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IMPACT ASSESSMENT BOARD

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Opinion

Title

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

(resubmitted draft version of 2 March 2011)

(A) Context

The Generalised System of Preferences (GSP) was first introduced in 1971. Currently granting preferential access to EU markets on a non-discriminatory basis to 176 eligible countries, it is articulated in three separate regimes: (i) the basic GSP; (ii) the GSP+ programme offering additional preferences to those developing countries deemed vulnerable and implementing specified core international conventions; and (iii) the Everything But Arms (EBA) initiative, which offers duty-free and quota-free market access to 49 Least Developed Countries (LDCs). A recently completed mid-term review provides the background for the planned Commission revision. This will not cover EBA (which is not subject to periodic reviews) or rules of origins (for which new legislation is already coming into force in 2011).

(B) Overall assessment

The revised report has strengthened the analysis of the problems, improved the assessment of the impacts and substantially enhanced the overall presentation along the lines of the recommendations issued by the Board in the first opinion. Some aspects, however, should still be further improved. In particular, the content of some policy options should be better clarified and justified. The analysis of their impacts and the resulting comparison of options should also be further improved.

(C) Main recommendations for improvements

(1) Further improve the analysis of problems. The revised report has clarified the analysis of problems, strengthened its evidence basis and better justified the choice of issues to address. Some aspects can, however, be further improved. The report should, in particular, clarify the specific objectives of GSP+. Its eligibility criteria are found problematic because they fail "to ensure that all the world's poorest countries can qualify" (p.16) but annex 5 argues that GSP+ should remain a tool addressing the specific needs of "the vulnerable" as opposed to those of the "poorest" (i.e. the beneficiaries of the separate

Commission européenne, B-1049 Bruxelles / Europese Commissie, B-1049 Brussel - Belgium. Telephone: (32-2) 299 11 11. Office: BERL 6/29. Telephone: direct line (32-2) 2981898. Fax: (32-2) 2965960.

E-mail: impact-assessment-board@ec.europa.eu

EBA regime). In addition, the report should better explain the interaction between the objective of improving GSP targeting on the countries most in need and the incentives to negotiate bilateral and multilateral trade deals (see §2.3.3). Finally, the report would also benefit from providing more background information on the safeguard mechanism and its inadequacy (§2.3.6, p.17).

(2) Further explain and justify the range of options considered. The revised report analyses a more illustrative range of policy options and compares them to a strengthened baseline. It should, however, further explain why option C would abolish the possibility of graduation for GSP+ beneficiaries (p.22) given the impact that a more favourable GSP+ regime may have on EBA recipients (see, for instance, impact of potential Pakistan entry on Bangladesh, p. 30/31). Moreover, the implications of changing GSP+ eligibility criteria from an obligation to implement international conventions to simply showing the intention to implement should be further discussed. The differences between the current monitoring mechanisms and those envisaged under option C should also be explained in greater detail (p.22), in particular with regard to the future roles of the relevant international monitoring bodies and the European Parliament. The report should also explain why EU monitoring would become more effective (as stated on p.41). In so doing, the report should assess the extent to which the conclusions drawn from EU monitoring could realistically differ from those emerging from currently utilised international monitoring mechanisms. Finally, the report should clearly explain if deferrals of preferences for countries less in need and graduation are part of option D since, according to p.23, "this policy option includes and builds upon the features of option C" but impacts in § 5.5.1 are driven by "beneficiaries previously subject to significant graduation" (p.35).

(3) Further improve the analysis of impacts. The revised report has significantly expanded the range of impacts analysed and improved their assessment. Nevertheless, the summary impact tables (p.29, 34, 35 and 38) should be clearer, explaining which diverse impacts are included under the "economic" column and breaking down the country groupings into more detailed sets ("EU," "non-GSP," "GSP," "GSP+" and "EBA" countries) so as to more transparently reflect the different distributional impacts. The tables' scores should also be better justified in the main text and should reflect the different size of impacts (particularly with respect to the negative impact on countries most in need under option C2 relative to impacts under C1 and A). In this context, the report should explain what contributes most to the difference in impacts between options C1 and C2: changes in GSP graduation thresholds or looser GSP+ eligibility? On the basis of the strengthened impacts presentation, the comparison of options should better justify the relative efficiency of option C1 in targeting the countries most in need (what is the evidence that, as stated on p.41, "countries or sectors which deserve preferences by and large remain as beneficiaries"?). The comparison of options should also assess the impacts on tariff revenues of option D1 more coherently (see p.37 versus 43). Finally, the report should explain why only direct environmental impacts are considered (p.28), describe in an annex the main components of administrative cost (p.29) and clarify the assessment of imports from LDCs under option A (p.26).

(D) Procedure and presentation.

The report should explain in greater detail how Board recommendations were taken on board (§ 1.4). The redefinition of product sections (problem chart, p.7) should be added to the list of operational objectives on p.19. The summary tables for the simulated effects (6.6 and 6.7 in annex 6) should be included in the main text to facilitate the reading of §5. The presentation of the results for options D2 and D3 in table 6.7 should be simplified. The summary table on p.39 should improve the presentation of the comparison of options by also looking at individual general objectives. Finally, the length of the executive summary should be reduced to meet the mandatory ten-page limit.

(E) IAB scrutiny process	
Reference number	2010/TRADE/019
External expertise used	No
Date of Board Meeting	Written procedure The present opinion concerns a resubmitted draft IA report. The first opinion was issued on 19 November 2010