-15.
[52] See Table 6-16.
[53] See Table 6-16.

likely to be of a limited nature. Where impacts are considered to be insignificant, the principle of proportionality of assessment is applied, as per the Impact Assessment Guidelines.

Impacts have been assessed using a number of tools, which include CARIS modelling, additional analysis via a SMART model, and the examination of official EU imports, production, consumption and employment statistics. More information on these models and their limitations is presented in Annex 6.3.

It is also underlined that the main variable used to analyse social impacts has been employment.

5.2. Comments on the baselines (B1 and B2)

There is a natural reduction in the level of import duties (and, therefore, preferences) as more bilateral agreements and a multilateral agreement come into force. This phenomenon is called 'preference erosion'. This dynamic impact is shown as analysis move from the baseline corresponding to the present (B1) to the baseline where all on-going (but unfinished) negotiations have entered into force (B2).

Preference erosion reduces imports from beneficiaries. B1 incorporates the negative effects of the newly concluded agreements such as those with South Korea and certain Latin American countries (see Annex 6.4 Table 6-4). The negative impacts would be much larger in B2, where the multilateral trade round known as the DDA and the rest of on-going bilateral negotiations would have been concluded (see Annex 6.4 Table 6-6).

This is the reality against which this assessment takes place: preferences will drop significantly (or even disappear). In the long run, when all multilateral and bilateral agreements are fully implemented, duties are likely to be so low that the idea of *preferences* themselves becomes largely irrelevant—and so would a generalised system of *preferences*[54]. Other totally different tools may have to be designed[55].

Until then, the question is what can be done for the countries most in need of preferences—against the backdrop of the significant competitive pressure exerted on these countries by the more advanced beneficiaries of the current scheme.

Impacts are assessed against the baselines. A detailed assessment starts with a comparison with B1 and then extends the analysis to B2[56].

For the ease of reference in the analysis that follows, tables 6-4 and 6-5 from Annex 6.4 are reproduced here:

Reproduction of Table 6-4. Summary of simulated effects of the B1 (short-run) baseline and the options (€ million*)

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[54] This is depicted numerically in Annex 6.4, Table 6-7. In the long run, the only options that would help countries most in need (C1, C2, D2 and D3—see analysis below) all yield negative results. The message is that preferences are so low that the system itself ceases to be meaningful.

[55] Such as the idea of 'negative duties' which actually is a very different concept. While preferences are revenue forgone linked to import tariffs, "negative duties" are disbursements from the EU budget which are not linked to tariffs—falling squarely into the category of "aid". This would have to be examined in a totally different framework—not under GSP.

[56] See Annex 6.1 for comparison of all beneficiary countries under each of the options and sub-options. This depicts which countries would be beneficiaries from which scheme under each option, and which exports (product category and percentage) would be graduated for which country.

Short-run baseline	Trade creation [a]	Trade diversion [b]	Consumer Surplus [c]	Change in EU tariff revenue [d]
Initialled and recently concluded FTAs	2235	-1608	1669	-1594
GSP Options				
A. Removal of the GSP (except the EBA)	-6269	4326	-3612	3510
B. Status quo				
C1. Removing high- and upper middle income countries, Graduation, sections split, threshold 15%, Pakistan, Philippines and the Ukraine to GSP+[57]	-3649	2078	-1774	1694
C2. Removing high- and upper middle income countries, Graduation, sections split, threshold 7.5%, Namibia, Nigeria, Pakistan, Philippines and the Ukraine to GSP+[58]	-4056	2381	-2015	1929
D1. DFQF for remaining GSP beneficiaries	14796	-8328	12290	-11870
D2. "Desensitisation" of certain products	-3923	2267	-1918	1830
D3. Product scope expansion	-3953	2293	-1932	1827

Source: Own calculations. * Figures converted from $US into € using an exchange rate of $1.30 per €.

[a] Trade creation refers to the direct effects (positive or negative) on a country that is subject to GSP trade policy reform (e.g. graduation, inclusion in GSP+, etc).
[b] Trade diversion captures the indirect trade impact (positive or negative) on third countries (either part of GSP/GSP+/LDC or not) as a result of the change in GSP status of any given country. Unlike a simple FTA formation, given the complex nature of GSP reform, trade diversion is therefore a composite net measure of both positive and negative trade effects on both GSP beneficiaries and third countries in the rest of the world.
[c] Consumer surplus is a main component in welfare effects and captures essentially the benefits consumers derive from being able to buy products at a price lower than what they would otherwise be prepared to pay. Trade liberalization leads to positive changes in consumer surplus.
[d] Changes in tariff revenues reflect the combined effect of changes in tariffs and changes in trade flows before and after each GSP reform scenario.
For a more formal description of all these effects and the way in which they are derived in the SMART model, see explanation above.

[57] A bilateral agreement is being negotiated with the Ukraine. As with other bilateral agreements, this would provide significantly larger market access for Ukraine than the scheme.
[58] Bilateral agreements are being negotiated with Nigeria and Namibia. As with other bilateral agreements, this would provide significantly larger market access for thee countries than the scheme.

Reproduction of Table 6-5. Summary of simulated effects of the B1 (short-run) baseline per country group (€ x 1.000)

Country group	Option A	Option C1	Option C2	Option D1	Option D2	Option D3
EBA	125.597	-4.597	16.994	-756.710	10.038	13.223
GSP+	-	999.435	1.008.599	-309.693	1.040.624	1.058.609
GSP	-	-970.175	-1.599.605	22.297.949	- 1.444.858	- 1.536.673
Total Scheme	***125.597***	***24.663***	***-574.012***	***21.231.545***	**-394.197**	**-464.841**
ExGSP[59]	- 8.591.432	- 5.027.345	-4.956.183	-2.090.720	- 4.990.947	- 4.997.790
RW[60]	2.197.327	1.354.043	1.473.832	-4.344.808	1.461.376	1.509.160
Total	**- 6.268.509**	**- 3.648.639**	**-4.056.362**	**14.796.018**	**- 3.923.767**	**- 3.953.471**

5.3. Option A: discontinuation

Option A ends the GSP scheme while retaining the EBA scheme which benefits LDCs.

Effect on EU imports: trade creation and diversion

Relative to baseline B1, total EU imports would not vary to a significant extent (the drop would be in the order of €6 billion, less than 1%[61]).This is not surprising given the low relative weight of the scheme's imports (see section 5.1 above).

However, GSP and GSP+ beneficiaries would lose, as indicated by the SMART model (see Annex 6.4 Table 6-5). Their loss is in the order of €9 billion imports—or around 20% of their current preferential imports. While the figures are only intended to provide orders of magnitude, the effect would clearly be large. In addition, this loss would affect indiscriminately all beneficiaries regardless of their needs. In particular, the countries most in need such as GSP+ beneficiaries and poorer GSP countries would be affected.

Exports from other non-GSP countries would increase by roughly €2 billion and from LDCs, by more than €100 million. Even though it only indicates an order of magnitude, the latter figure may appear small. Yet it is of crucial importance. Indeed, the effects of preference erosion are reduced, rather than worsening in line with the current trend. In addition, as explained in Annex 6.3, the SMART analysis captures only the static effects of changes in duties. It is expected that the dynamic effects will be important. As increasing opportunities arise given the deferral of preferences for key competitors, exports by LDCs will tend to increase significantly[62].

[59] Former GSP beneficiaries

[60] Rest of the world

[61]. Net change in EU imports of over €6 bn (see Annex 6.4 Table 6-5) divided by total imports of over €1.1 trillion (Annex 1, Table 1-3).

[62] Empirical corroboration is provided by looking at past import trends in Annex 4 Table 4-8. Even in a context of preference erosion, LDC preferential exports increased significantly since 2005. Without this preference erosion, the increase should not only continue, but be higher.

Unsurprisingly, the scale of effects under option A would roughly halve on the hypothesis that all on-going negotiations have come into force (B2), given the considerable reduction of duty levels—and thus available preferences.

Effects on welfare, including EU consumer surplus
Assessment starts with analysis of the effects as compared to baseline B1.

For former GSP and GSP+ beneficiaries, the approximate welfare effects of this option can be obtained from CARIS[63]. Unsurprisingly, most of these are negative. Moderate negative impacts (below -0.10%) are recorded for many countries, the most salient of which are Latin American GSP+ countries, Brazil, Pakistan, Thailand, Russia and Ukraine. Significant impacts (below -0.25%) are recorded for countries such as Ecuador, Argentina and the North African rim.

Perhaps more surprising are the very low or negligible impacts on countries such as India, Brazil, and the Philippines. This underlines that for many GSP beneficiaries, preferential exports to the EU are not economically significant for the country as a whole. For EBA countries, the welfare effects are expected to be in line with the increase in imports: positive, but not very significant. Unsurprisingly, the welfare of the rest of the world (approximated by the category 'rest of OECD') barely changes.

Also unsurprisingly, the impact on EU welfare is negligible (0.02%). Changes in consumer welfare are not provided by CARIS, but an order of magnitude can be obtained from the SMART analysis. The consumer surplus drops by less than €4 billion, or less than 0.05% of the EU's GDP[64]—again a very low figure.

Relative to baseline B2, the impacts (both positive and negative) will be much lower given than the changes in imports are roughly half of those under B1.

Effects on production and employment: sectoral impacts
For this section, the analysis is limited to the countries within the scheme and to the EU, based on CARIS. Impacts on production will be considered significant if they are equal to or exceed 1%; and on employment if they are equal to or exceed 0.5%[65].

The approximate effects of option A (relative to B1) are depicted in Annex 6.5 where significant positive and negative sectoral impacts are highlighted for output (Table 6-8), unskilled labour (Table 6-10), and skilled labour (Table 6-11). Given the large number of countries involved, the impacts vary. However, sectoral impacts are both positive and negative for most countries, so that, on the whole, they tend to compensate each other. The areas where net impacts may be negative due to the importance of certain sectors and/or the size of variations are Ecuador (fruits and vegetables), Pakistan (apparel), Argentina (oils and fats), the North African rim (oils and fats, textile and apparel, leather products) and South Africa (rice).

Within the EU, production and employment effects would on the whole not be significant. However, certain sectors would clearly benefit: the sugar sector, with almost a 4% increase,

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[63] See Annex 4 Table 4-9. The relevant column would be MFN04, which removes all preferences for <u>all</u> developing countries (including LDCs).
[64] €11.8 trillion in 2009 at current prices, according to official statistics.
[65] These thresholds are also used to assess changes in production and employment for all other options.

and fruits and vegetables, textiles and apparels (each in the 0.5% range). Given the high level of employment in the latter sector (7,8% of all EU manufacturing jobs—see Annex 6.6, these effects can be rather positive for countries such as, Estonia, Greece, Hungary, Italy, Latvia, Lithuania, Malta, Poland, Spain, Slovenia and Slovakia, where the sector is particularly important.

Relative to baseline B2, the impacts of option A (both positive and negative) will be much lower given that the changes in imports are roughly half those occurring under B1.

Effects on EU tariff revenue[66]

When compared to baseline B1, the combined impact of GSP and GSP+ exports becoming subject to higher duties, and the increased exports from third countries already subject to duties, imply that tariff revenue would increase, as indicated by the SMART analysis (see Annex 6.4, Table 6-4)[67]. The increase is in the order of €3 to €4 billion, which would add to current tariff revenues of roughly €19 billion (see Annex 7, indent 17 for details)[68]. The impact when compared to B2 would unsurprisingly be smaller—an increase of under €2 billion[69].

Effects on on-going trade negotiations

As explained before, these effects are irrelevant, as the scheme can not be defined on the basis of anything other than the trade, financial and development needs of beneficiaries. Nevertheless many GSP and GSP+ beneficiaries are in the process of negotiating bilateral agreements with the EU, and a vast majority are WTO members. The unintended consequence of removing autonomous preferences under the scheme would be to provide an additional incentive to pursue these negotiations.

Regarding the specific issue of EPAs, changes in the scheme are bound to have a rather limited impact on the negotiation dynamics. There are two reasons for this. The first is that EPAs are far superior to GSP as a mechanism to ensure preferential access to the EU. EPAs are a permanent, enforceable instrument, rather than an autonomous measure which can be withdrawn at will by the EU. EPAs are comprehensive in terms of product coverage for all partners. And they also offer flanking measures to aid development.

The second reason is the existence of other ways to enjoy access to the EU market independent of the scheme. Only 8 partners out of 74[70] countries which negotiate EPAs do not benefit either from EBA treatment or from the benefits of the EPA Market Access Regulation—which provides extensive preferences. In the highly unlikely event of knock-on effects on EPAs, these would be concentrated in the aforementioned 8 countries.

Effects on the environment

The effects of international trade and economic development on the environment are widely discussed. According to standard analysis[71], trade has at least four types of impacts on the

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66 The effects on the EU budget will be assessed on the basis of tariff revenue throughout this document.

67 Only direct effects on the budget are used for the purpose of our analysis throughout this text.

68 This does not take into account the impact of the trade agreements which have been initialled and are coming into force. If this were the case, the €19 billion figure would drop by around €1.5 billion.

69 This does not take into account the impact of the conclusion of the multilateral round of negotiations, plus all the other on-going bilateral negotiations. If this were the case, the €19 billion figure would drop by around €14 billion.

70 Cook Island, Gabon, Marshall Islands, Micronesia, Nauru, Nigeria, Democratic Republic of Congo, Tonga.

71 See in particular *The Environmental Effects of Trade*, Paris: OECD, 1994.

environment: i) *product effects* (i.e. traded products themselves have a – positive or negative – impact on the environment); ii) *scale effects* (i.e. trade expands the level of economic activity, possibly – but not necessarily – increasing economic efficiency); iii) *structural effects* (i.e. trade changes the composition of a country's economy, which may again have both positive and/or negative environmental impacts) and iv) *direct effects* (i.e. environmental impacts caused by trade per se, for instance transport). The empirical results of the studies having examined the trade-environment relationship in the last few years are mixed. While some studies show that trade liberalization reduces pollution, others have concluded that trade liberalization has had a negative impact on the sustainable development of various developing countries. For the purpose of assessing possible impact of the scheme, the following studies in particular have been referred to: the CARIS study and the Special Study on Trade and Environment[72]. We focus on direct effects for the purpose of this analysis. Indeed, these are considered the most salient against a backdrop of modest trade volume changes—and thus not very significant product, scale or structural effects[73].

The likely impact of the scheme on environment, both within the EU and in the beneficiary countries, will be directly proportional to its relative share in the overall trade flows, and will also be linked to the geographical distribution of import sources. In this respect, it is important to note that the share of preferential imports represents less than 5% of total EU imports. Therefore, it is unlikely that the scheme itself has any *direct effect* on the environment.

When compared against B1, option A confirms the foregoing. With an impact on trade of less than 1%, this option would not appear to have a significant impact on the environment. The positive effects on the environment of marginally lower trade would tend to be compensated i.a. by other negative effects—such as those linked to the loss of support for environmentally sustainable development via GSP+.

These limited impacts would tend to further decrease under B2—were import volumes vary even less.

Other effects

Regarding administrative costs[74], the drop in overall import volumes is marginal, so any gains would not be significant. These gains would also have to be balanced against potentially higher costs linked to collection of higher tariff revenues. On balance, no significant variations are expected.

Regarding safeguards, the same mechanisms as today would apply, with the same efficiency gaps.

[72] Trade and Environment by Håkan Nordström and Scott Vaughan http://www.wto.org/english/res_e/booksp_e/special_study_4_e.pdf.

[73] Reference is made to the principle of proportionality of assessment.

[74] It is recalled that changes in preferential rules of origin are not analysed in this impact assessment. The only salient administrative costs generated by the scheme are precisely costs related to preferential rules of origin. (Given the simplification of the new rules which entered into force in January 2011, these costs are expected to decrease in the medium term, after the typical short-term adaptation costs.) For completeness sake, we have analysed other residual administrative costs linked to changes in the volumes of trade and customs duties.

General assessment of economic[75], social and environmental effects
Relative to B1, the general effects are as follows. The economic and social effects on countries most in need are expected to be negative. LDCs will benefit, but the many other countries and economic sectors which are also most in need will suffer as preferential access disappears.

Within the EU, three elements will impact upon general economic and social effects: producer surplus, consumer surplus, and tariff income. Negative impacts for consumers are likely to be compensated by higher tariff revenues, which are of the same order of magnitude. The net impact would thus be generated by benefits to producers. As explained above, these benefits would on the whole not be significant, but would have significant positive effects on important sectors—and on those EU Member States where these sectors are important. Therefore, these impacts would be positive as a whole.

Environmental impacts in the EU would be (at best) marginally positive, given that the drop of imports would be marginal. As for the countries most in need, it is possible that those countries losing GSP+ would deviate from environmentally sustainable practices. Thus, on the whole, a marginally negative impact would be felt.

A vs. B1. Effects on:	economic	social	environmental
Countries most in need*	--	--	0/-
EU	+	+	0/+

*Negative economic and social impacts for countries most in need *as a whole* hide positive impacts on LDCs.

Relative to baseline B2, the changes would be expected to go in the same direction, but they would be significantly smaller—to the point of not being noticeable.

5.4. Option C: partial redesign

Option C has many building blocks. To explore the different angles of these building blocks, two sub-options were explored. The main differences between them concern the graduation of competitive sectors and the vulnerability criteria under GSP+.

With regard to graduation, the sectors which will actually be graduated are not known at this stage. They will depend on the calculations of imports on the basis of the latest available figures prior to the entering into force of the new Regulation[76]. Current figures have been used as a proxy. Graduation under C1 and C2 is shown in Annex 6.1 (see fist footnote of Table 6-1 for further details).

With regard to vulnerability, C1 relaxes the 'economic' criterion from 1% to 2%. The actual list of countries which will meet the relaxed criterion is not known at this stage—again, these

[75] Throughout part 5, “Economic effects” refer here to all the effects analysed with the exception of effects on employment, environment and on on-going trade negotiations. These are effects on trade, welfare (including consumer surplus), production, tariff revenue, administration costs and those linked to the use of safeguards.
[76] Given the statistical time lag, these are likely to correspond to 2009, 2010, and 2011.

calculations will be made on the basis of the latest available figures[77]. Pakistan, Philippines and Ukraine have been considered as a proxy for the purpose of this exercise[78].

Also, C2 eliminates the vulnerability criteria while it adds additional requirements regarding conventions. Again, the actual list of countries meeting the relevant conventions criterion will be determined as close as possible to the time of entering into force of the new Regulation[79]. This is more subjective, as the decisions to ratify conventions and to commit to their implementation are ultimately political. The three C1 countries plus Namibia and Nigeria have been used as a proxy for the purpose of this exercise.

The assessment starts with analysis of option C1 and then describes the main differences that arise under option C2.

5.4.1. Option C1

Effect on EU imports: trade creation and diversion

Relative to base line B1, total imports would drop by about €4 billion (see Annex 6.4 Table 6-4). Again with the proviso that it merely points to an order of magnitude, this relatively low figure is made up of both an increase and a drop. Imports from countries which never belonged to the scheme rise by approximately €1 billion (see Annex 6.4 Table 6-5).At the same time, imports from countries which cease to be beneficiaries drop by around €5 billion (see Annex 6.4 Table 6-5). This drop is significant, taking into account that their preferential imports were around €21 billion in 2009.

In contrast to the situation under option A, where only LDCs benefited, the countries most in need are in a better position *as a whole*. Under SMART's static approach, the increase in import would be about €25 million (see Annex 6.4 Table 6-5). As in the case of option A, the figure may appear small, but it implies that the impacts of preference erosion are reduced not only for LDCs, but also for other countries most in need. In addition, dynamic effects will cause this figure to increase as further opportunities arise given the deferral of preferences for key competitors.[80]

The positive impact on countries most in need will be mostly concentrated on GSP+ beneficiaries, rather than LDCs. This is largely explained by the entry of Pakistan into GSP+, which depresses the textile exports of Bangladesh, the largest EBA exporter by far (see Annex 4 Table 4-8). Without Bangladesh, LDC exports would increase for option C1 (by about €20 million).

Other notable variations within the category are the increases in Ukrainian exports (+ €150 million) and Philippine exports (by more than €75 million). On the other hand, significant losses accrue to Vietnam (more than €90 million) and India (more than €450 million), on

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[77] Given the statistical time lag, these are likely to correspond to 2009, 2010, and 2011.

[78] This is indicative only. For example, under a scenario of 7 sections instead of 8, Ukraine is not eligible.

[79] Given the statistical time lag, these are likely to correspond to 2009, 2010, and 2011.

[80] Empirical corroboration is provided by looking at past import trends. Even in a context of preference erosion, non-LDC countries which are most in need increased their preferential exports significantly since 2005. For such countries in the GSP category, the increase reached 20%; for GSP+ countries under C this was around 85%. Without the effects of preference erosion, the increase should not only continue, but be higher.

account of the increased competition in textiles and fish products from new GSP+ beneficiaries—and due to increased graduation of their exports.[81]

As in option A, these effects would decrease substantially (and in some cases even disappear) on the hypothesis that all on-going negotiations have come into force (B2), given the much lower level of duties—and thus of available preferences.

Effects on welfare, including EU consumer surplus
Assessment starts with the analysis of the effects as compared to baseline B1. The analysis will draw only partially from CARIS regarding this aspect, as the study does not have a scenario which mirrors the options included under C.

For former GSP and GSP+ beneficiaries, the approximate welfare effects of this option are similar to those under option A. One would expect welfare losses of the same order of magnitude as above for Brazil, Argentina, Russia, South Africa and the countries of North Africa. Other ex-beneficiaries would suffer as well.

A second category of ex-beneficiaries includes those with bilateral agreements with the EU, the conditions of which approximate or surpass the preferences offered by the Scheme[82]. For these countries, the impact should be neutral or moderately positive, as other competitors also exit the scheme.

As to the welfare of countries most in need, this should increase overall. CARIS[83] can approximate the effects for countries such as Ecuador (+2.39%), other GSP+ Latin American countries (+0.31%), Ukraine (+0.36%). For other salient countries, the increase of Pakistani or Philippine exports suggests a moderate to significant increase in welfare. For Vietnam, the drop in exports suggests a moderate to significant decrease, while for China and India, no noticeable drop should ensue[84]. For EBA countries, the welfare effects are expected to be in line with the increase in imports: positive, but not very significant. Bangladesh would be the salient exception, with a significant welfare loss, estimated at 0.31%[85]. Overall, the picture would thus be positive, in line with the general increase in exports to the EU.

Given that the increase in imports is lower than for option A, no significant impacts on the rest of the world are expected.

Unsurprisingly, the impact on EU welfare would not be noticeable. CARIS calculates a welfare loss of 0.05% even when all developing countries obtain full preferences—far beyond anything proposed under option C1. Changes in consumer welfare are not provided by CARIS, but an order of magnitude can be obtained from the SMART analysis (see Annex 6.4

[81] Again, trade would increase considerably more under a bilateral agreement (e.g. in the case of the Ukraine or India) than under the scheme.
[82] E.g., the last series of agreements with Latin American countries.
[83] See Annex 4 Table 4-9. The relevant column would be ZEROTM, which provides full preferences for <u>all</u> developing countries. This scenario underestimates benefits under C for countries most in need—C defers benefits for many countries that get full preferences under ZEROTM. So these figures should be understood as a "floor", with benefits being potentially much higher.
[84] See CARIS scenario MFN04. For China, even a total loss of preferences yields no change, given the fact hat most of its products are graduated in any event. For India, even a total loss of preferences would also yield no change.
[85] See CARIS scenario MFN04.

Table 6-4). The consumer surplus drops by about €2 billion, or less than 0.05% of the EU's GDP—again a very low figure.

When compared to baseline B2, the impacts of option C1 (both positive and negative) will be much lower given that the changes in imports are a third of those foreseen when comparing C1 with baseline B1. The partners which lose beneficiary status in the scheme but enter into a preferential trade agreement with the EU (e.g., Brazil, Argentina…) will regain preferential access at least as advantageous as that offered by the scheme.

Effects on production and employment: sectoral impacts

For this section, the analysis will concentrate on (1) the countries in the scheme where import and/or welfare impacts are significant[86]; and (2) on the EU. Wherever possible, the analysis will be based on CARIS.

Countries whose preferences are deferred and that do not have a bilateral agreement to secure similar access to the EU may suffer production and employment effects. Their situation would be similar to that under A—and in some cases worse as other non-LDC beneficiaries (and competitors) maintain preferential access under the scheme. Therefore, one can expect countries such as Argentina, South Africa, or those in the North African rim to suffer. It is also possible that countries such as Brazil or Russia can face noticeable problems in some sectors.

For the beneficiaries (i.e., countries most in need), results are expected to be positive, in line with welfare increases. Putting together the effects identified by CARIS[87] and the sectors in which export increases have been identified by the SMART analysis, it becomes apparent that for most beneficiaries, the number of sectors benefiting from significant positive production/employment effects outweigh by far those sectors with negative effects. Salient winners are as follows: Ecuador (fruits and vegetables), Georgia (oils and fats, sugar, apparel and textiles, chemical products), Philippines (apparels and textiles, leather, fish), Pakistan (rice, apparels and textiles, leather) and Ukraine (arable crops, sugar, apparels and textiles, leather). LDCs would also win as a group, with the exception of Bangladesh which can suffer heavily in textiles and apparel. India and Vietnam can also suffer in the textile and apparel or leather sectors.

As regards the EU, overall effects are not expected to be significant, but negative impacts on production and/or employment would exist in the rice, arable crops, oils and fats, sugar, fruit and vegetables, apparel and textiles, and leather sectors. Again, it is the latter three which have the largest weight in terms of employment—so the countries which would benefit under option A would turn out to be losers under option C1. Some of these countries (Estonia, Greece, Hungary, Italy, Latvia, Lithuania, Poland, Spain, Slovenia) have important agricultural production and would compete directly with some of the agricultural products just mentioned—so negative effects there can be significant.

When compared to baseline B2, the impacts of option C1 (both positive and negative) will be much lower given than the changes in imports are a third of those foreseen when comparing with baseline B1. Again, successful multilateral and bilateral negotiations will cause such profound impacts, that the scheme will have a limited residual influence.

[86] Impacts on production will be considered significant when they exceed 1%; on employment when they exceed 0.5%.

[87] ZEROTM scenario, which as explained above would be the minimum benefits expected.

Effects on EU tariff revenue

When compared to baseline B1, the combined impact of exports from certain former beneficiaries becoming subject to higher duties, and the increased exports from third countries already subject to duties, imply that tariff revenue would increase, as indicated by the SMART analysis (see Annex 6.4 Table 6-4). The increase is in the order of €2 billion, which would add to current tariff revenues of around €19 billion[88]. The impact as compared to B2 would be smaller—a drop of under €1 billion[89].

Effects on on-going trade negotiations

From a substantive perspective, similar consideration as to those mentioned in relation to option A apply here. Of course, as more partners would remain as GSP beneficiaries under option C1, the potential effects of this option on on-going trade negotiations would be less important.

The remarks made under option A relating to EPAs also apply here. The effects (if any) should be rather limited. The only (marginal) nuance is the potential GSP+ membership of certain countries such as Nigeria and Namibia—but the latter already enjoys preferential treatment via the EPA market access regulation. EPA's superiority as a permanent tool virtually eliminates the possibility that implementing option C1 would affect EPA negotiation dynamics negatively. EPAs offer the sort of comprehensive access the scheme does not under this option.

Effects on the environment

Option C1, with an impact on trade of much less than 1%, would not appear to have, overall, a significant impact on the environment.

In this case, however, there would be two positive effects on the environment: those of marginally lower trade (both in the EU and in exporting countries); and those of extended GSP+ membership, with its support for environmentally sustainable development.

Whatever environmental effects are recognised when comparing option C1 with baseline B1 would become even less significant when the comparison is made with B2, given that import levels change even less.

Other effects

In respect of administrative costs[90], effects are not expected to be significant. The same three-tier system is maintained, with the associated administrative procedures. While imports under the scheme will drop, imports from other countries will increase, leaving the net reduction in imports at marginal levels. As under option A, any drop in costs linked to such lower imports will be balanced against potentially higher costs linked to collection of higher tariff revenues. On balance, no significant variations are expected.

[88] This does not take into account the impact of the trade agreements which have been initialled and are coming into force. If this were the case, the €19 billion figure would drop by around €1.5 billion.

[89] This does not take into account the impact of the conclusion of the multilateral round of negotiations, plus all the other on-going bilateral negotiations. If this were the case, the €19 billion figure would drop by around €14 billion.

[90] It is recalled that changes in preferential rules of origin are not analysed in this impact assessment.

This option includes improvements in the safeguard procedures, as well as in the procedures for GSP+ entry, monitoring and withdrawal. This should improve the efficiency and transparency of those mechanisms, providing for enhanced stability, legal certainty and predictability.

General assessment of economic, social and environmental effects
When compared with baseline B1, the general effects of options C1 are as follows. The economic and social effects on countries most in need are expected to be positive, as exports increase and welfare gains accrue.

As under option A, negative impacts on EU consumers are likely to be compensated by higher tariff revenues, which are of the same order of magnitude. The net impact would thus be generated by impacts on producers. As explained above, these benefits would on the whole not be significant, but would have significant negative effects on important sectors—and on the EU Member States where those sectors are important. Therefore, these impacts would be negative as a whole.

Environmental impacts in the EU would be (at best) marginally positive, given that the drop of imports would be marginal. As to the countries most in need, the impact of expanded GSP+ membership would lead overall to a marginally positive impact.

C1 vs. B1. Effects on:	economic	social	environmental
Countries most in need	++	++	0/+
EU	-	-	0/+

When comparing the effects of options C1 with baseline B2, the changes would be expected to go in the same direction, but they would become significantly smaller—again to the point of not being noticeable.

5.4.2. Option C2

From the point of view of impacts, there is one key difference between C2 and C1. Lower graduation thresholds increase the level of graduation significantly for certain countries and sectors, particularly for India. In addition it graduates country-sector combinations which are not known for their competitiveness. These rather bizarre "outliers" (Iran, Ivory Coast, Kenya) signal that the graduation mechanism is going beyond its intended effects to identify competitive sectors. This leads to a number of effects. The first one is a larger decrease in exports by GSP participants as a whole. The second is an increase in EBA exports, as negative impacts on Bangladesh diminish[91]. The result is that, while the positive effects on EBA and GSP+ beneficiaries can not be underestimated, GSP exports by many beneficiaries will suffer. Dynamic effects are expected to more than compensate for this static loss, so the impact as a whole is considered to be positive, but certainly less so than C1. Given that the remaining impacts (including those related to GSP+) are largely similar to C1, the only noteworthy change would thus affect the general assessment table, which would read as follows.

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[91] More textile products are graduated for other beneficiaries—losing their preferences in product which compete with Bangladesh.

C2 vs. B1. Effects on:	economic	social	environmental
Countries most in need	+	+	0/+
EU	-	-	0/+

5.5. Option D: full redesign

Most of the building blocks of the scheme have been re-defined under option C. However, a number of respondents to the consultation suggested a broad expansion of the two other key building blocks of the scheme: the range of products covered and the preference margins. Thus, a full redesign is analysed: it includes the proposed changes under option C, and in addition changes to these two building blocks. In order to simplify the analysis, D sub-options are calculated as increments to C2 only. Three sub-options are assessed.

D1 is a far reaching option. It provides full product coverage expansion and elimination of all sensitive products (e.g., extending the duty-free, quota-free treatment of EBA countries) to all countries most in need (whether GSP or GSP+). This implies that the remaining beneficiaries are no longer subject to graduation.

D2 and D3 are less far-reaching. They take all the parameters of C2 (graduation included) and add partial desensitisation (D2) and partial expansion in product coverage (D3).

5.5.1. Option D1: full product coverage, full desensitisation

Effect on EU imports: trade creation and diversion

Option D1 implies a significant change—driven primarily by China (imports from which would increase by something like €16 billion), but also by other beneficiaries previously subject to significant graduation (e.g., India, Indonesia, Thailand, Vietnam). These exports would be spread amongst many sectors, the most salient of which are textiles, apparels, leather, rice, vegetables and fruit, and food products. With respect to B1, total imports would increase by about €14 billion, or by more than 1%. This implies that imports from other third countries – including other countries most in need, will have fallen. (see Annex 6.4 Table 6-4).

The aggregated impact on countries most in need would be positive. However, there would be large distributional effects, the additional space taken up by China, India, and other countries which were previously be subject to graduation would have a negative impact on many other countries most in need. EBAs in particular would suffer (a drop of around €750 million of their imports) (see Annex 6.4 Table 6-5), Bangladesh being the prime example—as would GSP+ countries such as Pakistan. In other words, the exports of the more competitive sectors (this is why they were graduated in the first place) take up the space of competing sectors in other countries which are less advanced. Countries less subject to competition from the imports which were previously graduated are less affected—or in some cases not at all.
In respect of other third countries, effects would also be negative on imports from many countries not subject to the scheme—almost across the board. However, imports would not appear to be significant as a percentage of EU imports in most cases.

These effects decrease under the hypothesis that all on-going negotiations have come into force (B2)—but contrary to most other options, the negative effects on the aforementioned countries would continue to be significant.

Effects on welfare, including EU consumer surplus
Assessment starts with the analysis of the effects as compared to baseline B1.

For countries most in need, welfare effects follow the sharply split pattern shown by exports within the category, with significant winners (China with +0.29%; Thailand with +0.84%), competitors which lose out (Bangladesh with -0.31%, Cambodia with -0.27%) and those competitors which are less affected by the emergence of the winners (Ecuador +2.39%, Ukraine +0.36%)[92]. Again, the undesired distributional effects crop up.

In respect of other third countries, by and large welfare impacts are not expected to be very significant, given that the share of imports affected is not high.

Unsurprisingly, the impact on EU welfare would not be noticeable. CARIS calculates a welfare loss of 0.05% even when all developing countries obtain full preferences— far beyond anything proposed under option D1. Changes in consumer welfare are not provided by CARIS, but an order of magnitude can be obtained from the SMART analysis. The consumer surplus increases by €12 billion, a significant amount or around 0.1% of the EU's GDP (see Annex 6.4 Table 6-4). This figure is larger than in other options and more significant.

If option D1 is compared with baseline B2, the impacts (both positive and negative) are lower, but would still be significant (both in the positive and negative sense) for beneficiaries—with the skewed distribution within the category as mentioned above.

Effects on production and employment: sectoral impacts
For this section, the analysis will concentrate on (1) the countries in the scheme where import and/or welfare impacts are significant[93]; and (2) on the EU. Wherever possible, the analysis will be based on CARIS.

As to beneficiaries (i.e., countries most in need), results are expected to be split, in line with export and/or welfare increases. CARIS[94] identifies a common denominator for all the countries which benefit: apparel and leather. While in the case of larger countries such as China and India these appear to be the key sectors affected, smaller exporters (e.g. Thailand) have significant increases in production and/or employment spread among many more sectors (e.g., rice, food). As for those who tend to lose out (e.g., Bangladesh), negative effects are more widely spread among sectors and are less significant individually. The apparel sector, however, is significantly affected by whatever measure. Ecuador and the Ukraine would benefit in the same sectors mentioned under option C.

The general picture underlined for option C would apply here as regards the EU—with the caveat that the effects would be spread more widely due to Chinese penetration of a significantly larger number of sectors.

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[92] See Annex 4 Table 4-9. The relevant column would be ZEROTM, which provides full preferences for <u>all</u> developing countries. This scenario will provide an accurate description for impacts on beneficiaries and on countries which were never subject to the scheme. For countries where preferences are deferred, this will not be accurate, so CARIS is not used.

[93] Impacts on production will be considered significant when they exceed 1%; on employment when they exceed 0.5%.

[94] ZEROTM scenario, as explained above.

While general effects are not expected to be significant, negative impacts on production and/or employment would occur in the rice, arable crops, oils and fats, sugar, fruit and vegetables, food products, apparel and textiles, and leather sectors. Once again, the main impacts would affect the later three sectors and the Member States mentioned under option C. Of the Member States, those with important agricultural production and food processing would be the most affected.

If option D1 is compared with baseline B2, the impacts (both positive and negative) are much lower given than the changes in imports are a third of those foreseen when comparing D1 with baseline B1. Once again, successful multilateral and bilateral negotiations will cause such profound impacts, that the scheme will have a limited residual influence.

Effects on EU tariff revenue
When compared to baseline B1, tariff revenue would decrease significantly—by about €12 billion (Annex 6.4, Table 6-4). The figure speaks for itself when compared to current tariff revenue (roughly €19 billion)[95]. The impact as compared to B2 would be smaller but still very significant—a drop of roughly €6 billion[96].

Effects on on-going trade negotiations
Providing such full access would undoubtedly create obstacles for negotiations, including EPAs.

Effects on the environment
Relative to baseline B1, imports rise under option D1. A negative direct effect on the environment (possible impact on greenhouse gas emissions, depletion of natural resources, and biodiversity losses) would result, although keeping in mind that trade would increase in the range of 1% only, it would still be moderate at worst.

Another possible negative effect is that, given that some GSP+ countries would lose exports, the support given by the scheme for sound environmental policies would be weakened.

This is the only option where imports in the longer run (B2) are increasing and significant. Thus, negative effects on the environment would extend also into B2.

Other effects
In respect of administrative costs[97], the effects are not expected to be significant. Increased trade would entail higher administrative costs, but the *de facto* disappearance of the three-tier system should decrease them. Less tariff revenue would also be collected—with a corresponding decrease in collection costs. On balance, no significant variations are expected.

This option includes improvements in the safeguard procedures, as well as in the procedures for GSP+ entry, monitoring and withdrawal procedures. This should improve the efficiency

[95] This does not take into account the impact of the trade agreements which have been initialled and are coming into force. If this were the case, the €19 billion figure would drop by around €1.5 billion.
[96] This does not take into account the impact of the conclusion of the multilateral round of negotiations, plus all the other on-going bilateral negotiations. If this were the case, the €19 billion figure would drop by around €14 billion.
[97] It is recalled that changes in preferential rules of origin are not analysed in this impact assessment.

and transparency of those mechanisms, providing for enhanced stability, legal certainty and predictability.

General assessment of economic, social and environmental effects
When compared to baseline B1, the general effects of option D1 are as follows.

Although the economic and social effects on countries most in need are expected to be positive as a whole – as under option C – these gains accrue mainly to those sectors which are already competitive, at the expense of those which are less advanced. The overall positive assessment ("+") must therefore be significantly nuanced.

The positive impact for EU consumers is likely to be compensated by lower tariff revenues, which are of the same order of magnitude. The net impact would thus be generated by impacts on producers. As explained above, these impacts would on the whole not be significant, but would have significant negative effects for important sectors—and for the EU Member States where they are important. As a result, these impacts would be negative overall. Although larger than under option C, they would probably be of a similar order of magnitude.

Environmental impacts in the EU would be marginally negative, given the overall increase in imports. The large increase in imports particularly in from China or India would lead to negative impacts in those countries also. The impact on GSP+ countries would be positive overall because, although their exports would increase, the environmental protection framework under which (all) businesses operate would be improved by adherence to the relevant environmental conventions. On balance, these effects would be marginally negative.

D1 vs. B1. Effects on:	**economic**	**social**	**environmental**
Countries most in need*	+	+	0/-
EU	-	-	0/-

*Positive economic and social impacts for countries most in need *as a whole* hide significant negative impacts on EBA and GSP+ beneficiaries.

When comparing the effects of option D1 to baseline B2, the changes would be expected to go in the same direction, only that they would become smaller—but still noticeable.

5.5.2. Options D2 and D3

These options build on option C. In order to simplify the analysis, only one of the options, in this case C2, has been used as a basis for D2 and D3. There is no reason to believe that noteworthy differences would exist if C1 were taken as a basis instead. Given that D2 and D3 change only one building block at a time with respect to C, only the salient novelties are mentioned here.

D2 and D3 generate preference erosion to the disadvantage of LDCs

D2 explores desensitisation. As expected, the immediate impact is preference erosion for EBAs, particularly vis-à-vis GSP competitors, which are the net winners. Given that the CARIS study made clear that there was a significant competitive pressure exerted by GSP countries on their EBA counterparts, this was to be expected. India, Indonesia, Vietnam and

Thailand absorb almost all the gains, while EBA countries capture almost none. As for GSP+ countries, the positive figure is counterintuitive, and is attributed to the limitations of partial equilibrium modelling described in Annex 6.3[98].

D3 explores product expansion. A similar impact as that described for D2 is recorded—benefits to GSP beneficiaries at the cost of preference erosion and export losses for EBA countries.

Both D2 and D3 thus confirm that product expansion and desensitisation have a price, a price which is paid by the poorest and which compounds the preference erosion they suffer.

D2 and D3 may place obstacles to negotiation of bilateral and multilateral agreements
Compared to option C, these options would arguably make our negotiating position more complex, by creating the expectation that concessions regarding the products which have come into the scheme or have been desensitised can be obtained from the EU automatically.

The size of the changes introduced by D2 and D3 are not sufficiently large as to vary the order of magnitude of the rest of the results of option C. However, EU producers of additional products under the scheme and of those goods which receive higher preference margins via desensitisation, will suffer additional pressure.

6. COMPARING THE OPTIONS

6.1. Review of different options by objectives and impacts

The following table compares how well the different options examined above meet the objectives sought by a review of the scheme. This comparison is based on three criteria: effectiveness (number of objectives met, to what degree); efficiency (use of resources necessary to meet the objectives, unintended spill-over effects); and consistency with overarching EU objectives.

Criterion	**Policy Options**					
	A	**C1**	**C2**	**D1**	**D2**	**D3**
General Objective G1: *Contribute to poverty eradication by expanding exports of countries most in need*	--	++++	++	--	+	+
General Objective G2: *Promote sustainable development and good governance*	---	+++	++++	---	+++	+++
General Objective G3: *Ensure better safeguard for EU's financial and economic interests*	++++	+++	+++	---	++	++
(Overall) Effectiveness	-	++++	+++	--	++	++
Efficiency	--	+++	++	--	+	+
Consistency	++++	++	++	---	+	+

98 In fact, they have to do with imports from Ecuador, where the aggregation of TARIC 8 digit codes into the HS 6 digit codes used by the SMART model produce a distortion with respect to the desensitised codes.

A detailed analysis follows, based on the sub-objectives and salient problems.

6.2. Option A

Objective G-1: Contribute to poverty eradication by expanding exports of countries most in need

At best, this option meets this objective only in part, and inefficiently.

While option A focuses preferences on some of the countries most in need (LDCs), it leaves also many other countries with similar trade, development and financial needs without preferences. Thus, a refocusing of preferences (specific objective S-1) is only achieved in part and at the cost of preference loss (and negative economic and social impacts) for many countries in need. This is also contrary to the overarching policy objective of contributing to development according to the needs of our partners (see 2011 CWP, p. 9).

In addition, removing preferences from some of the countries most in need will leave many export sectors more open to competition from more developed countries. Given the large competitive pressure which the latter exert on countries most in need, a number of export sectors in needy countries are bound to suffer significantly—or even to disappear. Thus, this option creates disincentives to diversification—the contrary of specific objective S-2.

Objective G-2: Promote sustainable development and good governance

The elimination of GSP+ removes the scheme's support to sustainable development and good governance—the contrary of specific objective S-4.

Objective G-3: Ensure better safeguard for EU's financial and economic interests

Option A does nothing to improve the efficiency of the safeguard instrument (S-5). Even though many potential competitors of EU industry would be removed from the system, LDCs are significant exporters in certain sectors (e.g., textiles), which would necessitate efficient, predictable safeguard mechanisms.

On the other hand, an unintended by-product of this option would be a stronger negotiating position in the multilateral and bilateral context (S-3). This would be in line with the 2011 Commission's Work Programme objectives (see its p. 8), which were also an integral part of the Future of Trade Policy Communication. Also, economic and social impacts are positive due to the improvement in certain industrial sectors and Member States. This fits in with the Commission's emphasis on boosting competitiveness, growth and job-creation—as well as dealing with the economic crisis and building the momentum of the recovery (see 2011 CWP, p. 3). In a period of austerity and increasing pressure on the budget, another positive effect is that tariff revenue increases.

On the whole, the impact is rather positive—and generally consistent with a number of broader policy objectives and priorities.

6.3. Option C

6.3.1. Option C1

Objective G-1: Contribute to poverty eradication by expanding exports of countries most in need

Option C1 benefits from the common pillars of option C. It effectively targets those most in need, in two ways. First, preferences respond positively to concrete needs—with the result that preferences are deferred for sufficiently rich beneficiaries, and for those which enjoy similar access via bilateral agreements. Second, more advanced sectors which do not require preferences to penetrate the EU market are weeded out more efficiently *via* higher graduation. This ensures that preferences are properly focused (S-1): only those countries and sectors most in need benefit. Given that the competitive pressure of less needy beneficiaries hindered the use of preferences by those most in need, this option would also open the door to a more intensive use of preferences by the latter. Also, the same pressure placed obstacles to diversification—obstacles which would thus be removed (S-2). The level of preference utilisation would also increase.

The foregoing would happen efficiently, in the sense that countries or sectors which deserve preferences by and large remain as beneficiaries. On top of the foregoing, another factor would contribute to efficiency: the redefinition of product sections would avoid the situation where less competitive products within the category are graduated as 'collateral damage'.

Nonetheless, as regards efficiency, it is important to underline two differences between options C1 and C2.

First, graduation is significantly higher for some countries under option C2, given that the graduation thresholds are significantly lower. If a similar overall result is achieved by a higher graduation threshold, it would be more efficient to opt for the latter.

Second, the more GSP+ beneficiaries enter into the system, the more competitive pressure will exist on LDCs—the neediest of all developing countries. In this context, C1 results in less pressure on LDCs than C2. It may be more efficient to retain C1 for this purpose.

This option is thus in line with the overarching policy objective of contributing to development according to the needs of our partners (see 2011 CWP, p. 9).

Objective G-2: Promote sustainable development and good governance

Option C1 again benefits from the common pillars of C. The combination of a more flexible entry mechanism as regards conventions, more flexible trade criteria for eligibility, and no graduation for GSP+ beneficiaries, would boost the power of the scheme to promote sustainable development and good governance, in line with specific objective S-4. While effectiveness would be high, it should be underlined that this option does not include a review of the conventions list, which would further enhance effectiveness.

Efficiency should be nuanced. As explained above, broader GSP+ membership would have a negative impact on LDC exports.

Objective G-3: Ensure better safeguard for EU's financial and economic interests

Option C1 improves the efficiency of the safeguard instrument (S-5) and of the withdrawal mechanisms for beneficiaries. Both would enhance legal certainty and predictability of the scheme (S-6), and safeguard the EU’s financial and economic interests.

As under option A, an unintended by-product of this option would be a stronger negotiating position in the multilateral and bilateral context (S-3)—albeit with respect to a lower number of countries than emerges under option A. This would also be in line with the 2011 CWP objectives (see its p. 8), which were moreover an integral part of the Future of Trade Policy Communication.

On the positive side again, tariff revenue increases in a period of budgetary pressure.

The foregoing should be balanced, however, with the negative economic and social impacts on certain sectors and Member States. This would not help competitiveness, growth and job-creation, particularly in a period where so much effort is being put towards economic recovery.

On the whole, the balance of impacts would be positive. Consistency with broader policy objectives and priorities would be mixed, although also positive.

6.3.2. Option C2

Given that most building blocks are common to options C1 and C2, only noteworthy differences are highlighted here.
Regarding the efficiency of objective G-1 (contribute to poverty eradication by expanding exports of countries most in need), there are two salient differences.

To start with, the much lower graduation thresholds in C2 reduce total exports by countries most in need in our static analysis, as explained above. While dynamic effects should compensate for this fall, it is an indication that the 7.5% graduation threshold may be excessive to achieve the intended objective.

In addition, the more GSP+ beneficiaries enter into the system, the more competitive pressure will be exerted on LDCs—the neediest of all developing countries. In this context, C1 provides less pressure on LDCs than C2. It may be more efficient to retain C1 for this purpose.

Regarding the effectiveness of objective G-2 (promote sustainable development and good governance), this option is superior to C1 as it includes a revision of conventions.

The foregoing indicates that C2 as a whole would be inferior to C1, but still retain positive aspects.

6.4. Option D: full redesign

6.4.1. Option D1

Objective G-1: Contribute to poverty eradication by expanding exports of countries most in need

This option targets those most in need by deferring preferences for sufficiently rich beneficiaries, and for those which enjoy similar access via bilateral agreements.

However, it achieves the opposite in many other ways. To start with it eliminates graduation for all beneficiaries—with the implication that more advanced sectors which do not require preferences to penetrate EU market will nonetheless receive them. This leads to increasing pressure precisely on those competing sectors which are less advanced and do need preferences. In addition, the extension of EBA treatment to all beneficiaries accelerates preference erosion for the poorest beneficiaries. Therefore, option D1 does not lead to a proper focusing of preferences (S-1).

Also, the aforementioned pressure creates further obstacles to diversification, as advanced sectors put pressure on competing producers in other countries most in need. Thus, S-2 is not met. Finally, as explained above, competitive pressure by the more advanced also impinges upon utilisation of preferences by those most in need.

In consequence, this objective is not met overall.

This option would also not be in line with the overarching policy objective of contributing to development according to the needs of our partners (see 2011 CWP, p. 9).

Objective G-2: Promote sustainable development and good governance
GSP+ is an incentive-based mechanism. Yet, option D removes this incentive by granting it unconditionally to every beneficiary regardless of any other formal improvements of the scheme (e.g., more flexible entry). This is contrary to the objective of promotion of sustainable development and good governance.

Objective G-3: Ensure better safeguard for EU's financial and economic interests
As under option C, option D1 improves the efficiency of the safeguard instrument (S-5) and of the withdrawal mechanisms for beneficiaries. Both would enhance legal certainty and predictability of the scheme (S-6), and safeguard the EU’s financial and economic interests.

On the negative side, tariff revenue decreases significantly in a period of budgetary pressure. This adds to the negative economic and social impacts on certain industrial sectors and Member States. This would not help competitiveness, growth and job-creation, particularly in a period where so much effort is being put towards economic recovery.

In addition, this option would have severe unintended effects, by weakening the EU's negotiating position in the multilateral and bilateral context (S-3). This would not be in line with the 2011 CWP objectives (see its p. 8), which were also an integral part of the Future of Trade Policy Communication.

On the whole, the balance of impacts would be rather negative. Consistency with broader policy objectives and priorities would also not be ensured.

6.4.2. Options D2 and D3

These two options share the same basic traits as those described under option C. Only the aspects that differ from C are described here.

D2 and D3 are less efficient than C, as they increase imports of GSP beneficiaries at the cost of EBA countries, precisely the set of countries with the largest trade, development and financial needs.

In addition, they render the EU's position more complex in bilateral and multilateral negotiations by giving a signal that the tariffs on new or desensitised products are not important for the EU.

This implies that options D2 and D3 will be inferior to C.

6.5. Preferred option

The option which meets the objectives of the scheme in the most effective, efficient and consistent manner is C, and in particular C1. This does not negate that C2 contains positive aspects (review of the list of conventions) which can also be considered.

7. MONITORING AND EVALUATION

The table below includes suggestions for indicators that can be used to assess the progress and effectiveness of the preferred option in achieving general policy objectives.

General Objectives	Indicators	Sources of information
To contribute to poverty eradication by expanding exports from countries most in need	- expansion of developing countries exports to EU - increased share of imports from countries most in need - increased utilization of the preferences - effective graduation of the competitive sectors -increasing diversification	- Eurostat data
To promote sustainable development and good governance	- increased number of countries committing to sustainable development and good governance principles within GSP+ arrangement - overall improvement of implementation of GSP+ conventions by GSP+ beneficiaries -number of withdrawals	- reports of relevant international monitoring bodies -DG TRADE
To ensure a better safeguard for the EU's financial and economic interests.	-number of safeguard requests -number of safeguard measures -revenue foregone due to the scheme -number of preferential trade agreements signed with beneficiaries - number of preferential trade agreements signed with non-beneficiaries	-Safeguard requests -Eurostat data -DG TRADE

The effectiveness of the GSP scheme introduced by the proposed new regulation should be subject to formal and independent evaluation prior to any subsequent revision. To be effective, such evaluation is likely to require a minimum of 3 years' post-implementation data, which implies that the evaluation cannot take place before the end of 2017 at the earliest.

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ANNEX 1 SALIENT FEATURES OF THE EU SCHEME

Introduction

The Generalised System of Preferences (hereinafter, "the scheme") is born out of three factors. First, there is wide agreement that international trade is essential for development, as it can generate significant revenue and economic activity. Second, certain countries face difficulties to integrate fully into the international trading system, and require preferences to partake in the benefits of international trade. Third, development will only be sustainable in the long run if an economy can also rely on industrial production rather than primarily on commodities—in other words if it is sufficiently diversified. Preferences should thus foster exports of industrial products.

Development and poverty reduction are complex goals, which necessitate myriad building blocks to be realised. The scheme is one of those many blocks. While, on its own, the scheme will not reduce poverty, it can help developing countries boost exports and develop new industries—a factor which, given an adequate political and economic context, can contribute significantly towards development and poverty reduction. This explains why the EU was the pioneer in the introduction of a scheme in 1971, and why it has remained an important policy tool, whose objective is the expansion of exports to the EU by those countries in accordance with their needs.

In a changing world, the EU's scheme has had to adapt. The last decade has seen a move towards greater differentiation amongst beneficiary countries in terms of development, trade and financial needs. To reflect that, given their different circumstances, they require also different patterns of preferences. As a result, Least Developed Countries (LDCs) have been provided full duty free, quota free access to the EU (Everything But Arms initiative, hereinafter "EBA").

Also, the scheme has taken up a new role: to provide incentives to those countries committed to promote sustainable development and good governance (hereinafter, "GSP+") *via* additional preferences. This objective is intended to complement the overall goal to help those most in need to boost exports.

Today's scheme is thus a three-tier system, with significant preferences for 111[99] general beneficiaries (hereinafter, "GSP"), enhanced preferences for 15 GSP+ countries, and full preferences for 50 EBA countries[100]. For a list of beneficiary countries and their exports see Table 1-1, p.8 and Table 1-2, p.12 below. Preferential imports per product category are analysed in Table 1-3 p.16.

1. The general arrangement
Beneficiaries

There are 111 beneficiaries of the general arrangement. Beneficiaries are established by applying two "negative" principles:

[99] Belarus is temporarily suspended, see below.
[100] Myanmar is temporarily suspended, see below.

- High income countries as classified by the World Bank are not eligible—unless their economies are not sufficiently diversified. For this purpose, an economy is not sufficiently diversified if its exports to the EU of the five categories with the highest export values are more than 75% of its total exports to the EU.

-FTA partners are not eligible, if the level of preferential access provided by their agreement is the same. The concept of preferential access is not defined—in particular as this depends on whether the rules of origin (which differ between FTAs and the scheme) are considered to be part of the preferences.

Due to historical reasons, 21 Overseas Countries and Territories of the EU and 15 overseas territories of other high income countries have been included as beneficiaries.

Ex-USSR economies were also included with a view to facilitate their transition to a market system.

Product coverage

The general arrangement covers over 6200 tariff lines out of a total of approximately 7100 tariff lines with non-zero tariffs. Roughly 2300 lines are not covered by the scheme as standard tariffs (so-called "most favoured nation" or MFN) are already at 0.

Products are split into non-sensitive and sensitive categories:

- *Non-sensitive* products enjoy duty-free access, and represent about 2400 lines;
- *Sensitive* products (a mixture of agricultural, textile, clothing, apparel, carpets and footwear items) benefit from tariff reductions (typically 3.5 percentage points on ad valorem duties) compared to the standard most favoured nation tariff. These represent about 3800 lines.

Trade involved

In 2009, just under €60 billion imports received preferences — €48 billion for countries under the general arrangement.

Some terminology

There are three different terms to describe imports under the scheme. The first is "**covered**" imports. These are those which are theoretically able to obtain preferences. But some products are graduated from the scheme or preferences are temporarily withdrawn (see below), so certain goods from certain beneficiary countries will not be eligible for preferences. If excluded products are subtracted from the "covered" imports, "**eligible**" imports are obtained. Finally, importers may not always choose to use the preferences at hand. "**Preferential**" imports are those the goods where EU customs actually accorded preferences.

2. GSP+ arrangement

The philosophy of GSP+ is that of an incentive based mechanism, as opposed to a tool based on sanctions. It fosters the achievement of its goals by offering the "carrot" of preferences, which it provides when the relevant conventions are ratified and effectively implemented. Thereafter, preferences are used as a lever to ensure that implementation (i) does not deteriorate and (ii) improves over time. A regular dialogue with beneficiaries provides the necessary follow-up, which includes temporary withdrawal mechanisms. This approach of progressive improvement is considered the most appropriate given that the changes that need to take place to fully implement conventions are of a complex, structural nature and involve high economic costs. Thus, they will not happen overnight, and need to be accompanied of over longer periods.

"Effective implementation" and entry into GSP+

Depending on its application, "effective implementation" criterion for entry into GSP+ could be contrary to the incentive-based essence of this tool. An extreme interpretation of the term would imply that countries would have to attain an impeccable standard of implementation before receiving preferences. This would mean that the country's stakeholders would have to bear the significant costs of implementation for a number of years before such a high standard could be achieved. In practice, this would erode the political support necessary for the implementation of the core conventions—a self-defeating approach.

Instead, the EU's practice regarding entry has been to place emphasis on ratification of conventions and on a clear undertaking by countries to ensure effective implementation, rather than on impeccable implementation from the outset. Preferences create incentives within the country to support effective implementation, as stakeholders stand to lose significantly from the withdrawal of preferences if the necessary progress is not achieved.

Beneficiaries

The GSP+, applying until 31 December 2011 currently covers 15 beneficiaries: Armenia, Azerbaijan, Bolivia, Colombia, Costa Rica, Ecuador, El Salvador, Georgia, Guatemala, Honduras, Mongolia, Nicaragua, Peru, Paraguay and Panama (Sri Lanka has been temporarily withdrawn—see below).

In order to qualify for GSP+, countries must meet the following criteria:

(1) must have ratified and effectively implemented 27 specified international conventions in the fields of core human and labour right, the environment and good governance (see Table 1-6, p.19 below);

(2) must give an undertaking to maintain the ratification of the conventions and their implementing legislation and measures, and accept regular monitoring and review of the implementation record in accordance with the implementation provisions of the relevant conventions;

(3) are considered 'vulnerable[101].' A vulnerable country means a country:

- which is not classified by the World Bank as a high income country during three consecutive years;
- and whose exports to the EU are heavily concentrated in a few products (the 5 largest sections of GSP-covered imports into the EU represent more than 75% in value of their total GSP covered exports);
- and with a low level of exports to the EU (it represents less than 1% in value of total GSP covered imports).

[101] For a list of all countries deemed vulnerable see Table 1-1, p.1 below (as can be observed from the table, virtually all EBA countries are also vulnerable).

The rationale for the vulnerability criteria is as follows. In 2004, the GSP Regulation was simplified from five arrangements to three: standard GSP, EBA and GSP+ in a manner that responds positively to special development, financial and trade needs in consistency with the Enabling Clause. EBA (see below) is aimed at the LDCs, developmentally the most in need and who are accorded the most generous preferences under the scheme; GSP+, offers preferences over and above the standard GSP to a subset of beneficiary countries. These countries, though not LDCs, tend to be small and relatively poor economies with a narrow tax base - particularly those with a high export concentration on a narrow range of products and therefore on a steep path of development. However, because of their relative economic advantage over LDCs, they are in a better position to dedicate resources to sustainable development and take on relevant international commitments. Vulnerability criteria reflect this.

Entry is possible once every 18 months.

Product coverage
GSP+ has essentially the same coverage as GSP, covering roughly 70 more lines than the general arrangement. The main advantage over GSP is that GSP+ gives improved treatment by offering additional, mostly duty-free preferences also for some sensitive products.

Trade involved
In 2009, just over €5 billion imports were made by countries with GSP+ benefits.

3. Everything but Arms (EBA)

The EBA gives LDCs[102], as defined by the UN, duty free and quota-free access to the EU for the over 7000 tariff lines (all EU non-0 tariff lines with the exception of arms and armaments). In 2009, just over €6 billion imports were made by countries with EBA benefits.

4. The graduation mechanism for GSP and GSP+[103]

Graduation means that imports of particular groups of products (listed as one section in the EU Customs Tariff— see Table 1-5, p.18 below) and originating in a given beneficiary country lose GSP and GSP+ preferences.

Which product groups? The importance of defining sections adequately
Graduation will have different results depending on how product groups are defined. One option is to graduate by each of the thousands of lines of the Customs Tariff (as some countries like the US have done). This has the benefit of being highly targeted, but will offer less predictability to economic operators (imports of individual tariff lines are more likely to fluctuate than broader categories, and thus to be graduated and de-graduated). Managing a system of thousands of lines is administratively more complex.

Another option is to define broader categories, which has the benefit of being more stable for operators (graduation and de-graduation will not occur as often), but risks putting heterogeneous products in the same basket (making the system less meaningful). Administration is also simpler.

[102] In addition, countries which cease to be LDCs have a three year transition period where they continue to enjoy EBA treatment.
[103] EBA countries cannot be graduated.

Graduation applies when the average imports of a section from a country exceed 15% of covered imports of the same products from all beneficiary countries during three years (the trigger is 12.5% for textiles and clothing). This is a proxy for those country-sector combinations which are sufficiently competitive and so no longer need the scheme to boost their exports to the EU.

Graduation takes the pool of beneficiaries rather than total EU imports as basis due to two empirical realities. First, the share of imports covered by the scheme as a proportion of total EU imports, per product category, is significant. Therefore, 15% (or 12.5%) of covered imports will be significant also in terms of total EU imports. Second, there is large competition amongst the three categories of beneficiaries (see 0, p.82)—so it is logical to have a comparative tool within this beneficiary pool to better target preferences to the most needy.

It should be noted that if a specific group of products accounts for more than 50% of total GSP-covered exports, the group can not be graduated. The reason is that for such extreme cases of non-diversification, graduation could disrupt the main pillar of the economy, with damaging systemic effects.

Out of a total of over 2400 country-product group combinations which exist, 20 (less than 1%) have been graduated (see Table 1-4, p.17 below). Thirteen of these involve China, with the rest split amongst 6 other countries (Brazil with 2, and India, Indonesia, Malaysia, Thailand and Vietnam, with one product category each).

As of 1 January 2009, GSP preferences have been re-established (de-graduation) for six countries in the following product groups:

- Algeria, Section 5*(Minerals products)*;
- India, Section 14 *(Jewellery, pearls, precious metals and stones)*;
- Indonesia, Section 9 *(Wood and articles of wood)*;
- Russia, Section 6 *(Products of the chemical or allied industries)* and Section 15 *(Base metals)*;
- South Africa, Section 17 *(Transport equipment)*;
- Thailand, Section 17 *(Transport equipment)*.

5. Temporary withdrawal

Any of the GSP arrangements may be temporarily withdrawn for serious and systematic violations of core principles laid down in core human and labour rights conventions and on a number of other grounds such as unfair trading practices and serious shortcomings in customs controls.

In addition, GSP+ benefits may be temporarily withdrawn if the national legislation of a GSP+ beneficiary country no longer incorporates the relevant conventions or if that legislation is not effectively implemented - in other words if the underlying balance in GSP+ between additional trade preferences in the EU market and beneficiaries' acceptance and implementation of international sustainable development and good governance rules and standards is no longer properly respected. In this regard, the Commission monitors the situation in beneficiary countries on an ongoing basis primarily by drawing on material available from the relevant international monitoring bodies.

The investigation mechanism [104]

The Commission informs the Council if information from the competent international monitoring bodies (such as UN and ILO) indicates that there has been a diversion, by a beneficiary country, from the effective implementation of any of conventions. In such cases, and following consultation with EU Member States in the GSP Committee, the Commission decides to conduct an investigation to clarify the situation. In cases where the Commission following its investigation considers that temporary withdrawal of trade preferences would be necessary, it makes an appropriate proposal to this effect to the Council.

Investigation is a technical tool to gather the facts necessary to take a decision. As compared with other similar technical instruments of EU trade law (e.g., trade defence), the scheme does not set out in sufficient details as to procedure and rights of parties involved.

Two investigations have been completed in 2009 in relation to GSP+ – one in respect of El Salvador on non-incorporation of ILO core standards and another in respect of Sri Lanka on non-effective implementation of certain human rights conventions. The mere opening of investigations can be a catalyst for change. In the case of the investigation in respect of El Salvador, in order to avoid temporary withdrawal from GSP+, the country introduced the necessary reforms in order to remove substantial obstacles to the exercise of ILO core labour standards.

Withdrawals

For GSP, temporary withdrawal has been applied most recently in December 2006 in respect of Belarus on the grounds of serious and systematic violations of labour rights, as determined by the ILO. Myanmar since 1997 has also had standard benefits withdrawn on the same grounds. Preferences should be re-established as and when the situation changes in these two countries.

For GSP+, Sri Lanka’s benefits were temporarily withdrawn in 2010 due to non-effective implementation of certain human rights conventions. Thus, imports from Sri Lanka benefit only from the standard GSP preferential treatment.

The GSP+ special dialogue mechanism

As a complement and support to ongoing monitoring by ILO, UN etc, the Commission seeks an ongoing dialogue with GSP+ beneficiary countries on any issues concerning their effective implementation of GSP+ related conventions. The GSP+ is a pro-development instrument and the Commission's approach has been to use it as an incentive for progress in the effective implementation of the GSP+ relevant international conventions, to indicate the shortcomings in the framework of dialogue, provide time for a reactions, encourage cooperation with ILO and UN and apply GSP+ withdrawal only in cases of evident non-cooperation or violations of standards confirmed by international monitoring bodies.

This regular follow-up has underlined that ratification of all conventions has been maintained by all GSP+ beneficiaries, and that in general their implementation has progressed. However, significant work remains for certain countries (see Table 1-7, p.21 below).

6. Safeguards

[104] This followed the pre Lisbon Treaty procedures, which will be reviewed shortly.

Safeguard measures may be applied where imports from beneficiary countries cause or threaten to cause "serious difficulty" to a Union producer. Surveillance measures are also possible for agricultural products. None of these measures have ever been taken in the history of the scheme.

Table 1-1 List of beneficiary countries and territories

	Country	GSP			GSP+	EBA	Vulnerable
		OCTS	HICs/ UMIs	FTAS[105]			
AE	United Arab Emirates		X	N			
AF	Afghanistan					X	X
AG	Antigua and Barbuda		X	IF			
AI	Anguilla	X					X
AM	Armenia				X		X
AN	Netherlands Antilles	X	X				
AO	Angola			N		X	X
AQ	Antarctica	-					
AR	Argentina		X	N			X
AS	American Samoa	X	X				X
AW	Aruba	X	X				
AZ	Azerbaijan				X		X
BB	Barbados		X	IF			
BD	Bangladesh					X	
BF	Burkina Faso			N		X	X
BH	Bahrain		X	N			
BI	Burundi			N		X	X
BJ	Benin			N		X	X
BM	Bermuda	X	X				
BN	Brunei Darussalam		X				
BO	Bolivia				X		X
BR	Brazil		X	N			
BS	Bahamas		X	IF			
BT	Bhutan					X	X
BV	Bouvet Island	X					X
BW	Botswana		X	N			X
BY	Belarus[106]		X				
BZ	Belize			IF			X
CC	Cocos Islands	X					X
CD	Congo, Democratic Republic of			N		X	X
CF	Central African Republic			N		X	X
CG	Congo			N			X
CI	Côte d'Ivoire			N			X
CK	Cook Islands	X		N			X
CM	Cameroon			N			X
CN	China						
CO	Colombia			S	X		X
CR	Costa Rica		X	S	X		X
CU	Cuba		X				X
CV	Cap Verde			N		X	X
CX	Christmas Islands	X					X
DJ	Djibouti			N		X	X
DM	Dominica		X	IF			X
DM	Dominican Republic			IF			X
DZ	Algeria			IF			X
EC	Ecuador				X		X
EG	Egypt			IF			
ER	Eritrea			N		X	X

[105] 'IF'- FTA in force, 'S'- signed or concluded FTA but not yet entered into force, 'N'- FTA under negotiations.
[106] Belarus was temporarily withdrawn by Council Regulation (EC) No1933/2006 of 21 December 2006.

ET	Ethiopia			N		X	X
FJ	Fiji		X	N			X
FK	Falkland Islands	X					X
FM	Micronesia			N			X
GA	Gabon		X	N			X
GD	Grenada		X	IF			X
GE	Georgia				X		X
GH	Ghana			N			X
GI	Gibraltar	X					X
GL	Greenland	X	X				
GM	Gambia			N		X	X
GN	Guinea			N		X	X
GQ	Equatorial Guinea			N		X	X
GS	South Georgia and South Sandwich Islands	X					X
GT	Guatemala			S	X		X
GU	Guam	X	X				
GW	Guinea-Bissau			N		X	X
GY	Guyana			IF			X
HM	Heard Island and McDonald Islands	X					X
HN	Honduras			S	X		X
HT	Haiti			N		X	X
ID	Indonesia						
IN	India			N			
IO	British Indian Ocean Territory	X					X
IQ	Iraq						X
IR	Iran						X
JM	Jamaica		X	IF			X
JO	Jordan			IF			X
KE	Kenya			N			X
KG	Kyrgyzstan						X
KH	Cambodia					X	X
KI	Kiribati			N		X	X
KM	Comoros			N		X	X
KN	St Kitts and Nevis		X	IF			X
KW	Kuwait		X	N			
KY	Cayman Islands	X	X				
KZ	Kazakhstan		X				X
LA	Lao People's Democratic Republic					X	X
LB	Lebanon		X	IF			X
LC	St Lucia		X	IF			X
LK	Sri Lanka[107]						X
LR	Liberia			N		X	X
LS	Lesotho			N		X	X
LY	Libyan Arab Jamahiriya		X	N			X
MA	Morocco			F			
MG	Madagascar			N		X	X
MH	Marshall Islands			N			X
ML	Mali			N		X	X
MM	Myanmar[108]					X	X
MN	Mongolia				X		X
MO	Macao	X	X				
MP	Northern Mariana Islands	X	X				X
MR	Mauritania			N		X	X

[107] Sri Lanka was temporarily withdrawn from GSP+ by Regulation (EU) No 143/2010 of the Council of 15 February 2010.

[108] Myanmar was temporarily withdrawn from the list of GSP countries in 1997 (Council Regulation 552/97).

MS	Montserrat	X					X
MU	Mauritius		X	N			X
MV	Maldives					X	X
MW	Malawi			N		X	X
MX	Mexico		X	IF			
MY	Malaysia		X	N			
MZ	Mozambique			N		X	X
NA	Namibia			N			X
NC	New Caledonia	X	X				
NE	Niger			N		X	X
NF	Norfolk Island	X					X
NG	Nigeria			N			X
NI	Nicaragua			S	X		X
NP	Nepal					X	X
NR	Nauru			N			X
NU	Niue	X		N			X
OM	Oman		X	N			X
PA	Panama		X	S	X		X
PE	Peru			S	X		X
PF	French Polynesia	X	X				
PG	Papua New Guinea			N			X
PH	Philippines						
PK	Pakistan						
PM	ST Pierre and Miquelon	X					X
PN	Pitcairn	X					X
PW	Palau		X	N			X
PY	Paraguay			N	X		X
QA	Qatar		X	N			
RU	Russian Federation		X				
RW	Rwanda			N		X	X
SA	Saudi Arabia		X	N			
SB	Solomon Islands			N		X	X
SC	Seychelles		X	N			X
SD	Sudan			N		X	X
SH	Saint Helena	X					X
SL	Sierra Leone			N		X	X
SN	Senegal			N		X	X
SO	Somalia			N		X	X
SR	Suriname		X	IF			X
ST	São Tomé and Príncipe			N		X	X
SV	El Salvador			S	X		X
SY	Syrian Arab Republic			IF			X
SZ	Swaziland			N			X
TC	Turks and Caicos Islands	X					X
TD	Chad			N		X	X
TF	French Southern Territories	X					X
TG	Togo			N		X	X
TH	Thailand						
TJ	Tajikistan						X
TK	Tokelau	X					X
TL	Timor-Leste			N		X	X
TM	Turkmenistan						X
TN	Tunisia			IF			
TO	Tonga			N			X
TT	Trinidad and Tobago		X	IF			
TV	Tuvalu			N		X	X
TZ	Tanzania			N		X	X
UA	Ukraine			N			

UG	Uganda			N		X	X
UM	United States Minor Outlying Islands	X					X
UY	Uruguay		X	N			X
UZ	Uzbekistan						X
VC	St Vincent and the Grenadines		X	IF			X
VE	Venezuela		X				X
VG	Virgin Islands, British	X	X				X
VI	Virgin Islands, US	X					
VN	Vietnam						
VU	Vanuatu			N		X	X
WF	Wallis and Futuna	X					X
WS	Samoa			N		X	X
YE	Yemen					X	X
YT	Mayotte	X	X				X
ZA	South Africa		X	IF			
ZM	Zambia			N		X	X
ZW	Zimbabwe			N			X

Table 1-2 Exports from beneficiary countries to the world and to the EU

Countries	Year 2009			
	Total Exports to the World x € 1,000	Total Exports to EU x € 1,000	Exports to EU under GSP scheme ("Covered Imports") x € 1,000	Exports to EU under GSP scheme ("Preferential Imports") x € 1,000
Afghanistan	322.692	14.447	5.328	191
Algeria	32.276.662	17.342.469	1.094.701	36.010
American Samoa	0	296	164	1
Angola	24.937.395	4.909.696	37.756	8.024
Anguilla	0	263	9	0
Antigua and Barbuda	0	60.473	2.627	723
Argentina	39.210.712	8.122.359	2.234.099	1.892.166
Armenia	490.115	160.150	70.243	62.836
Aruba	91.406	175.145	69.553	52
Azerbaijan	9.879.032	7.287.538	79.005	35.419
Bahamas	1.392.067	398.898	53.812	893
Bahrein	4.448.218	390.190	294.222	188.075
Bangladesh	8.889.418	5.801.965	5.743.780	4.543.072
Barbados	225.397	33.795	2.330	9
Bélarus	15.147.945	2.555.550	645.024	0
Belize	252.787	94.127	8.084	144
Benin	291.723	27.597	4.827	10.002
Bermuda	123.995	78.902	1.083	0
Bhutan	0	2.327	942	66
Bolivia	2.565.001	183.389	28.263	49.854
Botswana	0	370.707	1.633	16
Bouvet (island)	0	345	42	41
Brazil	105.173.608	25.128.740	7.600.202	3.357.155
British territory of the Indian Ocean	0	201	182	108
Brunéi Darussalam	4.620.032	22.619	7.331	107
Burkina Faso	341.505	62.846	5.930	5.424
Burundi	52.520	38.945	348	12
Caïmanes (islands)	0	586.655	6.037	2
Cambodia	3.574.631	764.630	739.721	553.643
Cameroon	2.635.175	1.741.473	120.554	508
Cape Verde (Republic of)	30.141	26.017	24.364	23.368
Central African (Republic)	79.243	43.578	122	0
Chad	1.501.809	117.616	4.314	0
China (people's Republic of)	843.062.848	213.137.509	121.725.879	1.479.029
Christmas (island)	0	203	46	0
Cocos (islands) (or Keeling islands)	0	2.426	38	24
Colombia	23.280.488	3.797.624	590.806	478.900
Comoros Islands (Islands)	18.820	8.132	2.780	0
Cook (islands)	0	2.377	228	15
Costa Rica	6.215.744	2.768.886	688.771	638.110
Côte d'Ivoire	6.977.925	3.051.014	862.806	5.996
Cuba	1.623.731	298.903	172.497	110.820
Djibouti	265.012	22.665	19.600	18.520
Dominica	117.867	29.891	2.197	0
Dominican (Republic)	3.804.348	580.639	124.141	3.320
Ecuador	9.745.474	1.874.692	1.006.559	972.966

Egypt	15.974.277	5.956.418	1.988.179	132.002
El Salvador	2.595.798	198.528	77.660	67.416
Equatorial Guinea	5.431.864	1.477.405	81.727	64.480
Eritrea	0	3.504	2.653	2.270
Ethiopia	898.869	379.891	153.624	138.723
Falkland (islands)	0	78.027	75.962	0
Fiji (islands)	536.797	92.402	4.252	68
French Polynesia	0	22.066	11.833	2
French southern lands	0	1.881	1.691	0
Gabon	2.863.577	751.086	98.715	91.139
Gambia	39.183	10.925	6.462	6.213
Georgia	804.779	478.056	60.597	76.905
Ghana	2.176.661	1.087.871	338.774	8.001
Gibraltar	0	155.352	23.813	370
Greenland	406.646	303.109	277.600	0
Grenada	36.970	2.538	938	4
Guam	0	842	661	0
Guatemala	5.220.306	357.157	135.156	144.350
Guinea	722.001	381.555	5.166	374
Guinea-Bissau	107.087	2.435	696	97
Guyana	679.330	183.132	9.053	13
Haiti	459.134	18.917	9.629	1.343
Heard and McDonald islands	0	0	0	0
Honduras	1.654.885	514.435	176.610	149.313
India	114.169.037	25.071.342	17.988.552	13.064.619
Indonesia	80.938.959	11.572.168	6.456.383	3.383.616
Iran (Islamic Republic of)	42.935.263	8.435.132	677.208	486.307
Iraq	23.688.183	5.918.588	5.090	191
Jamaica	934.150	207.767	20.746	34
Jordan	3.558.796	164.684	106.505	491
Kazakhstan	22.531.772	10.180.834	538.714	335.090
Kenya	2.988.944	1.075.550	745.620	5.890
Kirghizia	682.312	28.984	7.957	3.012
Kiribati	0	346	163	9
Kuwait	30.975.890	2.822.701	1.642.534	998.510
Lao (Republic democratic people's)	881.957	138.008	109.570	107.209
Lebanon	2.314.224	252.311	121.997	1.129
Lesotho	0	101.270	2.246	372
Liberia	830.476	530.894	1.576	17
Libyan (Jamahiriya Arab)	24.652.358	19.985.052	899.538	725.476
Macao	615.325	97.912	69.445	608
Madagascar	692.680	451.597	369.872	13.190
Malawi	646.114	231.299	189.167	164.448
Malaysia	109.592.415	14.334.764	5.138.138	2.510.075
Mali	100.679	18.237	2.792	1.376
Mariannes of the North (Islands)	0	419	301	0
Marshall (islands)	0	308.026	11.083	0
Mauritania	1.231.990	371.234	111.392	106.545
Mauritius	1.258.590	860.776	594.008	1.399
Mayotte	0	5.397	1.478	0
Mexico	162.812.249	9.628.569	4.020.863	57.560
Micronesia (federate States of)	0	621	99	81
Minor islands moved away from the United States	0	8.838	283	0
Mongolia	1.300.466	44.482	10.741	8.352
Montserrat	0	620	135	0

Morocco	9.488.952	6.407.553	5.262.707	84.171
Mozambique	1.183.497	675.687	76.315	30.356
Myanmar	3.942.133	155.865	147.269	0
Namibia	0	585.778	261.837	479
Nauru	0	156	56	24
Nepal	459.607	74.241	65.908	59.542
New Caledonia	627.049	286.042	13.576	295
Nicaragua	980.699	165.519	51.258	50.059
Niger	377.662	219.089	2.059	706
Nigeria	36.676.636	10.425.470	329.705	234.949
Niue (island)	0	42	42	0
Norfolk (island)	0	97	3	0
Oman	16.544.166	486.315	200.716	121.138
Pakistan	12.325.003	3.273.948	2.867.022	2.634.484
Palaos	0	14	10	0
Panama	3.866.109	543.760	76.418	62.288
Papua New Guinea	3.468.739	499.164	334.704	1.205
Paraguay	2.247.641	358.745	15.388	11.488
Peru	18.642.989	3.128.625	728.551	730.767
Pitcairn	0	155	51	27
Qatar	29.197.900	3.160.801	244.997	84.326
Russia (Federation of)	167.343.033	99.105.176	6.069.294	2.923.651
Rwanda	236.339	37.491	558	0
Saint Helena	0	5.511	606	0
Saint Lucia	123.122	63.240	867	18
Saint-Pierre-et-Miquelon	0	3.625	3.557	0
Saint-Vincent-et them Grendaian	145.844	127.639	8.058	0
Samoa	73.537	1.049	498	37
Sao Tome and Principle	9.898	6.458	468	215
Saudi Arabia	117.231.560	10.907.850	2.732.236	2.172.970
Senegal	1.165.992	260.356	181.934	186.601
Seychelles	221.732	182.115	167.801	111
Sierra Leone	147.928	99.519	1.866	2.379
Somalia	309.903	413	27	0
South Africa	38.750.787	14.367.679	4.679.232	784.488
South Georgia and the Sandwich islands Southern	0	15.597	10.210	0
Sri Lanka	4.797.634	2.001.434	1.675.062	1.198.613
St. Kitts and Nevis	53.598	2.436	2.159	193
Sudan	4.984.771	104.285	3.640	13.448
Surinam	964.258	264.525	18.956	131
Swaziland	0	130.656	24.698	1.623
Syrian (Arab Republic)	8.108.694	2.304.234	146.024	10.559
Tajikistan	716.716	74.425	15.143	14.359
Tanzania (Republic of)	1.234.903	346.020	204.729	29.647
Thailand	106.539.788	14.147.153	8.320.881	4.218.962
The Antarctic	0	500	343	0
The Congo	4.438.135	695.802	44.280	32.803
The Congo (democratic Republic of)	1.741.396	324.441	12.051	6.798
The Maldives	81.170	49.107	48.372	47.264
The Netherlands Antilles	2.233.431	193.371	76.932	1
The Philippines	26.876.588	3.804.580	1.325.817	723.669
The Solomon Islands	184.409	21.029	20.642	19.965
Timor-Leste	0	3.634	44	0
Togo	473.893	257.777	12.475	11.960
Tokelau (islands)	0	3.768	1.868	16

Tonga	9.834	223	203	1
Trinidad and Tobago	8.568.495	1.850.230	339.294	16.909
Tunisia	9.582.204	7.868.959	5.647.684	63.692
Turkmenistan	2.048.960	426.483	63.239	55.027
Turks et Caïques (islands)	0	135	79	9
Tuvalu	0	37	35	0
Uganda	1.052.456	371.120	148.526	2.156
Ukraine	27.929.538	7.604.956	2.322.254	1.621.707
United Arab Emirates	69.022.109	3.662.690	1.915.969	1.234.195
Uruguay	4.202.238	926.726	117.778	96.923
Uzbekistan	3.559.355	310.741	79.519	60.983
Vanuatu	123.577	20.963	1.872	1.746
Venezuela	32.299.868	3.850.086	876.233	648.815
Vietnam	38.525.851	7.746.821	5.482.037	1.890.024
British Virgin islands	0	75.901	24.687	61
U.S. Virgin islands	0	79.812	42.163	25.067
Walles and Futuna	0	418	115	0
Yemen	3.432.444	27.900	17.834	13.466
Zambia	3.056.842	185.674	51.998	41.565
Zimbabwe	958.610	234.993	98.820	2.848

Source: Eurostat

Table 1-3 Sectoral analysis. Preferential imports as compared to total EU imports and EU consumption.

SECTIONS	A	B	C	D	E	MARKET SHARES OF		
	EU Production	Exports	Total Imports	Preferential Imports	Apparent Consumption (A-B+C)	EU Production (A/E)	Total Imports (C/E)	Preferential Imports (D/E)
1 Live animals and animal products	196.259.185	13.710.931	17.755.022	3.804.668	200.303.276	98,0%	8,9%	1,9%
2 Vegetable products	38.320.152	14.586.831	33.462.814	2.967.120	57.196.135	67,0%	58,5%	5,2%
3 Animal or vegetable fats, oils and waxes	26.364.776	2.640.838	5.542.092	958.659	29.266.030	90,1%	18,9%	3,3%
4 Prepared foodstuffs products	446.821.854	38.195.027	32.762.113	3.762.605	441.388.940	101,2%	7,4%	0,9%
5 Mineral products	56.214.413	50.076.532	281.013.174	5.641.543	287.151.055	19,6%	97,9%	2,0%
6 Products of the chemical industries	411.898.379	170.340.159	100.177.101	4.953.026	341.735.320	120,5%	29,3%	1,4%
7 Plastics and rubber	222.888.828	41.308.287	30.755.320	4.691.412	212.335.861	105,0%	14,5%	2,2%
8 Skins, leather and saddlery	14.697.437	8.267.661	9.514.567	1.859.690	15.944.343	92,2%	59,7%	11,7%
9 Wood	69.214.891	7.770.378	8.550.441	648.588	69.994.954	98,9%	12,2%	0,9%
10 Pulpe of wood and paper	132.121.526	23.362.115	13.167.263		121.926.674	108,4%	10,8%	0,0%
11 Textiles	83.696.490	30.077.063	74.861.259	14.182.857	128.480.686	65,1%	58,3%	11,0%
12 Footwear, headgear, umbrellas and feathers	15.518.041	5.234.696	14.403.514	2.279.103	24.686.859	62,9%	58,3%	9,2%
13 Articles of stone, glass and ceramic products	96.879.518	13.519.419	8.652.028	784.741	92.012.126	105,3%	9,4%	0,9%
14 Pearls and precious metals	25.296.197	24.300.032	27.501.066	467.599	28.497.231	88,8%	96,5%	1,6%
15 Base metals	370.636.042	75.446.617	59.307.466	2.897.442	354.496.891	104,6%	16,7%	0,8%
16 Machinery and mechanical appliances	693.443.483	318.830.151	266.911.821	4.810.378	641.525.154	108,1%	41,6%	0,7%
17 Transport equipment	457.787.306	139.001.099	86.059.879	2.550.403	404.846.086	113,1%	21,3%	0,6%
18 Optical , musering and musical instrucments, clocks	91.668.140	52.265.387	45.005.234	487.480	84.407.988	108,6%	53,3%	0,6%
19 Arms and ammunition	1.779.041	1.470.237	632.367		941.171	189,0%	67,2%	0,0%
20 Miscellaneous	131.146.708	18.381.550	32.717.491	977.565	145.482.649	90,1%	22,5%	0,7%
21 Works of art		3.045.386	2.063.548		-981.838	0,0%	-210,2%	0,0%
Unknown	514.372.420				514.372.420	100,0%	0,0%	0,0%
TOTAL	4.097.024.827	1.051.830.398	1.150.815.582	58.724.880	4.196.010.011	97,6%	27,4%	1,4%

Source: Eurostat

Table 1-4 List of graduated country-sections

(From 01.01.2009 until 31.12.2011)

	Graduated country	Section's names
BR	**Brazil**	Section 4 - Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes
		Section 9 - Wood and articles of wood; wood charcoal; cork and articles of cork; manufactures of straw, of esparto or of other plaiting materials; basket ware and wickerwork
CN	**China**	Section 6 - Products of the chemical or allied industries
		Section 7 - Plastics and articles thereof; rubber and articles thereof
		Section 8 - Raw hides and skins, leather, furskins and articles thereof; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut)
		Section 9 - Wood and articles of wood; wood charcoal; cork and articles of cork; manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork
		Section 11(a) - Textiles; Section 11(b) - Textile articles
		Section 12 - Footwear, headgear, umbrellas, sun umbrellas, walking sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith; artificial flowers; articles of human hair
		Section 13 - Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware
		Section 14 - Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin
		Section 15 - Base metals and articles of base metal
		Section 16 - Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles
		Section 17 - Vehicles, aircraft, vessels and associated transport equipment
		Section 18 - Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches; musical instruments; parts and accessories thereof
		Section 20 - Miscellaneous manufactured articles
ID	**Indonesia**	Section 3 - Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
IN	**India**	Section 11(a) Textiles
MY	**Malaysia**	Section 3 - Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
TH	**Thailand**	Section 14 - Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin
VN	**Vietnam**	Section 12 - Footwear, headgear, umbrellas, sun umbrellas, walking sticks, seat-sticks, whips, riding crops and parts thereof; prepared feathers and articles made therewith; artificial flowers; articles of human hair

Table 1-5 List of product groups

Current sections	TARIC sections	Products
Section 1	01-05	Live animals and animal products
Section 2	06-14	Vegetable products
Section 3	15	Animal or vegetable oils, fats and waxes
Section 4	16-24	Prepared foodstuffs
Section 5	25-27	Mineral products
Section 6	28-38	Products of chemical industries
Section 7	39-40	Plastics and rubber
Section 8	41-43	Skins, leather, saddlery and harness…
Section 9	44-46	Wood
Section 11a	50-60	Textiles
Section 11b	61-63	Clothes
Section 12	64-67	Footwear, headgear, umbrellas, feathers….
Section 13	68-70	Articles of stone, ceramic products and glass
Section 14	71	Pearls and precious metals
Section 15	72-83	Base metals
Section 16	84-85	Machinery and equipment
Section 17	86-89	Transport equipment
Section 18	90-92	Optical, clocks and watches , musical equipment
Section 20	94-96	Miscellaneous

Table 1-6 List of GSP+ conventions and their monitoring bodies

Convention	Monitoring body	Monitoring Period
1. ILO Convention concerning Freedom of Association and Protection of the Right to Organise (No 87)	CEACR	2 years
2. ILO Convention concerning Application of the Principles of the Right to Organise and to Bargain Collectively (No 98)	CEACR	2 years
3. ILO Convention concerning Forced or Compulsory Labour (No 29)	CEACR	2 years
4. ILO Convention concerning Abolition of Forced Labour (No 105)	CEACR	2 years
5. ILO Convention concerning Equal Remuneration of Men and Women Workers for Work of Equal Value (No 100)	CEACR	2 years
6. ILO Convention concerning Discrimination in Respect of Employment and Occupation (No 111)	CEACR	2 years
7. ILO Convention concerning Minimum Age for Admission to Employment (No 138)	CEACR	2 years
8. ILO Convention concerning Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour (No 182)	CEACR	2 years
9. UN Convention on the Prevention and Punishment of the Crime of Genocide	No monitoring mechanism	
10. International Convention on the Elimination of All Forms of Racial Discrimination	CERD	2 years
11. International Covenant on Civil and Political Rights	The Human Rights Committee	5 years
12. International Covenant on Economic, Social and Cultural Rights	CESCR	5 years
13. International Convention on the Suppression and Punishment of the Crime of Apartheid	Not established	
14. Convention on the Elimination of All Forms of Discrimination against Women	CEDAW	4 years
15. Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment	CAT	4 years
16. Convention on the Rights of the Child	CRC	5 years
17. Montreal Protocol on Substances that deplete the Ozone Layer	Implementation Committee	1 year
18. Basel Convention on the Control of Trans-boundary Movements of Hazardous Wastes and Their Disposal	Compliance Committee	1 year
19. Stockholm Convention on persistent Organic Pollutants	Compliance is assessed through a National Implementation Plan under Article 7 and a	4 years

	National Report under Article 15	
20. Convention on International Trade in Endangered Species	Standing Committee	1 year (report on trade) 2 years (report on implementation of convention)
21. Convention on Biological Diversity	Compliance assessed through National Biodiversity Strategy and Action plan under Article 6 and National Report under by Article 26	4 years
22.Cartagena Protocol on Biosafety	Compliance Committee	3 years
23. Kyoto Protocol to the United Nations Framework Convention on Climate Change	Compliance Committee	1 year
24. United Nations Single Convention on Narcotic Drugs	INCB	1 year
25. Convention on Psychotropic Substances	INCB	1 year
26. Illicit Traffic in Narcotic Drugs and Psychotropic Substances	INCB	1 year
27. United Nations Convention against Corruption	United Nation secretariat	1 year

Table 1-7 Assessment of the implementation of GSP+ conventions by beneficiary countries

(Period from April 2008 until October 2010)

Armenia

Convention	Improvements	Shortcomings
Labour standard conventions	Armenia has improved fulfilment of its reporting obligations. Recently the first reports on the application of ILO Conventions No 87, 138 and 182 were submitted.	Armenia still has shortcomings in terms of reporting. Due reports on Conventions No 98, 100 and 111 have not been submitted.
Human rights conventions	Armenia has acceded to the Optional Protocol to the Convention on the Elimination of All Forms of Discrimination against Women.	Armenia has two reports outstanding, namely reports under International Covenant on Economic, Social and Cultural Rights and International Convention on the Elimination of All Forms of Racial Discrimination. Armenia has to implement recommendations by the Committee on the Elimination of Discrimination against Women concerning measures aimed at highlighting and protecting the rights of women in the social, economic and political spheres.
Environmental and good governance conventions	Armenia has resolved its non-compliance issues under the Montreal Protocol. In general, it has a good record in complying with reporting obligations under multilateral environmental agreements.	Armenia has some shortcomings in terms of reporting under multilateral environmental agreements (Basel Convention and Cartagena Protocol). Armenia should fully report on implementation of UN Convention against Corruption and take action for further compliance with it.
Armenia has made some progress in its compliance with GSP+ conventions. However there still are some shortcomings particularly in terms of the reporting. Armenia has to take further steps to fully comply with the conventions.		

Azerbaijan

Convention	Improvements	Shortcomings
Labour standard conventions	Azerbaijan has acted to improve compliance with ILO Convention No 87. In response to request of the Committee of Experts on the Application of Conventions and Recommendations (CEACR) to take the necessary measures in order to ensure that multinational enterprises operating on country's territory respect freedom of association norms and principles, Article 80 of the Labour Code was amended to significantly strengthened the status of the trade unions at the enterprises.	Azerbaijan has to address the concerns raised by the relevant ILO committees on Conventions No 87, 98, 100 and 138 and should implement their recommendations to comply with the Conventions.
Human rights conventions	The Human Rights Committee has commended Azerbaijan for the continuing process of bringing its domestic legislation into line with the provisions of the International Covenant on Civil and Political Rights and other human rights treaties. The Committee on the Elimination of Discrimination against Women (CEDAW) has welcomed the adoption of national plans and programmes aimed at combating violence against women, including domestic violence and trafficking in human beings. The Committee against Torture (CAT) has welcomed adoption of the Fight against Human Trafficking Law (2005), the ratification of the Optional Protocol to the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (2009) and the ratification of the Convention on the Rights of Persons with Disabilities and the Optional Protocol thereto (2009).	Azerbaijan has to follow the numerous recommendations made by the Human Rights Committee, the CEDAW, the CAT and the Committee on the Elimination of Racial Discrimination.
Environmental and good governance conventions	Azerbaijan has resolved its non-compliance issues under the Montreal Protocol. Azerbaijan's overall compliance with multilateral environmental agreements has improved, notably with regards to the payment of due contributions.	Azerbaijan still has some shortcomings in terms of reporting under multilateral environmental agreements (Stockholm Convention and Cartagena Protocol). Azerbaijan should take action on the latest recommendations by the International Narcotics Control Board. Azerbaijan should fully report on implementation of

		UN Convention against Corruption and take action for further compliance with it.
Azerbaijan has made some progress in its compliance with GSP+ conventions. However there still are some shortcomings particularly regarding labour standards and human rights conventions. Azerbaijan has to take further steps to fully comply with the conventions.		

Bolivia

Convention	Improvements	Shortcomings
Labour standard conventions	Bolivia promulgated on 7 February 2009 the new Constitution that introduces significant improvements. For example, article 48(V) of the new Constitution provides that "the State shall promote the integration of women into work and shall ensure that women receive the same remuneration as men for work of equal value, in both the public and private spheres." Further to adoption of the new Constitution a legislative reform is planned.	Bolivia has to address the concerns raised by the relevant ILO committees on Conventions 87, 98, 138 and 182 and should implement their recommendations to comply with the Conventions.
Human rights conventions	The Committee on the Rights of the Child (CRC) has welcomed the adoption of the new Constitution which includes a chapter on child rights. Bolivia has acceded to the Optional Protocol to the Convention on the Elimination of All Forms of Discrimination against Women.	Bolivia has two reports outstanding, one of which fell due in 1999, namely International Covenant on Civil and Political Rights and Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment. The CRC drew attention to significant problems concerning implementation of children's rights in a wide variety of sectors. Bolivia has to follow the numerous recommendations made by the CRC and the Committee on the Elimination of Discrimination against Women.
Environmental and good governance conventions	Bolivia has improved its compliance with the Montreal Protocol.	Bolivia has shortcomings in terms of reporting under multilateral environmental agreements (Convention of Biological Diversity and Basel Convention). Bolivia should take action on the latest recommendations by the International Narcotics Control Board.
Bolivia has made some progress in its compliance with GSP+ conventions. However there still are some shortcomings particularly regarding labour standards and human rights conventions. Bolivia has to take further steps to fully comply with the conventions.		

Colombia

Convention	Improvements	Shortcomings
Labour standard conventions	CEACR has recognized all the measures, of a practical and legislative nature, that the Government of Colombia has been adopting recently to combat violence in general and violence against the trade union movement and it has noted a decrease in the murders of trade unionists between 2008 and 2009, and in violence in general.	Colombia has to address the concerns raised by the relevant ILO monitoring committees on Conventions 87, 98, 100, 111 and 182 and should implement their recommendations to comply with the Conventions.
Human rights conventions	The Committee on Economic, Social and Cultural Rights (CESCR) has welcomed the ratification by the State party of the Rome Statute on the International Criminal Court, the Optional Protocol to the Convention on the Elimination of all Forms of Discrimination against Women and the Optional Protocol to the Convention of the Rights of the Child on the involvement of children in armed conflict. The Committee on the Elimination of Racial Discrimination (CERD) has welcomed the human rights provisions in the Constitution of Colombia which enshrine the principles of non-discrimination, recognise ethnic and cultural diversity and provide that the State should undertake measures in favour of discriminated or marginalised groups in order to achieve equality in practice. The Committee noted the extensive legal framework adopted to promote the rights of Afro-Colombians and indigenous peoples. CAT has noted with satisfaction the efforts being made	Colombia has to further address the recommendations of the CESCR, the CERD and the CAT to comply with the conventions.

	by the State party to reform legislation, policies and procedures with the aim of ensuring better protection of the right not to be subjected to torture or other cruel, inhuman or degrading treatment or punishment.	
Environmental and good governance conventions		Colombia has some shortcomings in terms of reporting under multilateral environmental agreements (CITES, Convention on Biological Diversity and Stockholm Convention). Colombia should take action on latest recommendations by the International Narcotics Control Board. Colombia should take action for further compliance with UN Convention against Corruption.
Colombia has made some progress in its compliance with GSP+ conventions. However there still are some shortcomings particularly regarding labour standards and human rights conventions. Colombia has to take further steps to fully comply with the conventions.		

Costa Rica

Convention	Improvements	Shortcomings
Labour standard conventions		Costa Rica has to address the concerns raised by the relevant ILO monitoring committees on Conventions 87, 98, 111 and 138 and should implement their recommendations to comply with the Conventions.
Human rights conventions	The Committee against Torture (CAT) noted with appreciation that Costa Rica had ratified the Optional Protocol to the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment and the Optional Protocol to the Convention on the Elimination of All Forms of Discrimination against Women, as well as the Rome Statute of the International Criminal Court.	Costa Rica has two reports outstanding, namely reports under International Convention on the Elimination of All Forms of Racial Discrimination and Convention on the Elimination of All Forms of Discrimination Against Women. Costa Rica has to implement the recommendations of the CAT concerning measures to protect the rights of refugees, migrants, children, women and victims of sexual violence.
Environmental and good governance conventions	The country's compliance with environmental conventions can be deemed satisfactory (complete reporting under the Basel and CBD convention).	Costa Rica should take action on latest recommendations by the International Narcotics Control Board.
Costa Rica has made some progress in its compliance with GSP+ conventions. However there still are some shortcomings particularly regarding labour standards and human rights conventions. Costa Rica has to take further steps to fully comply with the conventions.		

Ecuador

Convention	Improvements	Shortcomings
Labour standard conventions	CEACR has received information about two proposals for acts being debated in the National Assembly of Ecuador: the Basic Public Service Act and the Basic Act on Public Enterprises. The Committee hopes that the new texts will establish in full the rights laid down in the Convention: the right to organize of public officials and employees and the right to strike of public servants other than those exercising authority in the name of the State.	Ecuador has to address the concerns raised by the relevant ILO monitoring committees on Conventions 87, 98, 105, 111, 138 and 182 and should implement their recommendations to comply with the Conventions.
Human rights conventions	The Human Rights Committee has noted with satisfaction the legislative reforms carried out by the State party, in particular through the entry into force of the new Constitution and the repeal of the so-called contempt provisions of the Criminal Code. CEDAW has noted with satisfaction the efforts to implement the Convention and give follow-up to previous concluding observations through the adoption of a considerable number of laws, policies, plans and programmes. CRC has welcomed a number of positive developments in the reporting period, including the adoption of legislative and policy measures taken with a view to implementing the Convention.	Ecuador has to follow the further recommendations made by the Human Rights Committee, the Committee on the Elimination of Racial Discrimination, the CEDAW and the CRC.

Environmental and good governance conventions	Ecuador has made some progress in terms of compliance with reporting obligations under multilateral environmental agreements. It has submitted the latest reports under Convention on Biological Diversity and Basel Convention.	Ecuador should fully report on implementation of UN Convention against Corruption and take action for further compliance with it.
Ecuador has made some progress in its compliance with GSP+ conventions. However there still are some shortcomings particularly regarding labour standards and human rights conventions. Ecuador has to take further steps to fully comply with the conventions.		

Georgia

Convention	Improvements	Shortcomings
Labour standard conventions	CEACR has noted Decree No. 335 of 12 November 2009 issued by the Prime Minister of Georgia, which formalized and institutionalized the National Social Dialogue Commission, as well as the creation of a tripartite working group to review and analyse the conformity of the national legislation with the findings and recommendations of the Committee and to propose the necessary amendments.	Georgia has to address the concerns raised by the relevant ILO monitoring committees on Conventions 87, 98, 100, 111 and 138 and should implement their recommendations to comply with the Conventions.
Human rights conventions	CRC has noted with appreciation the legislative and programmatic measures taken by Georgia with a view to implementing the Convention on the Rights of Child.	Georgia has to follow the numerous recommendations made by the CRC.
Environmental and good governance conventions	Georgia has made some progress in terms of compliance with reporting obligations under multilateral environmental agreements by submitting its reports under Convention on Biological Diversity.	Georgia still has shortcomings in terms of reporting (Basel Convention, CITES, Cartagena Protocol on Biosafety and Stockholm Convention). Georgia should fully report on implementation of UN Convention against Corruption.
Georgia has made some progress in its compliance with GSP+ conventions. However there still are some shortcomings particularly regarding labour standards and human rights conventions. Georgia has to take further steps to fully comply with the conventions.		

Guatemala

Convention	Improvements	Shortcomings
Labour standard conventions		Guatemala has to address the concerns raised by the relevant ILO monitoring committees on Conventions 29, 87, 98, 100, 111, 138 and 182 and should implement their recommendations to comply with the Conventions, particularly Guatemala should further improve the application of Conventions 87 and 98, pursuing legislative reforms and improvements in judicial procedures.
Human rights conventions	CEDAW has noted with satisfaction Guatemala's efforts to implement the Convention on the Elimination of All Forms of Discrimination Against Women, welcoming in particular the entry into force of the Act on Femicide and Other Forms of Violence against Women as well as the reinforcement of the Presidential Secretariat for Women, the Office for the Defence of Indigenous Women's Rights and the National Coordinating Office for the Prevention of Domestic Violence and Violence against Women. CRC has noted a number of positive developments, including the adoption of legislative measures such as The Adoption Law (2007) and The Law Against Sexual Violence, Exploitation and Trafficking in Persons (2009), the Early Warning System Law (2010).	Guatemala has one report outstanding, under International Covenant on Economic, Social and Cultural Rights. Guatemala has to implement further legislative and administrative measures recommended by the CEDAW and the CRC.
Environmental and good governance conventions	Guatemala has resolved all its issues under the Montreal Protocol and has made some progress under Convention on Biological Diversity and Basel Convention.	Guatemala still has some shortcomings in terms of compliance with reporting obligations under multilateral environmental agreements (CITES, Cartagena Protocol on Biosafety and Stockholm Convention). Guatemala should take action on latest recommendations by the International Narcotics Control Board. Guatemala should fully report on implementation of UN Convention against Corruption and take action for further compliance with it.

Guatemala has made some progress in its compliance with GSP+ conventions. However there still are some shortcomings particularly regarding labour standards and human rights conventions. Guatemala has to take further steps to fully comply with the conventions.		

Honduras

Convention	Improvements	Shortcomings
Labour standard conventions		Honduras has to address the concerns raised by the relevant ILO monitoring committees on Conventions 87, 98, 138 and 182 and should implement their recommendations to comply with the Conventions.
Human rights conventions	The Committee Against Torture (CAT) has noted legal and institutional reforms adopted by Honduras to improve implementation of the Convention Against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment.	Honduras has two reports outstanding, namely reports under International Covenant on Economic, Social and Cultural Rights and International Convention on the Elimination of All Forms of Racial Discrimination. Honduras has to implement further measures recommended by CAT, such as revising the definition of torture, improving legal safeguards for arrested persons, and investigating fully all deaths in custody.
Environmental and good governance conventions	Honduras has taken some positive steps toward the enforcement of the Montreal Protocol and resolved all compliance issues in relation to that Protocol. It has improved reporting under the Basel Convention, Convention on Biological Diversity and has submitted an implementation plan under the Stockholm Convention.	Honduras still has some shortcomings in terms of reporting under multilateral environmental agreements (Cartagena Protocol on Biosafety). Honduras should take action on latest recommendations by the International Narcotics Control Board. Honduras should fully report on implementation of UN Convention against Corruption and take action for further compliance with it.
Honduras has made some progress in its compliance with GSP+ conventions. However there still are some shortcomings particularly regarding labour standards and human rights conventions. Honduras has to take further steps to fully comply with the conventions.		

Mongolia

Convention	Improvements	Shortcomings
Labour standard conventions	Mongolia has provided the first report on the application of Convention No 29.	Mongolia has to address the serious concerns raised by the Committee of Experts on the Application of Conventions and Recommendations of ILO on the Conventions 138 and should implement its recommendations to comply with the Convention.
Human rights conventions	CEDAW has noted the adoption of legal, administrative and other measures by Mongolia to eliminate discrimination against women. The Committee on the Rights of the CRC has noted the adoption of many legislative and other measures taken with a view to implement the Convention on the Rights of the Child.	Mongolia has one report outstanding, namely report under the International Covenant on Economic, Social and Cultural Rights. Mongolia has to take further steps recommended by the CEDAW and the CRC to improve the situation for children and women, particularly concerning domestic violence, poverty, exploitation, education and the needs of persons in remote rural areas.
Environmental and good governance conventions		Mongolia's compliance with reporting obligations under multilateral environmental agreements has some shortcomings especially regarding the Basel Convention. Mongolia should fully report on implementation of UN Convention against Corruption and take action for further compliance with it.
Mongolia has made some progress in its compliance with GSP+ conventions. However there still are some shortcomings particularly regarding labour standards and human rights conventions. Mongolia has to take further steps to fully comply with the conventions.		

Nicaragua

Convention	Improvements	Shortcomings
Labour standard conventions	CEACR has noted the various measures taken by the Government of Nicaragua to combat child labour. It	Nicaragua has to address the concerns raised by the CEACR on Conventions 138 and 182 and should

	strongly encourages the Government to continue its efforts to combat child labour and requests it to provide information on the measures which will be taken in this regard, particularly in the context of the National Strategic Plan for the Prevention and Elimination of Child Labour and the Protection of Young Workers (PEPETI 2007–16), and on the results achieved.	implement its recommendations to comply with the Conventions.
Human rights conventions	CERD has welcomed the adoption of general laws containing special provisions for protecting the rights of the indigenous peoples and the institutionalization of the International Day for the Elimination of Racial Discrimination. CESCR has noted with satisfaction the legislative and other measures adopted by Nicaragua to promote the enjoyment of economic, social and cultural rights and welcomed the establishment of an Office of Secretary for Indigenous and Afro-descendant Affairs. CAT has welcomed the ratification of the Optional Protocol to the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (2008) and the adoption of the Refugee Protection Act (2008) by the National Assembly with all-party support. CRC has welcomed a number of positive developments in the reporting period, including the adoption of several legislative measures such as The Framework Law on the Right to Food (2009) and The Special Law for the Promotion of Housing Construction and Access to Social Housing (2009).	The monitoring committees have expressed concerns regarding a broad range of issues. Nicaragua has to take further steps to implement recommendations made by the UNCAT, the CERD, the CESCR, the CAT, the CRC and the Human Rights Committee to comply with the conventions.
Environmental and good governance conventions		Nicaragua has serious shortcomings in compliance with reporting obligations under multilateral environmental agreements. Almost no reports have been submitted in last years. Under Basel Convention it has not reported at all. Nicaragua should take action on latest recommendations by the International Narcotics Control Board. Nicaragua should fully report on implementation of UN Convention against Corruption and take action for further compliance with it.
Nicaragua has made some progress in its compliance with GSP+ conventions. However there still are some shortcomings particularly regarding labour standards and human rights conventions and reporting obligations under multilateral environmental agreements. Nicaragua has to take further steps to fully comply with the conventions.		

Panama

Convention	Improvements	Shortcomings
Labour standard conventions		Panama has to address the concerns raised by the CEACR on Conventions 87 and 98 and should implement its recommendations to comply with the Conventions.
Human rights conventions	The Human Rights Committee has noted with satisfaction the legislative reforms carried out by Panama, in particular the adoption of a new penal code, the repeal of the contempt laws and the process of review of the Code of Criminal Procedure and the adoption of the law on domestic violence. The Committee on the Elimination of Discrimination against Women (CEDAW) has welcomed the adoption of a number of legislative measures designed by Panama to promote the advancement of women and gender equality.	Panama has two reports outstanding, namely under the International Covenant on Economic, Social and Cultural Rights and the Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment. Panama has to take further steps to implement comprehensive recommendations made by the Human Rights Committee and the CEDAW to comply with conventions.
Environmental and good governance conventions		Panama has serious shortcomings in compliance with reporting obligations under multilateral environmental agreements. Reports are outstanding in relation to nearly all agreements. Panama should take action on latest recommendations by the International Narcotics Control Board. Panama should fully report on implementation of UN Convention against Corruption and take action for further compliance with it.

Panama has made some progress in its compliance with GSP+ conventions. However there still are some shortcomings particularly regarding labour standards and human rights conventions and reporting obligations under multilateral environmental agreements. Panama has to take further steps to fully comply with the conventions.		

Peru

Convention	Improvements	Shortcomings
Labour standard conventions		Peru has to address the concerns raised by the CEACR on Conventions No 29 and 182 and should implement its recommendations to comply with the Conventions.
Human rights conventions	CERD has noted with satisfaction the establishment of the National Institute for the Development of the Andean, Amazonian and Afro-Peruvian Peoples (INDEPA) and other efforts made to combat racial discrimination in Peru.	Peru has one report outstanding, notably report under the International Covenant on Civil and Political Rights. Peru has to implement further recommendations of the CERD, particularly to adopt measures to prevent discrimination against indigenous peoples and Afro-Peruvian persons and to take steps to address illiteracy and access to water by certain communities.
Environmental and good governance conventions		Peru still has some shortcomings in compliance with reporting obligations under multilateral environmental agreements, especially in relation to the Basel Convention. Peru should take action on latest recommendations by the International Narcotics Control Board. Peru should fully report on implementation of UN Convention against Corruption and take action for further compliance with it.
Peru has made some progress in its compliance with GSP+ conventions. However there still are some shortcomings particularly regarding labour standards and human rights conventions. Peru has to take further steps to fully comply with the conventions.		

Paraguay

Convention	Improvements	Shortcomings
Labour standard conventions		Paraguay has to address the concerns raised by the CEACR on Conventions No 29 and 87 and should implement its recommendations to comply with the Conventions.
Human rights conventions	CRC has welcomed a number of positive developments in the reporting period, including the adoption of legislative measures taken with a view to implement the Convention on the Rights of the Child.	Paraguay has several reports outstanding, notably reports under the International Covenant on Civil and Political Rights, the Convention on the Elimination of All Forms of Discrimination Against Women and the Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment. Paraguay has to implement further recommendations of the CRC concerning the rights of the child, including measures to improve access to healthcare, poverty alleviation, and the adoption of measures against violence and child labour.
Environmental and good governance conventions		Paraguay has serious shortcomings in compliance with reporting obligations under multilateral environmental agreements. Reports are outstanding in relation to nearly all agreements.
Paraguay has made some progress in its compliance with GSP+ conventions. However there still are some shortcomings particularly regarding labour standards and human rights conventions and reporting obligations under multilateral environmental agreements. Paraguay has to take further steps to fully comply with the conventions.		

El Salvador

Convention	Improvements	Shortcomings
Labour standard conventions		El Salvador has to address the concerns raised by the relevant ILO monitoring committees on Conventions No 98, 111, 138 and 182 and should implement their recommendations to comply with the Conventions.
Human rights	CEDAW has welcomed the efforts to implement the	El Salvador has to implement further measures

conventions	Convention on the Elimination of All Forms of Discrimination Against Women through the comprehensive ongoing legislative reform. CAT has noted with satisfaction that El Salvador has eliminated the death penalty. CRC has welcomed a number of positive developments in the reporting period, including the adoption of legislative measures taken with a view to implement the Convention on the Rights of the Child.	recommended by the CEDAW, the CAT and the CRC.
Environmental and good governance conventions		El Salvador has serious shortcomings in compliance with reporting obligations under multilateral environmental agreements. Reports and contributions are outstanding for many years. El Salvador should take action on latest recommendations by the International Narcotics Control Board.
El Salvador has made some progress in its compliance with GSP+ conventions. However there still are some shortcomings particularly regarding labour standards and human rights conventions and reporting obligations under multilateral environmental agreements. El Salvador has to take further steps to fully comply with the conventions.		

ANNEX 2 SUMMARY OF CONTRIBUTIONS TO THE PUBLIC CONSULTATION[109]

Public consultation on 'The revision and updating of the European Union's scheme of Generalised system of preferences (the GSP scheme)'

The public consultation ran from 27 March to 4 June 2010. The Commission received **143** exploitable answers from a variety of stakeholders: **9** *Citizens*; **51** *Business Associations*; **34** *Companies*; **24** *Non profit organisations*; **25** *Others*. Almost half the respondents were from within the EU (71), and half from outside the EU (72).

Almost all respondents agreed that **GSP was still a valid trade instrument for developing countries**. Respondents from different beneficiary countries confirmed that the GSP scheme had played a role in the expansion and diversification of their trade sector.

Some respondents called for a stronger reference to factors such as modernisation of developing countries, domestic liberalisation, respect for intellectual property rights, environmental protection, core labour standards and the decent work agenda. The business community highlighted the importance of complementary programmes offering Aid for Trade. Trade unions asked to take part in assessing the performance of countries seeking preferential treatment. The Brazilian Ministry of External Relations warned that the EU should avoid defining development priorities for developing countries, or use the priorities that countries themselves set unilaterally as conditions for granting preferences.

About half of the respondents, representing different types of stakeholders, said there was no need to **change the objectives in the light of the Lisbon Treaty**, and that continuity was the most important factor.

The other half said that modifications were needed, and referred to: stronger control and verification on requirements to ensure that preferences go to the neediest countries; support for investment in developing countries; competitiveness of EU industries and focus on abolishing restrictions on international trade and lowering of custom duties and other barriers.

Opinions were divided on the possible GSP contribution to address challenges such as **climate change and food security**. Those who were not in favour of addressing these issues, often coming from beneficiary countries, said they thought the system might become too complicated.

Some respondents (mainly from beneficiary countries and NGOs) said the **coexistence of differential regimes** was not a problem. Some added that, in cases of coexistence, the regime most favourable to beneficiary countries should prevail. Others (mostly from the European business community) said that coexistence generated confusion and should be avoided or limited.

[109] The GSP Consultation Report and the full list of answers are available under http://trade.ec.europa.eu/consultations/?consul_id=142

Most respondents said the current architecture, with **three regimes, GSP, GSP+ and EBA**, should not be changed. Some called for a single regime, or simplification, at any rate. Others warned that changes could cause disruption of the system and unpredictability.

All respondents agreed that it was crucial to give **plenty of notice** for the *workability* of the system. Ideas about how long this should be varied widely, but a significant number favoured a minimum of one year.

Regarding **incentives and obstacles to access the GSP Scheme**, some respondents acknowledged improvements implemented over the past decade: no more annual graduation; GSP specific product classification replaced with Harmonized System chapters; a simpler incentive regime (GSP+) instead of the former social, environmental etc. incentive clauses; publication of the GSP more than six months prior to its entry into force. Among obstacles pointed out were: *small tariff reduction; list of sensitive products not serving the cause of development; absence of a consistent definition of GSP product scope; unclear articles in the legal texts.*

The treatment of 'sensitive' products generated many answers. Several respondents, mostly from the European business community, thought the current regime should be maintained, but about the same number proposed changes. Some respondent proposed that objective, transparent, scientifically-based parameters should be defined in advance to designate a product as 'sensitive', so as to improve predictability and transparency in trade preferences, and to reduce the subjectivity of the revised scheme. An association of agriculture traders suggested coordination with the WTO established category.

An Austrian business association said keeping the category of 'sensitive' goods with reduced residual duties was essential for EU industry. On the contrary, some answers from developing countries asked for bigger cuts in tariffs and a longer list of non-sensitive products, claiming that the interests of European industry would already be sufficiently protected through the graduation mechanism and multilateral trade defence instruments.

Almost two-thirds of respondents were in favour of excluding all **high-income countries** from the GSP scheme. Some suggested that bilateral agreements were the most appropriate instrument for EU trade relations with those countries. Indeed, there was broad consensus on the principle of removing **countries with a new trade agreement** from the GSP.

For some respondents, often from specific economic sectors, **emerging countries** should also be excluded from the GSP scheme, as they are fully competitive, at least in certain sectors. For others, those emerging countries still have serious problems of inequality and poverty, and excluding them could affect entire production sectors, with negative social impacts. Besides, some respondents said the graduation mechanism guaranteed the withdrawal of preferences for sectors in which a country was strongly competitive.

Answers were fewer and more nuanced regarding the **transition economies**. Several respondents questioned the definition of 'transition economies' and suggested that general development criteria should be used.

Regarding the **graduation mechanism,** most respondents favoured keeping the current indicators (relative share in GSP-covered imports) but opinion was split regarding **calculation on the basis of product sections or on a more detailed product grouping.** One side said the graduation mechanism should be based on product sections, possibly covering a larger quantity of products, to take account of sector-specific situations and to ensure that graduation was predictable and fair by eliminating the effect of large and exceptional variations in the import statistics.

The other side, including several German companies, called for a system based on individual products to avoid exclusion of tariff lines which are essential for the development, financial and trade needs of developing countries and which represent less than 15 % of total exports to the EU of one beneficiary country.

Also on **the thresholds for triggering graduation** (presently 15 % or 12.5 % for textiles and clothing) there were different opinions.

On the subject of consideration of other principles **such as protection of the environment and promotion of good governance** for a possible suspension of the scheme, there was no consensus. Several proposals (anticorruption, sustainable fishing, intellectual property, climate change, raw materials, decent work) were advanced concerning a possible enlargement of the **list of conventions relevant for the GSP+ regime**.

Regarding the **'vulnerability' criterion for GSP+,** most respondents favoured keeping the status quo. There were few comments in favour of restrictions or relaxation.

Several different suggestions were advanced on arrangements for monitoring of compliance for GSP+ beneficiaries and **measurement of achievements.**

Regarding a possible **enhancement of the value of EBA preferential access to the Least Developed Countries,** the most recurrent response stressed that the most efficient improvement would be the exclusion of high-income countries from the GSP. On the same lines, most respondents were against **extending EBA treatment to non-LDCs**.

Regarding **temporary withdrawal instruments, safeguard measures and antifraud measures,** several respondents said the right of defence should be accompanied by principles of openness and transparency to allow both sides to understand the case being put, and to allow those facing a complaint the right of reply to rebut untrue or misleading statements. Others called for appropriate technical assistance to be made available to ensure that the rights of defence could be exercised effectively.

From **Myanmar**, one respondent said that the sanctions imposed since 1997 "*hit the wrong people, poor people who lose their jobs, while those responsible for forced labour remain unscathed. This is clearly notable with regard to industries such as garment and fisheries, most of which were closed down and the workers were jobless and misplaced."*

There was consensus regarding the need for a **GSP regulation lasting longer**: a minimum of 3-4 years and a maximum of 15 years, to provide both predictability and stability for exporters from developing countries. Some respondents proposed having a regulation lasting five years, and a longer duration for the broader GSP framework.

Finally, a Bangladeshi organisation called on the European Union to work at this review "*from the position of a poor nation, and not from the position of an EU country."*

ANNEX 3 EXECUTIVE SUMMARY OF THE CARIS STUDY[110]

Overview:

1. This report considers the extent that the EU's GSP regimes meet the needs of developing countries and puts forward recommendations for possible improvements.

2. The report is structured into 7 sections: (1) Introduction and overview of the GSP scheme; (2) an analysis of the degree of preferential access, trade and competitiveness using descriptive statistics; (3) an evaluation of utilisation rates and determinants of utilisation; (4) assessing the impact of the GSP scheme through a gravity modelling framework at the aggregate, sectoral and bilateral-product level; (5) a computable general equilibrium analysis of the GSP scheme; (6) an assessment of the GSP+ scheme; (7) conclusions and recommendations.

3. More precise information on preferential trade between the EU and its partner countries was used in this study than in previous studies. Previously unavailable highly detailed data was used for the analysis of GSP preferences. This 10-digit data on trade and tariffs for any given product, country and year, distinguishes between the regime of entry into the EU. It can be used to identify whether product "x" is eligible for preferential access to the EU from country "y" together with the appropriate tariff; it can also be used to calculate how much trade actually entered under that given regime, and how much trade for the same product, country and year combination may have entered via a different regime.

4. Positive evidence of the effectiveness of the EU's GSP scheme was identified using this data: there is some evidence that the EU's GSP preferences can be effective in increasing LDC exports and welfare; that utilisation rates are typically high, that LDC exporters tend to benefit from preference margins received, and that countries seeking GSP+ status attempt to ratify the appropriate conventions.

5. However, there are also a number of important caveats when considering the policy implications arising from this study. These caveats centre on structural features, such as the generally low level of EU MFN tariffs and the structure of LDC trade, which inevitably constrain the effectiveness of the GSP regime.

6. The policy conclusions focus on measures to increase the effectiveness of the GSP scheme, including issues such as product coverage, further tariff reductions, maximising utilisation, rules of origin, and the role of graduation as well as general improvements to the GSP+ scheme. We also consider alternative trade-based policies. These we argue are likely to be important in focusing on the trade and development needs of those developing countries most in need, such as aid for trade policies, policies for non-tariff measures and EU import subsidies.

Conclusions from a consideration of the descriptive data:

7. The EBA has many more tariff free lines than GSP+, which in turn, has many more than GSP. Under GSP there are 4781 additional duty free tariff lines, 9717 under the GSP+ and

[110] A full version of the Report is available at: http://trade.ec.europa.eu/doclib/docs/2010/may/tradoc_146196.pdf

under EBA 11053. The number of MFN greater than zero lines is similar across the GSP and GSP+ regimes.

8. Over time there is an increased number of MFN zero lines, resulting in preference erosion for those countries with preferences. Again, there are substantial differences between GSP, GSP+ and EBA, both in numbers of tariff lines equal to zero and also in the levels of tariffs applied.

9. The structure of the EU's preference regimes' average tariffs, tariff peaks and preference margins means that the scope for offering significant preferential access to developing countries is largely limited to a few sectors (live animals, vegetable products, processed foodstuffs, textiles, and clothing).

10. The assessment of the importance of preferences by country groupings indicates that on average a high proportion of GSP countries' trade enters under MFN=0. In 2008 64.45 percent of GSP countries exports to the EU entered the EU with a zero MFN tariff, 61.26 percent of GSP+ countries' exports, and 62.85 percent of EBA countries' exports.

11. The shares of trade paying a positive MFN tariff for the GSP, GSP+ and EBA countries in 2008 were 22.07 percent, 13.18 percent and 6.08 percent respectively. Overall, these shares have been rising over time. This suggests there is more scope for improved access to the EU, either by improving the preferences or by increasing their utilisation.

12. *On average* the preference regimes themselves do not, however, account for a substantial amount of the relevant countries' trade with the EU. This is even more the case if we consider their share of total trade, as opposed to solely their trade with the EU. In 2008, on average just over 7 percent of GSP countries' exports used GSP preferences when exporting to the EU. For the GSP+ and the EBA countries this was just over 24.5 percent and 23.4 percent respectively. Both the GSP countries and the EBA countries exported around 5 percent of their trade using other preference regimes. For GSP+ countries, the share using other preferences was zero, while for those countries with other preferential regimes it was just over 12 percent.

13. This suggests that with low MFN tariffs, relatively few tariff peaks, and the composition of LDC exports, the extent to which bilateral preference regimes can help developing countries is, in principle, structurally limited.

14. Analysis using the Finger-Kreinin index of export similarity and the relative export competitive pressure index (RECPI) suggests that the greatest amount of competitive pressure for EBA countries comes from GSP and MFN exporters. For GSP countries, the principal source of competitive pressure comes from MFN exports, while for the GSP+ countries it comes from the GSP exporters.

15. There is little evidence that the EU's preference regimes have led to a diversification of exports into new products.

16. The relationship between preference margins, utilisation rates, and different measures of development does not suggest a high degree of correlation between countries' development needs and the height of the preference margin, or the extent of preference utilisation.

17. Changing the graduation thresholds is likely to have some positive impact on EBA exports, but at the expense of the GSP countries who graduate. In aggregate this would appear to be a blunt way of helping those countries most in need. It is also worth noting that for any given country, graduation tends to introduce distortions with respect the relative export prices. Such distortions can lead to a misallocation of resources.

Conclusions from the econometric analyses:

18. Utilisation rates are typically high, though not for all countries, and are positively related to the height of the tariff and the extent of the preference margin, and with mixed evidence regarding rules of origin.

19. The rents from preference margins are not entirely absorbed by the importers, the evidence suggests that exporting countries appropriate between a half to all of the implied rents.

20. The aggregate gravity modelling of trade suggests that trade between the EU and developing countries is typically lower than that of non-developing countries. Once this factor is controlled for, the growth of trade and investment with the EU in recent years has been higher for GSP preference receiving countries than for non-beneficiary countries. The increase in trade ranges from just over 10 percent for the Cotonou group of countries, to nearly 30 percent for the GSP+ group of countries.

21. The aggregate gravity modelling of investment suggests a positive impact of the preference schemes on FDI flow, although data constraints make a literal interpretation of the numbers unwise.

22. The sectoral gravity modelling was undertaken for six sectors (vegetable products, prepared foodstuffs, footwear, textiles, clothing, machinery). This resulted in a mixed picture on the impact on trade, depending on the sector and on the regime of entry.

23. The bilateral gravity modelling exercise identified some evidence that preferences arising from the EU's free trade agreements as well as those applied to the Cotonou countries had a positive impact on trade with the EU, rather than EBA, GSP, or GSP+ arrangements.

Conclusions from the CGE analysis:

24. The incremental change in applied EU GSP tariff rates from the pre-2006 to the 2006-08 system generates only small aggregate welfare gains for GSP beneficiaries, except for a sub-set of Latin American GSP+ countries.

25. Among the EBA regions in the model, Cambodia and Bangladesh benefit most from the EU scheme, while the EBA Sub-Saharan Africa composite region gains very little overall (however, due to data constraints not all EBA countries in sub-Saharan Africa are included in this composite region). Among the GSP+ countries, the biggest gainers are Ecuador and Costa Rica. Understandably, welfare gains are considerably smaller for the ordinary GSP countries with moderate preference margins vis-à-vis MFN tariffs, with the exception of North Africa, and Southern and Eastern Europe.

26. While there are some significant trade and output effects for a sub-set of agricultural commodities and regions (notably fruits and vegetables in Ecuador, Costa Rica and

Argentina, sugar products in the Caribbean, North Africa and Sub-Sahara African EBA beneficiaries, oils and fats in North Africa), the substantial expansionary impacts of the EU GSP occur in the textile, apparel and leather goods industries within Southern and Eastern Europe, North Africa, Cambodia and Pakistan.

27. Perhaps counter-intuitively, the underutilization of existing EU GSP preferences is not a major factor reducing the potential gains from the existing GSP scheme in comparison to the full utilization of existing preferences.

28. A hypothetical complete removal of all EU duties on imports from existing GSP leads to large gains for a subset of the Latin American GSP^+ countries and the standard GSP countries Thailand, Argentina and Brazil. In contrast, all EBA regions in the model lose out in this speculative borderline scenario – a clear-cut case of preference erosion.

29. In all the scenarios under consideration, the aggregate welfare impacts on the EU are negligible.

Conclusions from the GSP+ analysis

30. It is too early to tell whether the GSP+ will become an effective mechanism promoting sustainable development and good governance. Significant progress in these spheres tends to take longer than the scheme's timeframe to date. One general conclusion from the literature is that the design of the GSP+ is relatively robust in providing opportunities for improvements in some countries or in some spheres, while the risk of negative effects is very limited.

31. GSP+ appears to be effective in promoting ratifications of the 27 conventions. Case studies and a literature review suggest that de jure implementation beyond ratification already faces several constraints. We do not find evidence of any significant positive effects of GSP+ here.

32. De facto effects are yet more difficult to identify, measure and compare across countries and time. We find some evidence suggesting positive effects in the sphere of gender equality. In other spheres, such as corruption, civil liberties, etc., we find no effects. We do not identify any negative effects of GSP+ on de facto implementation.

33. The costs of effective implementation of human rights conventions are mainly related to the social and economic rights dimension, where the adequate provision of education and health services is in practice very difficult in a number of developing countries. While these costs are high, the literature suggests that benefits outweigh costs by a large margin.

34. Costs of implementation are an important factor in countries' decisions to adopt international labour conventions. Case studies suggest that in some instances the costs of complying with ILO conventions in practice can be identified with the costs of effective implementation of the labour code. Overall, benefits are believed to outweigh costs, in some instances (e.g. child labour) by a very large margin.

35. Most of the economic literature suggests potential significant gains from good governance, particularly in the reduction of corruption, although this view is not uncontested. The information from the case studies suggests that costs incurred have been small, largely due to very limited implementation.

36. A cost-benefit analysis of environmental conventions is complex for several reasons. GSP+ countries have ratified several of the environmental conventions only fairly recently. Progress with implementation somewhat limited, giving little information on actual costs. The role of foreign aid is very important in financing the implementation efforts. It could be argued that the GSP+ conventions have motivated donor resources that would otherwise not have entered the countries. Given that many of the projects required under the conventions (reporting, data collection, action plans, etc.) are costly, they would not have been implemented without external support.

37. Our analysis indicates that the current vulnerability criteria are broadly consistent with the selection of smaller, landlocked countries, prone to terms of trade shocks and with limited export diversification, as measured at the product level. However, the criteria are not strongly linked to income per capita levels. This is not particularly problematic given that almost all of the poorest countries are classified as vulnerable. However, modification of the criteria ensuring that countries below certain income per capita level are considered vulnerable irrespective of their exports to the EU could be discussed.

38. To improve the stability and predictability of the vulnerability criteria, we recommend the introduction of a three-year transitional period before a country loses its vulnerable status.

39. Another area where some modifications could be proposed concerns the selection of conventions. However, we do not see a clear-cut case either for reducing the number of conventions to avoid duplication of their mandates (e.g. the ILO Convention concerning the Abolition of Forced Labour and the ILO Convention concerning Forced or Compulsory Labour) or for introducing new ones. There are arguments in favour of both strategies and more experience with the current scheme might be needed before a decision on modifications is taken.

ANNEX 4 SALIENT STATISTICS REGARDING THE EU SCHEME

Table 4-1 Value of EU imports under the scheme and utilization rate

2009 €1000	Total Imports (1)	Covered Imports (2)	Eligible Imports (3)	Preferential Imports (4)	Pref. imports (%)	Pref. / Total (4) / (1)	Utilization rate (4) / (3)
EBA	19.200.133	9.065.341	9.065.341	6.236.838	10%	32%	69%
GSP+	596.660.215	6.270.902	6.257.906	5.324.162	9%	20%	85%
GSP	27.169.344	226.031.408	91.356.623	48.055.286	81%	8%	53%
Total	643.029.693	241.367.651	106.679.870	59.616.287	100%	9%	56%

Source: Official EU Statistics

Table 4-2 EU imports from beneficiaries by regime (2009, % of total)

%	Duty free	MFN =0	MFN >0	GSP =0	GSP >0	GSP+ =0	GSP+ >0	EBA =0	EBA >0	Other pref. =0	Other pref. >0	Unkn own
GSP	70	62	25	4	4					4	0	1
EBA	91	52	8					32	0	7	0	1
GSP+	87	69	11			18	2					1

Source: Official EU Statistics

Table 4-3 Non-duty free trade (breakdown of imports value in %)

Non-duty free trade	Scheme	Other pref. regimes	MFN>0
GSP	21%	11%	65%
EBA	67%	14%	17%
GSP+	63%	0%	35%

Source: Official EU Statistics

Table 4-4 Tariff lines per sector

MFN 0 lines (A)				
Total lines		**GSP**	**GSP+**	**EBA**
	Agriculture	306	306	306
	Fish	27	27	27
	Textiles	39	39	39
	Other Industry	1.966	1.966	1.966
		2.338	**2.338**	**2.338**
Goods under GSP/GSP+/EBA preference (B)				
Total lines		**GSP**	**GSP+**	**EBA**
	Agriculture	866	918	1.625
	Fish	293	293	293
	Textiles	1.125	1.125	1.131
	Other Industry	3.925	3.938	4.034
		6.209	**6.274**	**7.083**
of which Non-sensitive		**GSP**	**GSP+**	**EBA**
	Agriculture	38	38	n/a
	Fish	1	1	n/a
	Textiles	0	0	n/a
	Other industry	2.403	2.403	n/a
		2.442	**2.442**	**n/a**
of which sensitive		**GSP**	**GSP+**	**EBA**
	Agriculture	828	880	n/a
	Fish	292	292	n/a
	Textiles	1.125	1.125	n/a
	Other industry	1.522	1.535	n/a
		3.767	**3.832**	**n/a**
MFN non-0 lines (C)				
Total lines		**GSP**	**GSP+**	**EBA**
	Agriculture	759	707	n/a
	Fish	0	0	n/a
	Textiles	6	6	n/a
	Other industry	131	118	22
		896	**831**	**22**
TOTAL LINES (A+B+C)				
		GSP	**GSP+**	**EBA**
	Agriculture	1.931	1.931	1.931
	Fish	320	320	320
	Textiles	1.170	1.170	1.170
	Other industry	6.022	6.022	6.022
		9.443	**9.443**	**9.443**

Table 4-5 Tariff lines per sector in percentage points

Total	GSP	GSP+	EBA
mfn 0	24,8%	24,8%	24,8%
covered	65,8%	66,4%	75,0%
sensitive	39,9%	40,6%	n/a
non-sensitive	25,9%	25,9%	75,0%
mfn non-0	9,5%	8,8%	0,2%
Agriculture	**GSP**	**GSP+**	**EBA**
mfn 0	15,8%	15,8%	15,8%
Covered	44,8%	47,5%	84,2%
sensitive	42,9%	45,6%	n/a
non-sensitive	2,0%	2,0%	84,2%
mfn non-0	39,3%	36,6%	na.
Fish	**GSP**	**GSP+**	**EBA**
mfn 0	8,4%	8,4%	8,4%
covered	91,6%	91,6%	91,6%
sensitive	91,3%	91,3%	n/a
non-sensitive	0,3%	0,3%	91,6%
mfn non-0	0,0%	0,0%	na.
Textiles	**GSP**	**GSP+**	**EBA**
mfn 0	3,3%	3,3%	3,3%
covered	96,2%	96,2%	96,7%
sensitive	96,2%	96,2%	n/a
non-sensitive	0,0%	0,0%	96,7%
mfn non-0	0,5%	0,5%	na.
Other industry	**GSP**	**GSP+**	**EBA**
mfn 0	32,6%	32,6%	32,6%
covered	65,2%	65,4%	67,0%
sensitive	25,3%	25,5%	n/a
non-sensitive	39,9%	39,9%	67,0%
mfn non-0	2,2%	2,0%	0,4%

Table 4-6 Preference margins per scheme

%	Pref. Margin wrt. MFN 08			Change Pref. 02-08			Pref. Margin between Regimes		
TDC	GSP	GSP+	EBA	GSP	GSP+	EBA	GSP+-GSP	EBA-GSP	EBA-GSP+
Section 1	2,6	6,7	17,3	1,1	0,6	-3,3	4,2	14,8	10,6
Section 2	2	5	9,4	-0,3	0	-2,8	3	7,4	4,4
Section 3	3,3	6,5	8,6	0,4	0,7	1,4	3,2	5,3	2,1
Section 4	5,6	14,8	17	2	0,9	1,2	9,3	11,5	2,2
Section 5	0,7	0,7	0,7	0	0	0	0	0,1	0,1
Section 6	4,2	4,9	5,1	0,2	0,2	0,2	0,7	0,9	0,3
Section 7	4,4	5,5	5,5	-0,2	-0,4	-0,4	1,1	1,1	0
Section 8	2,2	2,8	3	0,1	0,1	0,1	0,7	0,9	0,2
Section 9	1,8	2,4	2,4	-0,1	-0,4	-0,4	0,6	0,6	0
Section 10	0	0	0	-1,5	-1,5	-1,5	0	0	0
Section 11(a)	1,3	6,2	6,2	-0,1	-0,5	-0,5	5	5	0
Section 11(b)	2,2	11,2	11,2	-0,1	-0,3	-0,3	9	9	0
Section 12	3,6	7,6	7,6	-0,2	-0,7	-0,7	4	4	0
Section 13	2,6	4	4	0	0	0	1,3	1,3	0
Section 14	0,7	0,7	0,7	-0,1	-0,1	-0,1	0	0	0
Section 15	1,5	1,9	2	-0,4	-0,4	-0,4	0,4	0,5	0,1
Section 16	2	2,3	2,3	-0,1	-0,1	-0,1	0,3	0,3	0
Section 17	2,9	4,6	4,6	-0,1	-0,4	-0,4	1,7	1,7	0
Section 18	2,1	2,3	2,3	-0,1	-0,2	-0,2	0,2	0,2	0
Section 19	0	0	0	0	0	0	0	0	0
Section 20	2,4	2,5	2,5	-0,1	-0,1	-0,1	0,1	0,1	0
Section 21	0	0	0	0	0	0	0	0	0

Source: CARIS
Section 1 = Live animals; animal products; Section 2 = Vegetable products; Section 3 = Animal or vegetable fats and oils; Section 4 = Prepared foodstuffs; Section 5 = Mineral products; Section 6 = Products of the chem & allied inds; Section 7 = Plastics and Articles thereof; Section 8 = Raw hides and skins, leather, furskins; Section 9 = Wood and its articles; Section 10 = Pulp of wood; Section 11(a) = Textiles; Section 11(b) = Textile articles (clothing); Section 12 = Footwear, headgear, umbrellas; Section 13 = Articles of stone, plaster, cement; Section 14 = Pearls, precious, semi-precious stones; Section 15 = Base metals and articles of base metal; Section 16 = Machinery and mechanical appliances; Section 17 = Vehicles, aircraft, vessels, transport; Section 18 = Optical, photographic Instruments; Section 19 = Arms and ammunition; Section 20 = Miscellaneous; Section 21 = works of art

Table 4-7 Preference utilization rates, split by sensitive/non-sensitive products

2009	Sensitive	Non-sensitive	Total
EBA	74%	41%	69%
GSP+	87%	77%	85%
GSP	52%	54%	53%

Source: Official EU Statistics

Table 4-8 Import into the EU from beneficiaries. Growth 2005-2009

(x 1.000 €)	total imports € 05	total imports € 09	growth 05-09	pref. imports € 05	pref. imports € 09	growth 05-09
EBA	16.456.843	19.200.133	16,7%	3.335.892	6.236.838	87,0%
-Bangladesh	4.103.780	5.801.965	41,4%	2.661.554	4.543.072	70,7%
-EBA excl. Bangladesh	12.353.063	13.396.168	8,5%	674.338	1.693.765	151,2%
GSP	543.918.907	596.660.215	9,7%	38.403.299	48.055.286	25,1%
GSP+	20.100.156	27.169.344	35,2%	3.814.992	5.324.162	39,6%
Total	580.475.907	643.029.693	10,8%	45.554.183	59.616.287	30,9%

Source: Official EU Statistics

Table 4-9 Welfare effects

Reproduction of table from CARIS study (page 140)

Table 5.10: Change in Real Absorption by Country and Scenario – Unlimited Supply of Unskilled Labour in Developing Countries

	GSP06	MFN04	MFN06	FULLGSP	ZEROTM
EU	0.00	0.02	0.02	-0.01	-0.05
SriLanka	0.11	0.07	-0.05	0.32	0.28
Peru	-0.03	-0.09	-0.09	0.01	-0.09
Ecuador	1.25	-0.75	-0.59	0.01	2.39
Colombia	0.31	-0.12	-0.10	0.01	0.54
CostaRica	1.11	-0.47	-0.32	0.08	1.77
GSP+ LA	0.13	-0.15	-0.12	0.01	0.31
GSP+ EE	-0.01	0.08	0.07	-0.02	-0.20
Georgia	0.06	0.08	0.01	-0.01	-0.10
Cambodia	0.02	-1.30	-1.26	0.88	-0.27
Bangladesh	-0.01	-0.65	-0.65	0.31	-0.31
EBA RoAs	-0.02	0.13	0.12	-0.05	-0.03
EBA SSA	0.00	-0.33	-0.33	0.01	0.01
China	0.00	0.01	0.01	0.13	0.29
Philippines	-0.01	0.08	0.08	-0.02	0.05
India	0.00	0.00	0.00	0.00	0.06
Pakistan	0.00	-0.14	-0.13	-0.03	-0.07
Thailand	0.05	-0.15	-0.14	0.14	0.84
RoAsia	0.01	-0.16	-0.16	0.09	0.41
Argentina	0.08	-0.32	-0.28	0.02	0.67
Brazil	0.03	-0.10	-0.09	0.02	0.65
Caribbean	0.01	-0.08	-0.08	-0.01	0.12
Russia	0.01	-0.16	-0.15	0.04	0.28
Ukraine	0.00	-0.14	-0.14	0.01	0.36
RoSEE	0.00	-0.55	-0.55	-0.02	0.07
CtrlAsia	0.01	-0.12	-0.12	0.01	0.16
NAfrica	0.00	-0.69	-0.68	0.00	0.22
RoSSA	0.06	-0.53	-0.46	0.00	0.34
SAfrica	-0.01	-0.12	-0.12	0.02	0.11
Emerged	0.00	-0.04	-0.04	0.06	0.19
RoOECD	0.00	0.01	0.01	-0.01	-0.03
RoWorld	0.01	-0.26	-0.26	0.02	0.19

Changes > 0.25% highlighted.

Table 4-10 General tariffs

Reproduction of table from CARIS study (page 26).

Table 2.5: Average Tariff by Regime and TDC Sector (2002 and 2008)

TDC	Description	2002				2008			
		MFN	GSP	GSP+	EBA	MFN	GSP	GSP+	EBA
I	Live animals; animal products	20.6	19.1	14.5	0.0	17.3	14.8	10.6	0.0
II	Vegetable products	12.4	10.0	7.4	0.2	9.7	7.7	4.7	0.3
III	Animal or vegetable fats and oils	7.3	4.3	1.4	0.0	8.6	5.3	2.1	0.0
IV	Prepared foodstuffs;	16.1	12.6	2.2	0.3	17.3	11.8	2.5	0.3
V	Mineral products	0.7	0.1	0.1	0.0	0.7	0.0	0.0	0.0
VI	Products of the chem.& allied inds	5.0	0.9	0.3	0.0	5.1	0.9	0.2	0.0
VII	Plastics and Articles thereof	5.9	1.4	0.0	0.0	5.5	1.1	0.0	0.0
VIII	Raw hides and skins, leather, furskins	2.9	0.8	0.2	0.0	3.0	0.9	0.2	0.0
IX	Wood and articles of wood	2.8	0.9	0.0	0.0	2.4	0.6	0.0	0.0
X	Pulp of wood or other fibrous...	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
XIa	Textiles	6.7	5.4	0.0	0.0	6.2	5.0	0.0	0.0
XIb	Textile articles (clothing)	11.5	9.2	0.0	0.0	11.2	9.0	0.0	0.0
XII	Footwear, headgear, umbrellas...	8.3	4.6	0.0	0.0	7.6	4.0	0.0	0.0
XIII	Articles of stone, plaster, cement...	4.0	1.3	0.0	0.0	4.0	1.3	0.0	0.0
XIV	Pearls, precious, semi-precious stones	0.8	0.0	0.0	0.0	0.7	0.0	0.0	0.0
XV	Base metals and articles of base metal	2.4	0.5	0.1	0.0	2.0	0.5	0.1	0.0
XVI	Machinery and mechanical appliances	2.4	0.4	0.0	0.0	2.3	0.3	0.0	0.0
XVII	Vehicles, aircraft, vessels, transport	5.1	2.1	0.0	0.0	4.6	1.7	0.0	0.0
XVIII	Optical, photographic... instruments	2.4	0.2	0.0	0.0	2.3	0.2	0.0	0.0
XIX	Arms and ammunition;	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2
XX	Miscellaneous manufactured articles	2.6	0.1	0.0	0.0	2.5	0.1	0.0	0.0
XXI	Works of Art, collectors' piece...	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: own calculations based on TARIC data supplied by the European Commission

ANNEX 5 SALIENT ISSUES NOT RETAINED AS PROBLEMS/OPTIONS IN THE IA

1. Scheme should cover further objectives to the scheme (e.g., climate change, fostering trade in environmental products, food security, regional integration, animal welfare…).

The scheme's constraints described in section 2.2 and 0 limit its ability to address further goals effectively. The role of the scheme should not be overestimated. Overloading the system with further objectives would only make the instrument more complex, less stable and predictable. Given the shortcomings highlighted by this impact assessment, the focus should be on addressing its current (and very pertinent) objectives in a more efficient and effective way.

In addition, there is a legal risk with criteria which arguably are not strongly linked to development, financial and trade needs. Therefore, their use may be interpreted as being inconsistent with the Enabling Clause and relevant WTO jurisprudence.

2. Scheme should have a mechanism to remove benefits for beneficiaries which distort trade (e.g., via intellectual property infringements, restrictions to raw material access, export taxes…).

The scheme already contains provisions to remove benefits in instances of unfair trade (art. 15.1.d of GSP Regulation).

3. The three arrangements (GSP, GSP+, EBA) should be reduced to two.

The existence of three arrangements is an accurate reflection of the situation of beneficiaries and their different needs. The needs of the poorest (EBA) and the vulnerable (GSP+) should be addressed differently than those of the remaining beneficiaries, in view of the latter's more advanced (but still needy) developmental situation. A sliding scale of preferences for the three categories is thus the correct approach. Not to have such an approach would come at the cost of some of the weaker beneficiaries. This would contradict the core objectives of the scheme.

Under the hypothesis that such a reduction would be considered, the elimination of the EBA or the GSP+ categories could not be envisaged—this would remove benefits from the countries in an objectively worse situation and who are most engaged in sustainable practices. The only category which could be eliminated is GSP—*de facto* forcing GSP countries to seek GSP+ or lose benefits altogether. Putting sustainability before development objectives would be contrary to the Enabling Clause principles inspiring the scheme and relevant WTO jurisprudence.

As to eligibility criteria regarding trade in environmentally sensitive products, reference is made to point 1 above.

4. The scheme should not pursue foreign policy goals (sustainable development and good governance).

In accordance with the Enabling Clause and relevant WTO jurisprudence, the scheme differentiates amongst beneficiaries according to their development, trade and financial needs. This should not be confused with achieving foreign policy goals. Sustainable development and good governance are tools to support lasting advances by developing countries.

5. Preferences should be enhanced by reducing duty levels for sensitive products.
As confirmed by CARIS (see e.g. p.191), this would benefit the less needy (GSP) at the direct cost of the poorest (EBA) and the vulnerable (GSP+). This would be contrary to the core objective of the scheme.

As a side effect, meaningful duty reductions could make more difficult the achievement of advancing in bilateral and multilateral negotiations.

6. The scheme should eliminate duties of below 3% ("nuisance duties").
The scheme already has the concept of "nuisance duty"—established at 1% for *ad valorem* duties (art. 14.1). This was set exactly to take into account the genuine meaning of "nuisance duty": one whose administrative costs are higher than the amounts collected. There is no reason whatsoever to believe that administrative costs have increased to 3% since 2007 when the current scheme entered into force. On its own, this would already disqualify such an argument. But, in addition, the application of such a threshold would have pernicious effects.

The starting point is that very low duties are important for many (particularly industrial) products. Bilateral and multilateral negotiation processes have consistently shown this. This has also been shown empirically by CARIS: preferences are being used significantly even though preference margins below 3%). If they were a simple "nuisance", they would not affect purchase decisions by importers, who would tend not to use such "nuisance" preferences at all. But they do—because such duties matter.

Applying this 3% threshold would affect 10% sensitive industrial tariff lines—a significant amount. For these lines, the preference enjoyed by GSP+ and EBA countries relative to GSP countries would disappear—so the scheme would help those less in need at the cost of those more in need. This would be contrary to the essential goal of the scheme.

In addition, this would come into conflict with the goal to achieve results in bilateral and multilateral negotiations. It should be noted also that "nuisance duties" are a point of discussion in the DDA context, and that raising the level of what is considered a nuisance duty would send an unwanted signal in the framework of the negotiations.

7. Link graduation to indicators other than relative share of covered imports (e.g., share of total EU imports).
As explained in ANNEX 1, p.1, graduation takes the pool of beneficiaries rather than total EU imports as basis due to two empirical realities. First, the share of imports covered by the scheme as a proportion of total EU imports, per product category, is significant. Therefore, 15% (or 12.5%) of covered imports will be significant also in terms of total EU imports. Second, there is large competition amongst the three categories of beneficiaries (see the body of the impact assessment as well as 0, p.82)—so it is logical to have a comparative tool within this beneficiary pool to better target preferences to the most needy.

Linking graduation to other indicators (e.g. availability of new technologies, availability of sound local suppliers, conditions of the least advantaged population within the beneficiary country…) would make the system more complex (in contradiction with one of its goals) and arguably more arbitrary, given the difficulty to objectively assess those criteria.

8. Adjust vulnerability criteria to refer to WTO group of Small Vulnerable Economies

There is no such agreed category in the WTO but a group of self-selected economies. The issue is in any event moot: the current criteria capture well such economies. This is one of the advantages of the current set-up. Small economies as a rule do not have covered exports exceeding 1% of total covered exports by beneficiaries, and thus meet this criterion.

9. Consider whether moving from a broad set of statistics to a narrower one would not risk increasing the occurrence of de-graduation

More homogenous product sections are objectively more accurate to assess whether exporting sectors are competitive, irrespective of graduations/de-graduations. It is not possible to predict whether narrower sectors would be de-graduated more often. This will depend on the economic landscape of the sector and of those of other countries under the scheme. These may change in one direction or another.

10. GSP-specific safeguards are not necessary as graduation, tighter eligibility criteria and traditional trade defence measures should be enough to protect EU industry.

Tighter eligibility and graduation criteria do not exclude the possibility of import surges for products which benefit from preferences. These can cause serious difficulties to EU producers.

Eligibility criteria are not linked to import trends of specific products. And graduation happens on the basis of three-year averages to ensure stability for operators—so it is ill-equipped to handle import surges.

As to traditional trade defence tools, the main ones are *erga omnes* safeguards, anti-dumping and anti-subsidy measures. These respond to trade practices which are independent of trade preferences.

A beneficiary's preferential exports can cause difficulties to EU industry without dumping or enjoying countervailable subsidies—or without being part of a general trend of import surges from many countries, as in the case of traditional safeguards. In other words, preferences themselves can lead to increases in imports which cause disruption in the EU—but these will not necessarily trigger traditional trade defence actions.

ANNEX 6 DATA REGARDING OPTIONS AND ANALYSIS

ANNEX 6.1 List of potential beneficiary countries[111]

Table 6-1 List of potential beneficiary countries

	Country	A		Baseline		C1		C2[112]	
		B1	B2	B1	B2	B1	B2	B1	B2
	Countries with EBA treatment (49 [113], see ANNEX 1, Table 1-1 p.8)	EBA	EBA	EBA	EBA	EBA	EBA	EBA	EBA
1.	United Arab Emirates	-	-	GSP	-	-	-	-	-
2.	Antigua and Barbuda	-	-	-	-	-	-	-	-
3.	Anguilla	-	-	GSP	GSP	-	-	-	-
4.	Armenia	-	-	GSP+	GSP+	GSP+	GSP+	GSP+	GSP+
5.	Netherlands Antilles	-	-	GSP	GSP	-	-	-	-
6.	Antarctica	-	-	GSP	GSP	-	-	-	-
7.	Argentina	-	-	GSP	-	-	-	-	-
8.	American Samoa	-	-	GSP	GSP	-	-	-	-
9.	Aruba	-	-	GSP	GSP	-	-	-	-
10.	Azerbaijan	-	-	GSP+	GSP+	GSP+	GSP+	GSP+	GSP+
11.	Barbados	-	-	-	-	-	-	-	-
12.	Bahrain	-	-	GSP	-	-	-	-	-
13.	Bermuda	-	-	GSP	GSP	-	-	-	-
14.	Brunei Darussalam	-	-	GSP	GSP	-	-	-	-
15.	Bolivia	-	-	GSP+	GSP+	GSP+	GSP+	GSP+	GSP+

[111] EBA – countries that are eligible for EBA, GSP – countries eligible for GSP, GSP+ countries eligible for GSP+. If a country is graduated for at least one sector, this is signalled by an asterisk (*). For the short run scenario B1, a bracket (<25%; 25%-50%; 50%-75%; >75%) indicates which percentage of covered exports by that country would be graduated. Sectors where graduation would apply can be found in the footnotes. (Sections for the baseline are based on the current sections of the scheme. Sections in options C and D are based on the new set of sections resulting from splitting the current ones. The products covered by current and potential new sections can be found in annex 6.2.) As in the long run the rationale itself for the scheme would disappear, no further details on graduation are provided for B2.

[112] For D1, all countries subject to the scheme, which are the same as these in C2, receive EBA (i.e. duty free, quota free) access—so no graduation occurs. For D2 and D3, the same classification as for C2 applies.

[113] There are 48 LDCs. Cap Verde and Maldives are no longer classified as LDCs but enjoy EBA treatment by virtue of the statutory 'transition' periods out of EBA (3 years). Myanmar is an LDC but it is temporarily withdrawn from the scheme.

16.	Brazil	-	-	GSP* 25-50%[114]	-	-	-	-	-
17.	Bahamas	-	-	-	-	-	-	-	-
18.	Bouvet Island	-	-	GSP	GSP	-	-	-	-
19.	Botswana	-	-	GSP	-	-	-	-	-
20.	Belarus[115]	-	-	(GSP)	(GSP)	-	-	-	-
21.	Belize	-	-	-	-	-	-	-	-
22.	Cocos Islands	-	-	GSP	GSP	-	-	-	-
23.	Congo	-	-	GSP	-	GSP	-	GSP	-
24.	Côte d'Ivoire	-	-	GSP	-	GSP	-	GSP* <25%[116]	-
25.	Cook Islands	-	-	GSP	-	-	-	-	-
26.	Cameroon	-	-	GSP	-	GSP	-	GSP	-
27.	China	-	-	GSP* >75%[117]	GSP*	GSP* >75%[118]	GSP*	GSP* >75%[119]	GSP*
28.	Colombia	-	-	-	-	-	-	-	-
29.	Costa Rica	-	-	-	-	-	-	-	-
30.	Cuba	-	-	GSP	GSP	-	-	-	-
31.	Christmas Islands	-	-	GSP	GSP	-	-	-	-
32.	Dominica	-	-	-	-	-	-	-	-
33.	Dominican Republic	-	-	-	-	-	-	-	-
34.	Algeria	-	-	-	-	-	-	-	-
35.	Ecuador	-	-	GSP+	GSP+	GSP+	GSP+	GSP+	GSP+
36.	Egypt	-	-	-	-	-	-	-	-
37.	Fiji	-	-	GSP	-	-	-	-	-
38.	Falkland Islands	-	-	GSP	GSP	-	-	-	-
39.	Micronesia	-	-	GSP	-	GSP	-	GSP	-
40.	Gabon	-	-	GSP	-	-	-	-	-
41.	Grenada	-	-	-	-	-	-	-	-
42.	Georgia	-	-	GSP+	GSP+	GSP+	GSP+	GSP+	GSP+
43.	Ghana	-	-	GSP	-	GSP	-	GSP	-
44.	Gibraltar	-	-	GSP	GSP	-	-	-	-
45.	Greenland	-	-	GSP	GSP	-	-	-	-
46.	South Georgia and South Sandwich Islands	-	-	GSP	GSP	-	-	-	-
47.	Guatemala	-	-	-	-	-	-	-	-
48.	Guam	-	-	GSP	GSP	-	-	-	-

[114] Graduated Sections: 4,17.
[115] Belarus was temporarily withdrawn by Council Regulation (EC) No1933/2006 of 21 December 2006.
[116] Graduates Sections: 4a.
[117] Graduated Sections: All but sections 3, 4 and 5.
[118] Graduated Sections: All but sections 2a, 3, 4a, 4c, 5.
[119] Graduated Sections: All but sections 2a, 3.

49.	Guyana	-	-	-	-	-	-	-	-
50.	Heard Island and McDonald Islands	-	-	GSP	GSP	-	-	-	-
51.	Honduras	-	-	-	-	-	-	-	-
52.	Indonesia	-	-	GSP* <25%[120]	GSP*	GSP* <25%[121]	GSP*	GSP* 25-50%[122]	GSP*
53.	India	-	-	GSP* <25%[123]	-	GSP*[124] 25-50%	-	GSP* >75%[125]	-
54.	British Indian Ocean Territory	-	-	GSP	GSP	-	-	-	-
55.	Iraq	-	-	GSP	GSP	GSP	GSP	GSP	GSP
56.	Iran	-	-	GSP	GSP	GSP	GSP	GSP* <25%[126]	GSP*
57.	Jamaica	-	-	-	-	-	-	-	-
58.	Jordan	-	-	-	-	-	-	-	-
59.	Kenya	-	-	GSP	-	GSP* 25-50%[127]	-	GSP* 50-75%[128]	-
60.	Kyrgyzstan	-	-	GSP	GSP	GSP	GSP	GSP	GSP
61.	St Kitts and Nevis	-	-	-	-	-	-	-	-
62.	Kuwait	-	-	GSP	-	-	-	-	-
63.	Cayman Islands	-	-	GSP	GSP	-	-	-	-
64.	Kazakhstan	-	-	GSP	GSP	-	-	-	-
65.	Lebanon	-	-	-	-	-	-	-	-
66.	St Lucia	-	-	-	-	-	-	-	-
67.	Sri Lanka[129]	-	-	GSP	GSP	GSP	GSP	GSP	GSP
68.	Libyan Arab Jamahiriya	-	-	GSP	-	-	-	-	-
69.	Morocco	-	-	-	-	-	-	-	-
70.	Marshall Islands	-	-	GSP	-	GSP	-	GSP	-
71.	Mongolia	-	-	GSP+	GSP+	GSP+	GSP+	GSP+	GSP+
72.	Macao	-	-	GSP	GSP	-	-	-	-
73.	Northern Mariana Islands	-	-	GSP	GSP	-	-	-	-
74.	Montserrat	-	-	GSP	GSP	-	-	-	-
75.	Mauritius	-	-	GSP	-	-	-	-	-

[120] Graduated Sections: 3.
[121] Graduated Sections: 1a, 3.
[122] Graduated Sections: 1a, 3, 4c, 6b, 7b, 9a.
[123] Graduated Sections: 11a, 17.
[124] Graduated Sections: 2c, 5, 6a, 6b, 8a, 11a, 14, 17b.
[125] Graduated Sections: 1b, 2b, 2c, 4c, 5, 6a, 6b, 7b, 8a, 8b, 11a, 11b, 12a, 14, 15a, 17b.
[126] Graduated sections: 2b, 2d.
[127] Graduated Sections: 2a.
[128] Graduated Sections: 2a, 2b.
[129] Sri Lanka was temporarily withdrawn from GSP+ by Council Regulation No 143/2010 of 15 February 2010.

76.	Mexico	-	-	-	-	-	-	-	-
77.	Malaysia	-	-	GSP* <25%[130]	-	-	-	-	-
78.	Namibia	-	-	GSP	-	GSP	-	GSP+	-
79.	New Caledonia	-	-	GSP	GSP	-	-	-	-
80.	Norfolk Island	-	-	GSP	GSP	-	-	-	-
81.	Nigeria	-	-	GSP	-	GSP	-	GSP+	-
82.	Nicaragua	-	-	-	-	-	-	-	-
83.	Nauru	-	-	GSP	-	GSP	-	GSP	-
84.	Niue	-	-	GSP	-	-	-	-	-
85.	Oman	-	-	GSP	-	-	-	-	-
86.	Panama	-	-	-	-	-	-	-	-
87.	Peru	-	-	-	-	-	-	-	-
88.	French Polynesia	-	-	GSP	GSP	-	-	-	-
89.	Papua New Guinea	-	-	GSP	-	GSP	-	GSP	-
90.	Philippines	-	-	GSP	GSP	GSP+[131]	GSP+	GSP+	GSP+
91.	Pakistan	-	-	GSP	GSP	GSP+[132]	GSP+	GSP+	GSP+
92.	ST Pierre and Miquelon	-	-	GSP	GSP	-	-	-	-
93.	Pitcairn	-	-	GSP	GSP	-	-	-	-
94.	Palau	-	-	GSP	-	-	-	-	-
95.	Paraguay	-	-	GSP+	-	GSP+	-	GSP+	-
96.	Qatar	-	-	GSP	-	-	-	-	-
97.	Russian Federation	-	-	GSP* 25-50%[133]	GSP *	-	-	-	-
98.	Saudi Arabia	-	-	GSP	-	-	-	-	-
99.	Seychelles	-	-	GSP	-	-	-	-	-
100.	Saint Helena	-	-	GSP	GSP	-	-	-	-
101.	Suriname	-	-	-	-	-	-	-	-
102.	El Salvador	-	-	-	-	-	-	-	-
103.	Syrian Arab Republic	-	-	-	-	-	-	-	-
104.	Swaziland	-	-	GSP	-	GSP	-	GSP	-
105.	Turks and Caicos Islands	-	-	GSP	GSP	-	-	-	-
106.	French Southern Territories	-	-	-	-	-	-	-	-
107.	Thailand	-	-	GSP* <25%[134]	GSP*	GSP* 25-	GSP*	GSP* <25-	GSP*

130 Graduated Sections: 3.

131 Under the indicative scenario chosen for the purposes of this analysis. This does not imply that Philippines will actually qualify for GSP+.

132 Under the indicative scenario chosen for the purposes of this analysis. This does not imply that Pakistan will actually qualify for GSP+.

133 Graduated Sections: 5.

						50%[135]		50%[136]	
108.	Tajikistan	-	-	GSP	GSP	GSP	GSP	GSP	GSP
109.	Tokelau	-	-	GSP	GSP	-	-	-	-
110.	Turkmenistan	-	-	GSP	GSP	GSP	GSP	GSP	GSP
111.	Tunisia	-	-	-	-	-	-	-	-
112.	Tonga	-	-	GSP	-	GSP	-	GSP	-
113.	Trinidad and Tobago	-	-	-	-	-	-	-	-
114.	Ukraine	-	-	GSP	-	GSP+[137]	-	GSP+	-
115.	United States Minor Outlying Islands	-	-	GSP	GSP	-	-	-	-
116.	Uruguay	-	-	GSP	-	-	-	-	-
117.	Uzbekistan	-	-	GSP	GSP	GSP	GSP	GSP	GSP
118.	St Vincent and the Grenadines	-	-	-	-	-	-	-	-
119.	Venezuela	-	-	GSP	GSP	-	-	-	-
120.	Virgin Islands, British	-	-	GSP	GSP	-	-	-	-
121.	Virgin Islands, US	-	-	GSP	GSP	-	-	-	-
122.	Vietnam	-	-	GSP* 25-50%[138]	GSP*	GSP* 25-50%[139]	GSP*	GSP* 25-50%[140]	GSP*
123.	Wallis and Futuna	-	-	GSP	GSP	-	-	-	-
124.	Mayotte	-	-	GSP	GSP	-	-	-	-
125.	South Africa	-	-	-	-	-	-	-	-
126.	Zimbabwe	-	-	GSP	-	GSP	-	GSP	-
	GSP			**87**	**52**	**26**	**11**	**24**	**11**
	GSP+			**7**	**6**	**10**	**8**	**12**	**8**

[134] Graduated Sections: 14.
[135] Graduated Sections : 4a, 4b, 7b, 14, 17b.
[136] Graduated Sections: 4a, 4b, 5, 7b, 14, 17b, 18.
[137] Under the indicative scenario chosen for the purposes of this analysis. This does not imply that Ukraine will actually qualify for GSP+. On the basis of a seven section the diversification threshold and of the import data available in March 2011 Ukraine would currently not qualify for GSP +.
[138] Graduated Sections: 12.
[139] Graduated Sections: 1b, 12a.
[140] Graduated Sections: 1a, 1b, 2c, 9b, 12a.

ANNEX 6.2 List of potential product sections

Table 6-2 List of potential product sections

Current sections	TARIC sections	Potential New sections	TARIC Sections*
Section 1	01 - 05	Section 1a	01 02 04 05
		Section 1b	03
Section 2	06 - 14	Section 2a	06
		Section 2b	07 08
		Section 2c	09
		Section 2d	10 - 14
Section 3	15	Section 3	15
Section 4	16 - 24	Section 4a	16
		Section 4b	17 - 23
		Section 4c	24
Section 5	25 - 27	Section 5	25 - 27
Section 6	28 - 38	Section 6a	28 29
		Section 6b	30 – 38
Section 7	39 - 40	Section 7a	39
		Section 7b	40
Section 8	41 - 43	Section 8a	41
		Section 8b	42 43
Section 9	44 - 46	Section 9a	44
		Section 9b	45 46
Section 11a	50 - 60	Section 11a	50 - 60
Section 11b	61 - 63	Section 11b	61 - 63
Section 12	64 - 67	Section 12a	64
		Section 12b	65 - 67
Section 13	68 - 70	Section 13	68 - 70
Section 14	71	Section 14	71
Section 15	72 - 83	Section 15a	72 73
		Section 15b	74 - 83
Section 16	84 - 85	Section 16	84 85
Section 17	86 - 89	Section 17a	86
		Section 17b	87 - 89
Section 18	90 - 92	Section 18	90 - 92
Section 20	94 - 96	Section 20	94 - 96

*See Table 6-3 for descriptions of products within each section.

Table 6-3 TARIC Sections

TARIC Sections	
1	Live animals
2	Meat and edible meat offal
3	Fish and crustaceans, molluscs and other aquatic invertebrates
4	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included
5	Products of animal origin, not elsewhere specified or included
6	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage
7	Edible vegetables and certain roots and tubers
8	Edible fruit and nuts; peel of citrus fruit or melons
9	Coffee, tea, maté and spices
10	Cereals
11	Products of the milling industry; malt; starches; inulin; wheat gluten
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder
13	Lac; gums, resins and other vegetable saps and extracts
14	Vegetable plaiting materials; vegetable products not elsewhere specified or included
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates
17	Sugars and sugar confectionery
18	Cocoa and cocoa preparations
19	Preparations of cereals, flour, starch or milk; pastrycooks' products
20	Preparations of vegetables, fruit, nuts or other parts of plants.
21	Miscellaneous edible preparations
22	Beverages, spirits and vinegar
23	Residues and waste from the food industries; prepared animal fodder
24	Salt; sulphur; earths and stone; plastering materials, lime and cement
25	Ores, slag and ash
26	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes
27	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes
28	Organic chemicals
29	Pharmaceutical products
30	Fertilisers
31	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter; paints and varnishes; putty and other mastics; inks
32	Essential oils and resinoids; perfumery, cosmetic or toilet preparations
33	Albuminoidal substances; modified starches; glues; enzymes

34	Soap; organic surface-active agents; washing preparations; lubricating preparations; artificial waxes; prepared waxes; polishing or scouring preparations; candles and similar articles, modelling pastes; ‘dental waxes’ and dental preparations with a basis
35	Albuminoidal substances; modified starches; glues; enzymes
36	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations
37	Photographic or cinematographic goods
38	Miscellaneous chemical products
39	Plastics and articles thereof
40	Rubber and articles thereof
41	Raw hides and skins (other than furskins) and leather
42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut)
43	Furskins and artificial fur; manufactures thereof
44	Wood and articles of wood; wood charcoal
45	Cork and articles of cork
46	Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork
47	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard
49	Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans
50	Silk
51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric
52	Cotton
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn
54	Man-made filaments; strip and the like of man-made textile materials
55	Man-made staple fibres
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof
57	Carpets and other textile floor coverings
58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery
59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use
60	Knitted or crocheted fabrics
61	Articles of apparel and clothing accessories, knitted or crocheted
62	Articles of apparel and clothing accessories, not knitted or crocheted
63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags
64	Footwear, gaiters and the like; parts of such articles
65	Headgear and parts thereof
66	Umbrellas, sun umbrellas, walking sticks, seat-sticks, whips, riding crops and parts thereof
67	Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair
68	Articles of stone, plaster, cement, asbestos, mica or similar materials
69	Ceramic products

70	Glass and glassware
71	Natural or cultured pearls, precious or semi-preciousstones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin
72	Iron and steel
73	Articles of iron or steel
74	Copper and articles thereof
75	Nickel and articles thereof
76	Aluminium and articles thereof
77	(Reserved for possible future use in the Harmonised system
78	Lead and articles thereof
79	Zinc and articles thereof
80	Tin and articles thereof
81	Other base metals; cermets; articles thereof
82	Tools, implements, cutlery, spoons and forks, of base
83	Miscellaneous articles of base metal
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles
86	Railway or tramway locomotives, rolling stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electromechanical) traffic signalling equipment of all kinds
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof
88	Aircraft, spacecraft, and parts thereof
89	Ships, boats and floating structures
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof
91	Clocks and watches and parts thereof
92	Musical instruments; parts and accessories of such articles
93	Arms and ammunition; parts and accessories thereof
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; lluminated signs, illuminated nameplates and the like; prefabricated buildings
95	Toys, games and sports requisites; parts and accessories thereof
96	Miscellaneous manufactured article
97	Works of art, collectors' pieces and antiques
98	Complete industrial plant
99	(Reserved for special uses determined by the competent Community authorities)

ANNEX 6.3 Methodological note on models

Choice of modelling methodology: advantages, limitations and caveats

This impact assessment is based on comprehensive modelling work. The two main families of models (general equilibrium (CGE) and partial equilibrium) are used in order to take advantage of their respective strengths[141].

The CARIS study relied on CGE. These models are useful to estimate economy-wide effects on welfare, labour, cross-sectoral linkages and distributional effects, third country effects, etc. The CARIS model is thus used for these purposes (see CARIS p. 118 for further details on their nature and limitations).

Partial equilibrium modelling used in the SMART model (see ANNEX 6.4, p.58 for further details) is justified by the fact that the GSP reform is designed at a very disaggregated product (Combined Nomenclature 8-digit level) and country level. Partial equilibrium modelling is an appropriate methodology to capture such effects when products are highly specific and when many individual countries are affected differently, such as in the case of the GSP proposals under examination. Therefore, impacts on import volumes, as well as on consumer welfare and tariff revenue which emanate therefrom, are estimated on this basis.

Notwithstanding its strengths, partial equilibrium also has a number of inherent limitations and caveats that should be clearly noted when interpreting the results.

Perhaps one of the most significant limitation, particularly with regard to the countries that are targeted to benefit from the GSP scheme is the static nature of partial equilibrium modelling. Unlike CGE modelling there is no investment (be it domestic or FDI) in partial equilibrium modelling and no dynamic effects as to the change in the production and trading structure of target GSP beneficiaries. This is a particularly important limitation in estimating the future gains for countries like LDCs where the model assumes that the current set of products potentially exported remains constant. In other words, if an LDC is currently incapable of exporting a certain HS6 product to Europe (current exports are zero), it will remain so irrespective of the trade preferences given to that LDC. Therefore, the model cannot capture for instance export diversification or the emergence of a future production and export capacity in a GSP beneficiary country.[142] Existing empirical evidence however suggest that such development effects arising from trade preferences do occur in countries benefiting from trade preferences and therefore the estimated trade and economic benefits from the GSP reform, particularly for LDCs and other more vulnerable economies (like some of the GSP plus beneficiaries) will be underestimated, especially in the longer run. On the other hand, due to data limitations, the various GSP scenarios have been modelled at a slightly higher product (HS 6 digit) level than the actual GSP reform (HS8). This fact, *ceteris paribus*, induces some overestimates in the overall results and should somewhat correct the inherent downward bias explained above on GSP beneficiary countries.

Another limitation of the model that can either underestimate or overestimate the results (depending on exact circumstances) is the absence of inter-sectoral linkages among different products. All changes in trade flows in the model are generated “within sectors”, ie by

[141] A direct comparison of the outcomes between partial equilibrium and CGE effects is usually difficult due to inherent differences in underlying parameters and assumptions and should therefore in general be avoided.

[142] This modelling limitation is common across all existing methodologies but it is more prevalent in partial equilibrium than in CGE given the highly disaggregated nature of the model.

comparing the differences in market access, tariff changes, relative prices across various exporters and the underlying trade and demand elasticities for each product, in isolation from changes and trade flows generated in other sectors. For instance, a change in trade patterns across countries for a final good (e.g. cars) does not trigger a respective trade response in intermediate products (e.g. car parts).

In light of these caveats and limitations, these results should be used to provide an order of relative magnitude of the various options simulated.

ANNEX 6.4 Simulated effects: SMART

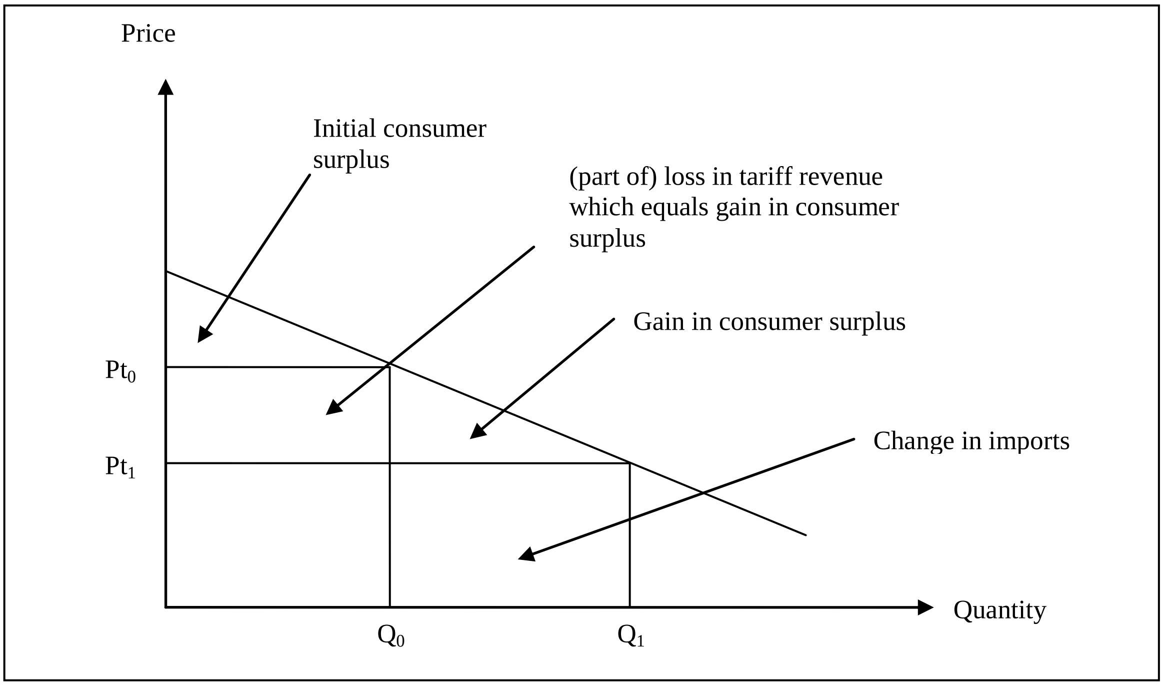
1. Explanation of SMART model

The calculations for assessing the impact of different options under the GSP are based on the Single Market (SMART)[143] partial equilibrium simulation model developed by the World Bank in collaboration with various International Organizations.[144] The model can be used to estimate several important effects needed to assess the implications of changes in trade policy (see Figure 1 for partial illustration):

1. Trade creation is defined as the direct net increase (decrease) in imports (*Q*) following a reduction of (an increase in) the tariff (*t*) imposed on country X and depends on the magnitude of the change in the tariff rate and the responsiveness of demand to price change as reflected by the import demand elasticity.

2. Trade diversion reflects that the change in imports from country X will be at the expense/benefit of imports from other countries that become relatively more/less expensive. The size of competitor countries' trade flows and the substitutability between products (elasticity of substitution) determine the degree of trade diversion, in addition to the magnitude of the change in the tariff.

Figure 1 : Simple overview of some of the impacts of reducing tariff t from t_0 to t_1



3. The change in tariff revenue follows from that (i) current imports (Q_0) will face a different tariff $(Q_0*(t_0-t_1))$, (ii) new imports (Q_1-Q_0) will face the new tariff $((Q_1-Q_0)*t_1)$ and (iii)

[143]The model is available via the World Integrated Trade Solution (WITS) software. See http://wits-old.worldbank.org/witsweb/download/docs/Explaining_SMART_and_GSIM.pdf for details of the model.
[144]E.g. the United Nations Conference on Trade and Development (UNCTAD), International Trade Center (ITC), United Nations Statistical Division (UNSD) and the World Trade Organization (WTO).

diverted trade will face the same tariff $(Q_{1'}*t_0)$. Member states' collection costs are not taken into account.

4. The change in consumer surplus is defined as the change in tariff revenue that is transferred to consumers from the government $(Q_0*(t_0-t_1))$, c.f. above and the change in consumers' willingness to pay compared to the amount that they actually pay $((Q_1-Q_0)*(t_0-t_1)/2)$.

The default tariffs and elasticities of the SMART model are provided at 6-digit level of the Harmonised System (HS). The simulations are therefore carried out on EU imports at this level of aggregation, even though products eligible for the GSP are identified at the 8-digit level of the Combined Nomenclature (CN).

**2. Table 6-4 : Summary of simulated effects of the B1 (short-run) baseline and the options
(€ million*)**

Short-run baseline	Trade creation [a]	Trade diversion [b]	Consumer Surplus [c]	Change in EU tariff revenue [d]
Initialled and recently concluded FTAs	2235	-1608	1669	-1594
GSP Options				
A. Removal of the GSP (except the EBA)	-6269	4326	-3612	3510
B. Status quo				
C1. Removing high- and upper middle income countries, Graduation, sections split, threshold 15%, Pakistan, Philippines and the Ukraine to GSP+	-3649	2078	-1774	1694
C2. Removing high- and upper middle income countries, Graduation, sections split, threshold 7.5%, Namibia, Nigeria, Pakistan, Philippines and the Ukraine to GSP+	-4056	2381	-2015	1929
D1. DFQF for remaining GSP beneficiaries	14796	-8328	12290	-11870
D2. "Desensitisation" of certain products	-3923	2267	-1918	1830
D3. Product scope expansion	-3953	2293	-1932	1827

Source: Own calculations. * Figures converted from $US into € using an exchange rate of $1.30 per €.

[a] Trade creation refers to the direct effects (positive or negative) on a country that is subject to GSP trade policy reform (e.g. graduation, inclusion in GSP+, etc).
[b] Trade diversion captures the indirect trade impact (positive or negative) on third countries (either part of GSP/GSP+/LDC or not) as a result of the change in GSP status of any given country. Unlike a simple FTA formation, given the complex nature of GSP reform, trade diversion is therefore a composite net measure of both positive and negative trade effects on both GSP beneficiaries and third countries in the rest of the world.
[c] Consumer surplus is a main component in welfare effects and captures essentially the benefits consumers derive from being able to buy products at a price lower than what they would otherwise be prepared to pay. Trade liberalization leads to positive changes in consumer surplus.
[d] Changes in tariff revenues reflect the combined effect of changes in tariffs and changes in trade flows before and after each GSP reform scenario.
For a more formal description of all these effects and the way in which they are derived in the SMART model, see explanation above.

2a. Table 6-5 Summary of simulated effects of the B1 (short-run) baseline per country group

(€ x 1.000)

Country group	**Option A**	**Option C1**	**Option C2**	**Option D1**	**Option D2**	**Option D3**
EBA	125.597	-4.597	16.994	-756.710	10.038	13.223
GSP+	-	999.435	1.008.599	-309.693	1.040.624	1.058.609
GSP	-	-970.175	-1.599.605	22.297.949	-1.444.858	-1.536.673
Total Scheme	***125.597***	***24.663***	***-574.012***	***21.231.545***	**-394.197**	**-464.841**
ExGSP[145]	-8.591.432	-5.027.345	-4.956.183	-2.090.720	-4.990.947	-4.997.790
RW[146]	2.197.327	1.354.043	1.473.832	-4.344.808	1.461.376	1.509.160
Total	**-6.268.509**	**-3.648.639**	**-4.056.362**	**14.796.018**	**-3.923.767**	**-3.953.471**

[145] Former GSP beneficiaries
[146] Rest of the world

3.Table 6-6: Summary of simulated effects of the B2 (long-run) baseline and the options, (€ million*)

Long-run baseline	Trade creation [a]	Trade diversion [b]	Consumer Surplus [c]	Change in EU tariff revenue [d]
DDA	17389	-8193	14050	-12693
On-going and recently concluded FTAs	3467	-2233	2306	-2212
GSP Options				
A. Removal of the GSP (except the EBA)	-3445	2417	-1969	1904
B. Status quo				
C1. Removing high- and upper middle income countries, Graduation, sections split, threshold 15%, Pakistan, Philippines and the Ukraine to GSP+	-1832	971	-882	835
C2. Removing high- and upper middle income countries, Graduation, sections split, threshold 7.5%, Namibia, Nigeria, Pakistan, Philippines and the Ukraine to GSP+	-1918	1040	-935	887
D1. DFQF for remaining GSP beneficiaries	7485	-4104	5836	-5725
D2. "Desensitisation" of certain products	-1870	994	-899	851
D3. Product scope expansion	-1863	995	-896	848

Source: Own calculations. * Figures converted from $US into € using an exchange rate of $1.30 per €.

[a] Trade creation refers to the direct effects (positive or negative) on a country that is subject to GSP trade policy reform (e.g. graduation, inclusion in GSP+, etc).

[b] Trade diversion captures the indirect trade impact (positive or negative) on third countries (either part of GSP/GSP+/LDC or not) as a result of the change in GSP status of any given country. Unlike a simple FTA formation, given the complex nature of GSP reform, trade diversion is therefore a composite net measure of both positive and negative trade effects on both GSP beneficiaries and third countries in the rest of the world.

[c] Consumer surplus is a main component in welfare effects and captures essentially the benefits consumers derive from being able to buy products at a price lower than what they would otherwise be prepared to pay. Trade liberalization leads to positive changes in consumer surplus.

d Changes in tariff revenues reflect the combined effect of changes in tariffs and changes in trade flows before and after each GSP reform scenario.

For a more formal description of all these effects and the way in which they are derived in the SMART model, see explanation above.

3a. Table 6-7 Summary of simulated effects of the B2 (long-run) baseline per country group

(€ x 1.000)

Country group	**Option A**	**Option C1**	**Option C2**	**Option D1**	**Option D2**	**Option D3**
EBA	65.343	-1.448	-604	-250.668	-4.925	-2.671
GSP+	-	317.879	319.313	-65.530	344.404	347.045
GSP	-	-564.273	-701.210	11.222.754	-648.865	-664.872
Total Scheme	***65.343***	***-247.842***	***-382.500***	***10.906.556***	***-309.385***	***-320.498***
ExGSP	-4.128.324	-2.004.061	-1.990.538	-1.199.267	-2.009.872	-2.019.328
RW	617.798	419.943	455.038	-2.214.939	449.143	475.889
Total	**-3.445.182**	**-1.831.959**	**-1.918.001**	**7.492.349**	**-1.870.115**	**-1.863.937**

ANNEX 6.5 Simulated effects: CARIS[147]

Table 6-8 : Change in real output by sector and region, scenario 1 – MFN04

	Paddy rice, processed rice	Vegetables, fruit, nuts	Wheat, other cereal grains, plant-based fibres, crops nec	Oil seeds, vegetable oils and fats	Sugar cane, sugar beet, processed sugar products	Livestock except fish, raw milk, animal products except meat	Fishing products	Fossile fuels: Coal, oil, gas, petroleum, coal products	Minerals nec, mineral products	Meat, dairy products, food products nec, beverages, tobacco	Textiles	Apparel	Leather products	Light manufacturing: Forestry and wood products, paper products, publishing, other manufacturing	Chemical, rubber, plastic products	Metals and metal products	Motor vehicles and parts, other transport equipment	Electronic equipment, machinery and equipment nec	Construction, utilities, services
EU[148]	0,3	0,5	0,0	0,1	3,8	0,1	0,2	-0,3	-0,1	0,1	0,5	0,6	0,3	-0,1	0,0	-0,2	-0,1	-0,3	0,0
Sri Lanka	0,0	0,1	-0,2	-0,4	-0,2	0,1	0,0	-0,2	-0,2	0,0	0,2	0,4	-1,0	-0,1	-0,7	-0,5	-1,1	-0,2	0,0
Peru	-0,1	-0,2	0,0	-0,2	-0,1	-0,2	-0,1	-0,1	0,3	-0,3	-0,2	-0,2	0,0	0,0	0,0	0,6	0,1	0,2	0,0
Ecuador	-0,3	-2,2	0,3	0,0	-0,3	-0,8	-1,0	1,1	0,1	-1,2	0,4	0,1	0,4	0,2	1,0	1,0	0,9	2,9	-0,2
Colombia	0,0	-0,4	0,5	-0,4	0,0	-0,2	-0,1	0,1	0,1	-0,2	-0,2	-0,1	0,2	0,1	0,1	0,4	0,1	0,6	0,0
Costa Rica	0,2	-2,7	0,9	0,1	0,2	-0,5	-0,4	-0,2	0,3	-0,6	0,2	0,8	0,7	0,0	0,1	0,8	-0,1	1,6	-0,1
GSPPLA[149]	-0,1	-0,6	0,1	0,0	-0,4	-0,1	-0,2	0,1	0,1	-0,2	0,6	0,3	0,1	0,1	0,1	0,3	0,1	0,7	0,0
GSPPEE[150]	-0,4	0,0	-0,1	-0,2	-0,5	0,1	0,3	-0,1	-0,2	0,0	0,2	0,2	0,2	-0,1	-0,5	-0,9	-0,2	0,1	0,1
Georgia	-0,1	0,0	-0,1	0,1	-0,6	0,0	0,2	-0,5	-0,2	-0,1	0,9	1,5	0,1	0,0	-1,8	-0,8	0,3	0,4	0,1
Cambodia	-0,7	-0,5	0,4	1,0	0,0	-0,8	-0,6	2,3	0,6	-0,1	-4,5	2,4	-5,4	1,4	4,5	2,1	-0,2	0,9	-0,4
Bangladesh	0,0	0,1	-0,3	0,7	-0,3	-0,2	-0,4	2,5	0,5	-0,3	-1,8	1,1	-0,1	0,2	1,2	1,5	1,8	5,6	0,0
EBARoAs[151]	0,0	-0,1	0,0	-0,2	0,4	0,0	0,2	-0,5	-0,2	0,0	0,8	1,5	0,1	-0,2	-0,3	-0,5	-0,1	-0,3	0,0
EBASSA[152]	0,2	0,1	-0,2	0,1	-2,3	-0,1	-1,0	0,5	0,3	-0,9	-1,8	-1,0	0,1	0,2	0,3	-0,5	0,9	1,4	0,0
China	0,0	0,0	0,0	-0,2	-0,1	0,0	0,0	-0,1	0,0	0,0	0,0	0,2	0,2	0,0	-0,1	0,0	-0,1	0,1	0,0
Philippines	0,0	0,0	-0,1	-0,2	0,0	0,0	0,0	-0,1	-0,1	0,0	0,2	0,1	0,2	0,0	-0,1	-0,2	0,0	-0,1	0,0

147 Significant negative (yellow or light gray) and positive (green or dark grey) impacts have been highlighted throughout all CARIS tables in this annex.
148 European Union, ex post-2004 entrants Bulgaria, Romania
149 GSP+ Other Latin America : Bolivia, Paraguay, Guatemala, Panama, Nicaragua, El Salvador, Rest of Central America
150 GSP+ Eastern Europe : Armenia, Azerbaijan
151 EBA Rest of Asia : Afghanistan, Bhutan, Laos, Maldives, Myanmar, Nepal
152 EBA Sub-Saharan Africa : Angola, DR Congo, Ethiopia, Madagascar, Malawi, Mozambique, Senegal, Tanzania, Uganda

India	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,1	0,1	0,0	0,0	0,1	-0,6	0,0	-0,1	0,0	-0,1	0,1	0,0
Pakistan	0,3	0,1	-0,2	0,4	0,2	0,1	-0,1	0,5	0,2	-0,3	-0,9	-3,3	0,4	0,3	0,3	1,6	0,7	1,6	0,1
Thailand	-0,1	-0,9	0,3	0,0	0,0	0,1	0,0	-0,1	-0,1	0,0	0,2	0,1	0,3	0,2	0,3	0,1	-0,4	0,3	0,0
RoAsia[153]	-0,1	0,0	0,0	-0,3	0,0	-0,1	-0,1	-0,1	0,1	-0,1	0,2	0,8	-2,6	0,1	0,0	0,2	0,0	0,6	-0,1
Argentina	-0,1	-2,5	-0,1	1,5	-0,2	-0,6	-0,6	0,3	0,2	-0,7	0,7	0,0	0,7	0,1	0,6	0,9	0,6	0,9	-0,1
Brazil	-0,2	-0,1	0,0	0,4	-0,1	-0,2	-0,2	0,0	0,2	-0,3	0,1	0,0	1,0	0,1	0,1	0,3	0,0	0,3	0,0
Caribbean	0,2	-0,5	0,0	-0,1	-3,7	-0,2	-0,2	-0,1	0,0	-0,3	-0,3	-0,1	0,0	0,2	-0,1	0,1	0,4	0,3	0,0
Russia	-0,1	-0,1	-0,2	-0,1	-0,3	-0,1	0,0	0,0	0,1	-0,2	-0,3	0,2	0,1	0,1	0,1	0,4	0,1	0,2	0,0
Ukraine	-0,1	-0,1	-0,4	-0,3	0,0	-0,1	-0,1	-0,1	0,2	-0,2	0,8	0,8	0,5	0,1	-0,4	0,3	0,2	-0,1	0,0
RoSEE[154]	-0,2	0,1	-0,3	0,5	-1,3	-0,3	-1,4	1,8	1,3	-0,3	-5,9	-13,2	-5,5	1,0	0,5	1,9	1,4	2,1	0,2
CtrlAsia[155]	-0,1	-0,1	-0,2	-0,1	-0,8	-0,1	-0,1	0,0	0,2	-0,1	0,4	0,4	0,2	0,0	0,2	0,4	0,1	0,2	0,0
NAfrica[156]	0,2	-0,3	0,0	-8,9	0,1	-0,3	-1,5	1,0	0,2	-0,4	-4,3	-5,3	-1,7	0,3	0,1	1,6	0,4	1,6	0,1
RoSSA[157]	0,4	-0,5	0,1	0,1	-13,0	-0,4	-1,2	0,5	0,8	-1,3	-1,5	-0,5	0,3	0,3	0,8	1,1	2,1	2,3	-0,1
SAfrica[158]	-1,3	-0,1	-0,3	-0,4	0,1	-0,1	0,0	0,0	0,3	-0,1	-0,2	-0,2	0,0	0,0	-0,1	0,3	0,0	0,2	0,0
Emerged	0,0	-0,1	-0,1	-0,2	-0,1	-0,1	0,0	-0,2	0,0	-0,1	0,1	0,1	0,1	0,0	-0,2	0,1	0,0	0,2	0,0
RoOECD[159]	0,0	0,0	-0,2	-0,1	0,0	0,0	0,0	-0,2	0,0	0,0	-0,1	-0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0
RoWorld[160]	0,1	-0,1	-0,2	-0,1	-1,3	-0,2	-0,4	0,3	0,3	-0,3	-3,4	-3,5	-0,7	0,5	0,1	0,7	-1,2	0,1	0,0

[153] Rest of Asia
[154] Rest of Southern and Eastern Europe
[155] Central Asia
[156] North Africa
[157] Rest of Sub-Saharan Africa
[158] South Africa
[159] Rest of OECD+
[160] Rest of World

Table 6-9 : Change in real output by sector and region, scenario 2 – ZEROTM

	Paddy rice, processed rice	Vegetables, fruit, nuts	Wheat, other cereal grains, plant-based fibres, crops nec	Oil seeds, vegetable oils and fats	Sugar cane, sugar beet, processed sugar products	Livestock except fish, raw milk, animal products except meat	Fishing products	Fossile fuels: Coal, oil, gas, petroleum, coal products	Minerals nec, mineral products	Meat, dairy products, food products nec, beverages, tobacco	Textiles	Apparel	Leather products	Light manufacturing: Forestry and wood products, paper products, publishing, other manufacturing	Chemical, rubber, plastic products	Metals and metal products	Motor vehicles and parts, other transport equipment	Electronic equipment, machinery and equipment nec	Construction, utilities, services
EU	-17,0	-1,4	-0,5	-0,9	-10,0	-0,1	-0,2	0,4	0,2	-0,2	-0,6	-0,6	-1,2	0,1	0,2	0,4	0,2	0,6	0,0
SriLanka	0,2	-0,1	-0,5	-1,6	2,9	0,7	0,0	-1,1	-1,5	-0,2	6,9	3,0	0,7	-2,4	-2,1	-2,7	-0,8	-2,5	-0,1
Peru	0,0	0,2	-0,1	0,4	0,1	0,0	0,0	0,4	-0,1	0,0	0,0	-0,1	0,0	0,0	0,1	-0,1	0,1	0,0	0,0
Ecuador	-0,7	22,2	-6,8	-1,1	0,1	-1,1	0,9	-4,3	-0,4	-1,6	-2,2	-0,5	-1,5	-0,9	-2,6	-4,0	-3,2	-9,9	0,8
Colombia	-0,4	11,1	-4,0	-1,1	-0,6	-0,5	0,0	-0,9	-0,5	-0,4	-2,1	-0,9	-2,9	-0,4	-1,2	-2,1	-0,4	-2,7	0,1
CostaRica	-2,8	18,2	-5,8	-2,3	-0,6	-0,9	-0,5	0,9	-1,5	-0,6	-3,7	-4,1	-6,3	-0,1	-0,3	-3,8	0,2	-6,3	0,3
GSPPLA	0,1	4,0	-0,8	-0,2	2,9	-0,1	0,2	-0,5	-0,2	0,0	-1,5	-0,9	-0,4	-0,2	-0,2	-0,6	-0,2	-1,4	0,0
GSPPEE	0,4	-0,1	0,3	0,8	1,7	-0,1	0,2	0,2	0,2	0,0	1,9	4,6	0,1	0,0	0,4	0,9	0,8	0,2	-0,1
Georgia	-0,1	0,0	0,5	1,4	2,1	-0,1	0,0	0,1	-0,1	0,6	2,0	5,8	-0,1	-0,2	1,8	0,3	-0,3	-0,7	-0,1
Cambodia	0,9	0,0	0,2	0,3	-0,1	-0,3	-0,1	1,0	0,6	0,1	-1,5	0,1	-1,9	0,6	2,0	1,0	-0,2	0,4	0,0
Bangladesh	0,0	-0,1	0,3	0,6	0,6	-0,1	-0,2	1,1	0,3	-0,1	-0,2	-0,6	-0,1	0,0	0,6	0,7	0,7	2,0	0,0
EBARoAs	-0,1	-0,1	0,6	-0,3	4,0	-0,2	0,0	-0,5	-0,4	-0,2	4,3	7,6	-1,3	-0,4	0,1	-0,8	-0,9	-0,9	-0,2
EBASSA	0,1	-0,1	-0,1	0,2	3,3	0,0	-0,1	0,2	0,0	-0,1	-0,4	-0,4	-0,4	-0,1	0,2	-0,9	-0,1	-0,4	0,0
China	0,3	0,2	0,3	0,4	0,1	0,2	0,2	-0,2	-0,2	0,3	0,7	1,5	2,0	-0,2	-0,3	-0,5	-0,3	-0,8	0,1
Philippines	0,0	0,0	0,5	1,2	0,4	0,2	0,1	0,1	0,1	0,3	2,8	1,1	1,4	-0,1	0,2	-0,1	0,1	-0,5	0,0
India	0,2	-0,1	0,1	0,0	0,0	0,0	0,1	-0,1	-0,4	0,1	1,1	6,3	0,3	-0,4	-0,1	-0,5	-0,1	-0,4	0,0
Pakistan	2,4	-0,1	0,3	0,1	-0,3	-0,1	-0,1	0,0	-0,1	-0,1	0,6	-0,5	-0,1	0,0	0,1	-0,2	-0,1	-0,5	-0,1
Thailand	4,8	-1,1	-1,5	-0,1	-0,1	0,9	0,8	-0,4	-0,8	1,2	0,3	0,9	1,8	-0,9	-2,2	-1,8	0,8	-1,8	0,2
RoAsia	0,1	0,0	0,0	0,7	0,2	0,2	0,4	-0,2	-0,3	0,3	2,4	2,8	7,5	-0,4	-0,3	-0,9	-0,1	-1,4	0,1
Argentina	1,7	2,5	1,9	-3,9	0,6	1,9	1,8	-0,8	-0,4	2,0	-0,8	0,1	-0,8	-0,1	-1,4	-1,6	-0,9	-1,9	0,1
Brazil	1,4	0,3	2,5	-2,4	1,3	2,4	0,9	-0,7	-1,2	3,0	-0,5	0,3	-2,5	-0,6	-1,3	-2,1	-2,0	-2,1	0,1
Caribbean	0,8	2,3	-0,7	-0,1	28,6	0,1	-0,1	-0,4	-0,2	-0,1	-1,3	-1,1	-1,7	-0,7	-0,2	-0,9	-1,0	-0,8	-0,2

Russia	0,5	0,0	0,6	-0,1	0,6	0,1	0,1	-0,1	-0,2	0,2	0,6	0,6	-0,5	-0,3	-0,3	-0,5	-0,2	-0,6	0,1
Ukraine	0,2	0,1	4,6	-1,3	2,2	0,5	0,4	-0,5	-0,9	0,7	6,2	12,3	1,3	-0,8	-0,7	-1,3	-0,8	-1,4	-0,1
RoSEE	1,3	0,0	0,5	0,6	7,4	0,3	0,1	0,3	-0,1	0,7	-1,1	-2,2	-2,7	-0,1	-0,2	-0,1	-0,2	-0,4	0,0
CtrlAsia	0,4	0,1	0,2	0,3	1,7	0,1	0,2	-0,1	0,0	0,2	1,2	1,3	0,1	0,0	-0,2	-0,1	-0,2	-0,3	0,0
NAfrica	0,8	0,2	-0,4	49,0	0,0	0,3	0,2	-0,3	-0,2	0,1	-2,1	-1,8	-2,0	-0,3	-0,5	-0,9	-0,4	-1,8	0,0
RoSSA	-0,3	0,1	-0,7	-0,1	41,9	0,1	0,4	-0,3	-0,9	0,2	-1,5	-0,8	-2,3	-0,5	-0,8	-1,1	-2,2	-2,2	0,1
SAfrica	1,5	-0,7	0,6	1,0	-0,5	0,3	2,3	-0,1	-0,3	0,5	0,0	0,0	-0,1	0,0	-0,1	-0,2	0,2	-0,4	0,0
Emerged	0,1	-0,1	0,2	0,4	0,2	0,1	0,1	0,0	-0,1	0,1	1,2	0,9	1,0	-0,1	0,0	-0,3	0,4	-0,5	0,0
RoOECD	0,1	-0,1	0,4	0,3	0,1	0,0	0,0	0,1	0,1	0,0	0,2	0,0	-0,1	0,0	0,0	0,1	-0,1	0,1	0,0
RoWorld	2,2	-0,1	0,4	1,9	10,0	0,1	0,1	0,0	-0,2	0,4	-1,4	-1,6	-0,7	-0,2	-0,4	-0,5	-0,7	-1,0	0,0

Table 6-10 Change in unskilled labour by region, sector and scenario (%)

	EU		SriLanka		Peru		Ecuador		Colombia		CostaRica		GSPPLA	
	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM
Paddy rice, processed rice	0,32	-17,12	-0,05	0,08	-0,13	0,02	-0,62	2,49	-0,07	0,44	-0,30	0,20	-0,15	0,54
Vegetables, fruit, nuts	0,50	-1,53	0,05	-0,15	-0,22	0,26	-2,48	25,03	-0,45	11,74	-2,97	20,88	-0,71	4,29
Wheat, other cereal grains, plant-based fibres, crops nec	0,08	-0,69	-0,24	-0,58	-0,07	-0,03	0,07	-4,58	0,46	-3,41	0,60	-3,72	0,07	-0,48
Oil seeds, vegetable oils and fats	0,19	-1,11	-0,42	-1,62	-0,20	0,40	-0,06	-0,31	-0,43	-0,29	-0,09	-1,06	-0,06	0,27
Sugar cane, sugar beet, processed sugar products	3,84	-10,10	-0,25	2,78	-0,13	0,16	-0,38	1,63	0,01	-0,17	-0,25	2,21	-0,49	3,25
Livestock except fish, raw milk, animal products except meat	0,10	-0,24	0,09	0,63	-0,20	0,01	-1,11	1,23	-0,18	0,08	-0,80	1,34	-0,16	0,22
Fishing products	0,14	-0,12	0,03	-0,04	-0,09	-0,02	-0,54	-1,15	-0,12	-0,22	-0,38	-0,69	-0,14	0,02
Fossile fuels: Coal, oil, gas, petroleum, coal products	-0,34	0,46	-0,21	-0,94	-0,05	0,38	1,54	-6,13	0,14	-1,28	-0,16	0,32	0,16	-0,69
Minerals nec, mineral products	-0,11	0,20	-0,21	-1,51	0,34	-0,05	0,43	-1,91	0,07	-0,65	0,40	-1,99	0,13	-0,33
Meat, dairy products, food products nec, beverages, tobacco	0,08	-0,16	0,00	-0,05	-0,28	-0,01	-0,90	-3,21	-0,20	-0,47	-0,51	-1,08	-0,18	-0,07
Textiles	0,52	-0,58	0,21	7,05	-0,18	-0,02	0,69	-3,50	-0,18	-2,16	0,26	-3,92	0,64	-1,61
Apparel	0,62	-0,62	0,44	3,14	-0,15	-0,08	0,34	-1,88	-0,09	-1,02	0,85	-4,28	0,33	-0,94
Leather products	0,29	-1,16	-1,02	0,83	-0,03	0,00	0,69	-2,84	0,25	-2,91	0,71	-6,45	0,10	-0,49
Light manufacturing: Forestry and wood products, paper products, publishing, other manufacturing	-0,08	0,14	-0,15	-2,38	0,00	0,03	0,58	-2,50	0,07	-0,57	0,02	-0,60	0,10	-0,29
Chemical, rubber, plastic products	-0,04	0,25	-0,65	-2,00	0,03	0,14	1,38	-4,25	0,11	-1,36	0,16	-0,85	0,13	-0,28
Metals and metal products	-0,21	0,39	-0,49	-2,66	0,61	-0,12	1,17	-4,84	0,44	-2,23	0,88	-4,18	0,28	-0,70
Motor vehicles and parts, other transport equipment	-0,08	0,21	-1,12	-0,72	0,06	0,05	1,13	-4,07	0,07	-0,54	0,03	-0,37	0,15	-0,29
Electronic equipment, machinery and equipment nec	-0,27	0,58	-0,25	-2,39	0,23	-0,02	3,17	-11,09	0,65	-2,81	1,75	-6,84	0,72	-1,46
Construction, utilities, services	0,01	-0,01	0,04	-0,05	0,00	-0,03	0,18	-0,90	-0,01	-0,07	0,01	-0,38	0,00	-0,10

	GSPPEE		Georgia		Cambodia		Bangladesh		EBARoAs		EBASSA		China	
	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM
Paddy rice, processed rice	-0,42	0,41	-0,07	-0,07	-1,04	1,08	0,02	0,04	-0,02	-0,17	0,15	0,09	-0,03	0,41
Vegetables, fruit, nuts	0,01	-0,10	-0,05	-0,04	-0,81	0,16	0,05	-0,06	-0,13	-0,17	0,14	-0,13	-0,04	0,32
Wheat, other cereal grains, plant-based fibres, crops nec	-0,09	0,32	-0,11	0,53	0,03	0,33	-0,26	0,30	-0,06	0,63	-0,20	-0,09	-0,05	0,40
Oil seeds, vegetable oils and fats	-0,24	0,78	0,11	1,39	0,52	0,50	0,75	0,61	-0,28	-0,31	0,11	0,21	-0,22	0,51
Sugar cane, sugar beet, processed sugar products	-0,51	1,76	-0,55	2,11	-0,52	0,10	-0,28	0,68	0,38	4,00	-2,34	3,28	-0,09	0,20
Livestock except fish, raw milk, animal products except meat	0,05	-0,11	0,04	-0,09	-1,18	-0,16	-0,16	-0,12	0,02	-0,21	-0,11	0,02	-0,01	0,29
Fishing products	0,19	0,25	0,14	0,02	-0,54	0,02	-0,25	-0,16	0,08	-0,11	-0,80	-0,09	-0,02	0,18
Fossile fuels: Coal, oil, gas, petroleum, coal products	-0,16	0,23	-0,57	0,07	2,50	1,14	2,67	1,20	-0,59	-0,59	0,67	0,22	-0,18	-0,23
Minerals nec, mineral products	-0,30	0,30	-0,25	-0,15	0,71	0,72	0,63	0,31	-0,26	-0,48	0,41	0,00	-0,03	-0,20
Meat, dairy products, food products nec, beverages, tobacco	0,02	-0,05	-0,11	0,55	0,01	0,02	-0,25	-0,04	-0,07	-0,20	-0,72	-0,05	-0,04	0,25
Textiles	0,20	1,88	0,95	1,96	-4,45	-1,50	-1,72	-0,18	0,82	4,26	-1,69	-0,34	0,02	0,72
Apparel	0,20	4,64	1,48	5,75	2,51	0,08	1,17	-0,61	1,50	7,51	-0,81	-0,36	0,21	1,48
Leather products	0,22	0,08	0,12	-0,10	-5,35	-1,91	0,03	-0,05	0,11	-1,38	0,31	-0,35	0,22	1,96
Light manufacturing: Forestry and wood products, paper products, publishing, other manufacturing	-0,14	0,02	0,01	-0,21	1,48	0,61	0,39	0,09	-0,26	-0,45	0,29	-0,06	-0,01	-0,26
Chemical, rubber, plastic products	-0,48	0,35	-1,78	1,77	4,56	1,92	1,28	0,60	-0,31	0,07	0,52	0,26	-0,05	-0,29
Metals and metal products	-0,92	0,94	-0,81	0,23	2,22	0,96	1,58	0,66	-0,47	-0,87	-0,32	-0,88	0,02	-0,49
Motor vehicles and parts, other transport equipment	-0,23	0,74	0,34	-0,37	-0,12	-0,26	1,87	0,68	-0,13	-0,95	1,05	-0,12	-0,06	-0,28
Electronic equipment, machinery and equipment nec	0,11	0,17	0,39	-0,78	1,00	0,38	5,75	2,01	-0,34	-0,92	1,57	-0,41	0,11	-0,78
Construction, utilities, services	0,08	-0,15	0,10	-0,15	-0,29	-0,11	0,12	-0,01	0,01	-0,27	0,23	-0,03	0,00	0,06

	Philippines		India		Pakistan		Thailand		RoAsia		Argentina		Brazil	
	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM
Paddy rice, processed rice	-0,02	0,09	-0,03	0,20	0,26	2,43	-0,32	5,70	-0,12	0,18	-0,11	1,65	-0,18	1,70
Vegetables, fruit, nuts	-0,04	0,10	-0,01	-0,06	0,07	-0,05	-1,05	-0,37	-0,05	0,11	-2,51	2,45	-0,15	0,54
Wheat, other cereal grains, plant-based fibres, crops nec	-0,08	0,54	-0,01	0,12	-0,20	0,29	0,16	-0,76	0,01	0,12	-0,05	1,88	-0,04	2,77
Oil seeds, vegetable oils and fats	-0,22	1,33	-0,02	-0,01	0,39	0,12	-0,19	0,51	-0,31	0,76	1,47	-3,93	0,43	-2,12
Sugar cane, sugar beet, processed sugar products	0,00	0,50	0,02	-0,01	0,18	-0,30	-0,16	0,70	-0,08	0,27	-0,14	0,60	-0,06	1,63
Livestock except fish, raw milk, animal products except meat	0,02	0,29	-0,01	-0,03	0,11	-0,10	-0,08	1,59	-0,14	0,29	-0,59	1,88	-0,22	2,67
Fishing products	0,02	0,07	0,03	0,02	-0,03	-0,07	-0,01	0,82	-0,12	0,32	-0,50	1,52	-0,18	0,77
Fossile fuels: Coal, oil, gas, petroleum, coal products	-0,05	0,07	-0,14	-0,18	0,62	0,00	-0,12	-0,55	-0,10	-0,30	0,36	-1,06	0,00	-0,96
Minerals nec, mineral products	-0,14	0,07	0,10	-0,43	0,14	-0,03	-0,02	-0,94	0,07	-0,37	0,24	-0,45	0,19	-1,35
Meat, dairy products, food products nec, beverages, tobacco	0,02	0,25	-0,04	0,05	-0,31	-0,04	0,09	0,97	-0,15	0,22	-0,72	2,00	-0,28	3,01
Textiles	0,17	2,72	0,04	1,05	-0,97	0,60	0,23	0,09	0,21	2,35	0,72	-0,76	0,06	-0,40
Apparel	0,09	1,00	0,14	6,23	-3,39	-0,52	0,12	0,66	0,83	2,78	-0,05	0,15	-0,04	0,27
Leather products	0,18	1,37	-0,58	0,20	0,36	-0,06	0,39	1,53	-2,57	7,47	0,67	-0,73	1,00	-2,42
Light manufacturing: Forestry and wood products, paper products, publishing, other manufacturing	-0,02	-0,13	0,01	-0,43	0,31	-0,01	0,22	-1,18	0,04	-0,47	0,05	-0,10	0,09	-0,54
Chemical, rubber, plastic products	-0,06	0,13	-0,13	-0,22	0,26	0,11	0,34	-2,43	-0,01	-0,36	0,58	-1,42	0,10	-1,25
Metals and metal products	-0,19	-0,15	0,01	-0,61	1,60	-0,16	0,14	-2,02	0,23	-0,98	0,90	-1,62	0,26	-2,04
Motor vehicles and parts, other transport equipment	0,01	0,03	-0,05	-0,14	0,66	-0,13	-0,32	0,52	-0,05	-0,15	0,60	-0,91	0,00	-1,93
Electronic equipment, machinery and equipment nec	-0,05	-0,52	0,10	-0,51	1,58	-0,44	0,40	-2,09	0,60	-1,47	0,92	-1,87	0,29	-2,06
Construction, utilities, services	0,03	-0,08	0,01	-0,12	0,05	-0,06	0,02	-0,13	-0,06	0,05	-0,10	0,18	-0,03	0,17

	Caribbean		Russia		Ukraine		RoSEE		CtrlAsia		NAfrica		RoSSA	
	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM
Paddy rice, processed rice	0,05	1,62	-0,12	0,62	-0,14	0,38	-0,10	1,45	-0,14	0,47	0,18	0,95	0,37	-0,24
Vegetables, fruit, nuts	-0,63	2,92	-0,12	0,11	-0,15	0,68	0,04	0,17	-0,11	0,09	-0,37	0,33	-0,56	0,19
Wheat, other cereal grains, plant-based fibres, crops nec	-0,08	-0,02	-0,20	0,71	-0,47	5,21	-0,38	0,64	-0,28	0,20	-0,03	-0,23	0,07	-0,62
Oil seeds, vegetable oils and fats	-0,23	0,84	-0,15	-0,02	-0,42	-0,51	0,46	0,88	-0,17	0,36	-8,90	49,27	0,09	-0,05
Sugar cane, sugar beet, processed sugar products	-3,84	29,57	-0,31	0,69	-0,08	3,02	-1,27	7,63	-0,81	1,74	0,10	0,22	-13,04	41,99
Livestock except fish, raw milk, animal products except meat	-0,30	0,78	-0,13	0,23	-0,15	1,10	-0,34	0,41	-0,10	0,11	-0,28	0,50	-0,46	0,14
Fishing products	-0,23	-0,19	-0,02	0,02	-0,09	0,18	-1,10	0,16	-0,06	0,11	-1,07	0,05	-0,92	0,23
Fossile fuels: Coal, oil, gas, petroleum, coal products	-0,13	-0,67	0,08	-0,18	-0,14	-0,76	2,23	0,34	0,02	-0,20	1,48	-0,43	0,74	-0,43
Minerals nec, mineral products	0,03	-0,42	0,13	-0,26	0,20	-1,10	1,69	0,00	0,17	-0,09	0,67	-0,39	1,09	-1,03
Meat, dairy products, food products nec, beverages, tobacco	-0,26	-0,23	-0,17	0,22	-0,22	0,65	-0,10	0,71	-0,06	0,18	-0,18	-0,07	-1,04	-0,08
Textiles	-0,26	-1,46	-0,30	0,60	0,85	6,11	-5,76	-1,09	0,42	1,21	-3,99	-2,35	-1,10	-1,76
Apparel	-0,04	-1,20	0,17	0,63	0,79	12,18	-13,07	-2,14	0,40	1,32	-5,03	-1,96	-0,17	-1,08
Leather products	0,01	-1,80	0,07	-0,52	0,55	1,24	-5,36	-2,70	0,17	0,03	-1,49	-2,17	0,77	-2,66
Light manufacturing: Forestry and wood products, paper products, publishing, other manufacturing	0,26	-0,88	0,14	-0,35	0,06	-0,88	1,18	-0,01	-0,01	-0,02	0,61	-0,52	0,55	-0,69
Chemical, rubber, plastic products	-0,07	-0,40	0,15	-0,30	-0,42	-0,74	0,68	-0,12	0,16	-0,17	0,38	-0,72	1,31	-1,20
Metals and metal products	0,16	-1,11	0,39	-0,48	0,26	-1,31	2,12	-0,11	0,38	-0,14	1,88	-1,07	1,56	-1,42
Motor vehicles and parts, other transport equipment	0,47	-1,19	0,09	-0,23	0,19	-0,85	1,50	-0,18	0,07	-0,18	0,69	-0,63	2,57	-2,48
Electronic equipment, machinery and equipment nec	0,34	-1,02	0,23	-0,59	-0,07	-1,48	2,23	-0,34	0,22	-0,32	1,88	-1,93	2,71	-2,53
Construction, utilities, services	0,09	-0,38	-0,05	0,09	0,02	-0,21	0,41	0,07	-0,02	0,00	0,34	-0,25	0,41	-0,32

	SAfrica		**Emerged**		**RoOECD**		**RoWorld**	
	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM
Paddy rice, processed rice	-1,29	1,44	-0,08	0,12	-0,05	0,10	0,12	2,21
Vegetables, fruit, nuts	-0,14	-0,67	-0,13	-0,05	0,00	-0,06	-0,12	-0,04
Wheat, other cereal grains, plant-based fibres, crops nec	-0,29	0,56	-0,10	0,23	-0,19	0,44	-0,21	0,44
Oil seeds, vegetable oils and fats	-0,43	1,02	-0,26	0,38	-0,13	0,33	-0,14	1,93
Sugar cane, sugar beet, processed sugar products	0,11	-0,54	-0,14	0,20	-0,04	0,12	-1,30	10,00
Livestock except fish, raw milk, animal products except meat	-0,10	0,30	-0,09	0,17	-0,02	0,03	-0,19	0,18
Fishing products	0,06	2,33	-0,05	0,10	-0,02	0,00	-0,29	0,13
Fossile fuels: Coal, oil, gas, petroleum, coal products	-0,01	-0,08	-0,28	-0,07	-0,24	0,18	0,43	-0,01
Minerals nec, mineral products	0,33	-0,27	-0,01	-0,09	-0,04	0,08	0,43	-0,24
Meat, dairy products, food products nec, beverages, tobacco	-0,11	0,47	-0,08	0,12	0,00	-0,01	-0,23	0,36
Textiles	-0,22	0,04	0,07	1,20	-0,08	0,20	-3,30	-1,48
Apparel	-0,21	0,02	0,10	0,85	-0,05	0,02	-3,39	-1,64
Leather products	-0,01	-0,11	0,06	0,96	0,00	-0,13	-0,62	-0,74
Light manufacturing: Forestry and wood products, paper products, publishing, other manufacturing	-0,02	-0,02	0,03	-0,08	-0,02	0,04	0,55	-0,21
Chemical, rubber, plastic products	-0,08	-0,05	-0,20	-0,03	0,02	0,00	0,14	-0,41
Metals and metal products	0,31	-0,20	0,11	-0,35	-0,04	0,13	0,73	-0,56
Motor vehicles and parts, other transport equipment	-0,01	0,23	0,01	0,37	0,03	-0,08	-1,14	-0,75
Electronic equipment, machinery and equipment nec	0,19	-0,41	0,25	-0,55	-0,01	0,15	0,18	-1,01
Construction, utilities, services	-0,02	0,02	-0,02	0,03	0,00	-0,02	0,02	0,01

Table 6-11 Change in skilled labour by region, sector and scenario (%)

	EU		SriLanka		Peru		Ecuador		Colombia		CostaRica		GSPPLA	
	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM
Paddy rice, processed rice	0,33	-17,14	-0,05	0,08	-0,13	0,03	-0,68	2,85	-0,07	0,49	-0,33	0,43	-0,16	0,61
Vegetables, fruit, nuts	0,50	-1,54	0,05	-0,15	-0,22	0,26	-2,51	25,24	-0,45	11,77	-2,99	21,03	-0,71	4,31
Wheat, other cereal grains, plant-based fibres, crops nec	0,08	-0,70	-0,24	-0,58	-0,08	-0,03	0,04	-4,41	0,46	-3,39	0,58	-3,60	0,07	-0,45
Oil seeds, vegetable oils and fats	0,20	-1,12	-0,44	-1,62	-0,21	0,41	-0,17	0,34	-0,43	-0,22	-0,15	-0,57	-0,06	0,31
Sugar cane, sugar beet, processed sugar products	3,84	-10,12	-0,25	2,78	-0,14	0,17	-0,48	2,23	0,01	-0,07	-0,29	2,59	-0,50	3,33
Livestock except fish, raw milk, animal products except meat	0,10	-0,24	0,08	0,63	-0,20	0,02	-1,13	1,40	-0,18	0,11	-0,81	1,47	-0,17	0,24
Fishing products	0,14	-0,12	0,02	-0,04	-0,09	-0,02	-0,56	-1,01	-0,12	-0,20	-0,39	-0,58	-0,14	0,04
Fossile fuels: Coal, oil, gas, petroleum, coal products	-0,34	0,46	-0,24	-0,94	-0,05	0,39	1,51	-5,94	0,14	-1,25	-0,24	0,96	0,15	-0,66
Minerals nec, mineral products	-0,10	0,18	-0,22	-1,50	0,33	-0,04	0,33	-1,31	0,07	-0,56	0,32	-1,39	0,12	-0,26
Meat, dairy products, food products nec, beverages, tobacco	0,09	-0,17	-0,02	-0,05	-0,29	0,00	-1,03	-2,43	-0,20	-0,35	-0,58	-0,49	-0,19	0,03
Textiles	0,52	-0,60	0,18	7,06	-0,19	-0,01	0,55	-2,63	-0,18	-2,02	0,18	-3,28	0,63	-1,49
Apparel	0,62	-0,64	0,41	3,15	-0,16	-0,06	0,19	-1,00	-0,09	-0,89	0,77	-3,64	0,32	-0,82
Leather products	0,29	-1,18	-1,05	0,83	-0,04	0,01	0,54	-1,97	0,25	-2,77	0,63	-5,82	0,09	-0,37
Light manufacturing: Forestry and wood products, paper products, publishing, other manufacturing	-0,07	0,12	-0,17	-2,37	-0,01	0,04	0,48	-1,89	0,07	-0,45	-0,05	-0,02	0,08	-0,19
Chemical, rubber, plastic products	-0,03	0,23	-0,68	-1,99	0,02	0,16	1,23	-3,39	0,11	-1,22	0,08	-0,19	0,12	-0,16
Metals and metal products	-0,20	0,37	-0,52	-2,65	0,60	-0,11	1,02	-3,99	0,44	-2,10	0,79	-3,54	0,27	-0,58
Motor vehicles and parts, other transport equipment	-0,07	0,19	-1,14	-0,72	0,05	0,07	0,98	-3,21	0,07	-0,40	-0,06	0,29	0,14	-0,17
Electronic equipment, machinery and equipment nec	-0,26	0,56	-0,27	-2,38	0,22	0,00	3,02	-10,30	0,65	-2,67	1,66	-6,22	0,71	-1,34
Construction, utilities, services	0,02	-0,04	0,01	-0,05	-0,02	-0,01	0,00	0,16	-0,01	0,08	-0,08	0,38	-0,01	0,04

	GSPPEE		Georgia		Cambodia		Bangladesh		EBARoAs		EBASSA		China	
	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM
Paddy rice, processed rice	-0,43	0,43	-0,10	-0,03	-1,03	1,10	-0,01	0,05	-0,02	-0,13	0,11	0,10	-0,03	0,42
Vegetables, fruit, nuts	0,00	-0,08	-0,06	-0,02	-0,80	0,18	0,04	-0,05	-0,14	-0,14	0,10	-0,12	-0,04	0,32
Wheat, other cereal grains, plant-based fibres, crops nec	-0,09	0,33	-0,13	0,55	0,04	0,35	-0,28	0,30	-0,06	0,66	-0,23	-0,09	-0,05	0,40
Oil seeds, vegetable oils and fats	-0,25	0,80	0,09	1,42	0,53	0,54	0,72	0,62	-0,28	-0,27	0,07	0,21	-0,22	0,51
Sugar cane, sugar beet, processed sugar products	-0,54	1,81	-0,60	2,19	-0,49	0,15	-0,31	0,68	0,37	4,07	-2,40	3,28	-0,09	0,20
Livestock except fish, raw milk, animal products except meat	0,04	-0,10	0,03	-0,07	-1,17	-0,14	-0,17	-0,12	0,02	-0,19	-0,14	0,02	-0,01	0,29
Fishing products	0,19	0,26	0,13	0,03	-0,53	0,04	-0,26	-0,16	0,07	-0,09	-0,83	-0,08	-0,02	0,18
Fossile fuels: Coal, oil, gas, petroleum, coal products	-0,17	0,24	-0,59	0,09	2,51	1,17	2,66	1,21	-0,59	-0,56	0,65	0,23	-0,18	-0,23
Minerals nec, mineral products	-0,32	0,36	-0,28	-0,11	0,73	0,77	0,60	0,32	-0,27	-0,38	0,35	0,01	-0,03	-0,19
Meat, dairy products, food products nec, beverages, tobacco	-0,02	0,02	-0,16	0,63	0,06	0,11	-0,31	-0,03	-0,08	-0,07	-0,87	-0,03	-0,05	0,26
Textiles	0,16	1,97	0,90	2,05	-4,40	-1,40	-1,78	-0,17	0,81	4,42	-1,85	-0,32	0,02	0,73
Apparel	0,16	4,72	1,42	5,84	2,56	0,18	1,11	-0,60	1,49	7,67	-0,97	-0,34	0,21	1,49
Leather products	0,18	0,16	0,06	-0,01	-5,30	-1,81	-0,03	-0,05	0,10	-1,24	0,14	-0,33	0,22	1,98
Light manufacturing: Forestry and wood products, paper products, publishing, other manufacturing	-0,17	0,08	-0,01	-0,17	1,50	0,65	0,36	0,09	-0,27	-0,40	0,22	-0,05	-0,01	-0,25
Chemical, rubber, plastic products	-0,53	0,43	-1,83	1,86	4,61	2,02	1,22	0,61	-0,32	0,22	0,35	0,28	-0,05	-0,28
Metals and metal products	-0,96	1,03	-0,86	0,32	2,27	1,06	1,52	0,67	-0,48	-0,72	-0,48	-0,86	0,01	-0,47
Motor vehicles and parts, other transport equipment	-0,27	0,83	0,28	-0,28	-0,07	-0,16	1,81	0,68	-0,14	-0,81	0,88	-0,10	-0,06	-0,26
Electronic equipment, machinery and equipment nec	0,06	0,25	0,33	-0,69	1,05	0,48	5,69	2,02	-0,35	-0,77	1,40	-0,39	0,11	-0,77
Construction, utilities, services	0,03	-0,05	0,03	-0,05	-0,23	0,00	0,05	0,00	-0,01	-0,10	0,04	0,00	-0,01	0,07

	Philippines		India		Pakistan		Thailand		RoAsia		Argentina		Brazil	
	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM
Paddy rice, processed rice	-0,03	0,13	-0,04	0,24	0,24	2,46	-0,34	5,77	-0,12	0,20	-0,09	1,63	-0,17	1,67
Vegetables, fruit, nuts	-0,05	0,12	-0,02	-0,05	0,07	-0,04	-1,06	-0,33	-0,05	0,12	-2,50	2,43	-0,14	0,52
Wheat, other cereal grains, plant-based fibres, crops nec	-0,08	0,56	-0,01	0,13	-0,21	0,30	0,15	-0,72	0,01	0,13	-0,04	1,86	-0,03	2,75
Oil seeds, vegetable oils and fats	-0,23	1,37	-0,03	0,01	0,37	0,14	-0,22	0,65	-0,31	0,79	1,48	-3,95	0,44	-2,14
Sugar cane, sugar beet, processed sugar products	-0,01	0,54	0,01	0,01	0,16	-0,28	-0,18	0,83	-0,08	0,30	-0,12	0,57	-0,05	1,58
Livestock except fish, raw milk, animal products except meat	0,02	0,31	-0,01	-0,01	0,10	-0,10	-0,09	1,63	-0,14	0,30	-0,58	1,87	-0,21	2,65
Fishing products	0,02	0,09	0,03	0,03	-0,04	-0,07	-0,01	0,85	-0,12	0,33	-0,49	1,51	-0,18	0,76
Fossile fuels: Coal, oil, gas, petroleum, coal products	-0,07	0,14	-0,14	-0,16	0,61	0,01	-0,14	-0,45	-0,10	-0,29	0,37	-1,08	0,01	-1,00
Minerals nec, mineral products	-0,15	0,12	0,09	-0,40	0,11	0,01	-0,05	-0,80	0,07	-0,34	0,26	-0,48	0,21	-1,41
Meat, dairy products, food products nec, beverages, tobacco	0,00	0,33	-0,04	0,11	-0,34	0,00	0,05	1,17	-0,15	0,27	-0,68	1,94	-0,26	2,93
Textiles	0,15	2,81	0,03	1,12	-1,00	0,64	0,18	0,31	0,21	2,41	0,76	-0,83	0,09	-0,50
Apparel	0,07	1,09	0,14	6,30	-3,42	-0,48	0,07	0,88	0,83	2,83	-0,01	0,08	-0,01	0,18
Leather products	0,16	1,46	-0,59	0,27	0,33	-0,02	0,35	1,75	-2,57	7,52	0,71	-0,79	1,02	-2,52
Light manufacturing: Forestry and wood products, paper products, publishing, other manufacturing	-0,03	-0,06	0,01	-0,38	0,28	0,02	0,18	-0,97	0,04	-0,43	0,09	-0,17	0,12	-0,63
Chemical, rubber, plastic products	-0,08	0,21	-0,14	-0,15	0,22	0,15	0,30	-2,22	-0,01	-0,30	0,62	-1,49	0,12	-1,34
Metals and metal products	-0,21	-0,06	0,00	-0,54	1,57	-0,12	0,09	-1,81	0,23	-0,93	0,94	-1,69	0,28	-2,14
Motor vehicles and parts, other transport equipment	-0,01	0,11	-0,06	-0,06	0,63	-0,09	-0,37	0,73	-0,04	-0,10	0,64	-0,98	0,02	-2,03
Electronic equipment, machinery and equipment nec	-0,07	-0,44	0,09	-0,43	1,55	-0,40	0,36	-1,88	0,61	-1,42	0,96	-1,94	0,31	-2,16
Construction, utilities, services	0,01	0,02	0,00	-0,04	0,02	-0,01	-0,03	0,12	-0,06	0,11	-0,05	0,11	-0,01	0,06

	Caribbean		Russia		Ukraine		RoSEE		CtrlAsia		NAfrica		RoSSA	
	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM	MFN04	ZEROTM
Paddy rice, processed rice	0,03	1,71	-0,11	0,61	-0,16	0,55	-0,34	1,44	-0,14	0,48	0,12	1,01	0,27	-0,16
Vegetables, fruit, nuts	-0,64	2,98	-0,11	0,11	-0,15	0,72	-0,02	0,17	-0,11	0,09	-0,41	0,38	-0,63	0,24
Wheat, other cereal grains, plant-based fibres, crops nec	-0,10	0,03	-0,20	0,70	-0,47	5,25	-0,44	0,63	-0,28	0,21	-0,08	-0,18	0,01	-0,57
Oil seeds, vegetable oils and fats	-0,26	0,98	-0,14	-0,04	-0,43	-0,41	0,34	0,88	-0,17	0,36	-8,97	49,38	-0,03	0,05
Sugar cane, sugar beet, processed sugar products	-3,88	29,81	-0,30	0,67	-0,09	3,13	-1,43	7,63	-0,81	1,75	-0,02	0,34	-13,15	42,14
Livestock except fish, raw milk, animal products except meat	-0,32	0,84	-0,13	0,23	-0,16	1,14	-0,40	0,41	-0,10	0,11	-0,32	0,54	-0,53	0,20
Fishing products	-0,24	-0,15	-0,01	0,02	-0,09	0,21	-1,15	0,16	-0,06	0,11	-1,11	0,09	-0,98	0,27
Fossile fuels: Coal, oil, gas, petroleum, coal products	-0,15	-0,58	0,08	-0,19	-0,15	-0,67	2,11	0,34	0,02	-0,19	1,43	-0,38	0,68	-0,38
Minerals nec, mineral products	-0,02	-0,16	0,14	-0,28	0,19	-1,01	1,46	-0,01	0,17	-0,09	0,56	-0,27	0,99	-0,95
Meat, dairy products, food products nec, beverages, tobacco	-0,32	0,03	-0,15	0,19	-0,24	0,84	-0,37	0,70	-0,06	0,19	-0,40	0,16	-1,34	0,17
Textiles	-0,33	-1,16	-0,28	0,57	0,83	6,34	-6,04	-1,10	0,42	1,22	-4,23	-2,10	-1,44	-1,48
Apparel	-0,10	-0,90	0,20	0,59	0,77	12,41	-13,33	-2,16	0,40	1,34	-5,27	-1,70	-0,52	-0,80
Leather products	-0,05	-1,50	0,09	-0,56	0,53	1,45	-5,65	-2,71	0,17	0,04	-1,73	-1,92	0,42	-2,38
Light manufacturing: Forestry and wood products, paper products, publishing, other manufacturing	0,20	-0,60	0,16	-0,37	0,04	-0,73	0,92	-0,02	-0,01	-0,01	0,36	-0,28	0,35	-0,53
Chemical, rubber, plastic products	-0,14	-0,10	0,17	-0,33	-0,44	-0,53	0,37	-0,13	0,16	-0,16	0,13	-0,47	0,97	-0,92
Metals and metal products	0,09	-0,81	0,41	-0,51	0,24	-1,10	1,81	-0,13	0,38	-0,13	1,62	-0,81	1,21	-1,14
Motor vehicles and parts, other transport equipment	0,41	-0,89	0,11	-0,26	0,17	-0,64	1,20	-0,19	0,07	-0,17	0,44	-0,37	2,22	-2,20
Electronic equipment, machinery and equipment nec	0,27	-0,72	0,25	-0,63	-0,09	-1,28	1,92	-0,35	0,21	-0,31	1,62	-1,68	2,35	-2,26
Construction, utilities, services	0,01	-0,05	-0,02	0,05	0,00	0,02	0,07	0,06	-0,02	0,01	0,05	0,04	0,01	0,01

ANNEX 6.6 EU employment

Table 6-12 Total employment 2007 (Absolute figures x 1,000)

escription	CODE	UE-25	CHY	CZE	DNK	EST	FIN	FRA	GER	GRC	HUN	IRL	ITL	AUT	BEL	LAT	LTU	LUX	MLT	NLD	POL	PRT	SVK	SVN	ESP	SWD	UK
Total industries	TOT	209.427	341	5.209	2.900	662	2.493	25.688	39.724	4.206	3.900	2.084	25.184	4.296	4.365	1.113	1.524	333	167	8.613	13.434	5.127	2.177	919	20.550	4.518	29.900
Agriculture, hunting, forestry and fishing	AtB	9.751	22	183	83	30	122	852	850	493	178	109	1.014	481	83	108	158	5	4	259	2.508	606	77	89	925	100	413
Mining and quarrying	C	608	1	45	3	6	6	30	82	13	16	8	40	6	3	6	5	0	1	8	191	16	9	4	45	8	57
Total manufacturing	D	33.858	34	1.438	397	144	438	3.255	7.543	551	869	269	5.069	644	590	168	263	35	27	923	2.557	909	533	236	3.092	714	3.158
Food , beverages and tobacco	15t16	4.601	13	139	67	16	38	558	927	129	133	52	498	82	95	41	57	5	5	137	476	120	45	19	461	58	433
Textiles, textile , leather and footwear	17t19	2.627	2	89	9	20	14	151	186	99	84	7	745	27	39	20	56	1	3	22	307	273	65	27	243	10	126
Wood and of wood and cork	20	1.299	3	81	14	21	30	83	159	27	41	9	170	40	15	29	33	1	0	51	139	57	36	12	118	40	92
Pulp, paper, paper, printing and publishing	21t22	2.608	3	67	39	8	60	259	603	44	47	25	268	44	45	12	12	3	2	107	144	50	22	15	233	79	419
Chemical, rubber, plastics and fuel	23t25	3.580	3	135	50	22	37	377	877	46	88	41	439	59	98	8	17	5	3	107	263	50	43	28	315	63	407
Coke, refined petroleum and nuclear fuel	23	159	0	3	1	1	3	29	20	5	3	1	27	2	5	0		0	0	6	16	1	3	0	10	3	21
Chemicals and chemical	24	1.748	2	43	29	6	18	142	457	29	43	28	211	28	68	5	7	1	1	66	104	21	13	14	183	37	193
Rubber and plastics	25	1.672	1	89	20	16	16	206	400	13	42	13	201	29	25	3	10	4	2	34	143	27	27	14	121	23	192
Other non-metallic mineral	26	1.568	3	80	16	6	18	125	249	29	26	14	262	36	30	9	11	3	1	51	139	65	24	10	221	19	121
Basic metals and fabricated metal	27t28	5.147	3	241	52	11	67	545	1.128	58	108	20	934	107	103	14	15	10	1	123	311	101	85	43	527	117	420
Machinery, nec	29	3.702	1	170	63	6	68	309	1.109	34	69	15	651	85	43	9	8	3	1	93	195	46	53	27	259	105	282
Electrical and optical equipment	30t33	3.607	1	210	49	10	65	365	1.026	17	163	62	492	75	42	11	11	3	6	82	183	44	85	28	174	78	325
Transport equipment	34t35	3.022	0	140	13	6	23	319	985	24	70	10	288	43	53	5	10	1	2	50	180	38	42	11	285	99	323
Manufacturing nec; recycling	36t37	2.099	3	88	25	16	18	164	294	44	41	15	322	47	27	11	33	1	3	102	220	67	31	16	257	46	209
Electricity, gas and water supply	E	1.500	2	56	12	10	16	167	286	40	62	15	134	31	26	15	26	2	4	30	226	22	35	12	94	33	144
Construction	F	15.737	36	444	193	74	184	1.766	2.209	366	325	272	1.953	271	258	125	169	37	12	495	657	524	171	73	2.711	270	2.143
Wholesale and retail trade	G	31.519	61	778	466	105	320	3.422	5.929	660	595	280	3.672	630	614	187	258	44	27	1.429	2.059	893	403	114	3.007	567	4.999

Sale, maintenace and repair of motor vehicles and motorcycles, retail sale of feul	50	4.530	9	106	63	11	54	503	962	120	88	42	595	90	80	22	50	8	4	159	239	127	36	16	393	82	672
Wholesale trade and commission trade, except of motor vehicles and motorcycles	51	9.305	23	280	177	59	103	1.014	1.573	111	90	71	1.211	216	229	57	100	16	10	504	700	328	163	44	758	231	1.237
Retail trade, except of motor vehicles and motorcylces, repair of household goods	52	17.683	29	392	227	35	164	1.906	3.394	429	417	167	1.866	324	305	108	107	20	12	765	1.120	438	204	53	1.856	254	3.091
Hotels and restaurants	H	9.875	35	184	99	22	79	982	1.823	290	157	134	1.239	258	149	30	31	16	14	320	222	313	58	32	1.428	134	1.827
Transport and storage	I	12.053	23	353	187	56	175	1.559	2.201	285	296	123	1.246	256	296	103	113	27	13	474	715	199	145	55	1.120	280	1.749
Transport and storage and communication transport and storage	60t63	9.147	19	287	136	43	133	1.123	1.671	230	229	86	992	206	217	85	83	22	10	362	547	162	117	43	884	216	1.245
Post and telecommunications	64	2.906	4	67	51	13	42	436	530	56	68	37	254	50	79	18	31	5	3	112	168	38	28	12	237	64	504
Finance, insurance, real Estate and business services	JtK	32.717	35	656	458	51	325	4.734	6.821	412	369	287	3.698	635	867	104	98	93	19	1.897	1.279	411	225	108	2.276	686	6.172
Financial intermediation	J	5.862	17	87	84	10	40	792	1.199	103	84	92	638	119	139	22	23	38	6	289	296	84	37	22	387	97	1.158
Real estate, renting and business activities	K	26.855	18	569	373	41	285	3.942	5.622	309	285	195	3.061	516	728	82	76	55	14	1.608	983	327	188	86	1.889	589	5.014
Real estate activities	70	2.314	12	77	41	27	41	289	462	4	18	21	100	57	24	29	16	4	1	84	193	19	20	4	235	74	461
Renting of m&eq and other business activities	71t74	24.541	5	492	332	14	244	3.653	5.160	305	267	174	2.961	459	703	53	60	51	12	1.525	790	308	168	82	1.655	515	4.553
Community social and personal services	LtQ	61.810	92	1.071	1.003	165	828	8.921	11.980	1.095	1.034	589	7.119	1.083	1.479	266	403	75	47	2.778	3.018	1.234	520	197	5.851	1.725	9.237
Public admin and defence; compulsory social security	L	13.621	25	305	168	40	170	2.239	2.652	337	273	105	1.367	258	425	69	89	17	12	481	874	361	160	51	1.321	268	1.554
Education	M	14.203	20	282	210	54	162	2.005	2.346	298	315	139	1.630	225	344	85	144	15	15	417	1.027	295	161	59	1.006	454	2.495
Health and social work	N	19.390	14	284	475	36	366	3.114	4.136	227	261	213	1.592	402	486	51	101	26	11	1.210	715	281	132	52	1.260	723	3.223
Other community, social and personal services	O	9.955	15	197	132	35	123	1.156	2.147	162	183	117	1.091	189	165	58	66	12	8	394	387	151	68	34	915	279	1.872
Private households with employed persons	P	4.641	17	3	18	0	8	407	699	71	2	15	1.439	11	58	3	3	5	0	276	15	146	0	0	1.349	2	94
Extra-territorial organizations and bodies	Q	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Table 6-13 Total employment 2007 (percentage of total)

DESC	CODE	UE-25	CHY	CZE	DNK	EST	FIN	FRA	GER	GRC	HUN	IRL	ITL	AUT	BEL	LAT	LTU	LUX	MLT	NLD	POL	PRT	SVK	SVN	ESP	SWD	UK
Total industries	TOT	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Agriculture, hunting, Forestry and fishing	AtB	4,7%	6,5%	3,5%	2,9%	4,5%	4,9%	3,3%	2,1%	11,7%	4,6%	5,2%	4,0%	11,2%	1,9%	9,7%	10,3%	1,5%	2,6%	3,0%	18,7%	11,8%	3,5%	9,7%	4,5%	2,2%	1,4%
Mining and quarrying	C	0,3%	0,2%	0,9%	0,1%	0,8%	0,3%	0,1%	0,2%	0,3%	0,4%	0,4%	0,2%	0,1%	0,1%	0,5%	0,3%	0,1%	0,3%	0,1%	1,4%	0,3%	0,4%	0,4%	0,2%	0,2%	0,2%
Total manufacturing	D	16,2%	10,1%	27,6%	13,7%	21,7%	17,6%	12,7%	19,0%	13,1%	22,3%	12,9%	20,1%	15,0%	13,5%	15,1%	17,2%	10,6%	16,4%	10,7%	19,0%	17,7%	24,5%	25,7%	15,0%	15,8%	10,6%
Food , beverages and Tobacco	15t16	2,2%	3,7%	2,7%	2,3%	2,4%	1,5%	2,2%	2,3%	3,1%	3,4%	2,5%	2,0%	1,9%	2,2%	3,6%	3,7%	1,4%	2,7%	1,6%	3,5%	2,3%	2,1%	2,1%	2,2%	1,3%	1,4%
Textiles, textile , leather and footwear	17t19	1,3%	0,7%	1,7%	0,3%	3,1%	0,6%	0,6%	0,5%	2,4%	2,1%	0,4%	3,0%	0,6%	0,9%	1,8%	3,6%	0,4%	2,0%	0,3%	2,3%	5,3%	3,0%	2,9%	1,2%	0,2%	0,4%
Wood and of wood and cork	20	0,6%	0,7%	1,5%	0,5%	3,2%	1,2%	0,3%	0,4%	0,7%	1,0%	0,4%	0,7%	0,9%	0,3%	2,6%	2,2%	0,2%	0,1%	0,6%	1,0%	1,1%	1,6%	1,3%	0,6%	0,9%	0,3%
Pulp, paper, paper, printing And publishing	21t22	1,2%	0,8%	1,3%	1,3%	1,1%	2,4%	1,0%	1,5%	1,0%	1,2%	1,2%	1,1%	1,0%	1,0%	1,0%	0,8%	0,9%	1,3%	1,2%	1,1%	1,0%	1,0%	1,6%	1,1%	1,7%	1,4%
Chemical, rubber, plastics And fuel	23t25	1,7%	0,9%	2,6%	1,7%	3,4%	1,5%	1,5%	2,2%	1,1%	2,3%	2,0%	1,7%	1,4%	2,3%	0,7%	1,1%	1,6%	1,6%	1,2%	2,0%	1,0%	2,0%	3,0%	1,5%	1,4%	1,4%
Coke, refined petroleum and nuclear fuel	23	0,1%	0,0%	0,1%	0,0%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,0%	0,1%	0,0%	0,1%	0,0%	0,0%	0,0%	0,0%	0,1%	0,1%	0,0%	0,1%	0,0%	0,0%	0,1%	0,1%
Chemicals and chemical	24	0,8%	0,5%	0,8%	1,0%	0,9%	0,7%	0,6%	1,2%	0,7%	1,1%	1,3%	0,8%	0,7%	1,6%	0,5%	0,4%	0,2%	0,4%	0,8%	0,8%	0,4%	0,6%	1,5%	0,9%	0,8%	0,6%
Rubber and plastics	25	0,8%	0,3%	1,7%	0,7%	2,3%	0,6%	0,8%	1,0%	0,3%	1,1%	0,6%	0,8%	0,7%	0,6%	0,3%	0,7%	1,3%	1,1%	0,4%	1,1%	0,5%	1,3%	1,5%	0,6%	0,5%	0,6%
Other non-metallic mineral	26	0,7%	0,8%	1,5%	0,6%	1,0%	0,7%	0,5%	0,6%	0,7%	0,7%	0,7%	1,0%	0,8%	0,7%	0,8%	0,7%	0,8%	0,8%	0,6%	1,0%	1,3%	1,1%	1,1%	1,1%	0,4%	0,4%
Basic metals and fabricated Metal	27t28	2,5%	0,9%	4,6%	1,8%	1,7%	2,7%	2,1%	2,8%	1,4%	2,8%	1,0%	3,7%	2,5%	2,4%	1,3%	1,0%	3,1%	0,9%	1,4%	2,3%	2,0%	3,9%	4,7%	2,6%	2,6%	1,4%
Machinery, nec	29	1,8%	0,3%	3,3%	2,2%	0,9%	2,7%	1,2%	2,8%	0,8%	1,8%	0,7%	2,6%	2,0%	1,0%	0,8%	0,5%	0,9%	0,3%	1,1%	1,5%	0,9%	2,5%	2,9%	1,3%	2,3%	0,9%
Electrical and optical Equipment	30t33	1,7%	0,2%	4,0%	1,7%	1,5%	2,6%	1,4%	2,6%	0,4%	4,2%	3,0%	2,0%	1,8%	1,0%	1,0%	0,7%	0,9%	3,4%	1,0%	1,4%	0,8%	3,9%	3,1%	0,8%	1,7%	1,1%
Transport equipment	34t35	1,4%	0,1%	2,7%	0,4%	0,9%	0,9%	1,2%	2,5%	0,6%	1,8%	0,5%	1,1%	1,0%	1,2%	0,5%	0,6%	0,2%	1,4%	0,6%	1,3%	0,7%	1,9%	1,2%	1,4%	2,2%	1,1%
Manufacturing nec; recycling	36t37	1,0%	0,8%	1,7%	0,9%	2,5%	0,7%	0,6%	0,7%	1,0%	1,0%	0,7%	1,3%	1,1%	0,6%	1,0%	2,2%	0,2%	2,0%	1,2%	1,6%	1,3%	1,4%	1,8%	1,3%	1,0%	0,7%
Electricity, gas and water Supply	E	0,7%	0,4%	1,1%	0,4%	1,5%	0,6%	0,6%	0,7%	1,0%	1,6%	0,7%	0,5%	0,7%	0,6%	1,4%	1,7%	0,5%	2,1%	0,4%	1,7%	0,4%	1,6%	1,3%	0,5%	0,7%	0,5%
Construction	F	7,5%	10,7%	8,5%	6,6%	11,2%	7,4%	6,9%	5,6%	8,7%	8,3%	13,0%	7,8%	6,3%	5,9%	11,2%	11,1%	11,1%	7,0%	5,7%	4,9%	10,2%	7,9%	7,9%	13,2%	6,0%	7,2%
Wholesale and retail trade	G	15,1%	17,8%	14,9%	16,1%	15,8%	12,8%	13,3%	14,9%	15,7%	15,2%	13,5%	14,6%	14,7%	14,1%	16,8%	16,9%	13,3%	15,9%	16,6%	15,3%	17,4%	18,5%	12,4%	14,6%	12,5%	16,7%
Sale, maintenance and repair of motor vehicles and motorcycles, retail sale of fuel	50	2,2%	2,5%	2,0%	2,2%	1,6%	2,2%	2,0%	2,4%	2,8%	2,2%	2,0%	2,4%	2,1%	1,8%	2,0%	3,3%	2,5%	2,6%	1,8%	1,8%	2,5%	1,7%	1,8%	1,9%	1,8%	2,2%

Wholesale trade and Commission trade, except Of motor vehicles and Motorcycles	51	4,4%	6,7%	5,4%	6,1%	8,9%	4,1%	3,9%	4,0%	2,6%	2,3%	3,4%	4,8%	5,0%	5,3%	5,1%	6,6%	4,7%	6,2%	5,9%	5,2%	6,4%	7,5%	4,8%	3,7%	5,1%	4,1%
Retail trade, except of motor vehicles and motorcycles, repair of household goods	52	8,4%	8,6%	7,5%	7,8%	5,3%	6,6%	7,4%	8,5%	10,2%	10,7%	8,0%	7,4%	7,5%	7,0%	9,7%	7,0%	6,1%	7,2%	8,9%	8,3%	8,5%	9,4%	5,8%	9,0%	5,6%	10,3%
Hotels and restaurants	H	4,7%	10,3%	3,5%	3,4%	3,3%	3,2%	3,8%	4,6%	6,9%	4,0%	6,4%	4,9%	6,0%	3,4%	2,7%	2,0%	4,7%	8,2%	3,7%	1,7%	6,1%	2,7%	3,5%	7,0%	3,0%	6,1%
Transport and storage	I	5,8%	6,9%	6,8%	6,4%	8,4%	7,0%	6,1%	5,5%	6,8%	7,6%	5,9%	4,9%	6,0%	6,8%	9,3%	7,4%	8,0%	7,5%	5,5%	5,3%	3,9%	6,7%	6,0%	5,5%	6,2%	5,9%
Transport and storage and communication transport And storage	60t63	4,4%	5,5%	5,5%	4,7%	6,5%	5,3%	4,4%	4,2%	5,5%	5,9%	4,1%	3,9%	4,8%	5,0%	7,7%	5,4%	6,6%	5,7%	4,2%	4,1%	3,2%	5,4%	4,7%	4,3%	4,8%	4,2%
Post and telecommunications	64	1,4%	1,3%	1,3%	1,8%	1,9%	1,7%	1,7%	1,3%	1,3%	1,7%	1,8%	1,0%	1,2%	1,8%	1,6%	2,0%	1,4%	1,8%	1,3%	1,3%	0,7%	1,3%	1,4%	1,2%	1,4%	1,7%
Finance, insurance, real Estate and business services	JtK	15,6%	10,3%	12,6%	15,8%	7,7%	13,0%	18,4%	17,2%	9,8%	9,5%	13,8%	14,7%	14,8%	19,9%	9,4%	6,4%	28,0%	11,6%	22,0%	9,5%	8,0%	10,3%	11,8%	11,1%	15,2%	20,6%
Financial intermediation	J	2,8%	5,1%	1,7%	2,9%	1,5%	1,6%	3,1%	3,0%	2,4%	2,1%	4,4%	2,5%	2,8%	3,2%	2,0%	1,5%	11,5%	3,4%	3,4%	2,2%	1,6%	1,7%	2,4%	1,9%	2,1%	3,9%
Real estate, renting and business activities	K	12,8%	5,2%	10,9%	12,9%	6,2%	11,4%	15,3%	14,2%	7,3%	7,3%	9,3%	12,2%	12,0%	16,7%	7,4%	5,0%	16,4%	8,2%	18,7%	7,3%	6,4%	8,6%	9,4%	9,2%	13,0%	16,8%
Real estate activities	70	1,1%	3,6%	1,5%	1,4%	4,1%	1,6%	1,1%	1,2%	0,1%	0,5%	1,0%	0,4%	1,3%	0,6%	2,6%	1,0%	1,1%	0,8%	1,0%	1,4%	0,4%	0,9%	0,5%	1,1%	1,6%	1,5%
Renting of m&eq and other Business activities	71t74	11,7%	1,6%	9,4%	11,5%	2,1%	9,8%	14,2%	13,0%	7,3%	6,8%	8,3%	11,8%	10,7%	16,1%	4,8%	3,9%	15,3%	7,4%	17,7%	5,9%	6,0%	7,7%	8,9%	8,1%	11,4%	15,2%
Community social and Personal services	LtQ	29,5%	26,8%	20,6%	34,6%	25,0%	33,2%	34,7%	30,2%	26,0%	26,5%	28,2%	28,3%	25,2%	33,9%	23,9%	26,4%	22,4%	28,3%	32,3%	22,5%	24,1%	23,9%	21,4%	28,5%	38,2%	30,9%
Public admin and defence; Compulsory social security	L	6,5%	7,2%	5,9%	5,8%	6,1%	6,8%	8,7%	6,7%	8,0%	7,0%	5,0%	5,4%	6,0%	9,7%	6,2%	5,8%	5,2%	7,4%	5,6%	6,5%	7,0%	7,4%	5,5%	6,4%	5,9%	5,2%
Education	M	6,8%	5,9%	5,4%	7,2%	8,2%	6,5%	7,8%	5,9%	7,1%	8,1%	6,7%	6,5%	5,2%	7,9%	7,6%	9,5%	4,5%	8,9%	4,8%	7,6%	5,8%	7,4%	6,5%	4,9%	10,0%	8,3%
Health and social work	N	9,3%	4,2%	5,4%	16,4%	5,4%	14,7%	12,1%	10,4%	5,4%	6,7%	10,2%	6,3%	9,4%	11,1%	4,6%	6,6%	7,7%	6,6%	14,1%	5,3%	5,5%	6,0%	5,7%	6,1%	16,0%	10,8%
Other community, social and personal services	O	4,8%	4,5%	3,8%	4,6%	5,2%	4,9%	4,5%	5,4%	3,8%	4,7%	5,6%	4,3%	4,4%	3,8%	5,2%	4,3%	3,5%	5,1%	4,6%	2,9%	2,9%	3,1%	3,7%	4,5%	6,2%	6,3%
Private households with Employed persons	P	2,2%	4,9%	0,1%	0,6%	0,0%	0,3%	1,6%	1,8%	1,7%	0,0%	0,7%	5,7%	0,2%	1,3%	0,3%	0,2%	1,5%	0,0%	3,2%	0,1%	2,8%	0,0%	0,1%	6,6%	0,0%	0,3%
Extra-territorial Organizations and bodies	Q	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,2%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

Table 6-14 Manufacturing employment 2007 (percentage of total)

DESC	UE-25	CHY	CZE	DNK	EST	FIN	FRA	GER	GRC	HUN	IRL	ITL	AUT	BEL	LAT	LTU	LUX	MLT	NLD	POL	PRT	SVK	SVN	ESP	SWD	UK
Food , beverages and tobacco	13,6%	36,4%	9, %	16,9%	10,9%	8,7%	17,1%	12,3%	23,4%	15,3%	19,2%	9,8%	12,7%	16,0%	24,1%	21,7%	13,4%	16,7%	14,8%	18,6%	13,1%	8,5%	8,1%	14,9%	8,1%	13,7%
Textiles, textile , leather and footwear	7,8%	7,2%	6, %	2,3%	14,3%	3,3%	4,7%	2,5%	18,0%	9,6%	2,8%	14,7%	4,2%	6,6%	11,9%	21,1%	4,1%	12,0%	2,4%	12,0%	30,0%	12,3%	11,3%	7,9%	1,5%	4,0%
Wood and of wood and cork	3,8%	7,3%	5, %	3,6%	14,9%	6,9%	2,5%	2,1%	5,0%	4,7%	3,4%	3,3%	6,2%	2,5%	17,2%	12,6%	1,8%	0,8%	5,5%	5,4%	6,2%	6,7%	4,9%	3,8%	5,6%	2,9%
Pulp, paper, paper, printing and publishing	7,7%	8,4%	4, %	9,7%	5,3%	13,8%	7,9%	8,0%	7,9%	5,4%	9,3%	5,3%	6,8%	7,7%	7,0%	4,5%	8,1%	7,8%	11,6%	5,6%	5,5%	4,2%	6,4%	7,5%	11,1%	13,3%
Chemical, rubber, plastics and fuel	10,6%	8,6%	9, %	12,5%	15,7%	8,4%	11,6%	11,6%	8,4%	10,1%	15,2%	8,7%	9,1%	16,6%	4,7%	6,5%	14,8%	9,6%	11,6%	10,3%	5,5%	8,1%	11,8%	10,2%	8,9%	12,9%
Coke, refined petroleum and nuclear fuel	0,5%	0,0%	0, %	0,2%	0,6%	0,6%	0,9%	0,3%	0,9%	0,4%	0,2%	0,5%	0,3%	0,9%	0,0%	0,0%	0,0%	0,0%	0,7%	0,6%	0,1%	0,5%	0,0%	0,3%	0,5%	0,7%
Chemicals and chemical	5,2%	5,2%	3, %	7,3%	4,2%	4,2%	4,4%	6,1%	5,2%	4,9%	10,3%	4,2%	4,4%	11,5%	3,0%	2,6%	2,3%	2,6%	7,2%	4,1%	2,4%	2,5%	5,8%	5,9%	5,1%	6,1%
Rubber and plastics	4,9%	3,4%	6, %	5,0%	10,8%	3,7%	6,3%	5,3%	2,3%	4,9%	4,7%	4,0%	4,5%	4,3%	1,7%	3,9%	12,5%	7,0%	3,7%	5,6%	3,0%	5,1%	6,0%	3,9%	3,3%	6,1%
Other non-metallic mineral	4,6%	8,3%	5, %	4,0%	4,5%	4,1%	3,8%	3,3%	5,2%	3,0%	5,1%	5,2%	5,6%	5,2%	5,1%	4,3%	8,0%	4,9%	5,5%	5,4%	7,1%	4,6%	4,2%	7,1%	2,6%	3,8%
Basic metals and fabricated metal	15,2%	9,3%	1 8%	13,2%	7,7%	15,3%	16,7%	15,0%	10,6%	12,4%	7,6%	18,4%	16,6%	17,4%	8,4%	5,8%	29,8%	5,2%	13,3%	12,2%	11,1%	16,0%	18,3%	17,0%	16,4%	13,3%
Machinery, nec	10,9%	3,5%	1 8%	15,8%	4,1%	15,5%	9,5%	14,7%	6,1%	7,9%	5,4%	12,8%	13,1%	7,2%	5,5%	3,1%	8,4%	1,9%	10,0%	7,6%	5,0%	10,0%	11,3%	8,4%	14,7%	8,9%
Electrical and optical equipment	10,7%	2,1%	1 6%	12,3%	7,1%	14,8%	11,2%	13,6%	3,0%	18,8%	22,9%	9,7%	11,7%	7,1%	6,6%	4,3%	8,3%	20,6%	8,9%	7,2%	4,8%	15,9%	12,0%	5,6%	11,0%	10,3%
Transport equipment	8,9%	1,2%	9, %	3,3%	4,1%	5,1%	9,8%	13,1%	4,3%	8,1%	3,6%	5,7%	6,8%	9,0%	3,2%	3,7%	1,6%	8,3%	5,4%	7,1%	4,2%	7,9%	4,9%	9,2%	13,9%	10,2%
Manufacturing nec; recycling	6,2%	7,7%	6, %	6,3%	11,4%	4,1%	5,1%	3,9%	7,9%	4,7%	5,6%	6,4%	7,3%	4,6%	6,4%	12,6%	1,7%	12,1%	11,0%	8,6%	7,3%	5,8%	6,8%	8,3%	6,4%	6,6%

Table 6-15 Product desensitisation

Desensitisation	Chapter	CN Product list
Agriculture	03 FISH AND CRUSTACEANS, MOLLUSCS AND OTHER AQUATIC INVERTEBRATES	030499 ; 030379
	06 LIVE TREES AND OTHER PLANTS; BULBS, ROOTS AND THE LIKE; CUT FLOWERS AND ORNAMENTAL FOLIAGE	060311
	07 EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS	071290
	08 EDIBLE FRUIT AND NUTS; PEEL OF CITRUS FRUITS OR MELONS	081190
	12 OIL SEEDS AND OLEAGINOUS FRUITS; MISCELLANEOUS GRAINS, SEEDS AND FRUIT; INDUSTRIAL OR MEDICINAL PLANTS; STRAW AND FODDER	121190
	15 ANIMAL OR VEGETABLE FATS AND OILS AND THEIR CLEAVAGE PRODUCTS; PREPARED EDIBLE FATS; ANIMAL OR VEGETABLE WAXES	151311 ; 151190 ; 151211
	16 PREPARATIONS OF MEAT, OF FISH OR OF CRUSTACEANS, MOLLUSCS OR OTHER AQUATIC INVERTEBRATES	160540
	17 SUGARS AND SUGAR CONFECTIONERY	170490
	18 COCOA AND COCOA PREPARATIONS	180400
	19 PREPARATIONS OF CEREALS, FLOUR, STARCH OR MILK; PASTRYCOOKS' PRODUCTS	190590
	20 PREPARATIONS OF VEGETABLES, FRUIT, NUTS OR OTHER PARTS OF PLANTS	200820 ; 200979
	21 MISCELLANEOUS EDIBLE PREPARATIONS	210390
	24 TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES	240120
Textiles and Industry	31 FERTILISERS	31056010 ; 31056090 ; 31059099
	35 ALBUMINOIDAL SUBSTANCES; MODIFIED STARCHES; GLUES; ENZYMES	35011050
	38 MISCELLANEOUS CHEMICAL PRODUCTS	38021000
	41 RAW HIDES AND SKINS (OTHER THAN FURSKINS) AND LEATHER	41120000 ; 41131000 ; 41141010 ; 41141090 ; 41142000 ; 41151000
	42 ARTICLES OF LEATHER; SADDLERY AND HARNESS; TRAVEL GOODS, HANDBAGS AND SIMILAR CONTAINERS; ARTICLES OF ANIMAL GUT (OTHER THAN SILKWORM GUT)	42029291 ; 42029298
	46 MANUFACTURES OF STRAW, OF ESPARTO OR OF OTHER PLAITING MATERIALS; BASKETWARE AND WICKERWORK	46012190 ; 46012290 ; 46012990 ; 46019290 ; 46019390 ; 46019490 ; 46019905 ; 46019990 ; 46021910
	50 SILK	50050010 ; 50050090 ; 50060090
	51 WOOL, FINE OR COARSE ANIMAL HAIR; HORSEHAIR YARN AND WOVEN FABRIC	51081010 ; 51081090 ; 51082010 ; 51082090 ; 51100000

	56 WADDING, FELT AND NONWOVENS; SPECIAL YARNS; TWINE, CORDAGE, ROPES AND CABLES AND ARTICLES THEREOF	56013000
	57 CARPETS AND OTHER TEXTILE FLOOR COVERINGS	57019090
	64 FOOTWEAR, GAITERS AND THE LIKE; PARTS OF SUCH ARTICLES	64051000 ; 64052010
	66 UMBRELLAS, SUN UMBRELLAS, WALKING-STICKS, SEAT-STICKS, WHIPS, RIDING-CROPS AND PARTS THEREOF	66020000 ; 66039010
	69 CERAMIC PRODUCTS	69139010
	72 IRON AND STEEL	72021120 ; 72021180 ; 72021900 ; 72025000 ; 72027000 ; 72029100 ; 72029200 ; 72029930 ; 72029980
	82 TOOLS, IMPLEMENTS, CUTLERY, SPOONS AND FORKS, OF BASE METAL; PARTS THEREOF OF BASE METAL	82011000 ; 82012000 ; 82013000 ; 82014000 ; 82015000 ; 82016000 ; 82019000 ; 82021000 ; 82022000 ; 82023100 ; 82023900 ; 82024000 ; 82029100 ; 82029911 ; 82029919 ; 82029990 ; 82031000 ; 82032010 ; 82032090 ; 82033000 ; 82034000 ; 82041100 ; 82041200 ; 82042000 ; 82051000 ; 82055930 ; 82055990 ; 82056000 ; 82058000 ; 82071300 ; 82071910 ; 82071990 ; 82072010 ; 82072090 ; 82073010 ; 82073090 ; 82074010 ; 82074030 ; 82074090 ; 82075010 ; 82075030 ; 82075050 ; 82075060 ; 82075070 ; 82075090 ; 82076010 ; 82076030 ; 82076050 ; 82076070 ; 82076090 ; 82077010 ; 82077031 ; 82077035 ; 82077038 ; 82077090 ; 82078011 ; 82078019 ; 82078090 ; 82079010 ; 82079030 ; 82079050 ; 82079071 ; 82079078 ; 82079091 ; 82079099 ; 82081000 ; 82082000 ; 82083010 ; 82083090 ; 82084000 ; 82089000 ; 82090020 ; 82090080 ; 82100000 ; 82119500 ; 82121010 ; 82121090 ; 82122000 ; 82129000 ; 82141000 ; 82142000 ; 82149000
	83 MISCELLANEOUS ARTICLES OF BASE METAL	83011000 ; 83012000 ; 83013000 ; 83014011 ; 83014019 ; 83014090 ; 83015000 ; 83016000 ; 83017000 ; 83021000 ; 83022000 ; 83023000 ; 83024110 ; 83024150 ; 83024190 ; 83024200 ; 83024900 ; 83025000 ; 83026000 ; 83030010 ; 83030030 ; 83030090 ; 83040000 ; 83051000 ; 83052000 ; 83059000 ; 83063000 ; 83071000 ; 83079000 ; 83081000 ; 83082000 ; 83089000 ; 83091000 ; 83099090 ; 83100000 ; 83111010 ; 83111090 ; 83112000 ; 83113000 ; 83119000
	87 VEHICLES OTHER THAN RAILWAY OR TRAMWAY ROLLING-STOCK, AND PARTS AND ACCESSORIES THEREOF	87042110 ; 87042210 ; 87042310 ; 87043110 ; 87043210 ; 87084099 ; 87085099 ; 87088055 ; 87088099 ; 87089199 ; 87089299 ; 87089499 ; 87089599 ; 87089997 ; 87099000

	90 OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS; PARTS AND ACCESSORIES THEREOF	90011010 ; 90011090 ; 90012000 ; 90013000 ; 90014020 ; 90014041 ; 90014049 ; 90014080 ; 90015020 ; 90015041 ; 90015049 ; 90015080 ; 90019000 ; 90031100 ; 90031910 ; 90031930 ; 90031990 ; 90039000 ; 90041010 ; 90041091 ; 90041099 ; 90049010 ; 90049090 ; 90064000 ; 90066100 ; 90066900 ; 90069900 ; 90101000 ; 90105000 ; 90106000 ; 90109000 ; 90141000 ; 90149000 ; 90151090 ; 90152090 ; 90153090 ; 90154090 ; 90158091 ; 90158093 ; 90158099 ; 90159000 ; 90171090 ; 90172011 ; 90172019 ; 90172039 ; 90172090 ; 90173010 ; 90173090 ; 90178010 ; 90178090 ; 90179000 ; 90200000 ; 90222900 ; 90223000 ; 90229010 ; 90229090 ; 90230010 ; 90230080 ; 90241011 ; 90241013 ; 90241019 ; 90241090 ; 90248011 ; 90248019 ; 90248090 ; 90249000 ; 90251180 ; 90251920 ; 90251980 ; 90258020 ; 90258040 ; 90258080 ; 90259000 ; 90271010 ; 90271090 ; 90278005 ; 90279010 ; 90279080 ; 90281000 ; 90282000 ; 90283011 ; 90283019 ; 90283090 ; 90289010 ; 90289090 ; 90291000 ; 90292031 ; 90292038 ; 90292090 ; 90299000 ; 90302099 ; 90303391 ; 90303399 ; 90308990 ; 90309085 ; 90311000 ; 90312000 ; 90314910 ; 90318034 ; 90318091 ; 90319085 ; 90321020 ; 90321081 ; 90321089 ; 90322000 ; 90328100 ; 90328900 ; 90329000
	91 CLOCKS AND WATCHES AND PARTS THEREOF	91122000 ; 91129000 ; 91131010 ; 91142000 ; 91143000 ; 91144000 ; 91149000
	94 FURNITURE; BEDDING, MATTRESSES, MATTRESS SUPPORTS, CUSHIONS AND SIMILAR STUFFED FURNISHINGS; LAMPS AND LIGHTING FITTINGS, NOT ELSEWHERE SPECIFIED OR INCLUDED; ILLUMINATED SIGNS, ILLUMINATED NAME-PLATES AND THE LIKE; PREFABRICATED BUILDINGS	94051091 ; 94051098 ; 94052091 ; 94052099 ; 94054091 ; 94054095 ; 94054099 ; 94055000 ; 94056080 ; 94059900

Table 6-16 Product expansion

New Products	Chapter and label	CN Product list
Agriculture	07 EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS	071410
	10 CEREALS	100620 ; 100190 ; 100630 ; 100590
	16 PREPARATIONS OF MEAT, OF FISH OR OF CRUSTACEANS, MOLLUSCS OR OTHER AQUATIC INVERTEBRATES	160239
	17 SUGARS AND SUGAR CONFECTIONERY	170310
	21 MISCELLANEOUS EDIBLE PREPARATIONS	210690
	22 BEVERAGES, SPIRITS AND VINEGAR	220710
	23 RESIDUES AND WASTE FROM THE FOOD INDUSTRIES; PREPARED ANIMAL FODDER	230990

Textiles and Industry	25 SALT; SULPHUR; EARTHS AND STONE; PLASTERING MATERIALS, LIME AND CEMENT	25010051 ; 25010091 ; 25010099 ; 25030090
	28 INORGANIC CHEMICALS; ORGANIC OR INORGANIC COMPOUNDS OF PRECIOUS METALS, OF RARE-EARTH METALS, OF RADIOACTIVE ELEMENTS OR OF ISOTOPES	28046900 ; 28051100 ; 28051200 ; 28051910 ; 28051990 ; 28053010 ; 28053090 ; 28054010 ; 28182000 ; 28183000
	29 ORGANIC CHEMICALS	29054300 ; 29054411 ; 29054419 ; 29054491 ; 29054499
	31 FERTILISERS	31021010 ; 31021090 ; 31022100 ; 31022900 ; 31023010 ; 31023090 ; 31024010 ; 31024090 ; 31025090 ; 31026000 ; 31028000 ; 31029000
	32 TANNING OR DYEING EXTRACTS; TANNINS AND THEIR DERIVATIVES; DYES, PIGMENTS AND OTHER COLOURING MATTER; PAINTS AND VARNISHES; PUTTY AND OTHER MASTICS; INKS	32012000 ; 32019020
	35 ALBUMINOIDAL SUBSTANCES; MODIFIED STARCHES; GLUES; ENZYMES	35021190 ; 35021990 ; 35022091 ; 35022099 ; 35029070 ; 35051010 ; 35051090 ; 35052010 ; 35052030 ; 35052050 ; 35052090
	38 MISCELLANEOUS CHEMICAL PRODUCTS	38091010 ; 38091030 ; 38091050 ; 38091090 ; 38246011 ; 38246019 ; 38246091 ; 38246099
	39 PLASTICS AND ARTICLES THEREOF	39019030
	41 RAW HIDES AND SKINS (OTHER THAN FURSKINS) AND LEATHER	41044119 ; 41044919 ; 41051010 ; 41051090 ; 41053091 ; 41053099 ; 41062110 ; 41062190 ; 41062290 ; 41063110 ; 41064090 ; 41069100 ; 41069200
	51 WOOL, FINE OR COARSE ANIMAL HAIR; HORSEHAIR YARN AND WOVEN FABRIC	51051000 ; 51052100 ; 51052900 ; 51053100 ; 51053900 ; 51054000
	72 IRON AND STEEL	72011011 ; 72011019 ; 72011030 ; 72012000 ; 72015090
	76 ALUMINIUM AND ARTICLES THEREOF	76011000 ; 76012010 ; 76012091 ; 76012099
	78 LEAD AND ARTICLES THEREOF	78011000 ; 78019100 ; 78019991 ; 78019999
	79 ZINC AND ARTICLES THEREOF	79011100 ; 79011210 ; 79011230 ; 79011290 ; 79012000 ; 79031000 ; 79039000
	81 OTHER BASE METALS; CERMETS; ARTICLES THEREOF	81011000 ; 81019400 ; 81021000 ; 81029400 ; 81041100 ; 81041900 ; 81072000 ; 81082000 ; 81083000 ; 81101000 ; 81122190 ; 81125100 ; 81125900 ; 81129295 ; 81130020

ANNEX 7 FURTHER DETAILS AND EVIDENCE REGARDING THE PROBLEM DEFINITION

I. 1. Salient facts regarding the scheme

The text that follows makes references to the tables and charts included in ANNEX 4.

I.1.1. From the point of view of beneficiaries

1. The amount of imports benefitting from preferences (Table 4-1, p.37) was almost €60 billion in 2009 and over 9% of total EU imports from all beneficiaries. This is split as follows: 8% for GSP countries, 20% for GSP+ and 32% for EBA beneficiaries. While at first sight these figures may appear low, it should be kept in mind that 62% of imports from beneficiaries are subject to 0% general tariffs[161] (see more details under point **I.1.2.**, p.89 below). This means that out of the pool of imports which can receive a preference (i.e., where tariffs are positive), GSP imports are 21% of the total, GSP+ 63%, and EBA 67% (Table 4-3, p.37). In other words, **imports benefiting from preferences are significant**.

2. The scheme has a **broad product coverage.** Approximately 66% of the EU's 9443 tariff lines enjoy preferences for GSP and GSP+ countries, and the figure is 75% for EBA. In other words, as 25% of tariff lines are duty free to start with, for GSP and GSP+ beneficiaries, 91% of tariffs lines are preferential or duty free, and basically 100% for EBA (Table 4-5).

3. Within GSP and GSP+, **coverage is significantly larger in fishery and industrial products** (Table 4-5). *Roughly* 45% *agricultural products* are covered (which together with 16% duty-free tariff lines, means that about 40% agricultural lines pay normal duties). Coverage for *fishery products* is 92% (and 8% duty-free lines). For *textile products,* coverage reaches 96% (and 3% duty-free lines; 1% lines pay normal duties). For the rest of *industrial products*, coverage reaches 65% (33% duty-free lines, 2% lines pay normal duties). The reason for this variation across sectors goes to back to the genesis of generalised preference schemes in UNCTAD, in two ways. First, UNCTAD requested that **preferences should foster industrialisation**, rather than lock developing countries into their commodity-based specialisation patterns. Second, UNCTAD also recognised that preferences would have to **respect sensitivities** in granting countries.

4. The scheme provides **a sliding scale of preferences for the three groups of beneficiaries**, in recognition that their **development and trade needs differ**. This occurs via the differentiation between "non-sensitive" products (which enter without duty) and "sensitive" products (which enter with duty deductions for GSP countries, and without duty for GSP+ countries). 61% tariff lines of covered products are sensitive (these are concentrated in agricultural, fisheries, and textiles), and 39% non-sensitive (mostly other industrial products, where 6 out of 10 lines are non-sensitive) (see Table 4-4, p.38, Table 4-5, p. 39).

5. A **delicate balance** must be struck when defining product coverage and which products are "sensitive". This is because, while the scheme's benefits are not a zero-sum game for beneficiaries as a whole, CARIS demonstrates that there is a large degree of **competitive pressure amongst the three groups of participants**. Particularly noteworthy is pressure exerted on EBA and GSP+ countries by countries benefiting from the general

[161] These are the so-called "most favoured nation" tariffs (hereinafter "MFN"), which apply to all WTO members as a rule.

scheme[162]. In other words, expansion in product coverage for GSP and/or GSP+ countries could well result in preference erosion for the least developed (EBA); the expansion of the list of sensitive products would benefit also GSP+ countries—but this again could come at the cost of the most needy; duty deductions for sensitive products could boost GSP exports—but at the expense of GSP+ and EBA competitors.

6. All of this would occur in a system where the **distribution of preferential imports** amongst the three categories of users is **skewed** in favour of the less needy: GSP beneficiaries account for 81% of preferential imports, GSP+ countries for 9%, and EBA countries for 10% (Table 4-1, p.37). It is underlined that this asymmetry is **not only the result of economic size** of beneficiaries. For 4 (China, Brazil, India, Thailand and Indonesia) out the 6 (the foregoing plus Brazil and Russia) top GSP beneficiaries (which account for 67% of all covered imports), their share of covered imports under the scheme is *significantly higher* than their share in total imports[163]. Equally, for Brazil, India, Thailand, Indonesia, and Russia, their share in preferential imports is higher that their share of covered imports[164].

7. The combination of product coverage and product sensitivity yields tariff **preferences** which are **in many cases significant** *vis-à-vis* non-beneficiaries (see Table 4-6, p.40)—although they also suffer the limitations described below under **I.2.**, p.89. GSP beneficiaries enjoy preferences of more than 2% (which can be significant, particularly in manufacturing sectors) in 13 out of 21 products categories[165]. For GSP+ and EBA beneficiaries, preferences are significantly higher across the board, and peaks reach over 14% for GSP+ and 17% for EBA[166]. An interesting picture emerges when the preference margins *amongst* the GSP, GSP+ and EBA categories are examined. Compared to GSP beneficiaries, EBA countries have noticeable preferences for only 7 out of 21 sectors (mainly agricultural, textile and footwear products) and in only 4 compared to GSP+ countries (only agricultural products). In other words, for a significant amount of products, and in particular for industrial products, the scheme may **not provide significant preferences to needy LDCs with respect** to more developed **GSP+ or GSP competitors**.

8. In the context of the previous paragraph, it is not surprising that the **scheme's contribution to export diversification has been mixed**. CARIS has noted that, when all beneficiaries and products are taken together, the evidence of diversification is limited to products with low preference margins[167]. However, it is also clear that a number of key beneficiaries are the so-called emerging economies. They have based their success on diversification (expansion of their manufacturing base) into many of the industrial products which enjoy the scheme's preferences[168]. Furthermore, its analysis of a world without the

[162] See e.g. CARIS p. 8.
[163] Chinese GSP covered imports are 51% of all GSP covered imports; total imports into the EU from China are 33% of total imports from all third countries. For Indonesia, the figures are 3% and 2%, respectively. For India, 8% and 4%. For Thailand, 4% and 2%.
[164] Indonesia: share in preferential imports is 6%, share in covered imports 3%. For India, 22% and 7%. For Brazil, 6% and 3%; For Russia 5% and 2.5%. For Thailand, 7% and 3.5%.
[165] While the 2% threshold may is not scientific, and the impact of similar preferences can be very different depending on the product concerned, we consider it to be a sufficiently indicative order of magnitude. This is because it is supported by empirical results of the CARIS study, which finds that preferences are being used significantly even though preference margins are very low. See pp. 75-76.
[166] Source: CARIS p. 27.
[167] See CARIS pp. 63-66.
[168] This explains the counterintuitive CARIS finding that diversification is higher for products with low preferences: emerging economies (which account for the bulk of exports to the EU under the scheme) are diversifying into industrial products, which tend to have low preferences.

scheme[169] shows that for many beneficiaries (particularly EBA and GSP+) exports would drop significantly for *multiple* sectors (particularly industrial products) *at the same time*—with the risk that some of those sectors shrank or even disappeared, making the economic base less diverse.

9. The general attractiveness of the scheme is also underlined by a relatively **high level of utilisation of available preferences**[170]**, but with room for improvement**—53% for GSP countries, with 69% for EBA countries and 85% for GSP+ countries (Table 4-7, p.41). These levels have been reached notwithstanding the existence of parallel preferential schemes which are also used significantly by beneficiaries (see under **I.2.**, p.89). It is interesting to note that the level of utilisation between sensitive and non-sensitive products varies little for GSP—on the other hand, GSP+ and EBA countries have much higher utilisation rates for sensitive products (87% and 74%, respectively) than for non-sensitive ones (77% and 41%). This underlines the large impact that GSP competition has on GSP+ and EBA—or, put another way, that GSP+ and EBA competition has little impact on GSP imports.

10. The system provides **tangible gains for beneficiaries**. This is because exporters appear to benefit from **roughly half those rents**—the other half accruing to importers in the EU[171]. These rents are significant. An indication of their order of magnitude is the unpaid import duties *per annum*, which *ceteris paribus*, would be of the order of €2.97 billion in 2009.

11. CARIS[172] confirms that growth in trade and investment with the EU in recent years has been significantly higher for beneficiary countries than for non-beneficiaries. Preferential exports under the scheme have not increased significantly, but done so at a higher pace than other exports to the EU. Therefore, the scheme has become an **engine for *total* export growth** for beneficiaries. Official statistics (Table 4-8, p.41) show that, while total exports to the EU by beneficiary countries grew at under 11% in the 2005-2009 period[173], preferential exports under the scheme grew at almost 31%. Put another way, preferential exports are less than 1 in 10 total exports, but represent 1 in 4 in terms of *additional* exports. This "engine" effect is particularly remarkable for EBA countries, for whom the *full* increase in exports to the EU is due to exports of goods under preferences. Thus, the scheme's preferences appear to be critical for such countries in this respect.

12. According to CARIS[174], the **welfare effects** for beneficiaries are generally **positive, and for many beneficiaries significantly so**. If the scheme were scrapped, welfare drops would occur almost universally for beneficiaries, and they would be very significant (drop of 0.25% or more) for many. Unsurprisingly, EBA and other African beneficiaries would suffer most, as well as poorer Asian countries. Some GSP+ beneficiaries would also suffer significantly. For a number of beneficiaries (e.g., China, India) the welfare effects of scrapping the scheme would be nil or even slightly positive.

[169] See CARIS p. 144.
[170] This is confirmed by CARIS, see e.g. p. 9.
[171] Source: CARIS p. 9.
[172] See e.g., CARIS p. 9.
[173] Longest period available for EU-25 statistics on preferential imports.
[174] See e.g. CARIS pp. 9-10, table on p 140, reproduced in Table 4-9, p.1. The table measures welfare changes for a scenario of unlimited supply of unskilled labour—a close proxy of what happens in most developing countries. Welfare is measured in terms of real absorption, the sum of economy-wide private consumption, government consumption and investment expenditure.

13. A last salient issue is that the **scheme's graduation mechanism** (used to exclude from preferences sectors from specific countries which become sufficiently competitive) is **barely used**. Out of a total of over 2400 country-sectors[175], only 20 have been graduated—13 of which are Chinese sectors. This low figure may be counter-intuitive, given the fact that many emerging beneficiaries have integrated successfully in international trade in the last two decades—a phenomenon which goes hand in hand with competitiveness.

I.1.2. From the point of view of the EU

14. Imports benefiting from GSP preferences account for a relatively **small proportion of total EU imports**: approximately 4%.

15. It is not surprising that the CARIS study finds that "the **aggregate welfare impacts on the EU are negligible**"[176]. Indeed, they would be (under the most extreme scenario) a mere 0.05%. Given the very low impact on EU output highlighted by CARIS[177], there is no reason to believe that the impact on aggregate EU producer welfare would be anything other than negligible. Nonetheless, the additional work performed under part 5 above (i.e., consumer welfare gains in case the scheme is scrapped altogether) confirms the low impact on consumer welfare in the EU.

16. Given that the imports affected in the EU are only 4% of the total, it is also not surprising that the amount of **trade diversion generated in the EU is not significant**. Reference is made again reference to the analysis made above under option A in this respect.

17. It is underlined, however, that the amount of import **duties foregone** (€2.97 billion, as described above) would be **significant** when set against the total amount of import duties collected, which are in the range of €19 billion[178].

I.2. The scheme in its context

18. The scheme operates in a complex context, where it interacts with a number of policy strands and economic realities. The latter place constraints on the scheme, and in turn the scheme affects other strands of EU policy.

I.2.1. Policy stands constraining the use of the scheme

19. As noted above, 9% of total beneficiary exports to the EU are made under the scheme's preferences. This indicates that there are policy strands which constrain the scheme's use.

20. Being a tariff-preference system, general tariff levels are important for the scheme. The **EU's low level of tariffs** (for example, for 11 out of 21 product categories, general tariffs are 3,5% or lower[179]) and significant amount of **tariff-free lines** (25% of the total) put a lid on preference levels. As **multilateral negotiations** progress, preference levels will decrease.

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[175] 126 non-EBA beneficiaries (EBA can not be graduated in the EU's scheme) times 19 sectors with preferences.

[176] See e.g. CARIS p. 10 and table in p. 140, reproduced in Table 4-9, p.1.

[177] See e.g. tables included in CARIS pp. 147-9.

[178] See e.g. Table on p.111 of the Report on budgetary and financial management: Financial year 2009: The figure quoted for customs duties is over €14.3 billion, to which 25% must be added (amount retained by Member States).

[179] Source: CARIS p. 26, reproduced in Table 4-10, p.1.

21. Another constraint is the **existence of other preference regimes**—whether these are bilateral agreements (e.g. Free Trade Agreements) or autonomous measures (such as the EPA Market Access Regulation, a temporary program under which the EU grants preferences to Cotonou Agreement parties that initial an EPA agreement with the EU prior to the signature and provisional application). Countries which enjoy such preferences may choose not to use the scheme for a significant amount of trade (Table 4-2, p.37). For example, for GSP beneficiaries, imports under the scheme account for 21% of their total non-duty-free imports, while 11% of their imports use other parallel preferential channels—a sizeable amount. For EBA countries, the figures are 67% and 14%, respectively—again an important quantity coming under "parallel" preferential arrangements, rather than under the scheme. CARIS confirms this "preference competition" effect[180]. Needless to say, as the many **on-going bilateral negotiations** come to fruition, the scheme's preferences will lose part of their allure.

22. A final policy strand which has an impact on the scheme's use is **preferential rules of origin**. These are defined in EU customs legislation, and hence are not included within the scope of this impact assessment. However, it is important to note that, new legislation in this field entered into force on 1 January 2011, and should facilitate preferential treatment of developing country products as origin rules are relaxed and simplified[181]. It is difficult to quantify this effect, but for example, EBA countries pay normal tariffs for 8% of their exports to the EU, while arguably a good part of these could benefit from 0% EBA treatment (Table 4-2, p.37). Rules of origin may play a significant role here—and exports under the scheme could expand within that range with simpler rules.

I.2.2. The scheme's knock-on effects on other policy strands

23. While subject to constraints, the system's preferences are far from negligible. As explained above, GSP beneficiaries enjoy significant preferences in 13 out of 21 products categories. For GSP+ and EBA beneficiaries, preferences are significantly higher across the board, and significant peaks exist.

24. In general, such **significant preference levels could make more difficult the advancement in bilateral and multilateral negotiations**. However, not advancing in such negotiations could be detriment of developing economies in general, as the gains from trade and flanking measures would be significant, placing countries on a more solid growth path than at present.

25. The scheme also reinforces trade policy's contribution to **sustainable development and good governance,** primarily by giving incentives (in the form of the aforementioned additional tariff preferences) to ratification and implementation of core international conventions. CARIS confirms that GSP+ has been effective in fostering ratification of conventions[182]. Indeed, all beneficiaries have maintained the ratification of all conventions. Progress has also been noted regarding implementation, although significant work remains (see ANNEX 1 Table 1-7, p.21). It should be noted, however, that this objective is not intended to impinge upon the export growth of beneficiaries most in need, such as EBA countries—the primary objective of the scheme.

[180] See e.g., CARIS p. 9.
[181] See http://ec.europa.eu/taxation_customs/resources/documents/customs/customs_duties/rules_origin/preferential/news_030910_en.pdf
[182] See e.g. CARIS p. 10.

I.3. Salient problems and their drivers

26. The foregoing has highlighted that the scheme has been generally successful, a fact also confirmed by CARIS[183] and the consultation responses, which confirmed that the scheme and its objectives remained valid. At the same time its shortcomings are now described, together with their causes.

I.3.1 Preferences are not always focused to those the poorest or most vulnerable

27. The first key problem has to do with the targeting of preferences. The root causes are multiple. First, beneficiaries are not correctly targeted. Second, the graduation mechanism has three shortcomings: it undershoots by not weeding out a number of competitive sectors that do not require preferences; it overshoots by using product categories which are too crude, with the exclusion of some non-competitive products as a side effect; it overshoots by graduating the vulnerable. Third, the vulnerability criteria are too strict, depriving some potential GSP+ beneficiaries of additional benefits. Fourth, the product coverage may be too narrow.

Suboptimal targeting of beneficiaries

28. The first question when examining the scheme is whether the beneficiaries are well targeted. Conventional wisdom equates the concept of "beneficiary" with that of "developing country". However, "developing country" status is a matter of self-declaration by individual countries. The discussion has become more complex as many countries have developed substantially over the past two decades, making the **situation amongst beneficiaries much more differentiated**.

29. In the context of the public consultation, the majority of opinions recommended that the EU **should concentrate the scheme primarily on countries *most in need***, and that the best criterion to define "most in need" was **income per capita**. It is clear that LDCs (a category defined by the UN on the basis of objective criteria) need the scheme's preferences in order to boost their exports to the EU, but this is not the case with three other groups of countries which are current beneficiaries.

30. To start with, currently 23 beneficiary countries already profit from preferences via another **bilateral preferential arrangement with the EU**, and an additional 8 partners will do so shortly after having concluded agreements with the EU. These reciprocal preferential arrangements typically incorporate (and in some cases go beyond) the autonomous preferences provided under the scheme, the only difference being rules of origin which sometimes differ between the agreement and the scheme. This duplicity of channels generates additional customs procedures affecting the transparency of offered preferences and it is thus not efficient. This is why a majority of respondents in the consultation process supported the removal of such countries from the scheme[184]. The current regulation already establishes that preferential trade agreement partners should be removed from the scheme, as those agreements will cover "all the scheme's preferences." But this principle is not enforced because of a lack of legal clarity as to whether one can say *all preferences* are covered if rules of origin differ. This lack of efficiency will only balloon as agreements are concluded with the 78 partners with whom the EU is currently negotiating bilateral deals.

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[183] See e.g. p. 7.

[184] A number of respondents in the consultation process wished to see both preferential channels (PTA and the scheme) maintained. The reason for this was the strictness of the scheme's preferential rules of origin, as compared to those under a PTA. Now that the rules of origin applicable to the scheme have been relaxed, this reason loses much (if not all) of its relevance.

31. The second group is **High Income Countries** (HICs). Currently 22 countries (and 15 non-EU overseas territories) are beneficiaries of the scheme although they are classified as HICs by the World Bank. The World Bank classification of these countries indicates that they have reached a level of wealth that does not justify their categorisation as countries most in need—and the majority of consultation respondents agreed. Yet, EU law allows such countries to receive preferences on an equal footing with other less advanced beneficiaries. This happens because their diversification of exports to the EU is low[185]. This diversification criterion appears to be irrelevant in this context. Once a country attains a significant level of wealth, it has the resources to attain higher levels of diversification, if it so wishes, without the EU preferences—which would be "wasted" and thus inefficient. In addition, the scheme would be inefficient in a second way: it would generate additional costs for EU competitors which would face stiffer competition based on such (unjustified) preferences. But this is not only a question of efficiency, but also of effectiveness. The scheme is not being effective because HICs are GSP beneficiaries which, as described above, exert significant competitive pressure on the poorest (EBA) or on the vulnerable (GSP+). This implies that the level of exports by those most in need is not as high as it should be.

32. The same phenomenon arises with other countries whose levels of wealth and development are high. This is the case for 28 so-called **Upper Middle Income** countries (UMIs) according to the same categorisation by the World Bank. These countries also have significant per capita income levels—so much so that they are in the same category as certain EU Member States such as Bulgaria and Romania. They also include economies which have successfully completed their transition from centralised to market economies. Other yardsticks (e.g., the UN's Human Development Index) yield a similar picture, classifying UMIs almost one-to-one as countries with "high development". The foregoing indicates that these have also reached such a level of wealth and resources, that their development, trade and financial needs are significantly different from those of less advanced. Again, many such countries benefit from GSP preferences (and in some cases, from GSP+ preferences), compete with the poorest (EBA) and thus place obstacles for the scheme to deliver an optimal level of exports for those in need—a problem of effectiveness. The same efficiency problems mentioned in the preceding paragraph also apply here.

33. Can the **"effectiveness" gap** of the current scheme be quantified? An indication is given by the preference space taken up by these three groups of countries. Together, they account for no less than 25% of imports currently covered by the scheme, and 35% of preferential imports. This substantial space would be better put to use for countries most in need—the remaining current beneficiaries.

Inadequate graduation mechanism (1)

34. Not all developing countries have the same trade, financial and development needs. In particular, a significant number of developing economies have generated certain export-oriented manufacturing sectors which have successfully penetrated world markets. Advantages based on low labour costs and economies of scale, and specialising in products that exploit such advantages, have made a number of sectors highly competitive at world level. These sectors are typically located in "emerging" economies such as China, India, and the more advanced Southeast Asian economies. These sectors receive benefits under the scheme, although they arguably do not need preferences to achieve a substantial presence in the EU (or indeed in world markets).

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[185] Many of these countries are energy (e.g., oil) rich.

35. Not only are GSP countries (which feature many “emerging” economies) competing strongly amongst themselves, but, as discussed, they are a major source of pressure for GSP+ (the vulnerable) and EBA countries (the poorest). Moreover, the speed of progress by “emerging” countries and the presence they have achieved in certain sectors via economies of scale (e.g., sheer *size*) generate *de facto* “barriers” to entry for the less advanced—which need increasing efforts to diversify their export base[186]. The latter are the countries which arguably need the space provided by preferences in order to be able to export and grow. Otherwise, they may well risk marginalisation in international markets.

36. This results in such **emerging beneficiaries “eating” an over-proportionally large share of the “preference cake”**. For example, while India takes up 7% of imports eligible under their scheme, it accounts for 22% of imports actually using such preferences. But India is no exception: out of the top 6 GSP beneficiaries, all of which belong to this “emerging” category, 5 of them are exactly in this situation.

37. Needless to say, such competitive sectors have also made large inroads into the EU market, placing EU industry under pressure—in part due to the preferences they enjoy. This generates extra costs—an efficiency gap for the scheme.

38. Against this background, a mere 20 country-sector combinations (and this mainly in China) have been graduated. This indicates that the current graduation mechanism in **insufficiently responsive** to ensure the effectiveness and efficiency of the scheme **for those countries-sectors which genuinely need preferences** to expand their export base and volume. Here, the term “country-sector” is emphasised, as there are many sectors in different emerging economies which are insufficiently competitive and should thus continue to enjoy preferences.

Inadequate graduation mechanism (2)

39. Graduation is based on the categories of the sections of the EU Customs Tariff. While administratively easier to manage and more stable for economic operators, the categories are so large that they include in some cases **heterogeneous products**.

40. The tables in Annex 6.2 provide examples of such heterogeneity. The umbrella and footwear industry are treated as one, so are rubbers and plastics, fish and meat, edible and non-edible vegetables, tobacco and other prepared foodstuffs… The tables also show that many of the sections graduated by the scheme include such heterogeneity.

41. This leads to **efficiency problems: products which are not necessarily competitive are excluded** just because they fall in a category where products from a totally different, highly competitive industry predominate.

42. While maintaining a stable, simple framework, the mechanism should be revisited to ensure that only those homogeneous product groups which are truly competitive are graduated.

[186] See for example, Paul Collier, The Bottom Billion, p. 10 and pp. 166-168.

Inadequate graduation mechanism (3)

43. As just explained, the rationale for graduation (*enhanced* graduation) is strong for GSP countries. Equally strong is the rationale for non-graduation of the poorest—this is why EBA countries are not eligible for graduation in the first place. However, the rationale for the current status of GSP+ countries (i.e., they can be graduated) is not. GSP+ beneficiaries are vulnerable because they have a low, non-diversified export base—the exact same configuration that EBA countries face[187]. This suggests that, for graduation, the treatment of GSP+ should be the same as EBA, as held by many in the consultation process. Otherwise, graduation would curtail the exports of those countries which can use them most, rendering the scheme ineffective. **GSP+ countries** should thus **not** be **subject to graduation**.

Vulnerability criteria are too strict

44. The rationale for vulnerability criteria is solid, as explained in ANNEX 1, p.1. Countries with a lower, less diversified export base face specific difficulties to implement sustainable development and good governance principles, rules and standards. Importantly, given that GSP+ countries compete with EBA beneficiaries, too wide a GSP+ membership would have a negative impact on the exports of the poorest.

45. Vulnerability criteria are not called into question by CARIS study[188] or by the balance of views from the consultation process. However, both express the desirability of redefining the criteria to allow for further potential applicants. This is a worthy goal, as long as the delicate balance inherent to the scheme is not upset: sustainable development shall complement the overall objective of boosting exports by the poorest.

46. In a future scheme which targets better those most in need by excluding a number of current beneficiaries (see above), there is some **extra space for modulating the vulnerability criteria including the eligibility threshold**, without having a significant negative impact on EBA countries. Not using this space would render the future scheme less **effective in promoting sustainable development** as it should be.

Product coverage not as broad as it could be

47. One of the most controversial aspects of the scheme is product coverage, as shown by the particularly contradictory views emanating from the consultation process[189].

48. The data provided above show that the product coverage is very broad—but that it can be increased for GSP+ (to cover the remaining 9% tariff lines and 11% of imports) and even more significantly for GSP (9% and 25%, respectively). See Table 4-5.

49. Another *de facto* product expansion would be to turn sensitive product lines into non-sensitive ones. This would open the door to a significant amount of trade from GSP beneficiaries, given that 61% of the covered tariff lines are sensitive, and that they represent 63% of covered imports.

50. In principle, increases for GSP would have a negative impact on vulnerable GSP+ and poor EBA countries; and GSP+ increases would affect EBA. This would run counter to the primary objective of the scheme. Therefore, the breadth of product coverage *per se* can not be

[187] See the table in annex 1: virtually all EBA countries are vulnerable.
[188] See e.g., CARIS p. 11.
[189] Also by the attention paid to this by a number of Member States which support a very broad extension of the product coverage.

considered as a "problem" with the scheme[190]. However, the exclusion of a number of current beneficiaries, and the application of more vigorous graduation rules may generate **extra space for product expansion, without significant negative impacts on more vulnerable or poorer beneficiaries**. If this is the case, product expansion would make the scheme more effective.

I.3.2. Insufficient level of utilisation of preferences

51. The analysis above has shown a high but improvable level of utilisation of preferences—and a set of powerful constraints falling outside of the scope of the scheme and thus of this impact assessment. Given their importance, they are mentioned briefly before moving on to the problem drivers that can be influenced.

Some powerful constraints outside the scheme

52. The first constraint is the **low level of MFN duties**, which limits preference margins. This will not only continue to be the case, but increase in intensity as multilateral negotiations further reduce tariffs.

53. CARIS has underlined that a second cause of the preference utilisation gap is **bureaucracy in the exporting country**[191]. This aspect could be addressed by trade facilitation initiatives, for example in the context of Aid for Trade initiatives.

54. A very important constraint also mentioned by CARIS[192] is the complexity of **rules of origin**. As explained elsewhere, the simplification of rules entering into force 1 January 2011 should reduce this problem significantly.

55. The combined impact of these three first issues can be assessed at roughly 8% of total imports: the amount of EBA imports which pay positive MFN duties even though they should be able to enter duty free. See Table 4-2.

56. A third constraint is the existence of **parallel preference schemes** such as the EPA Market Access Regulation. The impact of such schemes can be roughly measured by the EBA imports under other such preferences—almost 7% of the total (See Table 4-2). These are temporary.

Problem drivers within the scheme

57. The first problem driver which can be changed within the scheme is the **duplicity of preference tracks** for partners of preferential trade agreements. This driver has been explained under **I.3.1**, p.91 above.

58. The second driver has to do with the fact that utilisation is higher when preference margins are higher[193]. As stated above, preference utilisation in GSP countries is similar (about 53%) irrespective of whether products are sensitive or non-sensitive. However, utilisation is much larger for sensitive products in GSP+ and EBA beneficiaries (87% and 77%, respectively—see Table 4-7). This is another facet of the well-documented **pressure by GSP countries on GSP+ and EBA**: the highest levels of utilisation are achieved by GSP+

[190] CARIS (e.g. p. 191) confirms this.
[191] See e.g. CARIS p. 81.
[192] See e.g. CARIS p. 81.
[193] See CARIS p. 81.

and EBA countries where they face less GSP competition. Therefore, should the three groups of current GSP beneficiaries mentioned above (PTA partners, high income, and upper middle income countries) receive lower preferences according to their lower needs, this would increase the preference margins of GSP+ and EBA *relative to GSP*, with the result that utilisation of preferences for those countries (and for the system) would also increase. Put another way, countries which structurally utilise preferences *less* (GSP) are depressing the level of utilisation of those who use preferences *more*: the vulnerable and the poorest. The efficiency of the scheme can thus be improved.

I.3.3. Inconsistency with bilateral and multilateral objectives

59. The scheme is an autonomous measure with its own developmental objectives. While these are fully independent from EU negotiation goals in the bilateral or multilateral arena, the scheme has side effects on such goals. Therefore, these must be described for the purpose of the impact assessment.

60. The scheme has a **large number of beneficiaries** (176), most of which are WTO Members. The EU is engaging in bilateral negotiations with many of them (78). As explained elsewhere, the **level of preferences is significant** for a **significant amount of products**. And, as described under **I.3.1**, p.91, the **graduation mechanism is relatively weak** and maintains those preferences intact even for competitive sectors. Together, these factors make negotiations more complex.

I.3.4. Insufficient support of diversification of exports

61. As explained above, the original goal of generalised preference schemes was to help developing economies increase their industrial exports. The premise was that their economies were too dependent on commodities (particularly agricultural ones), and would benefit from industrialisation. Providing preferences in industrial products would help boost such exports and contribute to the development of a broader industrial base—to diversify.

62. As explained above, the scheme does not support diversification sufficiently. This problem does not affect all beneficiaries, though. For example, emerging economies have based their success on the expansion of their industrial base—on diversification. Also, the problem is driven by the low MFN duties for a number of industrial products—which lead to low preference margins and thus limit the effectiveness of the scheme. This driver, which as explained above will become more powerful over time, can not be eliminated by the scheme. However, there are drivers which can be mitigated or eliminated in the context of the reform of the scheme.

Many high income countries are not diversified

63. Low diversification is a feature of certain high income beneficiaries (e.g., rich oil economies). In fact, as explained under **I.3.1**, p.91, it is low diversification itself which has actually kept them in the scheme.

Low level of preferences amongst the scheme's beneficiaries

64. The level of preferences of EBA and GSP+ *relative to GSP* were very low or even inexistent for many (no less than 8) sectors—all of them industrial (see Table 4-6). And GSP countries (many of which are emerging economies) exert significant pressure on competing EBA and GSP+ products.

65. The preferences received by many of these **GSP countries in the scheme, and the lax graduation mechanism** makes diversification in poorer and vulnerable countries more difficult as the GSP countries "eat up" much of the preferences, particularly in industrial products. It thus impinges significantly upon the effectiveness of the scheme as regards diversification.

I.3.5. Suboptimal support to sustainable development and good governance

66. The support of sustainable development and good governance is the second objective of the scheme. It has severe limitations, as many of the problem drivers fall outside the remit of the scheme. First, **implementation** of conventions is very **costly**[194]. While Aid for Trade initiatives could further help here, this is well outside the scope of the review. Second, its success depends greatly on **domestic political dynamics** within the countries concerned. Government priorities, budgetary constraints, availability of appropriate development and technical assistance will be powerful determinants of actual progress, irrespective of the preferences involved. They are structural factors which act in the long run[195]. Therefore, ambition in this area must be tempered with realism: the scheme will help given time, but it cannot lead alone to the achievement of sustainable development and good governance.

67. It is encouraging to see that, as explained above, GSP+ has contributed to the ratification of conventions. However, there are shortcomings in the scheme which hamper its efficiency and effectiveness[196].

Sub-optimal entry mechanism to GSP+

68. The entry mechanism is affected by several shortcomings.

69. First, shortcoming is that the threshold for entry is that the country has not only ratified, but 'effectively implemented' the conventions. Aside from the problems linked to the lack of a clear definition of this notion, **effective implementation** is the *final goal* of the scheme, to be achieved progressively with the help of preferences. Using it **as entry criterion** sets the bar too high and discourages applications—an effectiveness *lacuna*. However, **a clear undertaking to ensure implementation of the conventions is a key entry criterion, to guarantee commitment** to promote sustainable development and good governance and avoid weakening the nature of the scheme.

70. Another shortcoming is the existence of **entry windows only once every 18 months**. While such a window is administratively expedient, it is not a reason to postpone the achievement of sustainable development and good governance goals. This issue was raised by a number of parties in the consultation process.

71. As shown by the consultation process, one of the most debated issues is the number and nature of the scheme's obligatory conventions. The CARIS study[197] does not indicate a clear-cut case which supports either reducing the number of conventions or introducing new ones. Here, there is broad consensus that the conventions at hand cover core sustainable

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[194] See e.g. CARIS pp. 10-11. The consultation process also highlighted this point.

[195] So much so that CARIS found it was too early to judge on whether GSP+ had been effective in terms of implementation of conventions.

[196] We will not repeat here the points made above regarding the lack of sufficient space for GSP+ imports in view of the competition by GSP products which have similar preferences for most product sections. No reference will be made, either, to the delicate balance between GSP+ and EBA imports. The reader is directed to the description under previous points of those problem drivers.

[197] See e.g.CARIS p. 11.

development and good governance issues. While there are many other conventions which could eventually be included, the high cost of compliance and the burden already faced with the implementation of the existing 27 conventions, suggest that the current list should not be extended significantly. Otherwise, the bar would be set so high that the system would discourage applications, rendering itself ineffective[198].

72. Finally, the consultation process and the experience gathered while applying the scheme suggests that the rules of the entry process are not sufficiently clear regarding **parties involved, their rights, and the relevant procedure**. This limits the efficiency of the scheme in this respect, as participation is *de facto* discouraged and legal certainty and predictability hampered.

Suboptimal mechanisms for review and withdrawal of preferences under GSP and GSP+

73. The GSP+ arrangement would benefit from a **clearer definition** of the concept of ***effective implementation***. Here also, setting examples or relevant benchmarks would enhance legal certainty and predictability, making the system more efficient.

74. Equally, consultation responses and the operation of the scheme has made clear that the new regulation would benefit from a **clearer procedure ensuring participation and information rights of all parties** in the context of withdrawal, and potential re-instatement of preferences. DG TRADE's Hearing Officer has clearly recommended that this matter should be improved. This would include: clearer definition of interested parties and contributing parties; guidance regarding the treatment of confidential information provided by parties; clarification of a number of parties' rights (access the file, disclosure of the essential facts underlining the institutions' proposals, comments thereon; clearer deadlines for participation). In other words, the current status does not guarantee the necessary participation of parties and procedure to ensure that the **scheme correctly withdraws and re-instates preferences**.

75. Finally, two conventions do not have monitoring mechanisms (see ANNEX 1 Table 1-6, p.19) and in some cases monitoring reports are few and far between, and do not allow for a prompt analysis of potential lack of sufficient respect of the relevant conventions. While the special GSP+ dialogue can help in this respect, it would be advisable in line with consultation responses that **monitoring be reinforced where reporting frequency is insufficient**. This would have to be done without undermining the necessary legitimacy of the international monitoring bodies and institutions which define such conventions.

I.3.6. Inadequate Safeguard Mechanism

76. As explained in ANNEX 1, the scheme's safeguard mechanism has never been used. This is not a problem in itself. However, the consultation process has underlined a number of shortcomings. Also, the experience gathered in the application of withdrawals is useful, as many rights of defence and procedural issues are similar. There, as explained above, also a number of shortcomings were identified. These shortcomings can impinge on the efficiency of safeguards, which, as confirmed by the consultation process, are an important mechanism to defend the economic and financial interests of the Union.

77. The problem drivers here are of legal nature. The **definition of key legal concepts is unclear**—for example the notion of "serious difficulty", which is the trigger for action. The **rights and obligation of parties** in the context of the opening of investigations and of their

[198] This point was underlined specifically in the consultation process.

participation in the process are also **not spelled out**. The **procedural framework is also very general**, and would benefit from more detail to enhance transparency and predictability. A good blueprint for eliminating these problem drivers exists: the general safeguards and other trade defence instruments.